

Copy of Original Letter regarding VSP & Costco

as sent to all VSP State Professional Representatives, the Board of Directors and President & CEO, Rob Lynch.

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August 2010 SPR Message

Hello everyone! This is Tim Jankowski with greetings from Not-So-Sunny Southern California.

This message is going out to all of our State Professional Representatives, the Board of Directors, and to Rob Lynch.

While the summer has been cooler than normal in Southern California, it appears to have been heating up in other areas of the country... especially when one considers all the misunderstandings of the Costco pilot that are appearing in a number of optometry blogs.

It is important to remember that the primary purpose of VSP has always been to place patients in private practice doctors' offices. This mission has never been more important than it is today. The vision care market has evolved to the point where VSP is encountering potential clients who will not allow a VSP bid for their vision care business because it does not contract with optometric chains. This has challenged the Board of Directors and VSP staff to develop new ways to compete in the current health care market place while still fulfilling VSP's primary, original mission.

Fortunately, we have been able to take a process that we are obligated by state law to perform, namely to provide Out Of Network reimbursement, and adapt it into a form that is acceptable to our pilot clients who demand access to commercial optometry for their employees.

Here are the Costco Pilot facts:

1. The Board of Directors has authorized a maximum of 8 clients under the Costco pilot. Our sales staff has already sold 6 plans, and in the process, directly reclaimed business from Eyemed.
2. State law requires OON reimbursements
3. Costco, while being VSP's biggest OON provider, will continue to be considered an Out of Network Provider and will be paid OON reimbursement schedules.
4. Costco will be allowed to bill for services electronically which actually saves VSP money compared to paper claims. This is the only change from the current policy. These savings can be put back into the system to enable VSP to become even more competitive.
5. Costco may not advertise that they accept VSP patients.
6. Patients have always been able to choose where they obtain their eye care. VSP has been successful in directing 95% of all VSP patients to panel providers

What will our panel providers gain out of this pilot?

VSP now owns the contract and will direct patients INTO private practice doctors' offices as opposed to Eyemed, which actively directs patients OUT of private practice doctors' offices and into their company-run stores. VSP can only direct patients into private practices that they directly control...and now they do through these pilot contracts.

In the case of the Trader Joe's contract, 30% of patients under the previous Eyemed contract were being directed to the Luxottica supply chain providers, like LensCrafters, Pearle, Sears, Target, and JC Penney. VSP is now redirecting those patients back into private practice doctors' offices. While it is too early to draw any final conclusions, in the month of July (Trader Joe's first month under VSP contract), 95% of patient visits were in VSP panel doctors offices!!!!

The Board of Directors will be monitoring Costco utilization very closely. If the Costco utilization remains even close to what it has historically been, this will be a big win for private practice optometry.

Change is always a difficult process, but with the way that the eye care industry is consolidating, continuous change has become the new norm. The VSP Board of Directors remains committed to the original vision of placing patients in private practice doctors' offices and will continue to help develop and implement innovations to restore and expand the VSP book of business.

There are three things that I will ask you to do:

1. Continue to discuss the positive outcomes of the Costco pilot
2. Assist with dispelling rumors and misunderstanding of our message by providing the facts
3. Continue to act as a conduit in sharing our panel providers concerns and questions with the Board of Directors

I invite any of you who have concerns about any new programs that the Board of Directors approves and VSP implements, to continue to make your voices heard. Please feel free to contact me personally at any time.

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If you have any questions or concerns regarding this letter, PEN encourages you to contact Dr. Eric White, PEN Board Member & VSP State Professional Representative. Email: emwhiteod@aol.com or Office: 858-278-4720