

# Ensuring America's Vision



CONFIDENTIAL

## Optical Industry Global Leadership Summit



# Ensuring America's Vision

*An Insurer's Perspective*

Presented by:

**Robert Gray**

*President/CEO, Highmark Vision Group*

March 21<sup>st</sup>, 2007

CONFIDENTIAL

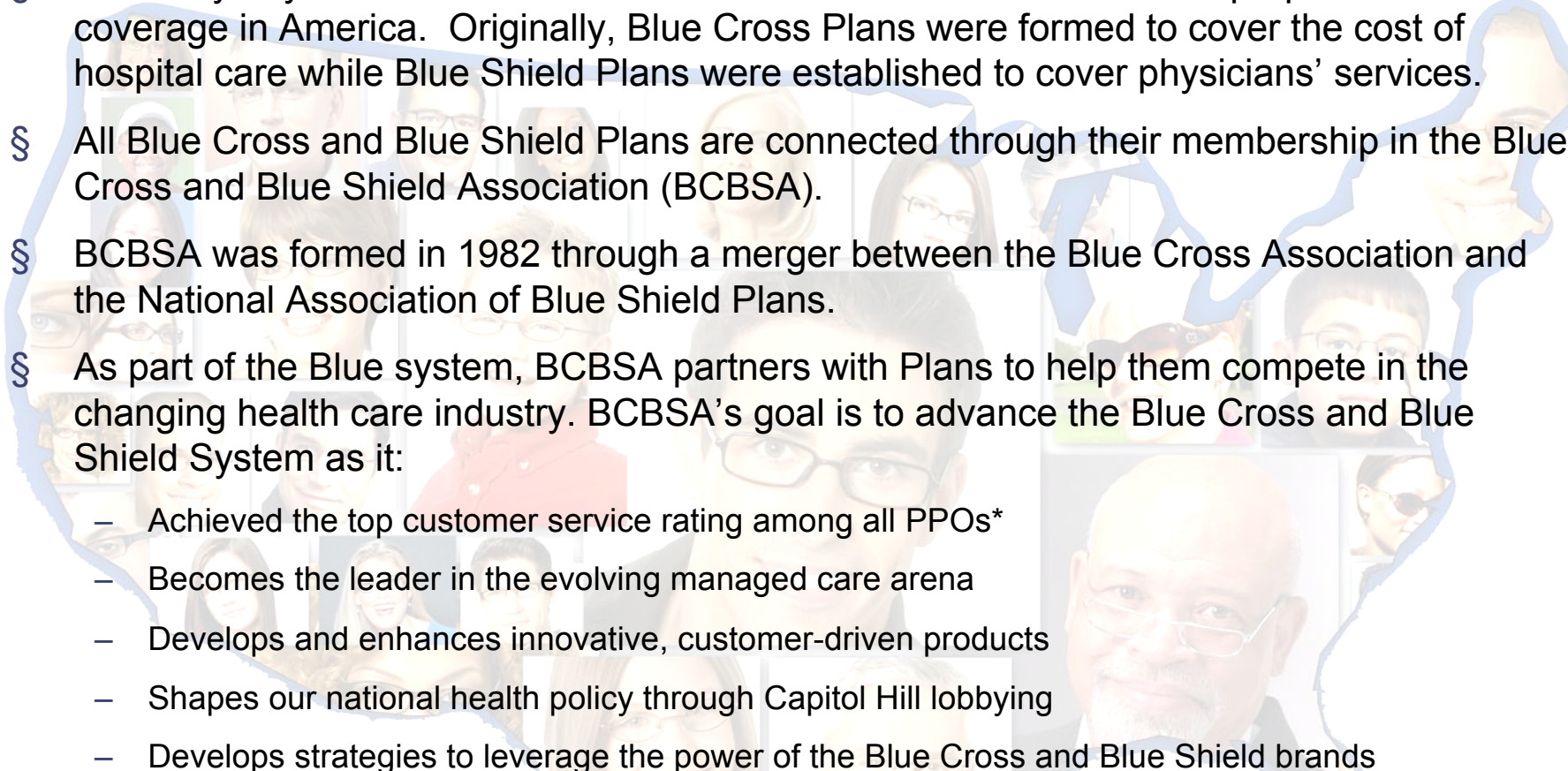
## Optical Industry Global Leadership Summit



# Introduction

CONFIDENTIAL

# Blue Cross Blue Shield Overview

- 
- § The early days of Blue Cross and Blue Shield Plans mark the birth of prepaid health care coverage in America. Originally, Blue Cross Plans were formed to cover the cost of hospital care while Blue Shield Plans were established to cover physicians' services.
  - § All Blue Cross and Blue Shield Plans are connected through their membership in the Blue Cross and Blue Shield Association (BCBSA).
  - § BCBSA was formed in 1982 through a merger between the Blue Cross Association and the National Association of Blue Shield Plans.
  - § As part of the Blue system, BCBSA partners with Plans to help them compete in the changing health care industry. BCBSA's goal is to advance the Blue Cross and Blue Shield System as it:
    - Achieved the top customer service rating among all PPOs\*
    - Becomes the leader in the evolving managed care arena
    - Develops and enhances innovative, customer-driven products
    - Shapes our national health policy through Capitol Hill lobbying
    - Develops strategies to leverage the power of the Blue Cross and Blue Shield brands

\*Source: Consumer Reports

CONFIDENTIAL

# Nationally Respected Brands

**The Blue Cross Blue Shield brands are the strongest consumer brands in the business**



CONFIDENTIAL





- § Highmark Inc., was created in 1996 as a result of consolidation of Blue Cross of Western Pennsylvania and Pennsylvania Blue Shield. In 1999, Mountain State Blue Cross Blue Shield, the largest health insurance carrier in West Virginia, became a Highmark subsidiary.
- § Today, Highmark is a not-for-profit corporation with over \$10.6 billion in 2006 annual revenue.
- § Ranks as one of the top ten largest health insurance companies in the United States and enjoys an “A” rating from both Standard and Poor’s and A.M. Best.
- § Provides health care coverage and offers a wide variety of insurance and related products and services throughout the country.
- § In addition to medical, Highmark offers and integrated array of products throughout its subsidiaries including Davis Vision (Vision), United Concordia (Dental), HM Insurance Group (Supplemental Products) and many others.
- § Through its diversified product portfolio, Highmark currently serves more than 28 million\* people nationwide through quality health, dental, vision and life insurance programs.

\* Funded lives exclusive of Affinity Discount Programs

CONFIDENTIAL

# Our Mission and Vision

- § To ensure access to affordable, quality healthcare enabling individuals to live longer, healthier lives.
- § To be the leading consumer-focused health insurer in the communities we serve, addressing the healthcare needs of individuals while maintaining our financial strength.



CONFIDENTIAL

# Highmark Vision Holding Company (HVHC)

- § **1976** Pennsylvania Blue Shield (PBS - now Highmark) offered vision services to subscribers as the Eye Examination and Refraction Program (EERP) is introduced.
- § **1996** Highmark formed HVHC as the holding company for the vision benefit and services companies.
- § **1996** Highmark acquired Davis Vision.
- § **2005** HVHC acquired Viva International Group, an international frame distributor with branded product lines including Guess, Tommy Hilfiger, Gant, Candies, Bongo, Harley Davidson, Catherine Deneuve, etc.
- § **2006** HVHC acquired ECCA, with 387 optical retail stores in 36 states and combined with Davis Vision retail chains, HVHC now has nearly 500 stores nationwide.
- § **2007** HVHC currently serves approximately 50 million members\* nationally and exceeds a billion dollars in annual revenue.



**Vertical integration of vision assets result in cost-effective seamless delivery of benefits.**

\* Inclusive of Affinity Discount Members and Proprietary Vision Centers Direct Accounts

CONFIDENTIAL



# HVHC Mission and Vision

## Mission

To provide affordable, high quality vision products and services that meet or exceed the expectations of our patients, business partners and our owner.

## Vision

To be a leading vertically integrated vision care company with an operating premise of maximizing value to our customers by providing superior access, quality, price and image resulting in 100% customer satisfaction.

# Expertise Serving Health Plan Partners

## Approach

- § Wellness benefit focus via inclusion of comprehensive eye examinations and access to discounted or funded eyewear
- § Member care delivered through a blended network (with community based independent, ophthalmologists and optometrists and retail locations)
- § Fully integrated administrative services for ease of doing business

## Results

- § Health Plan Partner membership has grown from approximately 2.5 million lives in 1996 (prior to Highmark acquisition) to nearly 36 million currently

# An Integrated Model Case Study

- § Office of Personnel Management – Davis Vision successfully partnered as the exclusive vision vendor on behalf of BCBSA and the entire Blue system
- § FEP BlueVision<sup>SM</sup> enrolled 402,738 lives or 63.4% of the vision enrollment
- § In the first two months of 2007, approximately 30% of in-plan selected frame models were from Viva International
- § ECCA represents 14% of FEP services



CONFIDENTIAL

## Optical Industry Global Leadership Summit

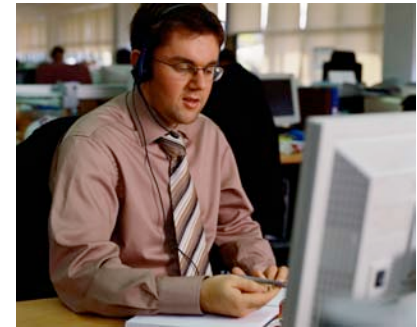


# Consumer Demand and Expectations

CONFIDENTIAL

# Increasing Demand from Consumers and Payers

- § In the last 20 years, adult consumers with some type of vision coverage has more than doubled from just over 30% to nearly 80%.\*
- § ***Visual demands in the workplace have grown.*** Dramatic changes in the workplace environment with computers the #1 source of vision complaints.
- § More than 76 million Americans make up the Baby Boom generation... and they are a vocal majority now entering their 60's.
- § By 2030, the segment of the population over 65 is projected to grow from 35 million to 71.5 million and represent nearly 20 percent of the total U.S. population.



\* Source: Society for Human Resource Management



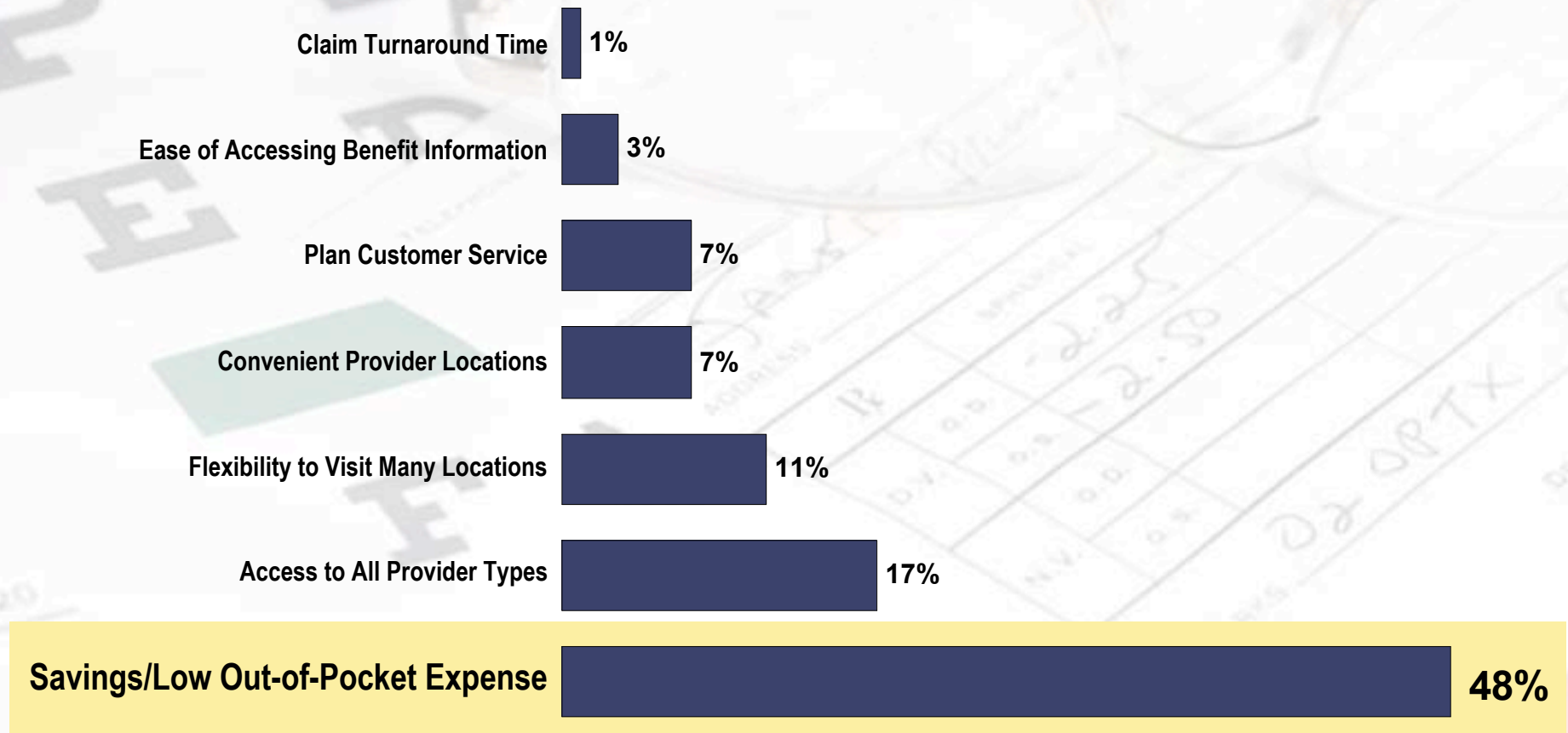
*Vision care has become a necessary benefit offering*

CONFIDENTIAL



# Member Expectations

## Most Important Features of a Vision Plan



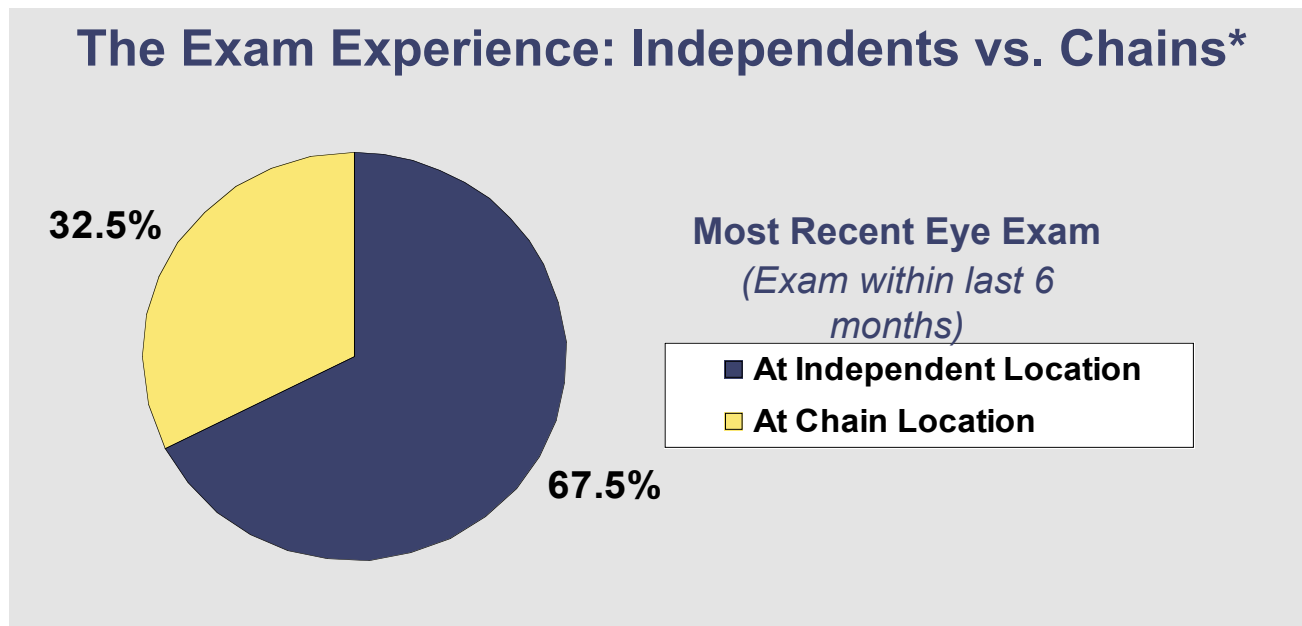
Source: "Insight Survey – 2007 Consumer Perceptions of Managed Vision Care," Jobson



**Consumers want real savings**

CONFIDENTIAL

# Freedom of Provider Choice



\*Source: 2006 Jobson Optical Research – *VisionWatch, Study of Consumer Eyewear Attitudes and Behavior*



**Delivery systems need to offer member choice in provider modality and practice setting**

CONFIDENTIAL

# Other Market Trends

## § Health Management

- Diabetic Outreach initiatives for managed care and world-class commercial organizations
- “Healthy Eyes... Healthy Lives” with outreach and ongoing communications to raise awareness of the importance of routine eyecare
- Hybrid Plan types – covering comprehensive eye examination with bundled discount program embedded with MCO medical coverage to integrate with customers’ focus on wellness

## § Consumer Driven Plan Evolution

- Continued shift and growth of Voluntary products

## § Continued strategic alliances with health plans and MCOs for delivery of integrated medical and vision benefits

- More and more sponsoring entities are looking to consolidate coverage with “**1 Stop Shop**”

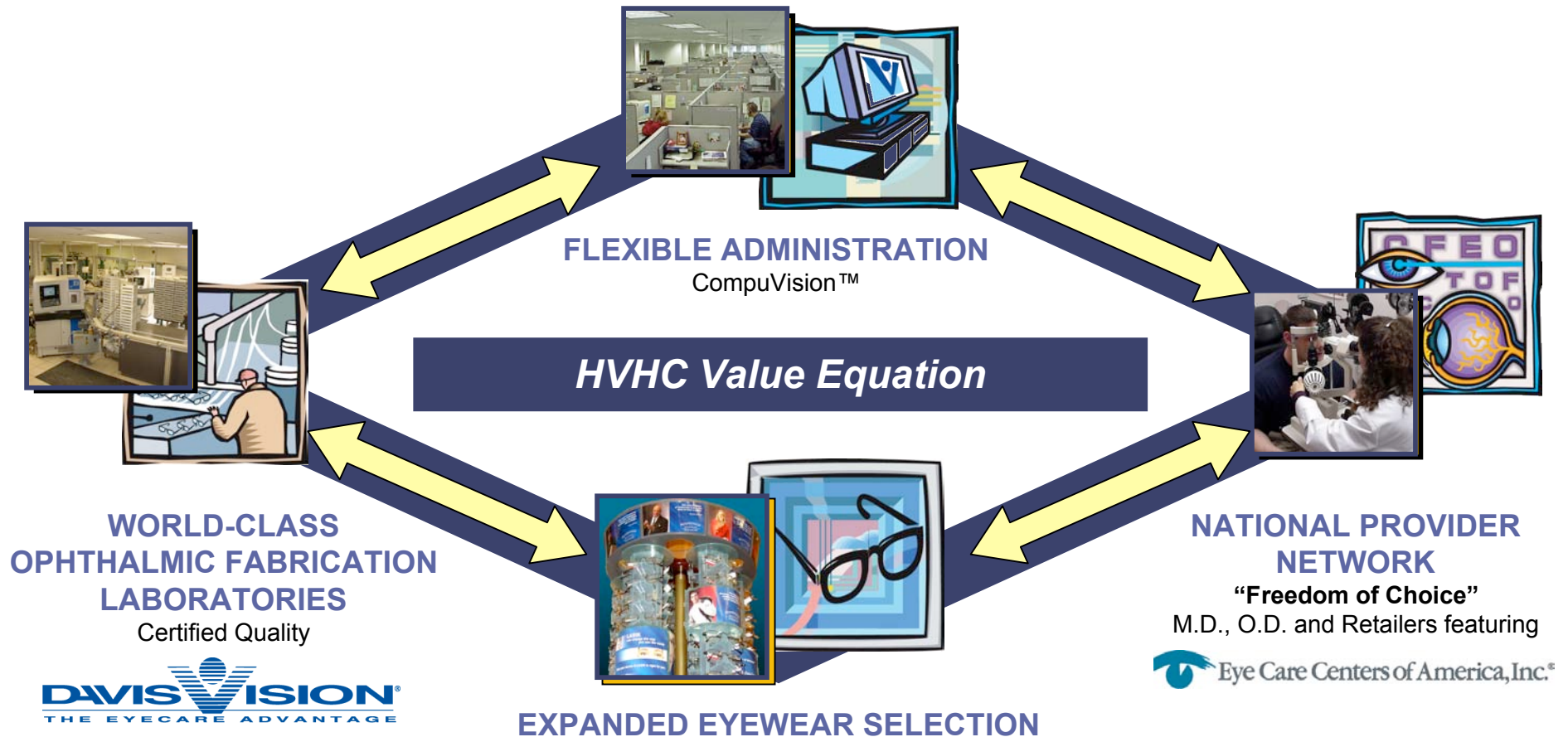
## Optical Industry Global Leadership Summit



# HVHC Vision Care Delivery

CONFIDENTIAL

# Comprehensive Systems Integration



***Ensures Benefit Value with Integrated Quality Assurance***

CONFIDENTIAL



# Quality of Care Focus

*From Services...*

*to Products...*

NCQA Certification

*Managed care industry  
standard for quality*



COLTS Laboratories Certification

*Optical industry standard  
for product quality*



JCAHO Accreditation

*First and Only Accredited  
Vision Care Company  
under PPO Standards*



ISO 9001:2000 (without design) Certification

*International reference for  
quality management  
requirements*



*Customers Expect and Demand Quality*

CONFIDENTIAL

# Integrated/Seamless Service Delivery

**HVHC provides Administrative Integration & Flexibility which results in ease of use for all partners**

- § Providers: ease and choice of interaction medium (i.e., phone, web, IVR)
  - Place orders, check enrollment, track eyewear orders electronically
  - Custom web portals for major retailers
- § Groups: administrative integration/self-service tools, turnkey service
  - Benefit Manager (allows HR staff online access to manage their plan)
  - SuperPage (allows groups to provide integrated vision care support to their membership through direct access to Davis Vision systems over the Internet)
  - Private Label Websites (direct links to intranets and support for co-branding)
- § Members: inclusive coverages minimizing out-of-pocket expenses while allowing freedom of choice in provider setting



**Over 43 Years of Vision Care Integration Expertise**

CONFIDENTIAL

# PARTNERSHIP



## FOR QUALITY

**HVHC INC.**

A HIGHMARK COMPANY