

## **MANAGED CARE**

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### Section 3c-Dispensary

*Maximizing reimbursements in your dispensary in a managed care environment*

#### **DISCUSSION:**

Merchandising your dispensary is difficult enough but accommodating vision plan patients with a great selection of frames and having the practice make a profit can be challenging.

#### **ANALYZE YOUR DISPENSARY**

- a. Do you have a very good selection of frames to compete with big box stores?
  - i. Most offices have between 500 and 1200 frames. Most importantly are you accommodating children, Teens and Adults? For each category do you have a great selection of metals and Zyles? Do you have a great sunglass kiosk?
- b. Are your displays outdated? When was the last time you created a new look?
  - i. Either changing display position or purchasing new displays is critical for your dispensary to look fresh and current. Plan an update every 5 to 7 years.
- c. When you look at your frame board do the frames look redundant?
  - i. I have observed hundreds of dispensaries around the US over many years and more often than not, frame display are boring as well as redundant. When you set up frames on your frame boards make sure different colors as well as shape are side by side so frames will stand out rather than get lost in the view.
- d. How are you actually merchandising frames?
  - i. Are your frames separated by cost, style, or manufacturer? Consider separating frames based by margins frames with margins greater than 30% would be on a managed care board. (Do not call this managed care but give the boards a stylish name). Frames with margins less than 30% put on a separate board , Luxury frames on a separate board, children's on a separate board and a Value board that will keep those patients that are very price conscious.

#### **MANAGED CARE**

- a. When Stand-alone Vision Plan patients come into your practice it is very important you understand how the plans work, how the reimbursements are figured, the staff training and frame board management.

Let's look at one plan that puts a lot of patients in our chairs, VSP.

- a. When a VSP patient comes into your office, there will be a wholesale and retail frame allowance for that patient.

**Example:** The Wholesale allowance may be \$46.00 and the Retail allowance may be \$130.00. You will need to know the wholesale cost of the frame and what you actually charge for the frame. Frame fax is frequently used to determine the wholesale cost.

- b. When getting reimbursed for a frame, VSP will look at the wholesale cost of the frame in Frame Fax first. This would apply if the wholesale price in frame fax is the same or lower than the wholesale allowance (in this case \$46.00).

**Example:** If the frame is listed in frame fax for \$46.00 and the VSP allowance is \$46.00 then you are reimbursed \$46.00. Your actual cost on the frame may be \$36.00, in which case you made an additional \$10.00. If the frame is a good mover and you reorder it at \$36.00 then effectively you lost \$26.00. If the frame fax list is over \$46.00 then the reimbursement is based on the retail price you charge.

**Example:** If the frame listed in frame fax is \$50.00 (your actual cost may be \$35.00). You charge \$189.00. If the retail allowance is \$130.00 then you will be reimbursed the wholesale allowance \$46.00 plus the difference between the retail allowance and what you charge (\$189 minus \$130 equals \$59.00) less 20% or \$47.00. In this scenario you are reimbursed \$93.00 (\$46.00 plus \$47.00). Your cost is \$35.00 so your profit is \$58.00. If you repurchase the same frame at \$35.00 you still have a profit of \$23.00. This is a better situation than losing \$26.00 in the above example.

*[Please understand that these are samples of what can be done. It is my intention to share with you how a managed care environment can be turned into a profit center. I do not want to compromise your integrity or in any way indicate that one way is better than another.]*

## **PEARLS**

- a. Try to direct your VSP patients to your managed care board where wholesale costs are over the maximum frame allowance and the margins between frame fax and your actual cost is at least 30%. This board should offer a great selection for all.
- b. If there is a need for add-ons that are not covered by VSP do not be afraid to mention them. Certainly by doing this in an ethical way, the add-ons will increase your top line while creating a benefit to your patients.

Train and retrain staff to understand your protocols.

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