Davis Vision 2009 Quality Improvement Plan Evaluation

Activity #1: Develop/test/administer new business model for CVX platform	**Due Date:** December 31, 2009

Goal: Establish standards (where applicable) for benefit designs, provider networks, bills, reports, etc. to support future CVX development. Focus key resources on developing/testing new business processes aimed at driving efficiencies in support of the CVX platform.

First Quarter:

- Developed CV Project Plan and Tactical Plans that identify key milestones and details needed to achieve this initiative in support of 1/1/10 groups.
- CVX Workgroups identified for all key business areas.
- CVX Workgroups engaged in developing business requirements for CVX 1/1/10 groups. Includes identification of where standards are needed. CVX Workgroups partnering with IT applications development and Business Analysis team throughout this analysis.
- CVX Workgroups partnering with key Plainview Sr. Mgmt to address specific requirements for their areas (Dr. Wende, Joe Siniscalchi, Dale Paustian and Heather Reynolds)
- Business Analysis team working with Marketing to develop standard benefit design and Provider Information Mgmt to identify provider network needs.

Second Quarter:

- Workgroups completed activity to identify Business Requirements for each function.
- IT evaluated Business Requirements against CVX capability to determine what could be done using "out-of-the-box" functionality versus those that would require further development. The few gaps that were identified are being addressed.
- Conducted walk-thrus of Business Requirements and Gaps with IT, Business Teams and Sr. Management. Many decisions were made regarding business model changes and standardization of benefits and documents (e.g. enrollment file layout, Provider Explanation of Payment, Client Invoices, Explanation of Benefits, etc.).
- IT completed Phase I of three phases of CVX development activity in support of 1/1/2010 deliverable to administer a standard benefit on CVX. Phase II development activities due 9/15/2009. Phase II development activities due 11/15/2009.
- Model Office in place. The purpose of a Model Office is for Business Subject Matter experts to test, improve and finalize all aspects of a new system and business workflow prior to it being released to production. Adopting a Model Office approach saves money and time later, as the subsequent implementation of the system is likely to run more smoothly and identify fewer problems needing solutions.
- The CVX Model Office consists of eleven team members located in Latham separate from day-to-day business activities. Their goal is to test CVX functionality, revise business processes, determine organization requirements and prepare training materials.

Third Quarter:

- IT completed Phase II of three phases of CVX development activity in support of 1/1/2010 deliverable to administer a standard benefit on CVX. Phase III development activities due 11/15/2009.
- Model Office activity:
  - Conducted proof of concept for Phase I
  - Completed setup of standard benefit on CVX platform for 1/1/2010 groups
  - Built additional test groups to verify Phase II functionality for premium/FFS
  - Finalized high-level workflow
  - Started developing procedures and detailed work instructions
  - Developing training plan
  - Began setup of 2010 groups in CVX

Fourth Quarter:

- IT completed Phase III of three phases of CVX development activity in support of 1/1/2010 deliverable to administer a standard benefit on CVX.
- Brought 37 new groups up on CVX platform on 1/1/2010. **INITIATIVE COMPLETE.**

Activity #2: Expand Scope of the Disease Management Program	**Due Date:** December 31, 2009

Goal: Develop and implement interactive tool for member website to provide targeted information on eye health conditions.

First Quarter: Designed interactive tool and developed content including educational material on diabetes, glaucoma, cataracts and age-related macular degeneration. Identified links from interactive tool to outside sources for more information. Finalizing content material. Testing to begin 7/1/09.

Second Quarter: Testing completed. Identified and resolved minor challenges. Interactive tool on educational materials is ready for implementation.

Third Quarter: Interactive tool on educational materials is implemented and updated. Targeted information on eye health conditions is available to all members that have access to the Davis Vision member website. **INITIATIVE COMPLETE**

Activity #3: Offer Incentive for Increasing Web Order Entry	**Due Date:** December 31, 2009

Goal: Develop program to incent individual providers to significantly increase percentage of orders placed via web.

First Quarter: Explored opportunities for provider incentives and conducted legal review of requirements. Announced drawing to win a trip for two to Super Bowl XLIV in Miami in February 2010 available to all participating providers placing orders via the Davis Vision website (except where prohibited by law).

Second Quarter: Continuing to explore additional opportunities

Third Quarter: Developing methodology for selecting winning provider

Fourth Quarter: Winning provider selected and announced. **INITIATIVE COMPLETE**.

Activity #4: Obtain URAC Health Website Reaccreditation	**Due Date:** December 31, 2009

Goal: Submit evidence of compliance prior to 7/1/09 expiration date.

First Quarter: Prepare for reaccreditation in July 2009.

Second Quarter: Requested re-accreditation application. Received re-accreditation application and invoice 6/1/09, processing. Establishing schedule for audit, current accreditation will be extended until completion of URAC audit.

Third Quarter: Re-accreditation application and materials sent to URAC. Payment sent to URAC, receipt confirmed. Waiting for URAC to schedule onsite visit and for any additional documentation requests.

Fourth Quarter: All evidence submitted to URAC. Awaiting onsite visit. **INITIATIVE COMPLETE**

Activity #5: Evaluate cost benefits associated with transition to hard-coated plastic lenses	**Due Date:** December 31, 2009

Goal: Measure reduction in spoilage and warranty returns related to scratching as a result of switching to all "hard coated" plastic lenses.

First Quarter: Measured baseline results for 2008 and found that 1% of all plastic jobs were either spoiled or replaced under warranty due to scratches. We spent approximately $184K in reprocessing costs and additional materials, replacing those defective items. Through the first quarter of 2009, this rate has fallen to 0.8%, resulting in 763 fewer breakages or warranty redos being processed, at a savings of $14,079.85. However, the incremental cost to supply scratch coated lenses on all plastic lens orders was $94,034.06, resulting in a "loss" of $79,954.21 for the quarter. Annualized, this would be a net increase in cost of goods (CGS) of approximately $376K. Original projections put the incremental costs up front at $500K.

Important to note that most of the redos processed during the first quarter of 2009 and many during the first half of the year, are in replacement of jobs that were originally/last fabricated in 2008, when uncoated lenses would have been provided. Decision has been made to monitor through first half of year before determination is made on whether or not to continue.

Second Quarter: Through the second quarter/first half of 2009, this rate has risen slightly to 0.9%, resulting in only 466 fewer breakages or warranty redos being processed vs. 2008, at a savings of $8,609.32. However, the incremental cost to supply scratch coated lenses on all plastic lens orders was $96,734.28, resulting in a "loss" of $88,124.96 for the quarter. Annualized, this would be a net increase in cost of goods (CGS) of approximately $364K. Original

projections put the incremental costs up front at $500K.

Third Quarter: Through the third quarter of 2009, the rate of plastic jobs spoiled or replaced under warranty for scratches returned to 0.8%, resulting in 606 fewer breakages or warranty redos being processed, at a savings of $11,152.62. However, the incremental cost to supply scratch coated lenses on all plastic lens orders was $83,667.49, resulting in a "loss" of $72,514.87 for the quarter. Annualized, this would be a net increase in cost of goods (CGS) of approximately $354K. Original projections put the incremental costs up front at $500K.

Fourth Quarter: Through the fourth quarter of 2009, the rate of plastic jobs spoiled or replaced under warranty for scratches fell to 0.5%, resulting in 982 fewer breakages or warranty redos being processed, at a savings of $18,072.42. However, the incremental cost to supply scratch coated lenses on all plastic lens orders was $76,767.39, resulting in a "loss" of $58,694.99 for the quarter. Annualized, this resulted in a net increase in cost of goods (CGS) of approximately $313K. Original projections put the incremental costs up front at $500K.

Activity #6: Evaluate service benefits associated with introduction of a PA coating center.	**Due Date:** December 31, 2009

Goal: Measure reduction in total jobs outsourced for Zeiss AR coating and the associated improvement in service levels since introduction of a PA coating center.

First Quarter: In the first quarter of 2009, the PA Zeiss ARC lab coated 6,651 lenses, with an average days in lab (DIL) of 5.7 days and an average days in process (DIP) of 1.7 days. DIL represents total time in the facility from receipt to shipment, while DIP reflects total time actually spent working on the job, excluding any wait time for non-plan frames, special order lenses, etc. This compares favorably to the 6.9 and 2.4 days respectively for orders that were coated outside of DV PA during the fourth quarter of 2008.

Will continue to monitor, as the overall portion of Zeiss jobs coated in PA during the first quarter was smaller than is currently done, given lab was just coming on line.

Second Quarter: In the second quarter of 2009, the PA Zeiss ARC lab coated 18,094 lenses, with an average days in lab (DIL) of 4.7 days and an average days in process (DIP) of 1.7 days. DIL improved 17.5% from the first quarter of 2009 and continues to compare favorably to the 6.9 and 2.4 days respectively for orders that were coated outside of DV PA during the fourth quarter of 2008.

Third Quarter: In the third quarter of 2009, the PA Zeiss ARC lab coated 24,470 lenses, with an average days in lab (DIL) of 5.3 days and an average days in process (DIP) of 1.7 days. DIL increased during the third quarter, due to a significant and unexpected influx of work from a single, large client during the month of July. DIL for each month of the third quarter was as follows; July – 5.8, August – 5.3 and September 4.7. October's DIL was 4.5, indicating a return to a continued, positive trend, after the unforeseen anomaly.

NOTE: The PA AR lab was taken off line on Wednesday 10/28/09, for upgrading. This construction is projected to last about four weeks. Zeiss AR will be outsourced during this period. Once completed, the PA AR lab will also have the ability to provide Essilor and generic AR coatings, in addition to the Zeiss brands.

Fourth Quarter: In the fourth quarter of 2009, the PA Zeiss ARC lab coated 10,709 lenses, with an average days in lab (DIL) of 4.4 days and an average days in process (DIP) of 1.7 days.