

CONTRACT WATCHDOG

Teamcare EyeMed - Vision Care why it will cost you more with the trustee chosen Teamster Provider

Teamsters Mandatory \$15.63 a month Vision Plan is no benefit.

1. Luxottica and EyeMed Monopoly from Italy brought to you by Teamcare

“A consumer-level frame costs significantly less than \$10 to manufacture. The rest is operations, licensing and profit. Think about that the next time you pick up an average \$150 frame. These aren’t markedly different or superior to the \$30 glasses available from reputable online dealers — and those include lenses, probably the same ones you were just about to pay \$200 for in the store.”

A key to the industry-standard overpricing is the fact that a single corporation — **Luxottica, the world’s largest eyewear firm** — owns many retail eyewear chains and many popular eyewear brands.

Based in Milan, Italy, **Luxottica owns and operates LensCrafters, Sears Optical, Target Optical, Pearle Vision**, Sunglass Hut, Ilori, and other chains in the United States, along with yet more chains throughout Asia, Europe, Africa, India, the Antipodes and the Middle East.

Luxottica owns Ray-Ban, Oakley, Oliver Peoples, Vogue, and other brands, and makes glasses under license for over a dozen designer labels including Versace, Prada, Bulgari, DKNY, Burberry, Ralph Lauren, Dolce & Gabbana, Donna Karan, Tiffany, and more.

As if that isn’t enough, Luxottica is also the parent company of a vision-care benefits program, EyeMed.

Eyewear prices in brick-and-mortar stores stay artificially high, Mitchell says, due to “the lack of real competition, inasmuch as Luxottica owns massive manufacturing, licensing, retailing and insurance interests” — albeit

EyeMed is “not so much insurance as a marketing ploy to get people to buy from their stores at a discount and to force the remaining independent stores to buy Luxottica controlled frames. But, again, most people are unaware of this.”

Because one company holds a near-monopoly on brick-and-mortar eyewear stores, “pricing models are somewhat static across the lot of them. They also have a knack for using the mattress sale model ... constantly running sales that seem too good to pass up when in reality they’re still making enormous profits.”

“Semi-Annual 50% Off Sales Event,” read a recent LensCrafters ad. But the frames in question range from around \$100 to around \$300, and that’s without lenses.

2. Best and worst places to buy your next pair of glasses

Tom Barlow Nov 2nd 2010 1:00PM

For the uninitiated, buying glasses can be an eye-opening (and wallet-opening) experience. Choose designer frames, ultra-thin lenses, progressive lenses and lens coatings and it's easy to drop over \$400 for the pair. Bad service and poor quality would make the experience even more painful.

Such pain is not necessary, however, if you make a good choice on where to shop. In its December issue, *Consumer Reports* (subscription required) reports on its survey of more than 30,000 readers about their experiences with the nation's largest optical companies, based on quality, frame selection, fitting, expertise, price, speed and follow-up service.

***Consumer Reports'* five best places to buy glasses, and average cost per pair:**

1. Costco Optical, \$157
2. Independent local eyeglass shop, \$211
3. Private doctor's office, \$212
4. Kaiser Permanente, \$166
5. Empire Vision Centers, \$155

***Consumer Reports'* Five worst places to buy glasses:**

All are TEAMCARE EyeMed Providers

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|--|--------------------------|
| 1. JC Penney Optical, \$177 | EyeMed Teamcare Provider |
| 2. America's Best Contacts & Eyeglasses, \$161 | EyeMed Teamcare Provider |
| 3. Visionworks, \$182 | EyeMed Teamcare Provider |
| 4. Eyemasters, \$205 | EyeMed Teamcare Provider |
| 5. Pearle Vision, \$228 | EyeMed Teamcare Provider |

The spread in scores between the best vendor (Costco at 86) and worst (JC Penney at 71) was not wide, however, suggesting that the differences among those companies on the list are not pronounced. In other words, if you chose JC Penney, your experience was probably not *wildly* different than what you would have experienced at Costco.

Among other large retailers, the survey found that glasses from **LensCrafters had a median price of \$244 a pair, even with a coupon (60% of all purchasers used a coupon)**. Note that this price is almost identical to Pearle Vision.

Is it a coincidence that the same company (Luxottica Group) owns both?

For the full *Consumer Reports* survey, see the December 2010 issue.

3. Why Eyeglasses are so Expensive & how you can Pay Less

Last updated by G.E. Miller on January 1, 2015

Ever wonder why eyeglasses are so expensive? 60 Minutes had a really interesting piece on the Italian eyeglass manufacturer Luxottica that helps explain why.

Luxottica manufactures just about every designer eyeglass brand in the market – Gucci, Prada, Ray Ban, Oakley, Polo, Ralph Lauren, Versace, Chanel, Chaps, Paul Smith, Vogue, etc., etc....

Not only that, but they also own or run the retail channels – LensCrafters, Pearle Vision, Sears Optical, Target Optical, Sunglass Hut, and Oliver Peoples. All but a few brands sold at these retailers are made by Luxottica.

AND they even control some of the payment channel by owning the second largest vision insurer, Eyemed.

So not only do they manufacturer a large majority of the glasses (their CEO estimated that at least half a billion people own a pair they manufactured) – but they also set the prices. If you're an optician or retailer, you want their brands. If you're a brand, you want to be in their stores. You have no negotiating room, and when you do compete, Luxottica refuses to sell your brand at their stores, and then buys you out after your stock sinks, as they did with Oakley.

If you are insured by Eyemed and buy a Luxottica brand from Lenscrafters, for example, Luxottica has made the glasses, sold you the glasses at prices they've set, and even paid for part of the glasses. I won't say the "M" word, but they control the market.

4. Where to Buy

Costco gets top marks from *Consumer Reports*, with savings of up to 40 percent compared with walk-in optical chains. Sam's Club and Wal-Mart are also good choices for price, according to *Consumer Reports*, but independent optometrists and opticians score best on selection and merchandise quality.

You should know that LensCrafters, Pearle Vision, Sunglass Hut and optical branches of Target and Sears are owned by the same company, Italy-based Luxottica, which also controls 80 percent of major frame brands.

The Luxottica and EyeMed Scam from one patient's perspective

I went into a LensCrafters on Saturday because it was the closest "In-Network" optical provider for EyeMed. A UCSD psychology student ran me through the ancillary optical tests such as peripheral vision, eye pressure, etc. I think she was fairly new to operating these instruments, but she had no guidance from a mentor or such. She had a hard time adjusting the instruments properly and was frequently jerking my head around and knocking it against the instruments. She gave six attempts at measuring eye pressure, but ultimately "gave up". Then, she tried to sell me on an "advanced" eye scan that was an extra \$39 and provided the same information as a pupil dilation. Then, the psychology student handed me off to the optometrist. He did the usual routine, albeit late, in a manner that was rushed and forcibly friendly, and with a breath reeking of cigarette smoke. He tried to sell me on the advanced eye scan again and I suckered up. I told him I would buy it if he provided me with a copy of the scan on a thumb drive. Apparently, with the regular pupil dilation, pictures are not normally possible, or so I was told. I get a prescription for -0.25, -0.25 in each eye. Nothing much.

Now I get to see what this EyeMed "insurance" gets me in terms of lenses, frames, coatings, etc. After the doctor was finished, he physically handed me off to a LensCrafters sales rep. (Even though I think they are supposed to be separate business entities in CA and that this relationship runs afoul of the intent of the law).

Sales-rep directs me to the "cheapest", full price frames, which start at \$100. Minimum price for cheapest lenses was \$140. Anti-reflective coating = \$80. That's \$320 for a pair of glasses. I ask sales rep what's in the anti-reflective coating to make it so expensive. She says, "No one has ever asked me that before". Anyway, "Insurance" gives me \$50 off of lenses, \$40 off frames, and \$45 off coating. **In such a situation insurance pays \$135 and I pay \$185 for a pair of glasses. Cool!**

Luckily, LensCrafters was having a 30% off sale on frame + lens combos. So I am thinking that would be **\$320 - \$72 (30% discount) - \$135 (insurance) = \$113**. I have **never** bought glasses before, this seemed expensive, but **perhaps** reasonable.

Then, I tell the sales rep that I have insurance and she says, "**Oh, you can't combine store discounts with insurance**". Think about this. **It makes no sense**. It made no sense to me whatsoever and I pressed the young, over-dressed sales rep for details. She seemed to recite what a boss might have told her and said the store would make no money if they allowed customers to combine store discounts with insurance. I persisted, saying, "but with the insurance you still get the same amount because insurance + what I pay still equals retail minus 30%." She repeated her same point, emphasizing that they could, "not allow customers to do that". Sure enough, I later found it written in the fine print of their 30% advertisement. It still made absolutely no sense to me. The store would be getting the same amount of money either way. RIGHT?

When I get home, I see what the Internet has to offer in terms of glasses. www.zennioptical.com provides me with a similar looking pair of glasses for ~\$20, including shipping from Hong Kong.

Apparently, JC Penny, and apparently other retail optical stores send their frames to Hong Kong for lenses anyway, so perhaps it's better to, say, "order directly from the source" by ordering online. There are also a bunch of other low cost online alternatives. I log in to EyeMed online and see if there are any "Out-Of-Network" benefits for frames and lenses which could conceivably cover the marginal cost of glasses ordered on-line. There are none. That seemed pretty curious to me.

EyeMed would rather pay \$135 for me to buy a pair of retail glasses from LensCrafters than to reimburse me for a \$20 set of glasses from Hong Kong. That seems like a horrible way of doing business for EyeMed. Doesn't it?

Well, it seems like a pretty stupid business strategy until you dig around and examine EyeMed's placement in the corporate hierarchy of its parent company, Luxottica.

Not only does Luxottica own EyeMed, but it also LensCrafters, Pearle Vision, Sears Optical, Sunglass Hut, Target Optical, BJs Optical, and JC Penny's Optical.

Coincidentally, these are the only "In-Network" providers in the EyeMed network. So, in essence, Luxottica has no interest in combining insurance with in-store discounts because it ultimately comes out of the parent company's bottom line. Moreover, why would EyeMed provide reimbursement for online optical retailers when doing so would hurt the market share held by Luxottica's optical retail stores?

In essence, EyeMed is merely an instrument to protect the market share of the Luxottica family of companies, and it provides little to no substantiated cost amelioration to consumers --- what many would regard as the principal purpose of insurance.

After getting a feel for the way the EyeMed, retail optometry world operates, it seems like it is most cost effective to simply abstain from purchasing a vision plan all together, or at least to get one with some very modest "Out-of-network" benefits. But with the cheap price of glasses available online, abstaining from a vision plan probably makes the most sense.

These issues with EyeMed vision are compounded by the fact that it is a plan into which a subscriber must pay. In essence, the subscriber is merely paying for the right to buy severely over-priced optical goods. Below, I have pasted my "In-Network" "benefits" for reference.

The final remaining interesting feature about how EyeMed operates is how it represents its coverage via its definition of a "Co-Pay".

In the Luxottica - EyeMed world, the "Co-Pay" is the amount paid by EyeMed while " % of charge " is the amount paid by the subscriber.

You might note that this is the exact opposite of what "Co-Pay" is in the medical insurance world. If this is at all intentional, it is a conspiracy to sucker HR providers and employees into pursuing the apparently attractive benefits of the EyeMed vision plan.

I wished more patients would do their homework like my friend and see that Luxottica equals a Monopoly!