Potential Role for Value-Based Insurance Design in Specialty Pharmaceuticals

A. Mark Fendrick, MD
University of Michigan Center for Value-Based Insurance Design

www.vbidcenter.org
@um_vbid
Improving Care and Bending the Cost Curve
Shifting the discussion from “How much” to “How well”

- Innovations to prevent and treat disease have led to impressive reductions in morbidity and mortality.
- Regardless of these advances, cost growth is the principle focus of health care reform discussions.
- Despite unequivocal evidence of clinical benefit, substantial underutilization of high-value services persists across the entire spectrum of clinical care.
- Attention should turn from how much to how well we spend our health care dollars.
For today’s discussion, our focus is on costs paid by the consumer, not the employer or third party administrator.

Ideally, consumer cost-sharing levels would be set to encourage the clinically appropriate use of healthcare services.

Instead, archaic “one-size-fits-all” cost-sharing fails to acknowledge the differences in clinical value among medical interventions.

Consumer cost-sharing is rising.

Health Affairs 2014. doi: 10.1377/hlthaff.2014.0792
“I can’t believe you had to spend a million dollars to show that if you make people pay more for something, they will buy less of it.”

Barbara Fendrick (my mother)
Impact of Increases in Consumer Cost-Sharing on Health Care Utilization

A growing body of evidence concludes that increases in consumer cost-sharing leads to a reduction in the use of essential care, which worsens health disparities, and in some cases leads to greater overall costs.

Cost-sharing Affects Mammography Use by Medicare Beneficiaries

Trivedi A. *NEJM.* 2008;358:375-383
High Copays Reduce Adherence to Appropriate Medication Use

Change in Days Supplied for Selected Drug Classes When Copays Were Doubled

- Diabetes: -25%
- High Cholesterol: -34%
- Hypertension: -26%

- When copays were doubled, patients took less medication in important classes. These reductions in medication levels were profound.
- Reductions in medications supplied were also noted for:
  - NSAIDs 45%
  - Antihistamines 44%
  - Antiulcerants 33%
  - Antiasthmatics 32%
  - Antidepressants 26%
- For patients taking medications for asthma, diabetes, and gastric disorders, there was a 17% increase in annual ER visits and a 10% increase in hospital stays.

ER = emergency room.
Medication Affordability Attributable to Medicare Part D Implementation

- A recent *Health Affairs* article investigated whether the gains in affordability for prescription drugs attributable to Part D persisted during the six years that followed its implementation in 2006.

- Among elderly beneficiaries with four or more chronic conditions, the prevalence of cost-related non-adherence increased from 14% in 2009 to 17% in 2011, reversing previous downward trends.

- The prevalence among the sickest elderly of forgoing basic needs to purchase medicines decreased from 9% in 2007 to 7% in 2009 but rose to 10% in 2011.
Effects of Increased Copayments for Ambulatory Visits for Medicare Advantage Beneficiaries

Copays increased:
- from $7.38 to $14.38 for primary care
- from $12.66 to $22.05 for specialty care
- remained unchanged at $8.33 and $11.38 in controls

In the year after copayment increases:
- 19.8 fewer annual outpatient visits per 100 enrollees
- 2.2 additional hospital admissions per 100 enrollees
- Effects worse in low-income individuals and beneficiaries with chronic illness

IBM to Drop Co-Pay for Primary-Care Visits

By WILLIAM M. BULKELEY

In an unusual bid to cut health-care costs, International Business Machines Corp. plans to stop requiring $20 co-payments by employees when they visit primary-care physicians.

The company said it believed the move would save costs by encouraging people to go to primary-care doctors faster, in order to get earlier diagnoses that could save on expensive visits to specialists and emergency rooms.

IBM said that the action applies to the 80% of its workers who are enrolled in plans in which the company self-insures—that is, programs in which it pays the health-care benefits, not insurers. The new policy doesn’t cover IBM employees in health-maintenance organizations.

One of the nation’s largest employers with 115,000 U.S. workers, IBM spends about $1.3 billion a year on U.S. health care. Its benefit practices are closely watched in the human-resources community, and its actions are sometimes trend-setters.
Impact of Cost-Sharing on Health Care Disparities

Effects of Increased Patient Cost Sharing on Socioeconomic Disparities in Health Care

Michael Chernew, PhD\textsuperscript{1} Teresa B. Gibson, PhD\textsuperscript{2} Kristina Yu-Isenberg, PhD, RPh\textsuperscript{3} Michael C. Sokol, MD, MS\textsuperscript{4} Allison B. Rosen, MD, ScD\textsuperscript{5}, and A. Mark Fendrick, MD\textsuperscript{5}

\textsuperscript{1}Department of Health Care Policy, Harvard Medical School, Boston, MA, USA; \textsuperscript{2}Thomson Healthcare, Ann Arbor, MI, USA; \textsuperscript{3}Managed Markets Division, GlaxoSmithKline, Research Triangle Park, NC, USA; \textsuperscript{4}Managed Markets Division, GlaxoSmithKline, Montvale, NJ, USA; \textsuperscript{5}Departments of Internal Medicine and Health Management and Policy, Schools of Medicine and Public Health, University of Michigan, Ann Arbor, MI, USA.

- Rising copayments may worsen disparities and adversely affect health, particularly among patients living in low-income areas.

Solutions Needed to Curb Cost-related Non-adherence

- These findings highlight the need for targeted efforts to alleviate the persistent issue of cost-related non-adherence
1. Services differ in clinical benefit produced

2. Clinical benefits from a specific service depend on:
   - Who receives it
   - Who provides it
   - Where it's provided
Implementing Clinical Nuance Value-Based Insurance Design

• Sets consumer cost-sharing level on clinical benefit – not acquisition price – of the service
  – Reduce or eliminate financial barriers to high-value clinical services and providers

• Successfully implemented by hundreds of public and private payers

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FOLLOW THE MONEY

From 'One Size Fits All' To Tailored Co-Payments

June 16, 2004

University of Michigan researchers say a patient drug should depend on how much he or she will a move that would likely lower co
Evidence Supporting Value-Based Insurance Design: Improving Adherence Without Increasing Costs

- Most V-BID programs focus on removing financial barriers to high-value prescription drugs to treat chronic conditions (e.g., diabetes, asthma, heart disease).

- Evidence review
  - Improved adherence
  - Lower consumer out-of-pocket costs
  - No significant increase in total spending
  - Reduction in health disparities

Emerging Best Practices in V-BID Implementation

A 2014 *Health Affairs* evaluation of 76 V-BID plans reported that programs that:

- were more generous
- targeted high-risk individuals
- offered wellness programs
- avoided disease management
- used mail-order prescriptions

had greater impact on adherence than plans without these features.

Choudhry. N. *Health Affairs*. 2014;33(3).
MI-FREEE: Better Quality Without Higher Costs

- Assessed impact of free access to preventive medications for Aetna members with history of MI
- Random assignment by plan sponsor
- “Enhanced prescription coverage improved medication adherence and rates of first major vascular events and decreased patient spending without increasing overall health costs.”

Evidence for Value-Based Insurance Design: Reducing Health Care Disparities

Full drug coverage:

- Reduced rates of a post-MI vascular event or revascularization among patients who self-identified as being non-white

- Reduced total health care spending by 70 percent among patients who self-identified as being non-white
Multi-Stakeholder Support for V-BID

- HHS - National Quality Strategy
- CBO
- SEIU
- MedPAC
- Brookings Institution
- The Commonwealth Fund
- NBCH
- PCPCC
- Partnership for Sustainable Health Care
- National Governor’s Assoc.
- Academy of Actuaries
- Bipartisan Policy Center
- Kaiser Family Foundation
- NBGH
- National Coalition on Health Care
- Urban Institute
- RWJF
- IOM – Essential Health Benefits

Lewin. JAMA. 2013;310(16):1669-1670
Sec 2713:Selected Preventive Services be Provided without Cost-Sharing

- Receiving an A or B rating from the United States Preventive Services Taskforce (USPSTF)
- Immunizations recommended by the Advisory Committee on Immunization Practices (ACIP)
- Preventive care and screenings supported by the Health Resources and Services Administration (HRSA)

Over 100 million Americans have received expanded coverage of preventive services
The Value-Based Insurance Design for Better Care Act of 2014
Barriers to V-BID in HSA-qualified HDHPs

- IRS guidance documents specifically exclude from the definition of preventive care those services or benefits meant to treat “an existing illness, injury or condition”

- Confusion persists regarding what services can and cannot be covered outside of the deductible
Value-Based Insurance Design
Growing Role in State Health Reform

- State Employees Benefit Plans
  - Connecticut
  - Oregon
  - Virginia
  - Minnesota
  - Maine

- State Exchanges
  - Maryland
  - California

- CO-OPs
- Medicaid
Implementing V-BID for State Employees: Connecticut State Employees Health Benefit Plan

- Participating employees receive a reprieve from higher premiums if they commit to:
  - Yearly physicals, age-appropriate screenings/preventive care, two free dental cleanings
  - If employees have one of five chronic conditions, they must participate in disease management programs (which include free office visits and lower drug co-pays)

- Early results:
  - 99% of employees enrolled and 99% compliant
  - Decrease in ER and specialty care
  - Increase in primary care visits
  - Increase in chronic disease medication adherence
CMS Rules (CMS-2334-F) Enable V-BID in Medicaid

- Plans may vary cost-sharing for drugs, outpatient, inpatient, and emergency department visits

- Plans may target cost-sharing to specific groups of individuals based on clinical information (e.g., diagnosis, risk factors)

- Plans may vary cost-sharing for an outpatient service according to where and by whom the service is provided
Value-Based Insurance Design
More than High-Value Drugs for Chronic Conditions

- Prevention/Screening
- Diagnostic tests/Monitoring
- Treatments
- Clinician visits
- Physician networks
- Hospitals
- Role in specialty pharmaceuticals
Applying V-BID to Specialty Pharmaceuticals Approaches

- Impose no more than modest cost-sharing on high-value services
- Reduce cost-sharing in accordance with patient- or disease-specific characteristics
- Relieve patients from high cost-sharing if clinical goals not achieved on a different medication “reward the good soldier”
- Use cost-sharing to encourage patients to select high-performing providers and settings
Using Clinical Nuance to Align Payer and Consumer Incentives

Many “supply side” initiatives are restructuring provider incentives:

• Payment reform
  – Global budgets
  – Pay-for-performance
  – Bundled payments
  – Accountable care

• Tiered networks

• Health information technology
Unfortunately, “supply-side” initiatives have historically paid little attention to consumer decision-making or the “demand-side” of care-seeking behavior:

- Benefit design
- Shared decision-making
- Literacy
Role of V-BID in Multi-Payer Reform: Using Clinical Nuance to Align Payer and Consumer Incentives

- Adding clinical nuance into payment reform and consumer engagement initiatives can help improve quality of care, enhance patient experience, and contain cost growth.

- The alignment of supply- and demand-side incentives can improve quality and achieve savings more efficiently than either one alone.
Contact Information

www.vbidcenter.org
@um_vbid
vbidcenter@umich.edu