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Could value-based insurance mean long-term savings?

By [Jay Greene](#)

- Encouraging employers to offer free or discounted medications or treatments shown to reduce long-term costs and improve quality.

One clear winner in the health care law is A. Mark Fendrick, M.D., a **University of Michigan** health services researcher and internist who has been promoting the concept of “value-based insurance design” for more than 10 years.

While value-based insurance received only 28 words in the bill, it could yield enormous savings and employee health improvements for fully insured and self-funded employers, he said.

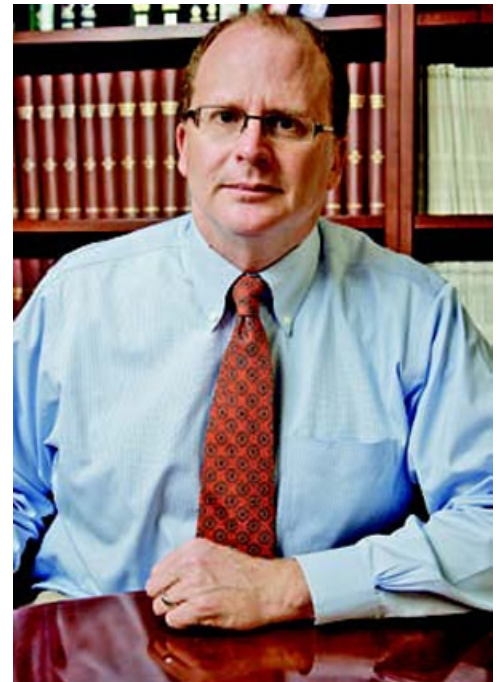
Value-based insurance plans eliminate or reduce co-payments for effective treatments or medications. The plans remove financial barriers to encourage proven high-value preventive, diagnostic and therapeutic medical services.

“(These) are incremental investments that pay off down the road for individuals and employers,” Fendrick said. “The initial costs to employers will increase, but we are really convinced by the data that you can bend the (cost) trend.”

“The return on investment is positive. In the beginning, it is not as rosy, but the longer term ROI looks better because you are avoiding ER visits and hospitalizations.”

Fendrick said several Michigan-based companies, including **Whirlpool**, **Meijer** and UM have adopted value-based insurance. Nationally, companies including **Sprint** and **Safeway** have included it in their benefit plans, he said.

“There are other employers and major insurers waiting to launch it or ... seriously considering it,” said Fendrick, co-director of UM's Center for Value-Based Insurance Design. “This already has been incorporated in some plans with



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the biggest success in the self-insured market for larger organizations willing to take financial risk. They are seeing health gains and financial success.”

Fendrick said the hesitancy of companies is over whether it is appropriate for employers to charge someone less for primary care services or diagnostic tests than for specialty care.

“The government approving this concept will give a comfort level for these companies to offer it to their employees,” he said.

Rick Murdock, executive director of the **Michigan Association of Health Plans**, said the insurance industry supports value-based insurance design as a quality improvement and cost-containment tool.

“You want to target different co-pays and deductibles and use those to limit or increase utilization to improve quality of care,” Murdock said. “To ensure maintenance drugs are used, you eliminate those co-payments.”

During the next year, the secretary of the **U.S. Department of Health and Human Services**, Kathleen Sebelius, is expected write guidelines that would give a “greater comfort level” for insurers to offer value-based insurance coverage, Fendrick said.

More information at www.vbidcenter.org.

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