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Fully insured market has yet to embrace value-based design

Insurers, however, conduct experiments with insured clients

By Joanne Wojcik

Value-based insurance design, which many large, self-insured employers have embraced, has yet to make significant inroads in the fully insured market.

Experts blame obstacles that include the need for regulatory approval, restrictive community rating laws, and that small and midsize employers often shop their health coverage annually, either inviting adverse selection or not allowing sufficient time for the benefit changes to positively affect plan members' health.

For these reasons, fully insured employers have been able to offer value-based insurance designs only through wraparound programs in which employers reimburse copayments or the cost of selected health care services via a health reimbursement arrangement or health savings account.

"We're seeing a lot of that because the employer is hoping the increased compliance will reduce their rates if they are in anything other than a community-rated situation," said Bill Lindsay, president of Lockton Benefit Group in Denver. "But that approach is really circumventing the insurance company."

Fortunately, as self-insured employers' value-based design success is becoming better known, at least one insurer is experimenting with VBID in the fully insured market.

Because fully insured health benefit products must be approved by state regulators, "there's a much longer time before they can be brought to market," said Christine Riedl, director of the medical product group at Aetna Inc. in Hartford, Conn.

Ms. Riedl said Aetna, which is monitoring the progress of value-based programs it administers for its self-insured employer clients, is "in the analysis stage" of "whether it would be appropriate for the fully insured market, but we have nothing on file (with any state) at this time."

States that have community rating laws, which set health insurance rates by community and usually govern groups of 50 or fewer, also have discouraged insurers from implementing VBID programs in the fully insured market, said Vince Ashton, executive director of HealthPass, a small-employer purchasing group based in New York.

"Community rating is great because it gives access to coverage to people who otherwise would not be able to get it. But you take away the skin in the game for the employer and the employee. Young healthy employees, older sickly employees all pay the same. There are no incentives for wellness programs or value-based insurance designs," Mr. Ashton said.

Because small and midsize employers change insurers often, there has been little incentive for insurers to invest in VBID where a return on investment can take several years, health benefits experts note.

"Insurers may be wary of whether the benefits offered under value-based benefits might unintentionally attract a

disproportionate number of people with chronic conditions,” said Michael Thompson, a principal at PricewaterhouseCoopers L.L.P. in New York. “This doesn't come up with major employers since the population they cover is fixed,” meaning they don't move from insurer to insurer, but remain in the same group for as long as they are employed by that employer.

Minnetonka, Minn.-based UnitedHealth Group Inc. introduced a diabetes health plan this year after a successful pilot involving several large, self-insured employers. Although the plan is not yet available to the fully insured market, the insurer might make it available to large employers with fully insured groups in isolated pockets around the United States, said Mike Beauregard, executive vp in Hartford, Conn.

“It's not the regulatory barriers; it's about the size of the population,” and 50 employees is not a sufficient sample size, Mr. Beauregard said.

Despite the impediments, Indianapolis-based Anthem Inc. has decided to take a chance that VBID will work in the fully insured market.

In Colorado, for example, Anthem is offering a product through the state Chamber of Commerce to employers with 51 to 300 employees that guarantees up to a 3% reduction in subsequent-year premiums if plan members participate in screenings and health promotion programs that lead to improvements in their health status.

Although it appears to be more of a wellness product and emphasizes prevention, it is considered a form value-based design, said Gregg Kamas, health risk leader at IMA Corp., which collaborated with Anthem and the state chamber on the product's development.

Anthem also is awaiting regulatory approval for a VBID product it plans to introduce in the U.S. Northeast later this year, said Greg Hughes, commercial product development director.

“The findings in the (research and medical journal) literature are very compelling. We've also had some pilot groups with outstanding results from both a clinical and financial perspective, generally in the (administrative services-only) space,” Mr. Hughes said. “But if it works in the ASO population, it's a natural fit to start doing it in the fully insured market.”

Anthem's product will attempt to remove the cost barrier to medication compliance by reducing copayments for high-value drugs and medical services while encouraging plan members to participate in the insurer's condition management education programs, Mr. Hughes said. Initially, it will target five conditions: asthma, diabetes, coronary artery disease, chronic obstructive pulmonary disease and congestive heart failure.

As many as 30% of individuals with chronic conditions don't take their medications because of ignorance about their disease, Anthem estimates.

“Because a lot of the conditions we're targeting are asymptomatic, there's rampant noncompliance. The patients rationalize they don't need their meds because they feel fine,” Mr. Hughes said. Hopefully, education, coaching and removing financial barriers will encourage VBID plan members with chronic conditions to better adhere to their treatment plans, he said.

Because of the additional cost of lowering or waiving copayments for prescription drugs and some services, Anthem's VBID product likely will cost a bit more than its standard insurance products, Mr. Hughes said.

“The pricing is still being worked out,” he said. “The promise of a value-based insurance design is to make an investment in your employees. When you do that, you are really looking at increasing the plan's cost.”

Because the payback likely would take several years, Anthem's VBID product will require employers to enter into multiyear contracts, said Laurie Amirpoor, staff vp for clinical program policy at Anthem in Camarillo, Calif.

However, there is a chance that Anthem will share some of the subsequent-year savings with employers, just as it is doing in Colorado. “It's still being evaluated by our underwriters and actuaries,” she said.

Regardless of whether employers see a reduction in premiums after several years of implementing a VBID, “one thing fully insured clients will benefit from is the effect on overall productivity,” Ms. Amirpoor said. “When their employees are compliant and educated, they'll see decreased absenteeism, disability costs and increased

productivity.”

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