

# **Value Based Insurance Design: Improving Care and Bending the Cost Curve**

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# Improving Care and Bending the Cost Curve

## Our Goal is to Improve Health, Not Save Money

- **Cost growth is the principle focus of health care reform discussions**
- **Despite unequivocal evidence of clinical benefit substantial underutilization of high-value services persists**



# Improving Care and Bending the Cost Curve

## Our Goal is to Improve Health, Not Save Money

- **Wellness**
- **Screening**
- **Diagnostic testing**
- **Therapy**
- **Monitoring**



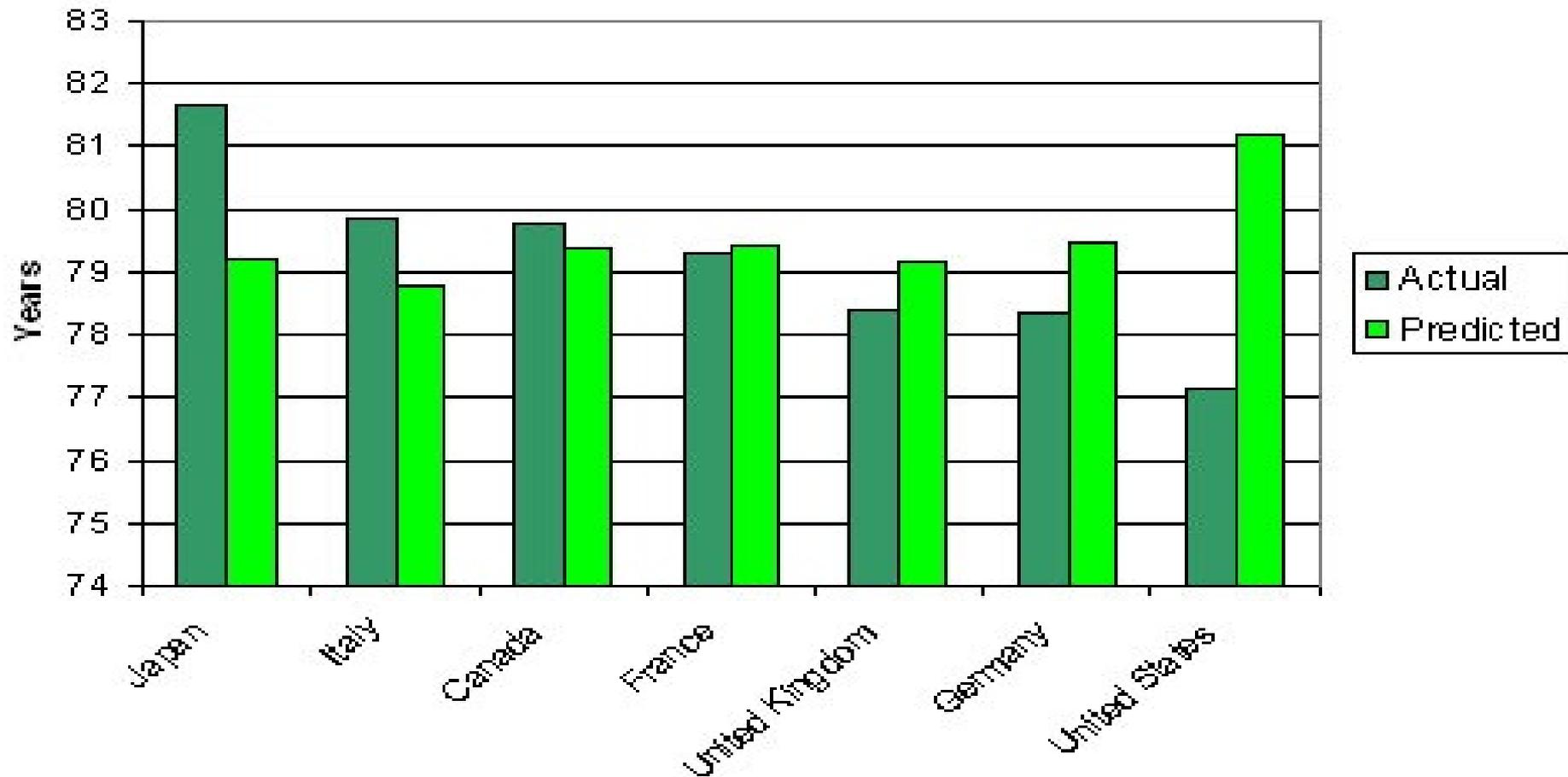
# Improving Care and Bending the Cost Curve

## Our Goal is to Improve Health, Not Save Money

- **There is little disagreement over the fact there is enough money in the US health care system**
- **Therefore, payers should shift our focus from *how much* - to *how well* we spend on health care - in order to maximize the amount of health produced for the expenditure made (value)**



# Predicted Life Expectancy Based on Health Care Expenditure



# Dealing with the Health Care Cost Crisis

## Interventions to Control Costs

- **Generic Drug Programs**
- **Prior Authorization**
- **Disease Management**
- **Information Technology**
- **Payment Reform**
- **Preventing Chronic Disease**



## PERSPECTIVE

### **Preventing Chronic Disease: An Important Investment, But Don't Count On Cost Savings**

An overwhelming percentage of preventive interventions add more to medical costs than they save.

**by Louise B. Russell**

**ABSTRACT:** Over the four decades since cost-effectiveness analysis was first applied to health and medicine, hundreds of studies have shown that prevention usually adds to medical costs instead of reducing them. Medications for hypertension and elevated cholesterol, diet and exercise to prevent diabetes, and screening and early treatment for cancer all add more to medical costs than they save. Careful choices about frequency, groups to target, and component costs can increase the likelihood that interventions will be highly cost-effective or even cost-saving. [*Health Affairs* 28, no. 1 (2009): 42–45; 10.1377/hlthaff.28.1.42]

# Dealing with the Health Care Cost Crisis

## Interventions to Control Costs

- **Prior Authorization**
- **Disease Management**
- **Information Technology**
- **Payment Reform**
- **Make Beneficiaries Pay More**



# Improving Care and Bending the Cost Curve

## Lack of “Clinical Nuance” in Health Benefit Design

- **The archaic “one-size-fits-all” approach to patient cost sharing fails to acknowledge the differences in clinical value among medical interventions**
- **Ideally, patient copayments would be used to discourage the use of low-value care**



# Patient Cost-sharing Negatively Affects Adherence to High-Value Clinical Services

- **A growing body of evidence demonstrates that increased patient cost-sharing leads to decreases in non-essential and essential care which, in some cases, lead to greater overall costs**

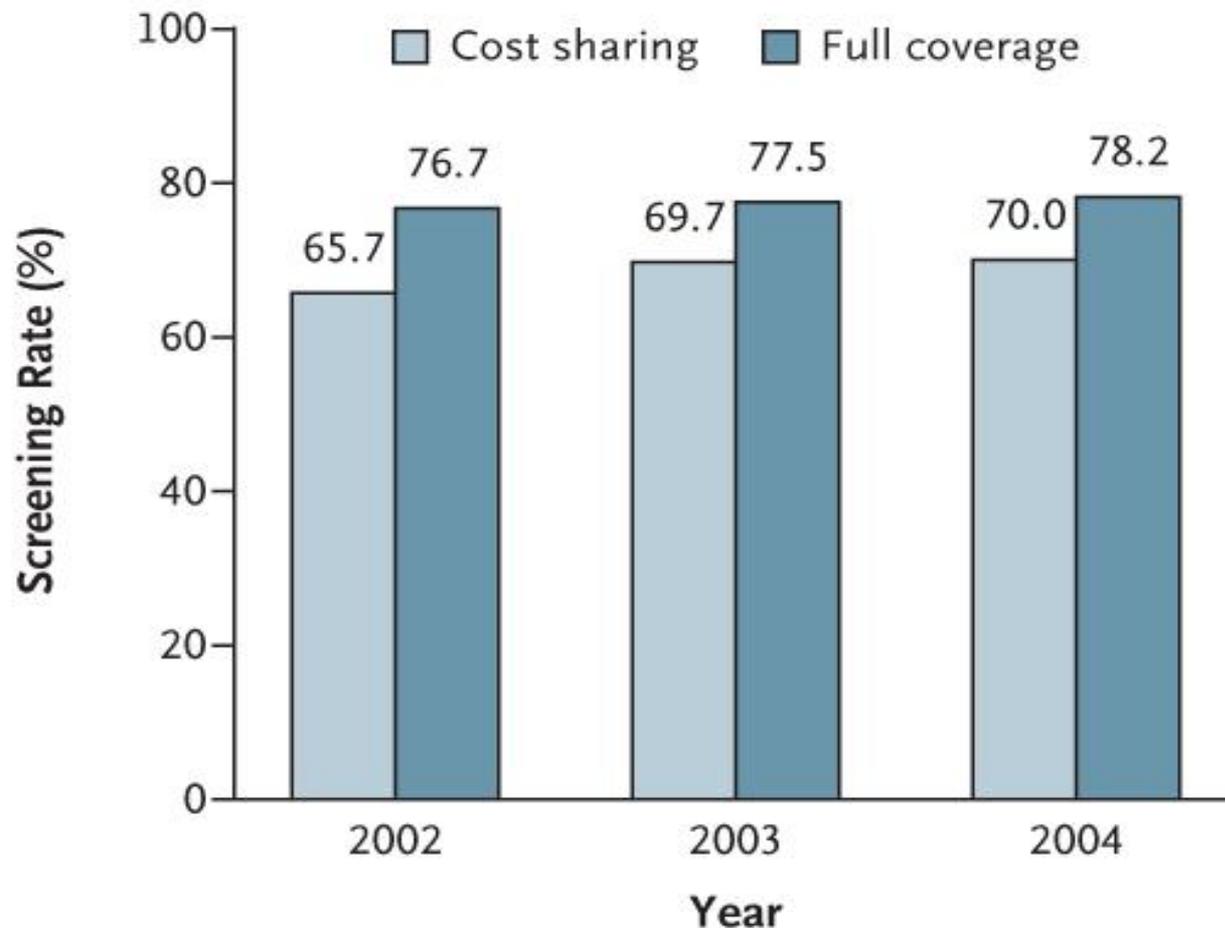
# Value Based Insurance Design Inspiration

**“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)**



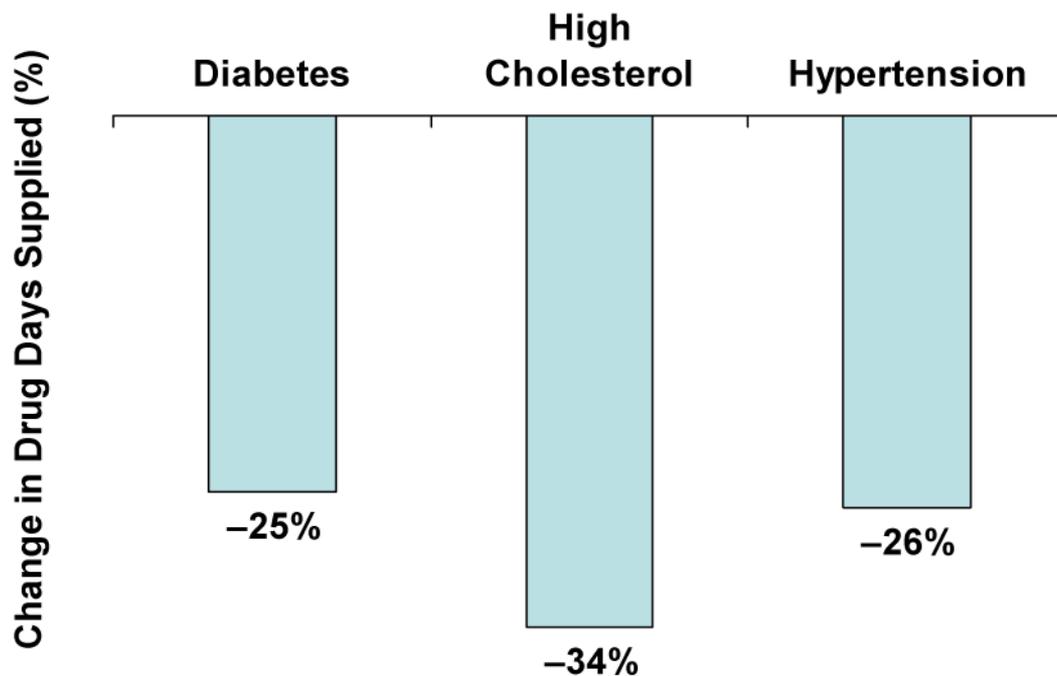
# Cost-sharing Affects Adherence to Screening: Mammography Use in Medicare Beneficiaries





# High Copays Reduce Adherence to Appropriate Medication Use

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



- 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.

Goldman DP et al. *JAMA*. 2004;291:2344-2350.

# Increased Ambulatory Copayments for the Elderly: Making Things Worse

- **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

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

# Value Based Insurance Design

## A Role for “Soft Paternalism”

- **If the consumer is not the appropriate decision maker, the system should provide incentives to offset the undesirable decreased use of essential services due to cost shifting**



# Cost Containment Efforts Should NOT Produce Avoidable Reductions in Quality of Care

- **Value-based packages adjust patients' out-of-pocket costs and clinician reimbursement for specific services based on an assessment of the clinical benefit achieved**



# Improving Care and Bending the Cost Curve

## Principles of Value-Based Insurance Design

- **Medical services differ in the benefit provided**
- **The clinical benefit derived from a specific service depends on the patient using it**
- **V-BID premise: the more clinically beneficial the service, the lower the patient's cost share and the higher the clinician's payment**



# Value-Based Insurance Design Reallocation Based on “Clinical Nuance”

- An opportunity exists for a cost-saving reallocation **within any health budget**, through increasing use of high-value interventions and simultaneously reducing the use of interventions that offer little or no benefit relative to their cost



# Value-Based Insurance Design

## “Clinically Nuanced, Fiscally Responsible”

- **To date, most V-BID programs have focused on removing barriers to high-value services**
  - **As barriers are reduced, utilization increases**
- **V-BID programs that discourage use of low-value services are being implemented**
  - **Choosing wisely**
    - **There are few instances where the use of a specific drug, diagnostic test or procedure is always appropriate or inappropriate**
- **As electronic medical records become more commonplace, the feasibility to target specific indications / patient populations will increase**



# Value Based Insurance Design

## More than High-Value Prescription Drugs

- **Prevention/Screening**
- **Diagnostic tests/Monitoring**
- **Treatments**
- **Clinician visits**
- **Physician networks**
- **Hospitals**





# HEALTH AND FITNESS

Northeast OH Healthy Living and Medical Consumer News

“Lowe's is offering employees incentives in the form of reduced out-of-pocket costs to come to the Cleveland Clinic for heart procedures.”

Harlan Spector, Health News, Insurance, Metro, Real-Time News »

## Lowe's will bring its workers to Cleveland Clinic for heart surgery

By Harlan Spector, The Plain Dealer  
February 17, 2010, 3:58AM



[View full size](#)

Chuck Burton / Associated Press

Lowe's is offering employees nationwide incentives in the form of reduced out-

# Value Based Insurance Design

## More than High-Value Prescription Drugs

- **Prevention/Screening**
- **Diagnostic tests/Monitoring**
- **Treatments**
- **Clinician visits**
- **Physician networks**
- **Hospitals**
- **Specialty Pharmaceuticals**



# Value Based Insurance Design Economic Effects

**Incremental costs of the increased use of high valued services can be subsidized by:**

- **Medical cost offsets**



# **Value Based Insurance Design Economic Effects**

**Incremental costs of the increased use of high valued services can be subsidized by:**

- Reduction in absenteeism/disability costs**

**Including productivity along with medical cost offsets provides a broader and more appropriate measure of the economic impact of health care expenditures.**

**Without this information, employers cannot make informed decisions regarding the value of coverage**



**Synergies at Work:  
Realizing the Full Value of  
Health Investments**

# **Innovations in Value Based Insurance Design Align V-BID with Other Health Reform Initiatives**

- **Wellness Programs**
- **Disease Management**
- **Comparative Effectiveness Research**
- **Health Information Technology**
  - **As electronic medical records expand, the feasibility to target specific conditions/patients groups will increase**
- **Payment Reform**
  - **Consumer Directed “Low Deductible” Health Plan**
  - **Accountable Care Organizations**
  - **Patient-Centered Medical Home**



# Aligning Incentives and Systems

*Promoting Synergy Between  
Value-Based Insurance Design  
and the Patient Centered  
Medical Home*



[www.pcpcc.net](http://www.pcpcc.net)

# **Innovations in Value-Based Insurance Design**

## **Connecticut State Employees Health Enhancement Plan**

- **Participating employees receive a reprieve from higher premiums if they commit to:**
  - **Yearly physicals**
  - **Age-appropriate screenings/preventive care**
  - **Two free dental cleanings**
- **Employees must participate in disease management programs (which include free office visits and lower drug co-pays) if they have one of five chronic conditions**
- **98% of employees actively moved into HEP over 1 week open enrollment**
- **Link to PCMH initiative in progress**



# Innovations in Value-Based Insurance Design

## Blue Shield of California – “Blue Groove”

- **Combines wellness programs, advanced member engagement, value-based insurance design, and high-performing providers**
- **Qualify for lower co-payments only if you have one or more conditions and use a high-value provider:**
  - **End-stage renal disease**
  - **Congestive Heart failure**
  - **Coronary artery disease**
  - **Cancer**
  - **Diabetes**
  - **Hypertension**
  - **Osteoarthritis**
- **Aligns clinical goals of supply-side (ACO) and demand-side (V-BID) initiatives**



# Innovations in Value-Based Insurance Design

## “Clinically Nuanced, Fiscally Responsible”

- **The use of “clinically nuanced” incentives [and disincentives] to encourage [and discourage] patient and provider behavior to redistribute medical expenditures will produce more health at any level of health expenditure**
- **Consumer engagement initiatives must be aligned with ongoing payment reform and delivery system transformation**
- **Regulators should allow payers to adjust patient cost-sharing and payment based on clinical evidence**

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About V-BID

What is Value-Based Insurance Design?

The basic premise of value-based insurance design is to remove barriers to essential, high-value health services.

V-BID programs improve health outcomes at any level of healthcare expenditure.

- Read more about V-BID and the Center
- Watch Center faculty explain V-BID on video links to the right



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