

# **Capturing the Value of Pharmaceuticals in Exchanges: Potential Role for Value-Based Insurance Design**

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# “One-size-fits-all” Cost-sharing Fails to Acknowledge Differences in Clinical Value Among Drugs

## Cost-Sharing in Select Standardized Silver Plans

State	Plan Type	Benefit Cost-Sharing Parameters*						OOP Max for Drugs
		Overall Deductible	Drug Deductible	Drug Formulary				
				1	Tier 2	Tier 3	4	
CA	Silver Copay	Medical: \$2,000	\$500 <sup>†</sup>	\$25	\$50	\$70	20%	N/A
	Silver Coinsurance	Medical: \$2,000	\$500 <sup>†</sup>	\$25	\$50	\$70	20%	N/A
CT	Silver	\$2,500	\$200	\$10	\$25	\$40	50%	N/A
MA	Silver A	\$2,000	N/A	\$15	\$35	\$70	N/A	N/A
	Silver B	\$2,000	N/A	\$15	40%	40%	N/A	N/A
NY	Silver	\$2,000	N/A	\$10	\$35	\$70	N/A	N/A
OR	Individual Market 1	\$2,000	\$0	\$10	\$40	50%	50%	\$6,250 <sup>‡</sup>
	Individual Market 2	\$2,500	\$0	\$10	\$40	50%	50%	\$5,750 <sup>‡</sup>
VT	Silver Plan 1	\$1,900	\$100 <sup>†</sup>	\$10	\$50	50%	N/A	\$1,250

\*Benefit cost-sharing parameters are specific to individuals. Deductibles and OOP cap may be higher for family coverage.

<sup>†</sup>For brand drugs only

<sup>‡</sup>Integrated medical and drug benefits OOP cap



# Capturing the Value of Pharmaceuticals in Exchanges

## Role of Patient Cost-Sharing on Drug Utilization

- **Ideally, patient copayments would be used to discourage the use of low-value care**
- **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.”**

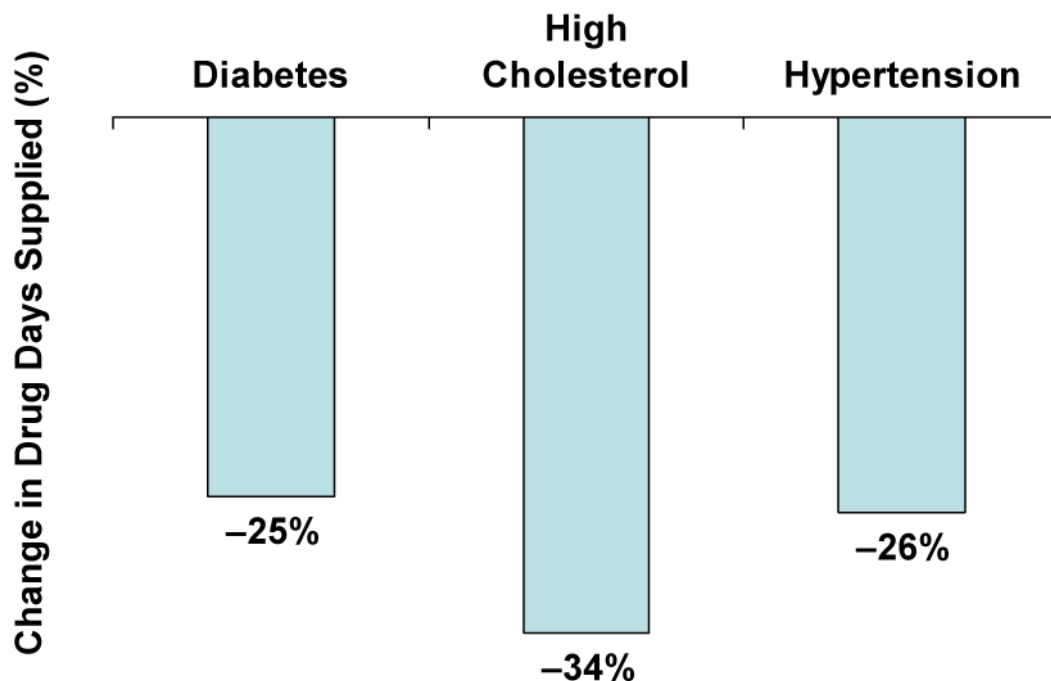
**Barbara Fendrick (my mother)**





# 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.

# Using “Clinical Nuance” to Reallocate Spending

## Principles of Value-Based Insurance Design

- **Medical services differ in the benefit provided**
- **Clinical benefit derived from a specific service depends on the patient using it, who provides it, and where it is delivered**
- **V-BID premise: the more clinically beneficial the service, the lower the patient's cost share**
- **An opportunity exists for a cost-saving reallocation **within any health budget**, through increasing use of high-value interventions and reducing the use of interventions that offer little or no benefit**



# **Value-Based Insurance Design**

## **“Clinically Nuanced, Fiscally Responsible”**

- **To date, most V-BID programs reduce cost-sharing for evidence-based services for specific diseases**
  - **Medications, eye exams for diabetes**
  - **Behavioral therapy, meds for depression**
  - **Long-acting inhalers, spirometers for asthma**
- **V-BID programs that discourage use of low-value services are being implemented**
  - **Choosing Wisely**
- **V-BID programs have broad multi-stakeholder and bipartisan political support**



# Capturing the Value of Pharmaceuticals in Exchanges

## Policy Options to Include V-BID

- **Recognize V-BID in plan quality ratings**
- **Permit carriers to market V-BID plans to consumers with specific clinical conditions**
- **Allow flexibility for Exchanges to include V-BID plans**
  - **Effective risk adjustment will be important to mitigate adverse selection concerns**
- **Require plans to include V-BID for high value drugs**
  - **ACA requirement of coverage of certain preventive services without cost-sharing can be extended to evidence-based pharmaceuticals**





# Capturing the Value of Pharmaceuticals in Exchanges

## V-BID Improves Quality and Bends Cost Trend

- **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**
- **Multiple approaches exist for Exchanges to adjust patient cost-sharing 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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