

Innovations in Value-Based Insurance Design Improving Care and Bending the Cost Curve

A. Mark Fendrick, MD

**University of Michigan Center for
Value-Based Insurance Design
www.vbidcenter.org**

**IOM Roundtable on Value
& Science-Driven Health Care**

Improving Care and Bending the Cost Curve

Our Goal is to Improve Health, Not Save Money

- **Cost growth remains the principle focus of health care reform discussions**
- **Despite unequivocal evidence of clinical benefit, substantial underutilization of high-value services persists across the spectrum of clinical care**
 - **Wellness**
 - **Screenings and Preventive Care**
 - **Therapy**
 - **Diagnostic Monitoring**



Improving Care and Bending the Cost Curve

A Needed Shift From “How Much?” to How Well?”

- **There is little disagreement over the fact there is enough money in the US health care system**
- **Therefore, payers should shift the 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)**

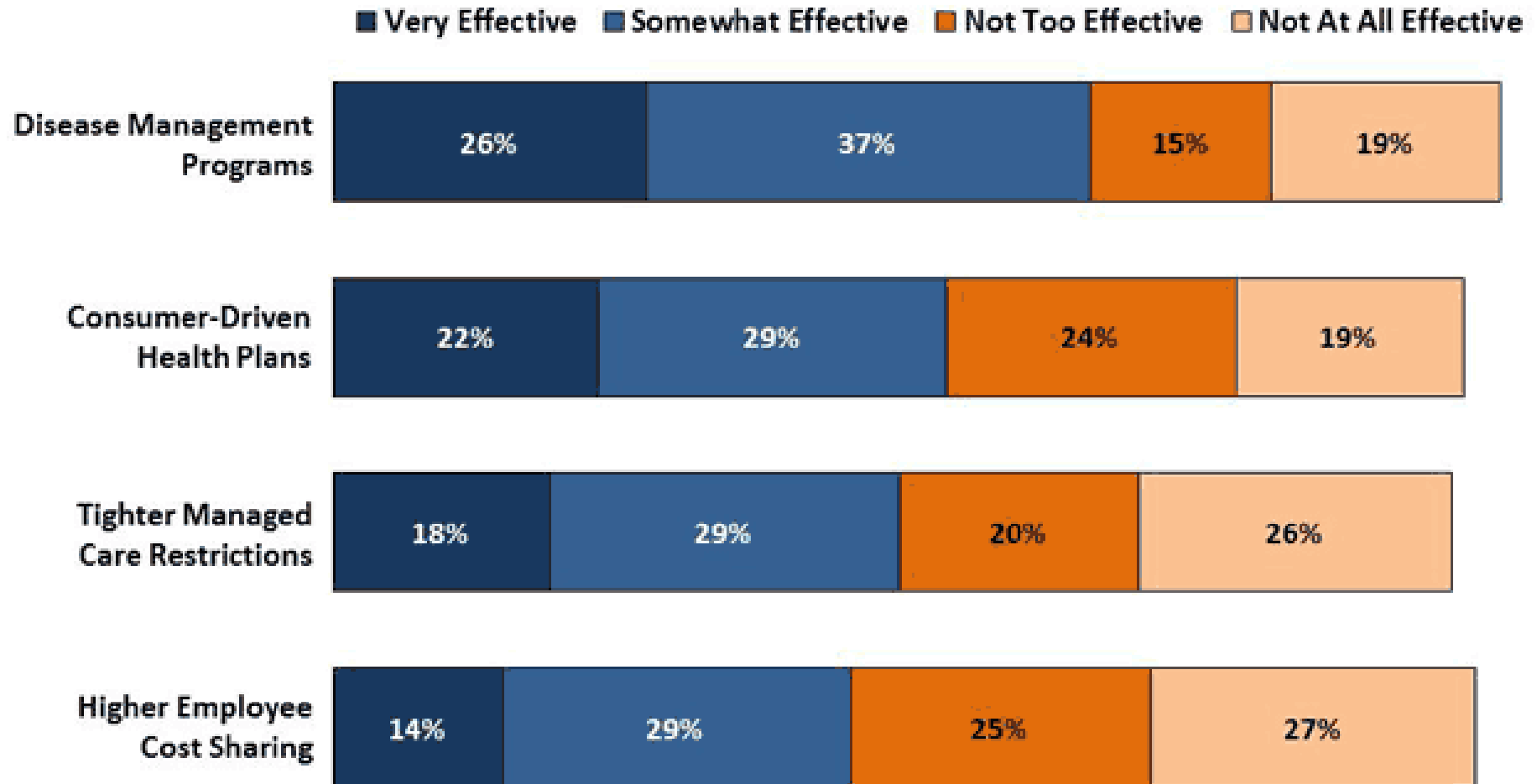


Improving Care and Bending the Cost Curve Interventions to Control Costs

- **Disease Management**
- **Prior Authorization**
- **Information Technology**
- **Payment Reform**
- **Make Beneficiaries Pay More**
 - **High Deductible Health Plans**



Firms' Opinions on the Effectiveness of Strategies to Contain Health Insurance Costs, 2011



Note: Don't Know answers not shown

Source: Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2011

Cost Containment Efforts Should NOT Produce Avoidable Reductions in Quality of 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)



Using “Clinical Nuance” to Reallocate Spending

Principles of Value-Based Insurance Design

- **The archaic “one-size-fits-all” approach to patient cost-sharing fails to acknowledge the differences in clinical value among medical interventions**
 - **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 payment for a given service**



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



Institute of Medicine, Essential Health Benefits Report Emphasis of V-BID Principles

“The EHB must be affordable, maximize the number of people with insurance, protect the most vulnerable individuals, promote better care, ensure stewardship of limited financial resources by focusing on high value services of proven effectiveness, promote shared responsibility for improving our health, and address the medical concerns of greatest importance to us all.”

PPACA Sec. 2713: Selected Preventive Services be Provided without Patient Cost Sharing

- **Receiving an A or B rating from the United States Preventive Services Taskforce**
- **Immunizations recommended by the Advisory Committee on Immunization Practices**
- **Preventive care and screenings supported by the Health Resources Administration (HRSA) for infants, children and adolescents**
- **Additional preventive care and screenings recommended by HRSA for women**



2011 Kaiser Family Foundation's Employer Health Benefits Survey: Profound Impact of Sec. 2713

- **Approximately 54 million Americans have received expanded coverage of some preventive services due to the Affordable Care Act**



Value-Based Insurance Design Beyond Primary Prevention

- **Most private-sector led V-BID programs focus on removing barriers to evidence-based services to treat chronic conditions**
 - **As barriers are reduced, utilization increases**
 - **Financial impact of “carrot” V-BID programs are cost neutral, not cost-saving**
- **V-BID programs that discourage use of low-value services are being implemented**
- **Innovative V-BID programs have broad multi-stakeholder and bipartisan political support**



ACA Sec. 2713c Interim Final Regulation – July 2010

Broad Definition of V-BID

“Value-based insurance designs include the provision of information and incentives for consumers that promote access to and use of higher value providers, treatments, and services.”

Innovations in Value-Based Insurance Design

More than 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



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Chuck Burton / Associated Press

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

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**



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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Restoring Health to the Health Care Cost Debate

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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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