Value-Based Insurance Design

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The past several decades have produced remarkable medical innovations resulting in impressive reductions in morbidity and mortality.

Regardless of these advances, cost growth remains the principle focus of health reform discussions.

Despite unequivocal evidence of clinical benefit, Americans systematically underuse high-value services across the entire spectrum of clinical care.

Attention should turn from *how much* to *how well* we spend our health care dollars.
Impact of Cost-Sharing on Health Care Utilization

• Ideally, consumer cost-sharing levels would be set to encourage the clinically appropriate use of health care services

• The archaic “one-size-fits-all” approach to consumer cost-sharing fails to acknowledge the differences in clinical value among medical interventions

• A growing body of evidence concludes that increases in cost-sharing leads beneficiaries to reduce the use of essential care, which in some cases, leads to greater overall costs

“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)
Impact of Cost-Sharing on Health Care Disparities

Effects of Increased Patient Cost Sharing on Socioeconomic Disparities in Health Care

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• Rising copayments may worsen disparities and adversely affect health, particularly among patients living in low-income areas.

A New Approach: Clinical Nuance

1. Services differ in clinical benefit produced

2. Clinical benefits from a specific service depend on:
   - Who receives it
   - Who provides it
   - Where it's provided
Value-Based Insurance Design

- Sets consumer cost-sharing level on clinical benefit – not acquisition price – of the service
  - Reduce or eliminate financial barriers to high-value clinical services and providers

- Successfully implemented by hundreds of public and private payers
Evidence for Value-Based Insurance Design: Improving Adherence Without Increasing Costs

- Improved adherence
- Lower consumer costs
- No significant increase in total spending
- Reduced disparities

Lee J. Health Affairs. 2013;32(7):1251-1257
Emerging Best Practices in V-BID Implementation

A 2014 *Health Affairs* evaluation of 76 V-BID plans reported that programs that:

- were more generous
- targeted high-risk individuals
- offered wellness programs
- avoided disease management
- used mail-order prescriptions

had greater impact on adherence than plans without these features.

Choudhry. N. *Health Affairs*. 2014;33(3).
Multi-Stakeholder Support for V-BID

- HHS - National Quality Strategy
- CBO
- SEIU
- MedPAC
- Brookings Institution
- The Commonwealth Fund
- NBCH
- PCPCC
- Partnership for Sustainable Health Care
- National Governor’s Assoc.
- Academy of Actuaries
- Bipartisan Policy Center
- Kaiser Family Foundation
- NBGH
- National Coalition on Health Care
- Urban Institute
- RWJF
- IOM – Essential Health Benefits

Lewin. JAMA. 2013;310(16):1669-1670
Federal and State Policy Efforts
“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.”
Sec 2713: Selected Preventive Services be Provided without Cost-Sharing

- Receiving an A or B rating from the United States Preventive Services Taskforce (USPSTF)
- Immunizations recommended by the Advisory Committee on Immunization Practices (ACIP)
- Preventive care and screenings supported by the Health Resources and Services Administration (HRSA)

Over 100 million Americans have received expanded coverage of preventive services
V-BID in Medicare

_value-based insurance design copayment reduction reduction act of 2014_

**IN THE SENATE OF THE UNITED STATES**

Mr. THUNE introduced the following bill; which was read twice and referred to the Committee on __________________

____________________

**A BILL**

To establish a demonstration program requiring the utilization of Value-Based Insurance Design in order to demonstrate that reducing the copayments or coinsurance charged to Medicare beneficiaries for selected high-value prescription medications and clinical services can increase their utilization and ultimately improve clinical outcomes, enhance beneficiary satisfaction, and lower health care expenditures.

Spurred by:

“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.”
Value-Based Insurance Design
Growing Role in State Health Reform

- **State Employees Benefit Plans**
  - Connecticut
  - Oregon
  - Virginia
  - Minnesota
  - Maine

- **State Exchanges**
  - Maryland
  - California

- **CO-OPs**

- **Medicaid**
CMS Rules (CMS-2334-F) Enable V-BID in Medicaid

- Plans may vary cost-sharing for drugs, outpatient, inpatient, and emergency department visits

- Plans may target cost-sharing to specific groups of individuals based on clinical information (e.g., diagnosis, risk factors)

- Plans may vary cost-sharing for an outpatient service according to where and by whom the service is provided
V-BID Prominently Featured in Healthy Michigan Plan

• Sec 105D(1)(e), plans may waive consumer copayments, “to promote greater access to services that prevent the progression and complications related to chronic diseases.”

• Sec 105D(1)(f), assigned to “design and implement a copay structure that encourages the use of high-value services, while discouraging low-value services.”

• Sec 105D(5), assigned to “implement a pharmaceutical benefit that utilizes copays at appropriate levels allowable by CMS to encourage the use of high-value, low-cost prescriptions.”
Barriers to V-BID in HSA-qualified HDHPs

- IRS guidance documents specifically exclude from the definition of preventive care those services or benefits meant to treat “an existing illness, injury or condition.

- Confusion persists what services can and cannot be covered outside of the deductible.
Moving Forward

• The ultimate test of health reform will be whether it improves health and addresses rising costs.

• Cost containment efforts should not result in preventable reductions in quality of care.

• V-BID should be part of the solution to enhance the efficiency of health care spending.

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