

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 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**



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)**



Dealing with the Health Care Cost Crisis

Interventions to Control Costs

- **Prior Authorization**
- **Preventing Chronic Disease**
- **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**



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**

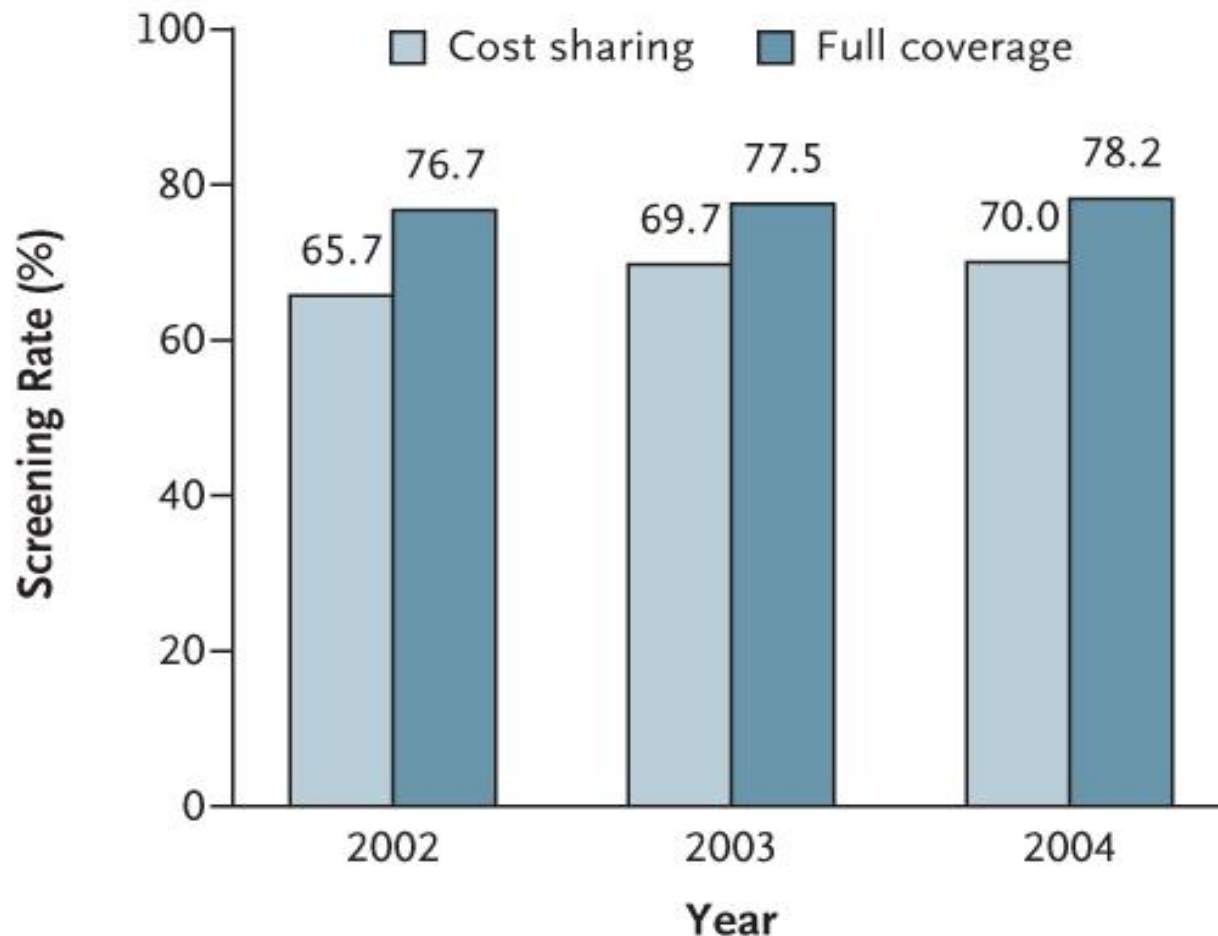
Value-Based Insurance Design Inspiration

“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)



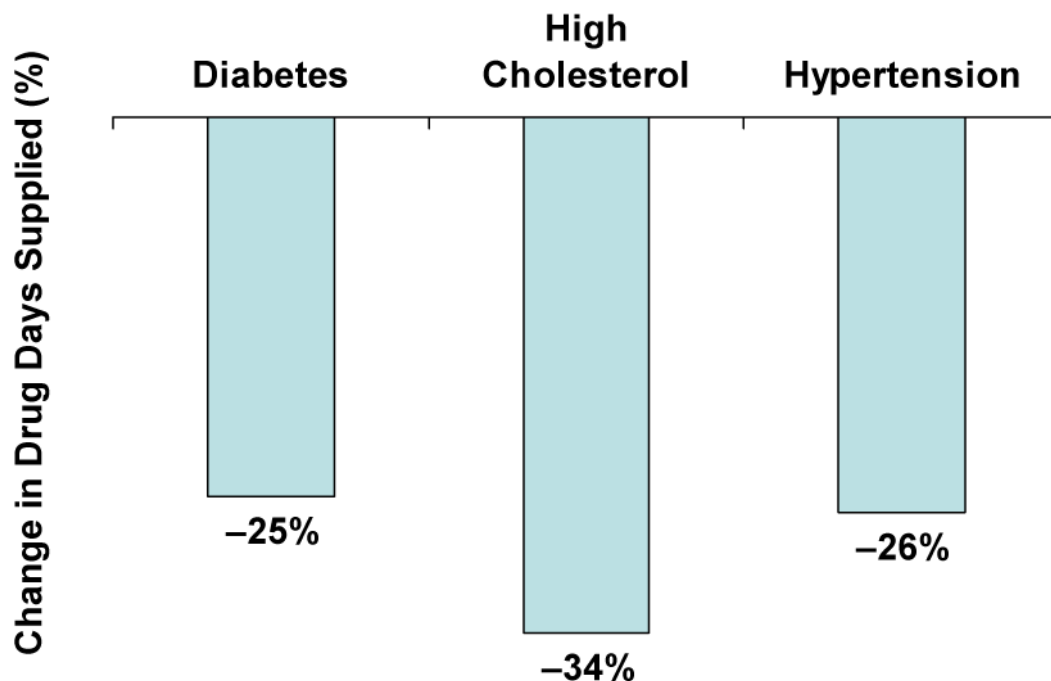
Cost-sharing Affects Adherence to Screening: Mammography Use in Medicare Beneficiaries





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

- **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**

Using “Clinical Nuance” to Reallocate Spending

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 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**



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)**
- **Additional preventive care and screenings recommended by HRSA for women**

Approximately 54 million Americans have received expanded coverage due to the Affordable Care Act



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



[View full size](#)

Chuck Burton / Associated Press

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

Value-Based Insurance Design Implications Beyond Primary Prevention

- **A substantial majority of private sector V-BID programs include reduced cost-sharing for evidence-based services for established diseases**
 - **Medications, eye exams for diabetes**
 - **Behavioral therapy, meds for depression**
 - **Long-acting inhalers, spirometers for asthma**
 - **Minimally invasive surgery**



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**



Innovations in Value Based Insurance Design

Align V-BID with Other Health Reform Initiatives

- **Wellness Programs**
- **Disease Management**
- **Health Information Technology**
- **Payment Reform**
 - **Pay for Performance**
 - **Accountable Care Organizations**
 - **Patient-Centered Medical Home**



Value-Based Insurance Design

Potential Role in Federal/State Health Reform

- **State Employee Benefit Plans**
 - Connecticut
- **State Exchanges**
 - California
- **Consumer Operated and Oriented Plans - CO-OPs**
 - Maine
- **Medicaid**



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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