Value-Based Insurance Design: Changing the Health Care Cost Discussion from How Much to How Well

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Improving Care and Bending the Cost Curve

• 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 care spectrum.

• Attention should turn from how much to how well we spend our health care dollars.
For today’s discussion, our focus is on costs paid by the consumer, not the employer or insurance company.
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

Impact of Cost-Sharing on Health Care Utilization

A growing body of evidence concludes that increases in cost-sharing leads consumers 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)
Effects of Increased Copayments for Ambulatory Visits for Medicare Advantage Beneficiaries

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 copayment increases:
- 19.8 fewer annual outpatient visits per 100 enrollees
- 2.2 additional hospital admissions per 100 enrollees
- Effects worse in low-income individuals and beneficiaries with chronic illness

Trivedi A. NEJM. 2010;362(4):320-8..
By WILLIAM M. BULKELEY

In an unusual bid to cut health-care costs, International Business Machines Corp. plans to stop requiring $20 co-payments by employees when they visit primary-care physicians.

The company said it believed the move would save costs by encouraging people to go to primary-care doctors faster, in order to get earlier diagnoses that could save on expensive visits to specialists and emergency rooms.

IBM said that the action applies to the 80% of its workers who are enrolled in plans in which the company self-insures—that is, programs in which it pays the health-care benefits, not insurers. The new policy doesn't cover IBM employees in health-maintenance organizations.

One of the nation's largest employers with 115,000 U.S. workers, IBM spends about $1.3 billion a year on U.S. health care. Its benefit practices are closely watched in the human-resources community, and its actions are sometimes trend-setters.
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
The Solution: Clinically-Nuanced Cost Sharing

- Low Cost Sharing: to encourage High value services
- High Cost Sharing: to discourage Low value services
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
- Successfully implemented by hundreds of public and private payers
Evidence Supporting Value-Based Insurance Design: Improving Adherence Without Increasing Costs

- Improved adherence
- Lower consumer out-of-pocket costs
- No significant increase in total spending
- Reduction in health care disparities
Value-Based Insurance Design
Broad Multi-Stakeholder Support

- HHS
- CBO
- SEIU
- MedPAC
- Brookings Institution
- The Commonwealth Fund
- NBCH
- PCPCC
- PhRMA
- AHIP
- NBCH

- National Governor’s Assoc.
- Academy of Actuaries
- Bipartisan Policy Center
- Kaiser Family Foundation
- NBGH
- National Coalition on Health Care
- Urban Institute
- RWJF
- IOM
- US Chamber of Commerce
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
Value-Based Insurance Design
Role in State Health Reform

- State Employees Benefit Plans
- State Exchanges
- CO-OPs
- Medicaid
The Value-Based Insurance Design for Better Care Act of 2014

113th CONGRESS 2d Session
H.R. ____

To establish a demonstration program requiring the utilization of Value-Based Insurance Design 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 and lower health care expenditures.

IN THE HOUSE OF REPRESENTATIVES

Mrs. BLACK (for herself and Mr. BLUMENAUER) introduced the following bill; which was referred to the Committee on ____________________________
Value-Based Insurance Design: Key Initiatives

- Applying V-BID to Specialty Medications
- Incorporating V-BID in HSA-qualified HDHPs
Many “supply side” initiatives are restructuring provider incentives:

- Payment reform
  - Global budgets
  - Pay-for-performance
  - Bundled payments
  - Accountable care
- Tiered networks
- Health information technology
Using Clinical Nuance to Align Payer and Consumer Incentives

Unfortunately, “supply-side” initiatives have historically paid little attention to consumer decision-making or the “demand-side” of care-seeking behavior:

- Benefit design
- Shared decision-making
- Literacy
Improving Care and Bending the Cost Curve

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

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

Discussion

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