

Charging less for more effective treatments could reduce health care costs while improving health

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Value-based insurance design (VBID) in which consumer payments are waived for highly effective treatments, but are raised for less effective ones, could increase the benefits of healthcare in the US without increasing expenditures, according to research published in PLoS Medicine. The costs saved by VBID could be used to subsidize coverage for the currently uninsured, providing a substantial improvement in health outcomes.

Strategies that influence the quantity of health care consumed are essential to controlling healthcare costs. Such strategies can target health care providers (for example, requiring primary care physicians to provide referrals or to go through cumbersome administrative procedures before their patients' insurance will cover specialist care) or can target consumers by charging co-payments and out-of-pocket deductibles (cost sharing). Cost sharing decreases health expenditure but it can also reduce demand for essential care and thus reduce the overall quality of care.

Consequently, some experts have proposed VBID, an approach in which the amount of cost sharing is set according to the "value" of an intervention -- the additional health benefit it adds per dollar spent -- rather than its cost. Under VBID, cost sharing could be waived for office visits necessary to control blood pressure in people with diabetes, which constitute high-value care, but could be increased for high-tech scans ordered to diagnose chronic dementia.

In the current study, using computer simulations of costs and life expectancy gains based on US healthcare data, R. Scott Braithwaite of the New York University School of Medicine and colleagues estimated that approximately 60% of health expenditures in the US are spent on low-value services and 20% are spent on high-value services, indicating that the vast majority (80%) of health expenditures would have cost sharing that would be affected by VBID. They found that broader diffusion of VBID to drug costs alone increased the benefit conferred by health care by 0.03 to 0.05 additional life-years, without increasing overall costs or out-of-pocket payments. Extension of VBID to other health care services could increase the benefit conferred by health care by 0.24 to 0.44 additional life-years. Among those without health insurance, using cost saving from VBID to subsidize insurance coverage would increase the benefit conferred by health care by 1.21 life-years, a 31% increase.

This study was funded by a grant from the Robert Wood Johnson Foundation.

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Journal Reference:

1. Scott Braithwaite et al. **Can Broader Diffusion of Value-Based Insurance Design Increase Benefits from US Health Care without Increasing Costs? Evidence from a Computer Simulation Model.** *PLoS Medicine*, 2010; 7 (2): e1000234 DOI: 10.1371/journal.pmed.1000234

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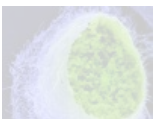
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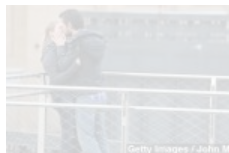
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