Value-Based Insurance Design: Using Medical Evidence to Design Benefits

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• 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

• Slowdown in healthcare costs may have negative health implications

• Attention should turn from *how much* to *how well* we spend our health care dollars
Using Medical Evidence to Design Benefits
Role of Consumer Cost-Sharing in Medical Decisions

• For today, our focus is on costs paid by the consumer

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

• “One-size-fits-all” cost-sharing fails to acknowledge the differences in clinical value among medical interventions

• Despite a slowing in cost growth, consumer contributions are rising (deductibles stealing spotlight)

Health Affairs 2014. doi: 10.1377/hlthaff.2014.0792
“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)
A growing body of evidence concludes that increases in consumer cost-sharing leads to a reduction in the use of essential care and in some cases leads to greater overall costs.

Effects worse in low-income individuals and beneficiaries with chronic illness.
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
Using Medical Evidence to Design Benefits Value-Based Insurance Design

- Sets consumer cost-sharing level on clinical benefit - based on evidence – 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
• 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: Key Initiatives

- Medicare Advantage
- State Health Reform
- Specialty Medications
- HSA-qualified HDHPs
• Directs HHS to establish a demonstration program to test V-BID in MA for beneficiaries with chronic conditions

• MA plans may lower cost-sharing to encourage the use of specific, evidence-based medications or services and/or specific high-performing providers

• Explicitly prohibits plans from increasing cost-sharing
Value-Based Insurance Design
Role in State Health Reform

- State Employees Benefit Plans
- State Exchanges
- CO-OPs
- Medicaid - CMS Rule 2334-F
  - Plans may vary cost-sharing for drugs, outpatient, inpatient, and ED visits
  - Plans may target cost-sharing to specific groups of individuals based on clinical information
  - Plans may vary cost-sharing for an outpatient service according to where and by whom the service is provided
Applying V-BID to Specialty Medications

- Impose no more than modest cost-sharing on high-value services
- Reduce cost-sharing in accordance with patient- or disease-specific characteristics
- Relieve patients from high cost-sharing after failure on a different medication
- Use cost-sharing to encourage patients to select high-performing providers and settings
Barriers to V-BID in HSA-qualified HDHPs

- HSA-HDHP fastest growing health insurance product
  - Increasingly popular plan on health exchanges
- Primary prevention deductible exempt
- IRS “safe harbor” specifically excludes services or benefits meant to treat “an existing illness, injury or condition” from deductible exempt status
- Multi-stakeholder initiative underway to create expanded safe harbor
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 reduce cost-related non-adherence and health care disparities

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