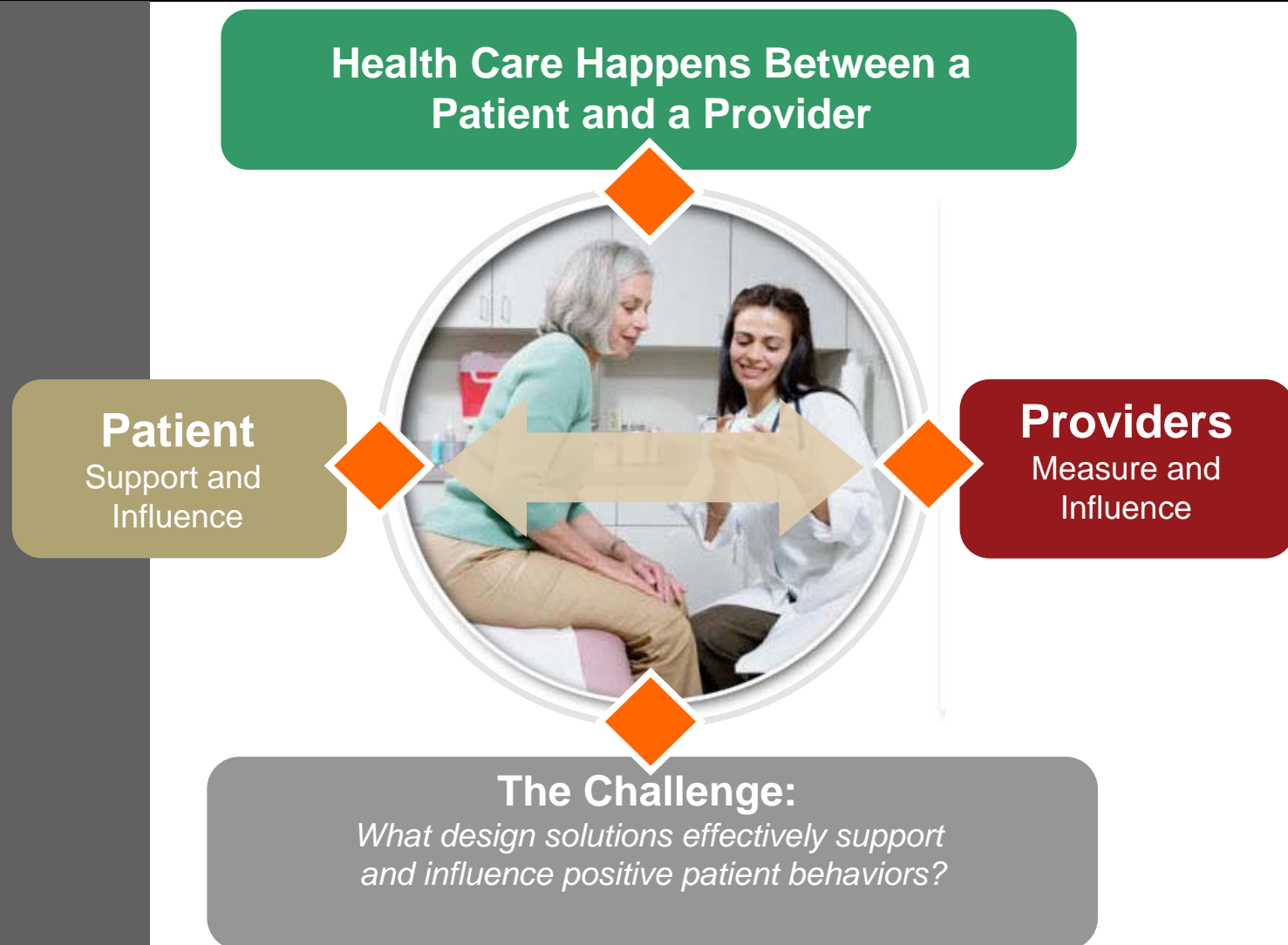


# The Road Ahead Value-Based Design

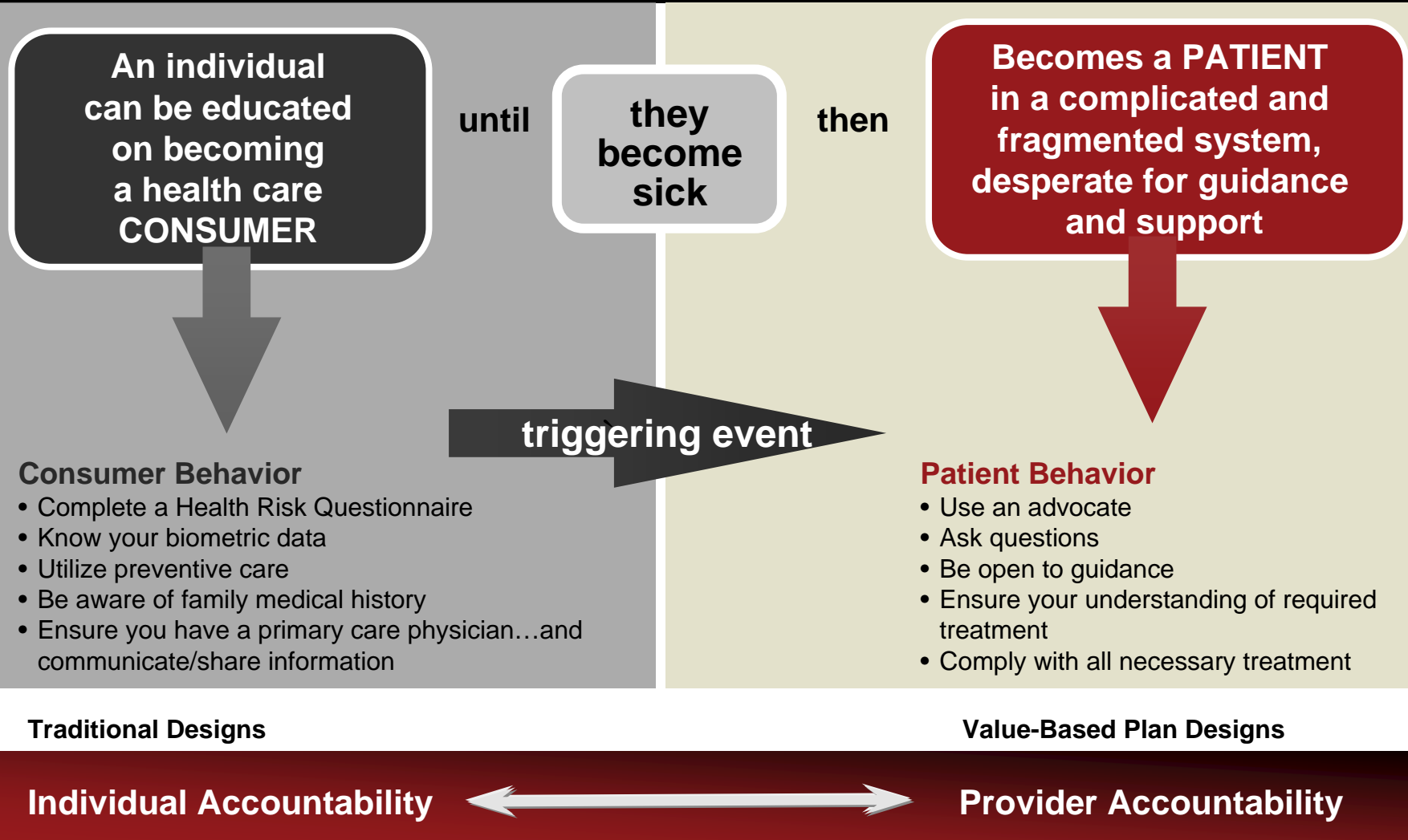
*Center for Value-Based Insurance Design—  
Bridging the Divide Between Quality  
Improvements and Cost Containment*

Jennifer Boehm, Principal  
Hewitt Associates  
May 1, 2007

# Our View of the World



# Opportunity to Realize



# Why Do We Need Value-Based Design?

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## Key Facts and Figures

- Only 55% of Americans receive the care they need, as indicated by medical evidence<sup>1</sup>
- 79,000 Americans die each year because they do not receive evidence-based care for chronic conditions like high blood pressure, diabetes, and heart disease<sup>2</sup>
- There are significant, unwarranted, and inexplicable variations in health care practices across geographic and racial groups<sup>5</sup>

<sup>1</sup> RAND; <sup>2</sup> NCQA; <sup>3</sup> CDC; <sup>4,5</sup> IOM

# Today's System

## Traditional Strategies to Control Costs

- Denial
- Prior Authorization
- Purchasing Arbitrage
- Broad Disease Management
- Pay Clinicians and Hospitals Less
- Make Employees Pay More

## Traditional Design: “One Size Fits All” Cost Sharing

Cost share is set on price, not value

### An Example:



# Moving from “One Size Fits All” to “Fiscally Responsible, Clinically Sensitive”

## What is Value-Based Design?

*Value is derived from evidence-based medicine and can also contemplate specific patient data*

### **Key Concept: Evidence-Based Medicine**

*The practice of medicine that scientific studies have evaluated and determined to have a measurable effect on health outcomes*

# Premise Behind Value-Based Design

## Traditional Design

- Empirical evidence suggests high member cost-sharing reduces utilization of high value and low value services
  - Lead to worse health outcome

## Value-Based Model

- Lowering member cost-sharing may increase utilization of high value services
  - Lead to better health outcome

*Simply put...value-based designs set cost-sharing on value, not price*

<i>Highly-valued services</i>	←————→	<i>Lowest cost-sharing</i>
<i>Effective yet expensive</i>	←————→	<i>Middle</i>
<i>Unproven or marginal benefit</i>	←————→	<i>Highest</i>

- Needs to work synergistically with initiatives such as CDHPs, DM, and P4P to optimize healthcare effectiveness and efficiency

# Value-Based Design—Two Approaches

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## Target Services

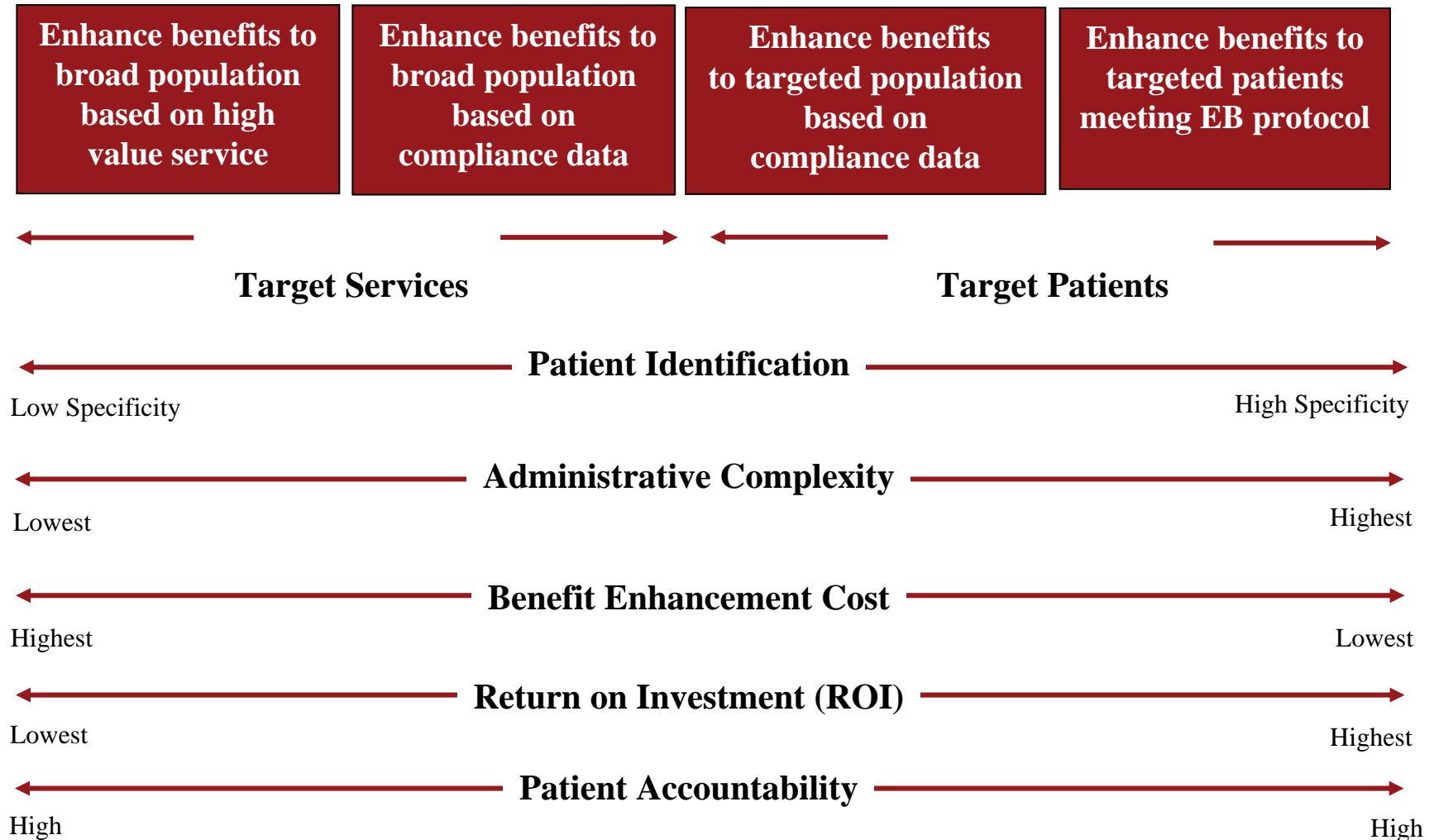
Enhance benefits for clinically valuable services across *broad population*

## Target Patients

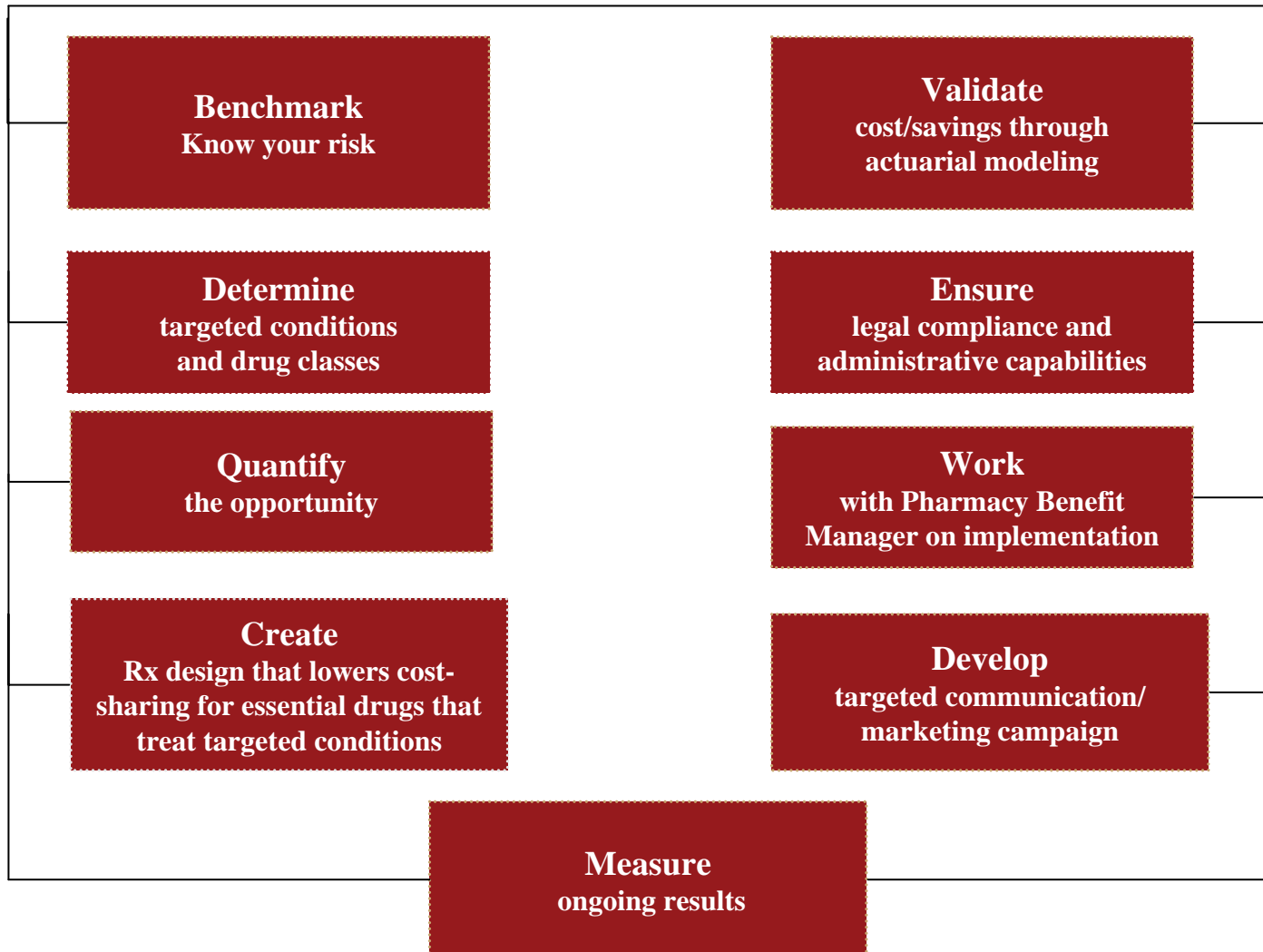
Enhance benefits for specific clinically defined categories based on *patient-specific characteristics*



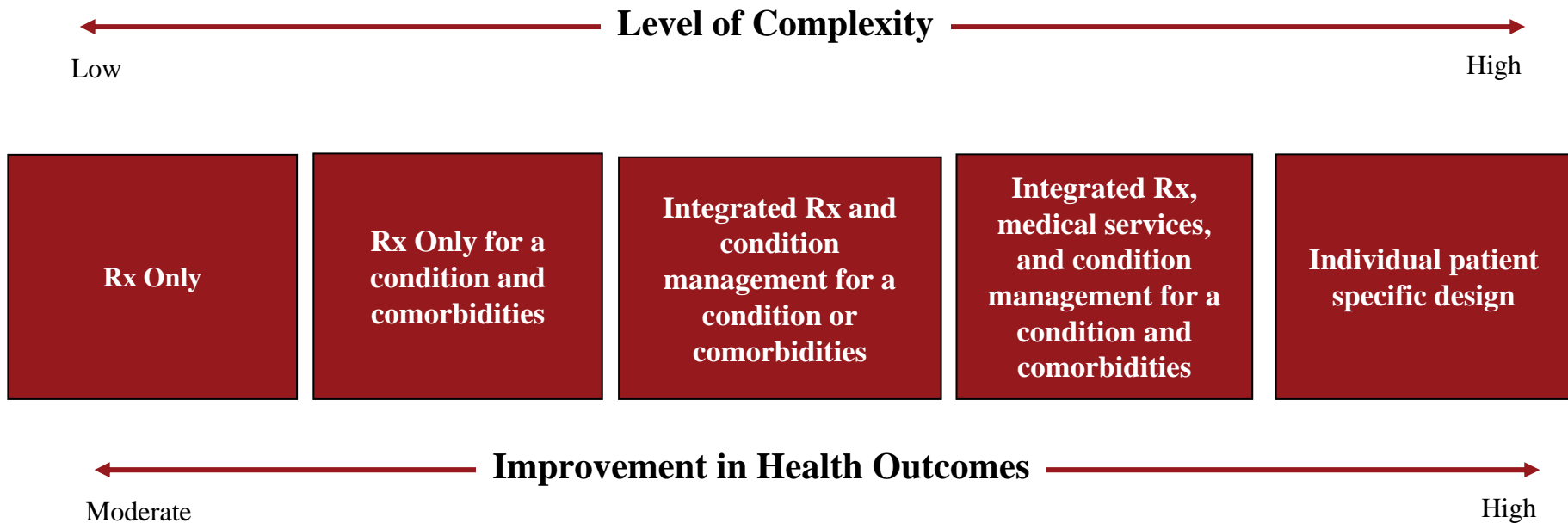
# Value-Based Design Continuum



# How an Employer Can Start on Tomorrow's Reality One Step at a Time—Prescription Drugs



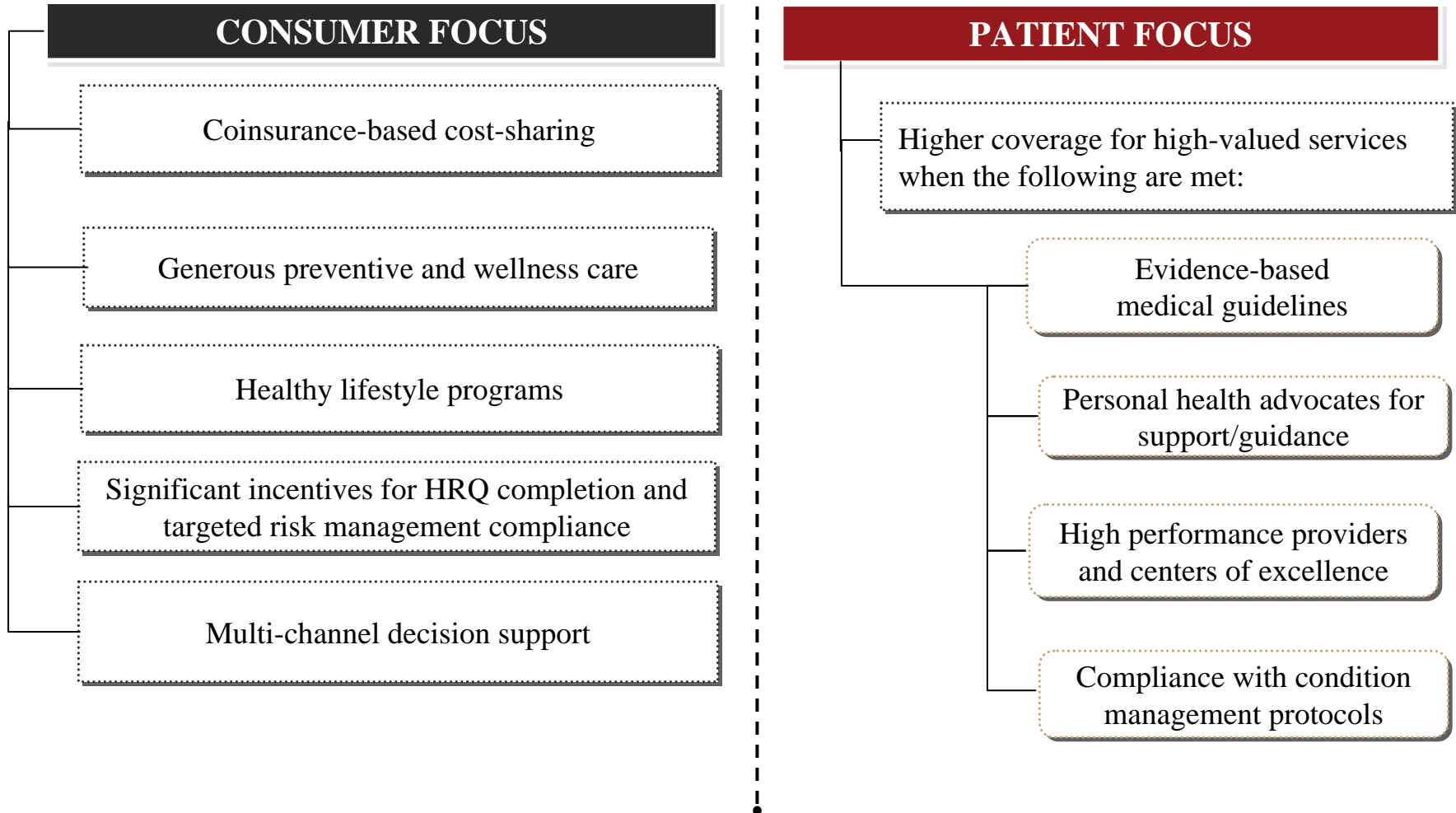
# Value-Based Designs Will Continue to Rapidly Evolve



**Will you be ready?**

**Health Care Happens...Hewitt Can Help**

# How Does a Value-Based Design Fit into the Overall Health Care Program



# In Closing ...

**Employers CAN effectively support and influence positive patient behaviors by using value-based designs to help employees make better decisions, increase compliance with treatments and improve effectiveness and safety.**

**Successful employers WILL deliver measurable results:**

- Lower than average market trends
- Improving health outcomes
- A more present and productive workforce

