Using Clinical Nuance to Better Align Consumer Engagement with Payment Reform

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Pathway to Better Health and Lower Costs
Innovations to prevent and treat disease have led to impressive reductions in morbidity and mortality.

Regardless of these advances, cost growth is the principle focus of health care reform discussions.

Despite unequivocal evidence of clinical benefit, substantial underutilization of high-value services persists across the entire spectrum of clinical care.

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 third party administrator.

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

Instead, archaic “one-size-fits-all” cost-sharing fails to acknowledge the differences in clinical value among medical interventions.

Consumer cost-sharing is rising rapidly.
“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)
Impact of Increases in Consumer Cost-Sharing on Health Care Utilization

A growing body of evidence concludes that increases in consumer cost-sharing leads to a reduction in the use of essential services, worsens health disparities, and in some cases leads to greater overall costs.

• Consumers currently do not have the necessary information to make informed health care decisions

• While important, the provision of accurate price and quality data does not address appropriateness of care

• Additional solutions are necessary to better allocate health expenditures on the clinical benefit – not only the price or profitability – of services
Potential Solution to Cost-Related Non-Adherence

Clinically Nuanced Cost-Sharing

What is clinical nuance?

Services differ in clinical benefit produced:

- Medication
- Medical test
- Professional service

Clinical benefits from a specific service depend on:

- Who receives it
- Who provides it
- Where it's provided
Implementing Clinical Nuance: 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 and providers

- Successfully implemented by hundreds of public and private payers
Evidence Supporting Value-Based Insurance Design: Improving Adherence Without Increasing Costs

- Evidence review
  - Improved adherence
  - Lower consumer out-of-pocket costs
  - No significant increase in total spending
  - Reduced health care disparities

V-BID: Who Benefits and How?

**Consumers**
- Improves access
- Lowers out-of-pocket costs

**Payers**
- Promotes efficient expenditures
- Reduces wasteful spending

**Providers**
- Enhances patient-centered outcomes
- Aligns with provider initiatives
Putting Innovation into Action
Broad Multi-Stakeholder Support

- HHS
- CBO
- SEIU
- MedPAC
- Brookings Institution
- The Commonwealth Fund
- NBCH
- PCPCC
- Families USA
- AHIP
- AARP

- National Governor’s Assoc.
- US Chamber of Commerce
- Bipartisan Policy Center
- Kaiser Family Foundation
- NBGH
- National Coalition on Health Care
- Urban Institute
- RWJF
- IOM
- PhRMA
Translating Research into Policy

- V-BID included in the Patient Protection and Affordable Care Act
- Medicare
- State Health Reform
- HSA-qualified HDHPs
• Receiving an A or B rating from the United States Preventive Services Taskforce
• Immunizations recommended by Advisory Committee on Immunization Practices
• Preventive care and screenings supported by the Health Resources and Services Administration

Over **137 million** Americans have received expanded coverage of preventive services
Putting Innovation into Action: Translating Research into Policy

- Patient Protection and Affordable Care Act
- Medicare
- State Health Reform
- HSA-qualified HDHPs
H.R.2570/S.1396: Bipartisan “Strengthening Medicare Advantage Through Innovation and Transparency”

- Directs HHS to establish a V-BID demonstration for MA beneficiaries with chronic conditions
- Passed US House with strong bipartisan support in June 2015
- CMS issues RFI on role of V-BID in Medicare in October 2014
• Patient Protection and Affordable Care Act
• Medicare
• State Health Reform
• HSA-qualified HDHPs
Value-Based Insurance Design
Growing Role in State Health Reform

- State Innovation Models
- State Exchanges
- CO-OPs
- Medicaid
- State Employees Benefit Plans
Many “supply side” initiatives are restructuring provider incentives to move from volume to value.
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Unfortunately, some “demand-side” initiatives are moving consumers in the opposite direction.
Using Clinical Nuance to Align Payer and Consumer Incentives: As Easy as Peanut Butter and Jelly

• “Supply side” initiatives are restructuring provider incentives to move from volume to value

• Unfortunately, some “demand-side” initiatives are moving consumers in the opposite direction

• Adding clinical nuance can improve quality of care, enhance employee experience, and contain cost growth

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Discussion

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