Changing the Health Care Cost Discussion from "How Much" to "How Well"

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@um_vbid
<table>
<thead>
<tr>
<th>Factor</th>
<th>Odds ratio (and 95% CI)</th>
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<tbody>
<tr>
<td><strong>Environmental</strong></td>
<td></td>
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<tr>
<td>Dim lighting</td>
<td>1.6 (0.8–2.5)</td>
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<tr>
<td>Warm room temperature</td>
<td>1.4 (0.9–1.6)</td>
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<tr>
<td>Comfortable seating</td>
<td>1.0 (0.7–1.3)</td>
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<tr>
<td><strong>Audiovisual</strong></td>
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<tr>
<td>Poor slides</td>
<td>1.8 (1.3–2.0)</td>
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<tr>
<td>Failure to speak into microphone</td>
<td>1.7 (1.3–2.1)</td>
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<tr>
<td><strong>Circadian</strong></td>
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<tr>
<td>Early morning</td>
<td>1.3 (0.9–1.8)</td>
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<tr>
<td>Post prandial</td>
<td>1.7 (0.9–2.3)</td>
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<td><strong>Speaker-related</strong></td>
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<tr>
<td>Monotonous tone</td>
<td>6.8 (5.4–8.0)</td>
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<td>Tweed jacket</td>
<td>2.1 (1.7–3.0)</td>
</tr>
<tr>
<td>Losing place in lecture</td>
<td>2.0 (1.5–2.6)</td>
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Note: CI = confidence interval.
Translating Research into Policy: Shifting the discussion from “How much” to “How well”

- 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.

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)
Effects of Increased Patient Cost Sharing on Socioeconomic Disparities in Health Care

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• Rising copayments worsen disparities and adversely affect health, particularly among economically vulnerable individuals and those with chronic conditions

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.

One in Four adults with non-group coverage report going without needed care due to cost.

Foregoing Preventive Care Due to Cost: A Bipartisan Problem

40% of Democrats and 41% of Republicans said cost is the number one reason they have not utilized preventive care.
Innovative Solutions Needed

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

• While important, clinician incentives and providing accurate price and quality data does not ensure appropriate care delivery

• Consumer engagement 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

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

Lee J. *Health Affairs*. 2013;32(7):1251-1257  
*Health Aff (Millwood)*. 2014 May;33(5):863-70
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: Create Broad Multi-Stakeholder Support

- HHS
- CBO
- SEIU
- MedPAC
- Brookings Institution
- The Commonwealth Fund
- NBCH
- PCPCC
- Partnership for Sustainable Health Care
- Families USA
- AHIP
- 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
- AARP
Putting Innovation into Action: Translating Research into Policy

• Patient Protection and Affordable Care Act
• Medicare
• State Health Reform
• HSA-qualified HDHPs
• Cadillac Tax
• High Cost Drugs
• Alternative Payment Models
ACA 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 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
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- Cadillac Tax
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- Alternative Payment Models
Why not lower cost-sharing on high-value services?

The anti-discrimination clause of the Social Security Act does not allow clinically nuanced consumer cost-sharing.

"providers may not deny, limit, or condition the coverage or provision of benefits"
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 Announces Medicare Advantage Value-Based Insurance Design Model Test

A 5-year demonstration program will test the utility of structuring consumer cost-sharing and other health plan design elements to encourage patients to use high-value clinical services and providers.

*Red denotes states included in V-BID model test*
Putting Innovation into Action: Translating Research into Policy

- Patient Protection and Affordable Care Act
- Medicare
- **State Health Reform**
- HSA-qualified HDHPs
- Cadillac Tax
- High Cost Drugs
- Alternative Payment Models
Value-Based Insurance Design
Growing Role in State Health Reform

- State Exchanges
- CO-OPs
- Medicaid
- State Innovation Models
- State Employee Benefit Plans
Value-Based Insurance Design
Growing Role in State Health Reform

- State Employees Benefit Plans
  - Connecticut
  - Oregon
  - Virginia
  - South Carolina
  - Minnesota
  - Maine
  - New York
  - North Carolina
Implementing V-BID for State Employees: Connecticut State Employees Health Benefit Plan

• Participating employees receive a reprieve from higher premiums if they commit to:
  - Yearly physicals, age-appropriate screenings/preventive care, two free dental cleanings
  - If employees have one of five chronic conditions, they must participate in disease management programs (which include free office visits and lower drug co-pays)

• Early results:
  - 99% of employees enrolled and 99% compliant
  - Increase in primary care visits
  - Decrease in ER and specialty care
  - Increase in chronic disease medication adherence
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  - High Deductible Health Plans
- Cadillac Tax
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HSA-HDHP enrollment and out-of-pocket expenses continue to grow

Maximum Out-of-pocket expense 2006 to 2014

- Individual: $5,000 to $6,350
- Family: $10,000 to $12,700


IRS Safe Harbor Guidance allows zero consumer cost-sharing for specific preventive services

INCLUDING:

- periodic health evaluations/screenings
- routine prenatal and well-child care
- child and adult immunizations
- tobacco cessation programs
- obesity weight-loss programs

However, IRS guidance requires that services used to treat "existing illness, injury or conditions" are not covered until the minimum deductible is met.

As HSA-HDHP enrollees with existing conditions are required to pay out-of-pocket for necessary services, they utilize less care, potentially resulting in poorer health outcomes and higher costs.
Potential Solution: High Value Health Plan

Flexibility to expand IRS "Safe Harbor" to allow coverage of additional evidence-based services prior to meeting the plan deductible.
High Value Health Plan
V-BID HDHP Hybrid with “Smarter Deductibles”:

- Lower premiums than PPOs and HMOs; slight premium increase over existing HDHPs
- >40 million likely enrollees
- Substantially lower aggregate healthcare expenditures on a population level
- Bipartisan legislation to be introduced in this session
- Vehicle to avoid the “Cadillac tax”
Putting Innovation into Action: Translating Research into Policy

- Patient Protection and Affordable Care Act
- Medicare
- State Health Reform
- High Deductible Health Plans
- **Cadillac Tax**
- High Cost Drugs
- Alternative Payment Models
What is the "Cadillac Tax"?

Section 4980I of Patient Protection and Affordable Care Act mandates that if a health plan's benefits exceed...

- $10,200 for Individual Coverage
- $27,500 for Spouse/Family Coverage

the coverage provider must pay a 40% excise tax on each dollar above the cap in 2018.

Common Features of "Cadillac Plans"

- Many Covered Services
- Low Cost-Sharing
- Broad Provider Networks
Trade-In a "Cadillac Plan" for Value-Based Insurance Design

Turn in a "Cadillac Plan" loaded with unnecessary features...

- Covers low-value services
- Subject to 40% excise tax in 2018

Dodge a non-nuanced High Deductible Health Plan...

- Higher out-of-pocket costs
- Increased rates of non-adherence

Choose a clinically nuanced V-BID plan that...

- Covers evidence-based services
- Enhances adherence
- Avoids the Cadillac tax
Putting Innovation into Action: Translating Research into Policy

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Motivation for "Dynamic" Benefit Design

- The natural history of chronic conditions often necessitate multiple therapies to achieve desired clinical outcomes
- Health plans frequently require certain steps be performed before access to additional therapies
- Increasing out-of-pocket costs for alternative therapies may prevent consumers from accessing recommended treatment
Applying V-BID to High Cost Medications

"Reward the GOOD SOLDIER"

A benefit design that lowers consumer cost-sharing for those who diligently follow the required steps for their condition, but require an alternative option.
Reward the Good Soldier™
A Dynamic Approach to Consumer Cost-sharing

- Commitment to established policies that encourage lower cost, first-line therapies
- Acknowledgment that clinical scenarios may require multiple treatment options
- Reduces cost-related non-adherence
- Enhances access to effective therapies when clinically appropriate
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Many “supply side” initiatives are restructuring provider incentives:

- Payment reform
  - Global budgets
  - Pay-for-performance
  - Bundled payments
  - Accountable care
- Medical homes
- Narrow networks
- Health information technology
Unfortunately, “supply-side” initiatives have pay little attention to consumer decision-making or the “demand-side” of care-seeking behavior:

- Benefit design
- Literacy
- Shared decision-making
Using clinical nuance to align payment reform and consumer engagement initiatives can help improve quality of care, enhance patient experience, and contain cost growth.

AJAC. 2014;2(3);10.
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