



SCHOOL OF PUBLIC HEALTH

CENTER FOR VALUE-BASED INSURANCE DESIGN

UNIVERSITY OF MICHIGAN

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

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**Value-Based Insurance Design**



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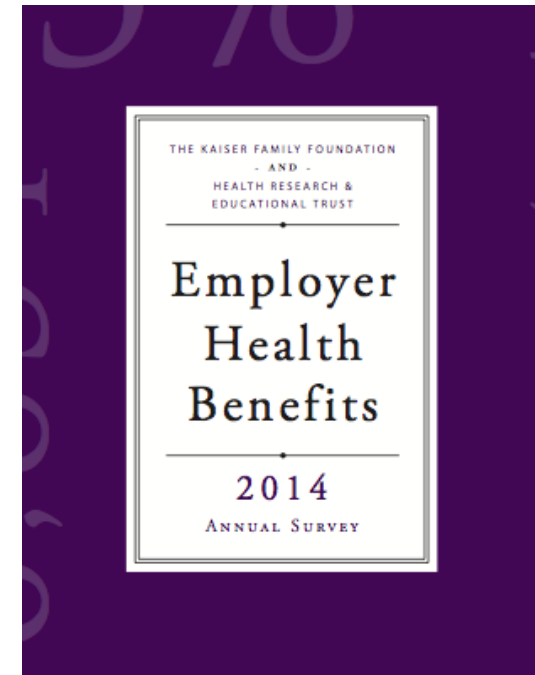
# Translating Research into Policy:

## 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**

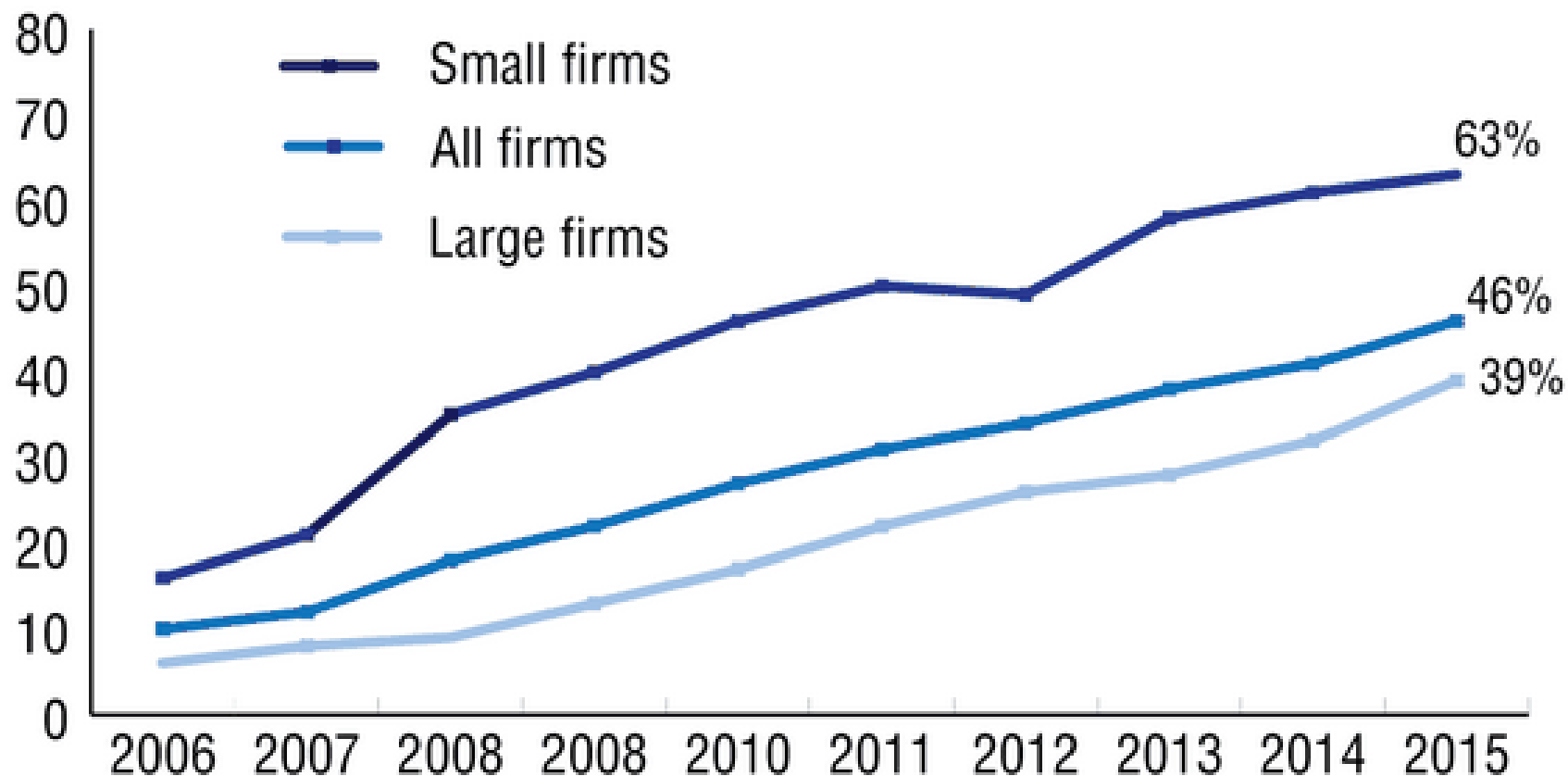
# Role of Consumer Cost-Sharing in Clinical Decisions

- 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



# Deductibles on the rise

Percentage of covered workers with an annual deductible of \$1,000 or more for single coverage



Source: Kaiser Family Foundation and Health Research and Educational Trust

# Inspiration

**“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

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

Goldman D. *JAMA*. 2007;298(1):61–9. Trivedi A. *NEJM*. 2008;358:375-383. Trivedi A. *NEJM*. 2010;362(4):320-8.. Chernew M. J *Gen Intern Med* 23(8):1131–6.

The New York Times

Business Day

WORLD U.S. N.Y. / REGION BUSINESS TECHNOLOGY SCIENCE HEALTH SPORTS OPINION

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ECONOMIC VIEW

## When a Co-Pay Gets in the Way of Health

By SENDHIL MULLAINATHAN  
Published: August 10, 2013

ECONOMISTS specialize in pointing out unpleasant trade-offs — a skill that is on full display in the health care debate.

Enlarge This Image



We want patients to receive the best care available. We also want consumers to pay less. And we don't want to bankrupt the government or private insurers. Something must give.

The debate centers on how to make these trade-offs, and who gets to make them. The stakes are high, and the choices are at times unseemly. No matter how necessary, putting human suffering into dollars and cents is not attractive work. It's no surprise, then, that the conversation is so heated.

What is a surprise is that amid these complex issues, one policy sidesteps these trade-offs.

Minh Uong/The New York Times

THE GRAND BUDAPEST HOTEL

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# 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:



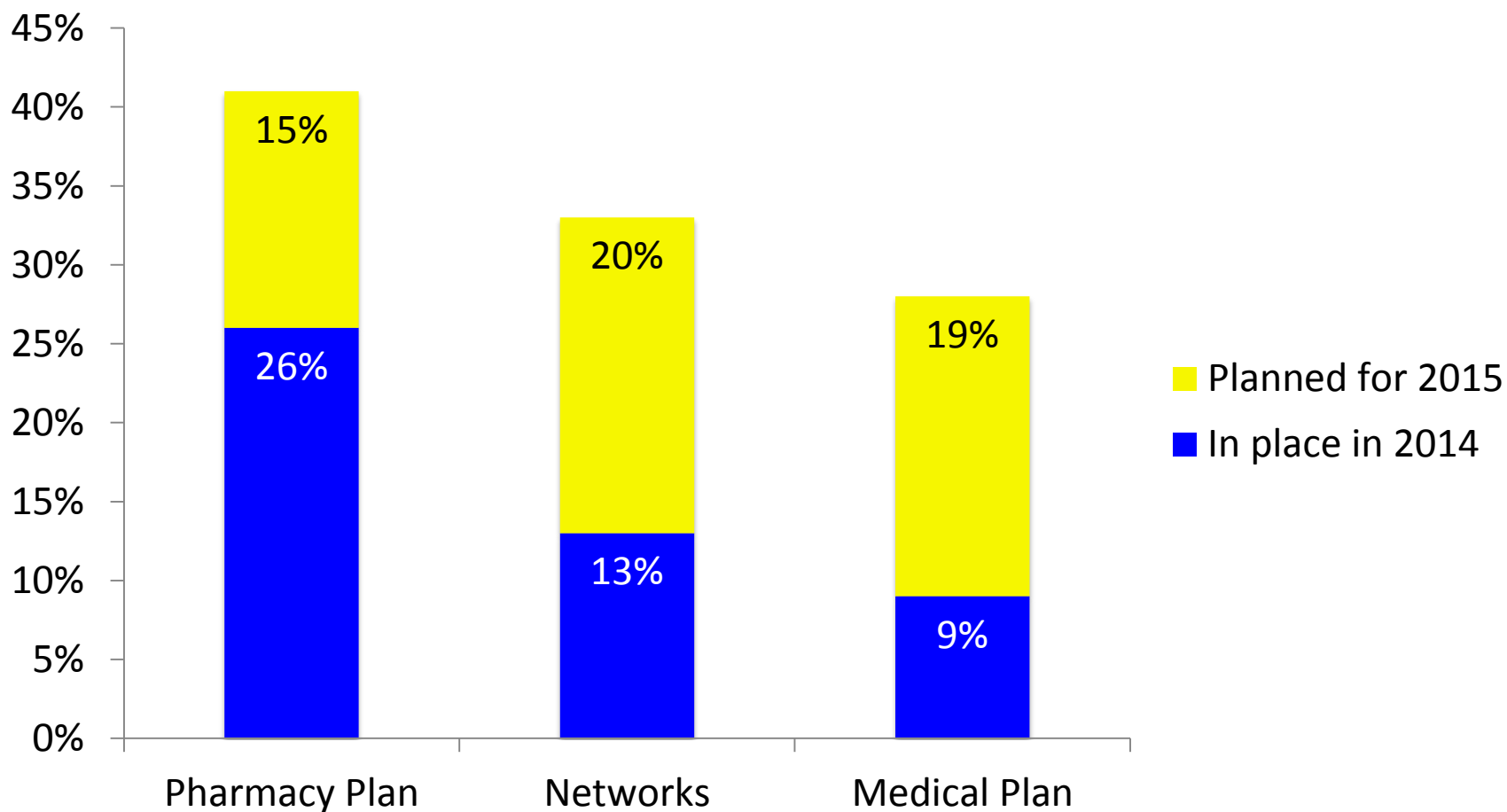


# Implementing Clinical Nuance: Value-Based Insurance Design

- **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**



# V-BID Momentum Continues



Source: 19th Annual Towers Watson/National Business Group on Health Employer Survey



# V-BID: Who Benefits and How?



# Putting Innovation into Action: 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**



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# Translating Research into Policy: Implementing V-BID in Medicare

## 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**

## HR 2570: Strengthening Medicare Advantage Through Innovation and Transparency

114<sup>TH</sup> CONGRESS  
1<sup>ST</sup> SESSION

H. R. 2570

IN THE SENATE OF THE UNITED STATES

JUNE 18, 2015

Received; read twice and referred to the Committee on Finance

### AN ACT

To amend title XVIII of the Social Security Act with respect to the treatment of patient encounters in ambulatory surgical centers in determining meaningful EHR use, establish a demonstration program requiring the utilization of Value-Based Insurance Design to demonstrate that reducing the copayments or coinsurance charged to Medicare beneficiaries for selected high-value prescription medications and clinical services can increase their utilization and ultimately improve clinical outcomes and lower health care expenditures, and for other purposes.

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,*

#### SECTION 1. SHORT TITLE.

This Act may be cited as the “Strengthening Medicare Advantage through Innovation and Transparency for Seniors Act of 2015”.

#### SEC. 2. TREATMENT OF PATIENT ENCOUNTERS IN AMBULATORY SURGICAL CENTERS IN DETERMINING MEANINGFUL EHR USE.



# 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

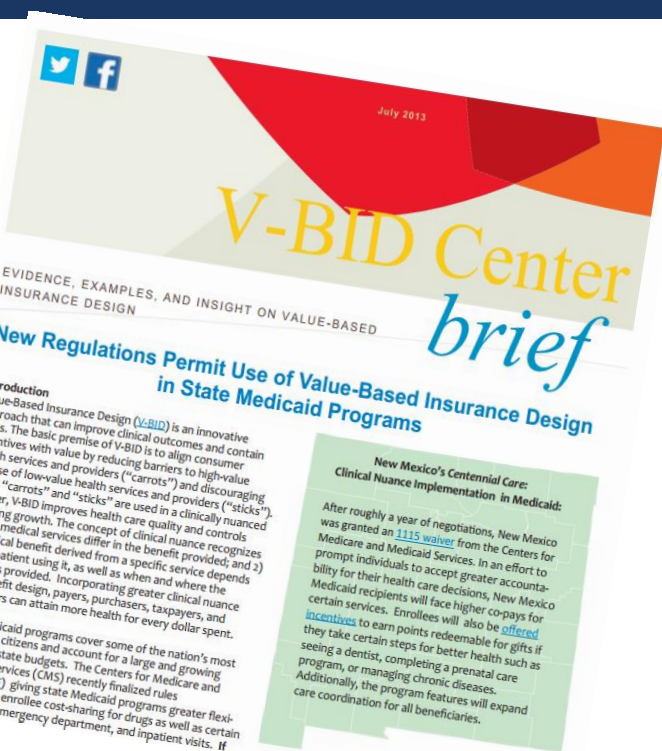
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# **Value-Based Insurance Design**

## **Growing Role in State Health Reform**

- **State Exchanges**
- **CO-OPs**
- **Medicaid**
- **State Innovation Models**
- **State Employee Benefit Plans**

# CMS Rules Enable V-BID in Medicaid



## Plans may vary cost-sharing for

- drugs, outpatient, inpatient, and emergency visits
- specific groups of individuals based on clinical factors
- an outpatient service according to where and by whom the service is provided

**V-BID was prominently featured in Healthy Michigan Plan**

# Putting Innovation into Action: Translating Research into Policy

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- **High Deductible Health Plans**
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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

[http://www.ahipcoverage.com/wp-content/uploads/2013/06/HSAinfographic\\_V9\\_FV.jpg](http://www.ahipcoverage.com/wp-content/uploads/2013/06/HSAinfographic_V9_FV.jpg)

<http://kff.org/report-section/ehbs-2014-section-eight-high-deductible-health-plans-with-savings-option/>

<http://www.irs.gov/pub/irs-drop/n-04-2.pdf>

# ***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

[www.irs.gov/pub/irs-drop/n-04-23.pdf](http://www.irs.gov/pub/irs-drop/n-04-23.pdf)



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



office visits



diagnostic tests



drugs

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

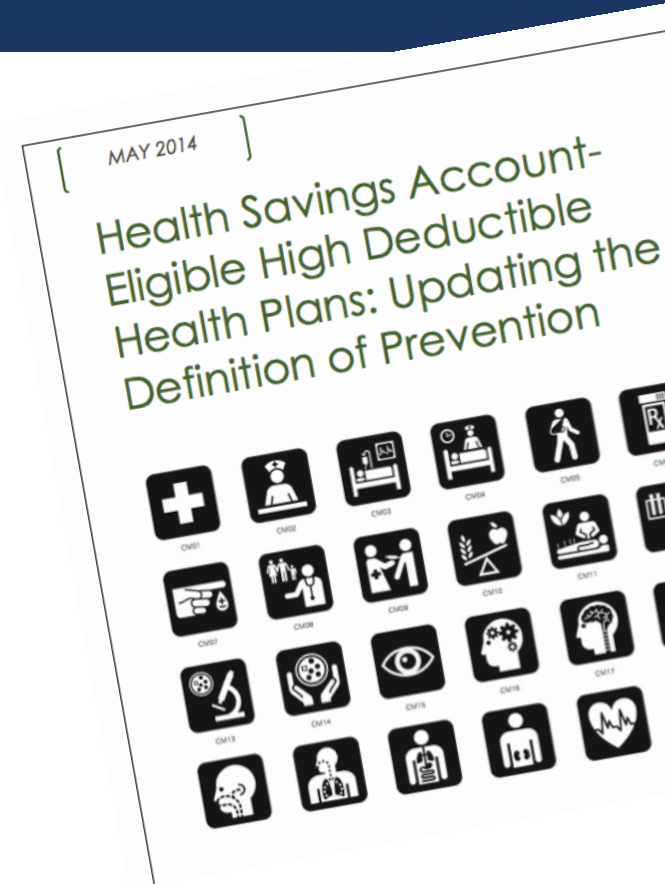
**Potential Solution:**  
*High Value Health Plan*

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”**





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# 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**



**\$27,500 for**



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

## Common Features of "Cadillac Plans"





# Trade-In a "Cadillac Plan" for Value-Based Insurance Design

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

**40%**



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

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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





# *"Reward the* **GOOD SOLD<sup>ER</sup>"**™

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<sup>TM</sup>***

## 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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# Precision Medicine Requires Precision Benefit Design

**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**





# Precision Medicine Requires Precision Benefit Design

**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**



# Precision Medicine Requires Precision Benefit Design

- **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.

# Discussion

[www.vbidcenter.org](http://www.vbidcenter.org)

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**#FHAvbid**