Value-Based Insurance Design: Potential Role in Depression

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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.
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
“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 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.
Cost-Related Non-Adherence in Depression

- Cost-related non-adherence among beneficiaries with depressive symptoms was 2-2.5 more likely in the years prior to Medicare Part D implementation.
- Higher rates of cost-related non-adherence for beneficiaries with depressive symptoms persist at similar rates after Part D implementation.
- Depressive symptoms worsened for Medicare beneficiaries who restricted their medications for other conditions due to cost.

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:

- Medical services
- Pharmacological services
- Professional services

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

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From 'One Size Fits All' To Tailored Co-Payments

University of Michigan researchers say a patient’s payment for a drug should depend on how much he or she will benefit from the medication -- a move that would likely lower co-payments for Americans.
V-BID Momentum Continues

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

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Lee J. *Health Affairs*. 2013;32(7):1251-1257  
Health Aff. 2014;33(5):863-70
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
• Patient Protection and Affordable Care Act
• Medicare
• State Health Reform
• HSA-qualified HDHPs
• Cadillac Tax
• High Cost Drugs
• Alternative Payment Models
• 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
• Patient Protection and Affordable Care Act
• **Medicare**
• State Health Reform
• HSA-qualified HDHPs
• Cadillac Tax
• High Cost Drugs
• 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*
MA Value-Based Insurance Design Model Test: Targeted Clinical Conditions

- Diabetes
- Chronic Obstructive Pulmonary Disease (COPD)
- Congestive Heart Failure (CHF)
- Past Stroke
- Hypertension
- Coronary Artery Disease
- Mood Disorders
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
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

- Patient Protection and Affordable Care Act
- Medicare
- State Health Reform
- High Deductible Health Plans
- Cadillac Tax
- High Cost Drugs
- Alternative Payment Models
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
Putting Innovation into Action: Translating Research into Policy

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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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