



SCHOOL OF PUBLIC HEALTH

CENTER FOR VALUE-BASED INSURANCE DESIGN

UNIVERSITY OF MICHIGAN

**Value-Based Insurance Design:  
A Bipartisan Approach to Improve  
Health Savings Accounts, Medicare Advantage, and  
TRICARE**

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# Agenda

- **Welcome**
- **Clinical Nuance and Value-Based Insurance Design**
  - **Preventive Care**
  - **Medicare**
  - **TRICARE**
  - **Health Savings Accounts**

# Getting to Health Care Value

## Shifting the discussion from “How much” to “How well”

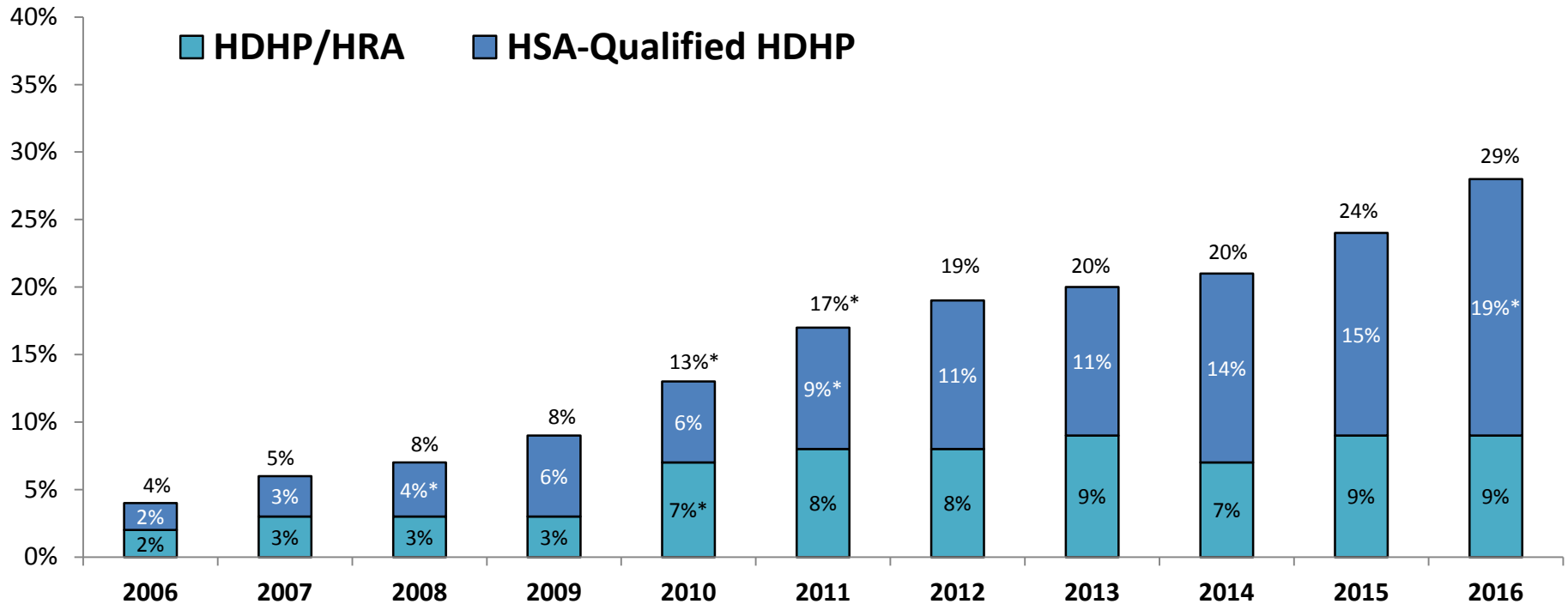
- **Innovations to prevent and treat disease have led to impressive reductions in morbidity and mortality**
- **Regardless of these advances, health care spending is the main focus of health care reform discussions**
- **Attention should turn from *how much* to *how well* we spend our health care dollars**

# Getting to Health Care Value

## Shifting the discussion from “How much” to “How well”

- **Moving from a volume-driven to value-based system requires a change in both how we pay for care and how we engage consumers to seek care**
- **Much of the focus is on alternative payment models**
- **We also must better engage consumers enhance efficiency**
- **Consumer cost sharing is a common and important policy lever**

# Percentage of Covered Workers Enrolled in an HDHP/HRA or an HSA-Qualified HDHP, 2006-2016



\* Estimate is statistically different from estimate for the previous year shown ( $p < .05$ ).

NOTE: Covered Workers enrolled in an HDHP/SO are enrolled in either an HDHP/HRA or a HSA-Qualified HDHP. For more information, see the Survey Methodology Section. The percentages of covered workers enrolled in an HDHP/SO may not equal the sum of HDHP/HRA and HSA-Qualified HDHP enrollment estimates due to rounding.

SOURCE: Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2006-2016.



# Pathway to Better Health and Lower Costs 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 Cost-Sharing on Health Care Disparities

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

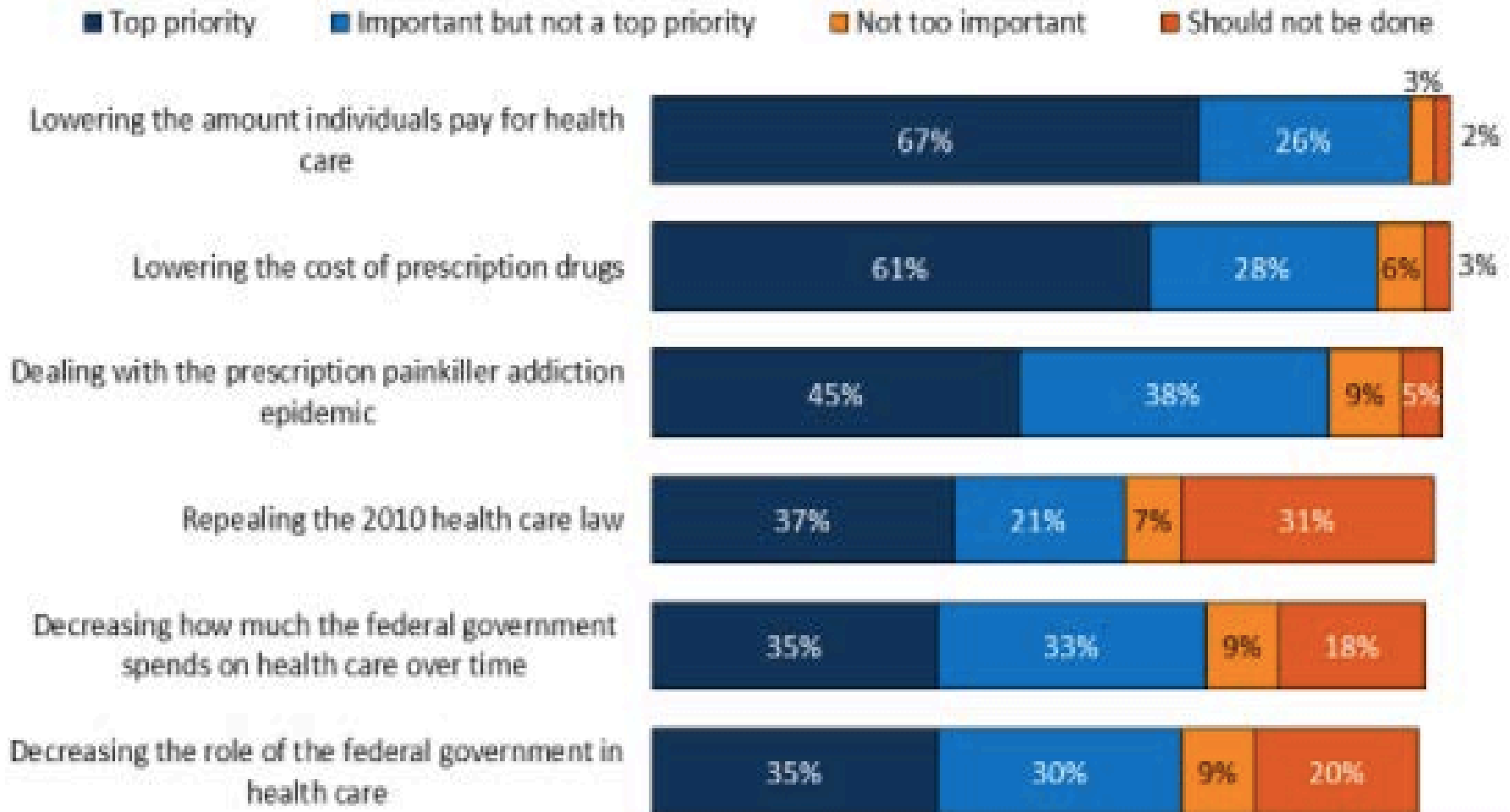
*Michael Chernew, PhD<sup>1</sup> Teresa B. Gibson, PhD<sup>2</sup> Kristina Yu-Isenberg, PhD, RPh<sup>3</sup>  
Michael C. Sokol, MD, MS<sup>4</sup> Allison B. Rosen, MD, ScD<sup>5</sup>, and A. Mark Fendrick, MD<sup>5</sup>*

<sup>1</sup>Department of Health Care Policy, Harvard Medical School, Boston, MA, USA; <sup>2</sup>Thomson Healthcare, Ann Arbor, MI, USA; <sup>3</sup>Managed Markets Division, GlaxoSmithKline, Research Triangle Park, NC, USA; <sup>4</sup>Managed Markets Division, GlaxoSmithKline, Montvale, NJ, USA; <sup>5</sup>Departments of Internal Medicine and Health Management and Policy, Schools of Medicine and Public Health, University of Michigan, Ann Arbor, MI, USA.

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

# Lowering Out-of-Pocket Costs Is Top Health Care Priority

Should each of the following things Donald Trump and the next Congress might do when it comes to health care be a top priority, an important but not a top priority, not too important, or should it not be done?



NOTE: Question wording abbreviated. See topline for full question wording. Don't know/Refused responses not shown.

SOURCE: Kaiser Family Foundation Health Tracking Poll (conducted December 13-19, 2016)



# Getting to Health Care Value

## Shifting the discussion from “How much” to “How well”

- **Despite unequivocal evidence of clinical benefit, substantial underutilization of high-value services persists across the entire spectrum of clinical care**
- **Key stakeholders—including a large number of medical professional societies—agree that discouraging consumers from using specific low-value services must be part of a reform strategy**

# Getting to Health Care Value “Clinically Nuanced” Cost-Sharing

**A “**smarter**” cost-sharing approach that encourages consumers to use more high value services and providers, but discourages the use of low value ones**

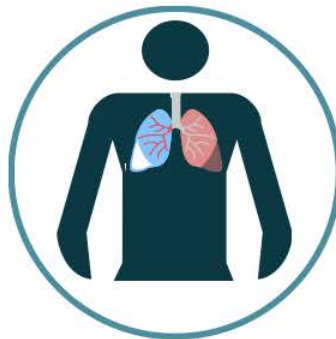
# Understanding CLINICAL NUANCE

#1

Clinical Services Differ  
in the Benefit Produced



Office  
Visits



Diagnostic  
Tests

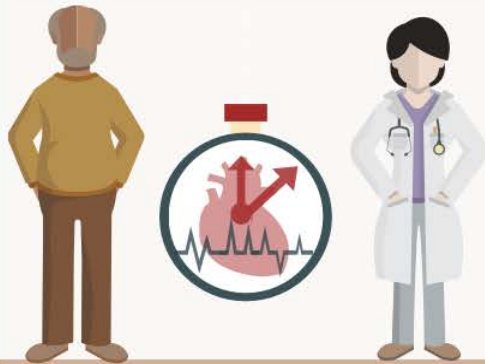


Prescription  
Drugs

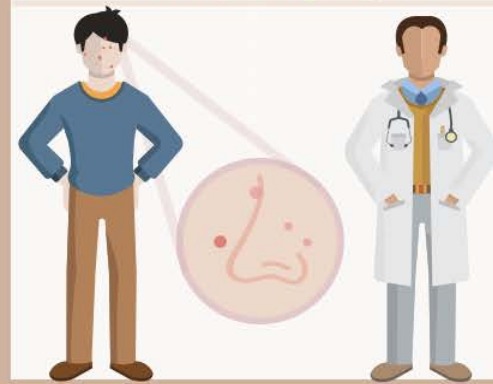
Despite these differences in clinical value,  
consumer out-of-pocket costs are the same  
for every clinician visit within a network...



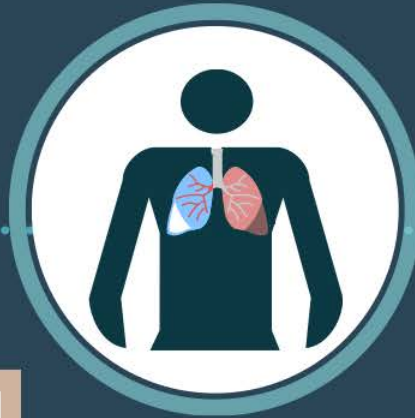
**Cardiologist**  
Post Heart-Attack



**Dermatologist**  
Mild Acne



...for all diagnostic tests...



**Blood Sugar  
Monitoring**



**CT Imaging  
for Back Pain**



# Consumer out-of-pocket costs are the same for all drugs within a formulary tier



## Statins



## Anti-Depressants



## Toenail Fungus Rx



## Heartburn Treatment





#2

## The Clinical Benefit Derived From a Service Depends On...



**Who**  
receives it



**Who**  
provides it



**Where**  
it's provided

# Clinical benefit depends on **who** receives it

## Screening for Colorectal Cancer



### Screening Recipients

First-degree relative of colon cancer sufferer



**Exceptional Value**

Average risk  
50 year old



**High Value**

30 year old with no family history of colon cancer



**Low Value**



who provides it...



High  
Performance



Poor  
Performance



# Clinical benefit depends on **where** care is provided



## Ambulatory Care Center



\$

## Hospital



\$\$\$

# Implementing Clinical Nuance

## *Value-Based Insurance Design*

Sets cost-sharing to encourage greater utilization of high-value services and providers and discourage use of low-value care

- **Successfully implemented by hundreds of public and private payers**



THE WALL STREET JOURNAL  
ONLINE

June 16, 2004

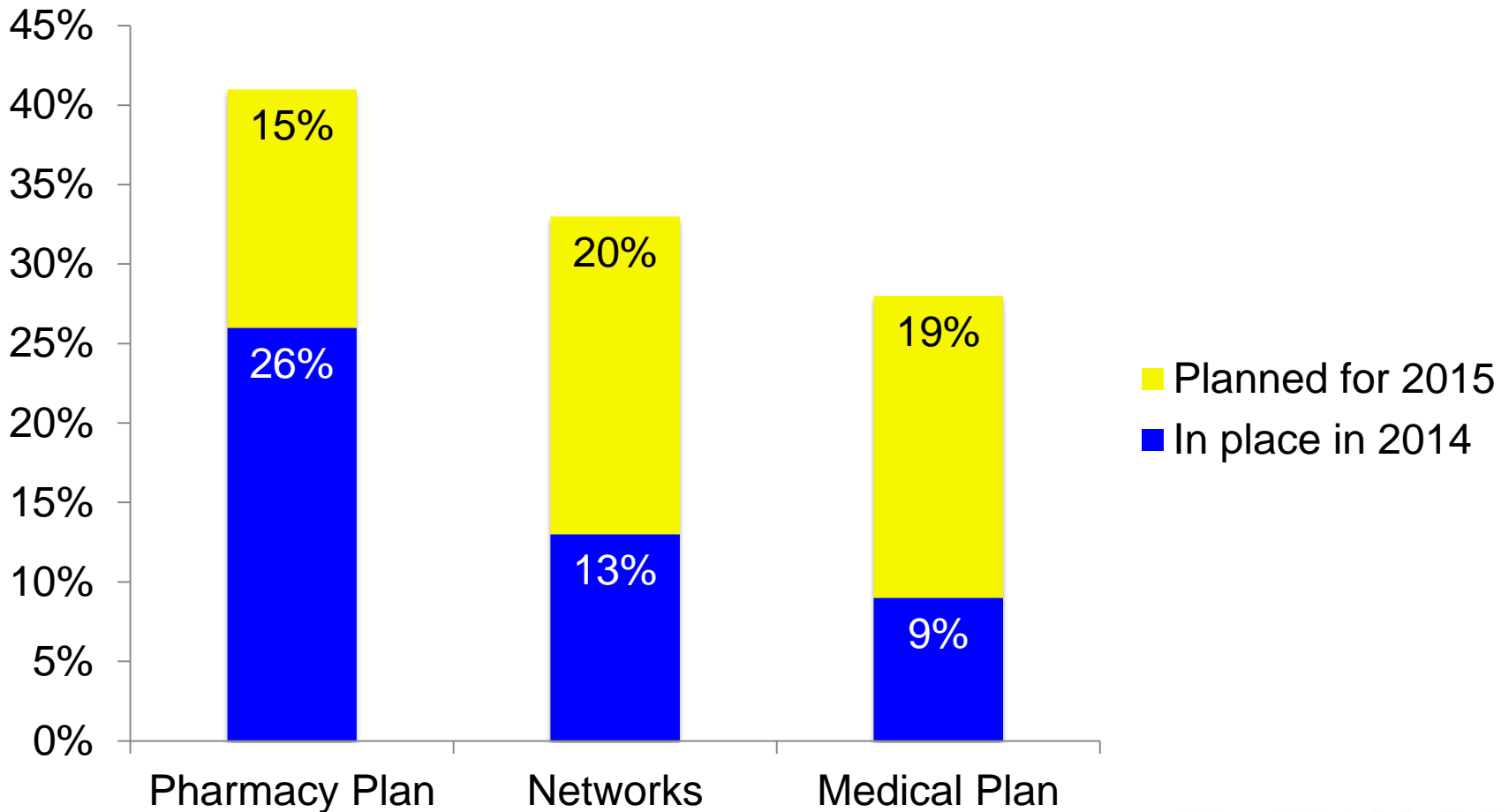
**FOLLOW THE MONEY**

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

June 16, 2004

University of Michigan researchers say a patient drug should depend on how much he or she will pay. The researchers say a move that would likely lower co-

# V-BID Momentum Continues



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



# Putting Innovation into Action

## Broad Multi-Stakeholder Support for V-BID

- **HHS**
- **CBO**
- **Smarter Health Care Coalition**
- **SEIU**
- **MedPAC**
- **Brookings Institution**
- **The Commonwealth Fund**
- **NBCH**
- **American Fed Teachers**
- **Families USA**
- **AHIP**
- **AARP**
- **National Governor's Assoc.**
- **US Chamber of Commerce**
- **Bipartisan Policy Center**
- **Kaiser Family Foundation**
- **Bipartisan Policy Center**
- **National Coalition on Health Care**
- **Urban Institute**
- **RWJF**
- **IOM /NAM**
- **PhRMA**
- **NBGH**
- **ACP**

# Putting Innovation into Action: Translating Research into Policy

- **Preventive Care**
- **Medicare**
- **TRICARE**
- **Health Savings Accounts**



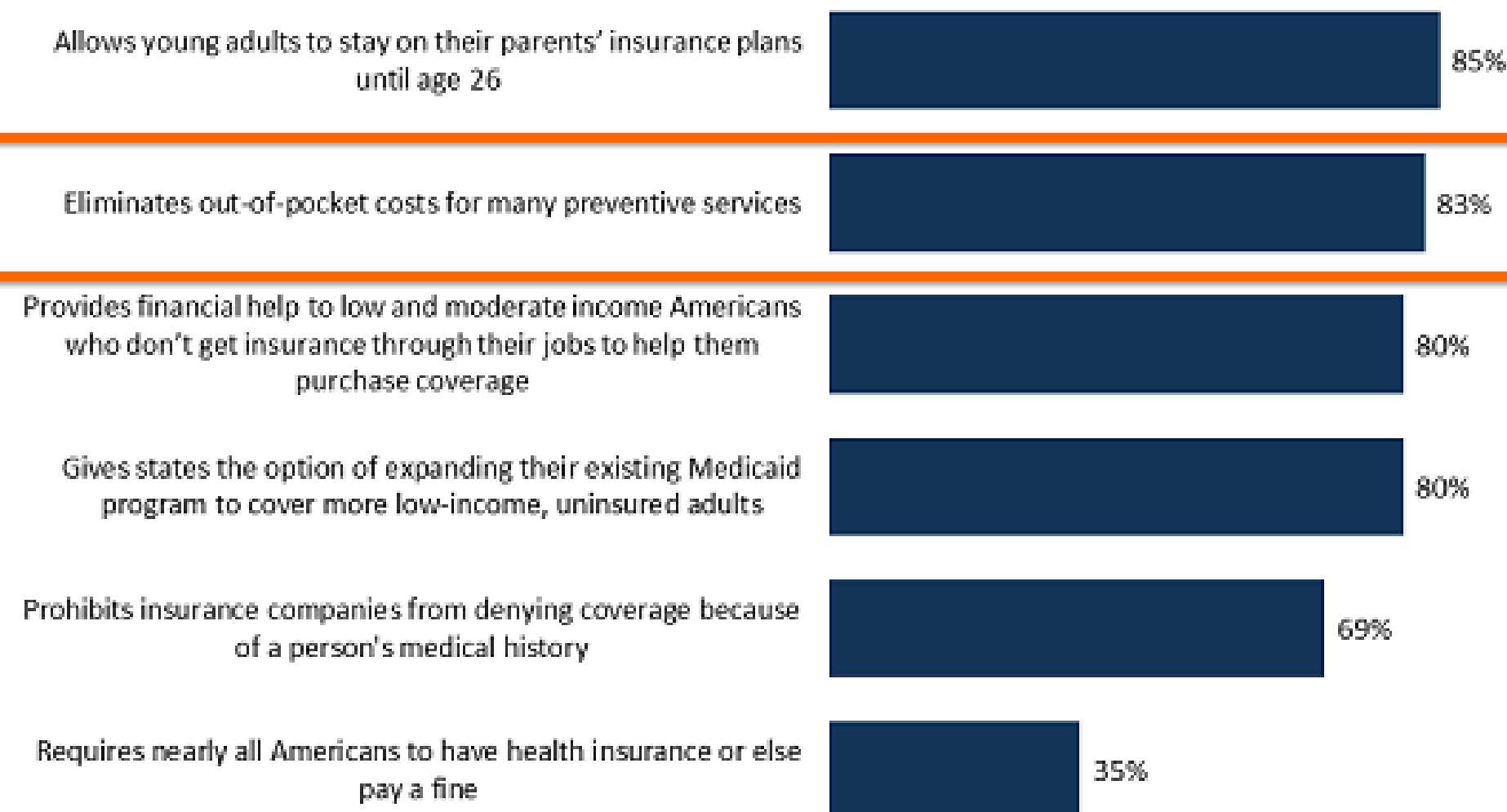
# Selected Preventive Services be Provided without Consumer Cost-Sharing

- **Receiving an A or B rating from the United States Preventive Services Taskforce (USPSTF)**
- **Immunizations recommended by the Advisory Committee on Immunization Practices (ACIP)**

**Over 137 million Americans have received expanded coverage of preventive services; over 76 million have accessed without cost-sharing**

# Majorities Favor Many Key ACA Provisions, But Not Its Individual Mandate

Percent who favor each of the following specific elements of the health care law:



NOTE: Some items asked of half samples. Question wording abbreviated, see topline for full question wording.  
SOURCE: Kaiser Family Foundation Health Tracking Poll (conducted November 15-21, 2016)



# Putting Innovation into Action: Translating Research into Policy

- Preventive Care
- **Medicare**
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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



# Incorporating Value-Based Insurance Design to Improve Chronic Disease Management in the Medicare Advantage Program

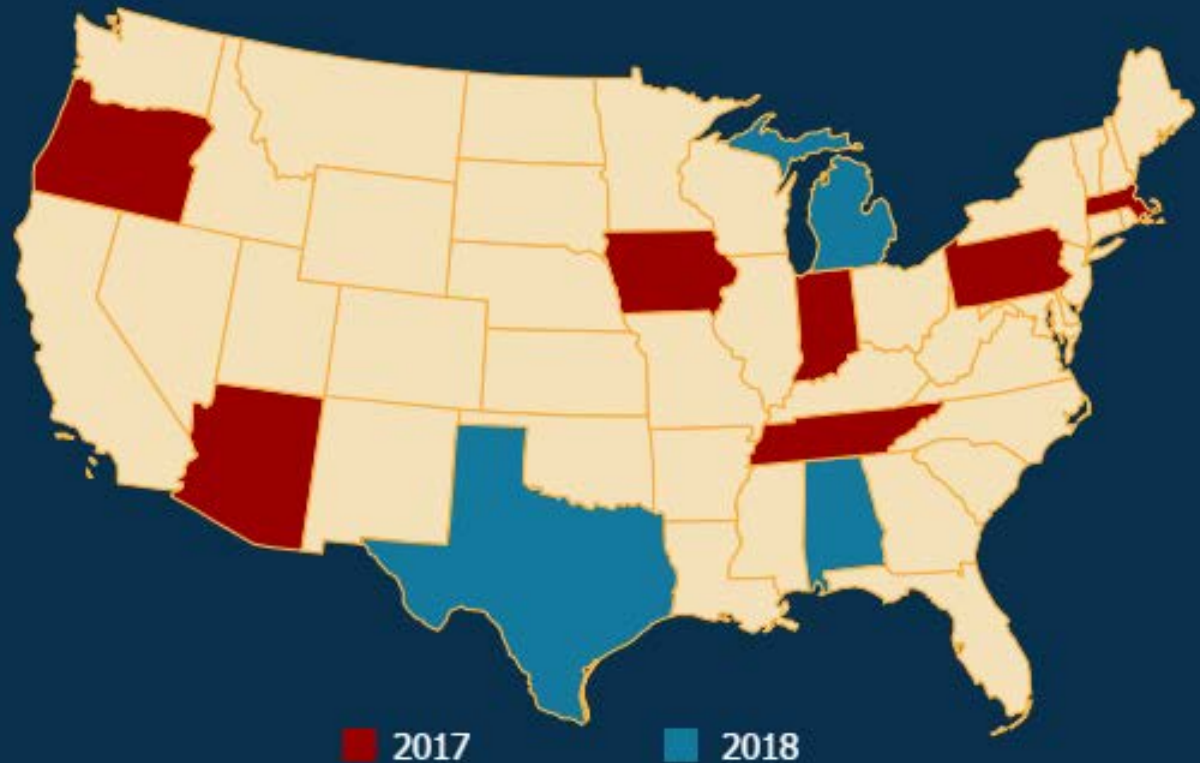
**Actuarial modeling estimated the financial impact of V-BID on consumer, plan, and societal costs for three common conditions: diabetes mellitus (DM), chronic obstructive pulmonary disease (COPD), and congestive heart failure (CHF)**

# Projected Financial Impact of MA V-BID Program, Year 1

		Diabetes Mellitus	COPD	CHF
Cost Paid per Month (\$)	Member Cost Share	↓ \$21.64	↓ \$17.63	↓ \$12.73
	Plan Paid Amount	↑ \$24.56	↑ \$14.36	↓ \$0.56
	Total Societal Costs	↑ \$2.94	↓ \$3.27	↓ \$13.29

# CMS Expands Medicare Advantage Value-Based Insurance Design Model Test

- Diabetes
- Congestive Heart Failure
- COPD
- Past Stroke
- Hypertension
- Coronary Artery Disease
- Mood Disorders
- Dementia
- Rheumatoid Arthritis



# MA V-BID Model Test Plans Participating in Year 1

State	Plan	Clinical Condition(s)
Indiana	IUHP	CHF
Massachusetts	BCBS	Hypertension
	Fallon	Diabetes
	Tufts	COPD and/or CHF
Pennsylvania	Aetna	CHF
	Geisinger	COPD
	Highmark	Diabetes and/or COPD
	IBX	Diabetes & CHF
	UPMC	CHF & COPD or CHF & Diabetes



# US House and Senate call for Expansion of MA VBID Demonstration to all 50 States

UNITED STATES SENATE  
**COMMITTEE ON FINANCE**

ABOUT HEARINGS LEGISLA

## Hatch, Wyden, Isakson, Warner Release Proposals to Improve Treatment for Chronic Illness

*Finance Committee Members Offer Bipartisan Legislative Language to Improve Chronic Care Outcomes in Medicare*



**A BETTER WAY**  
OUR VISION FOR A CONFIDENT AMERICA

# Putting Innovation into Action: Translating Research into Policy

- Preventive Care
- Health Savings Accounts
- **TRICARE**
- Medicare



# 2017 National Defense Authorization Act establishes V-BID Demo

114TH CONGRESS  
2D SESSION

## **S. 2943**

IN THE UNITED STATES SENATE

[Section 701] "Reducing copayments... for targeted populations... in the receipt of high-value medications and services and the use of high-value providers"

# Value-based insurance coming to millions of people in Tricare

By Shelby Livingston | December 27, 2016

**Under a provision in the [National Defense Authorization Act](#), the TRICARE program for current and retired members of the military and their dependents will test V-BID in a pilot program.**

**By January 2018, the pilot will assess whether the V-BID approach helps people with certain conditions stick to their medications, get care that meets specific quality standards, and have better outcomes and a better experience.**



# Putting Innovation into Action: Translating Research into Policy

- Preventive Care
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- **Health Savings Accounts**

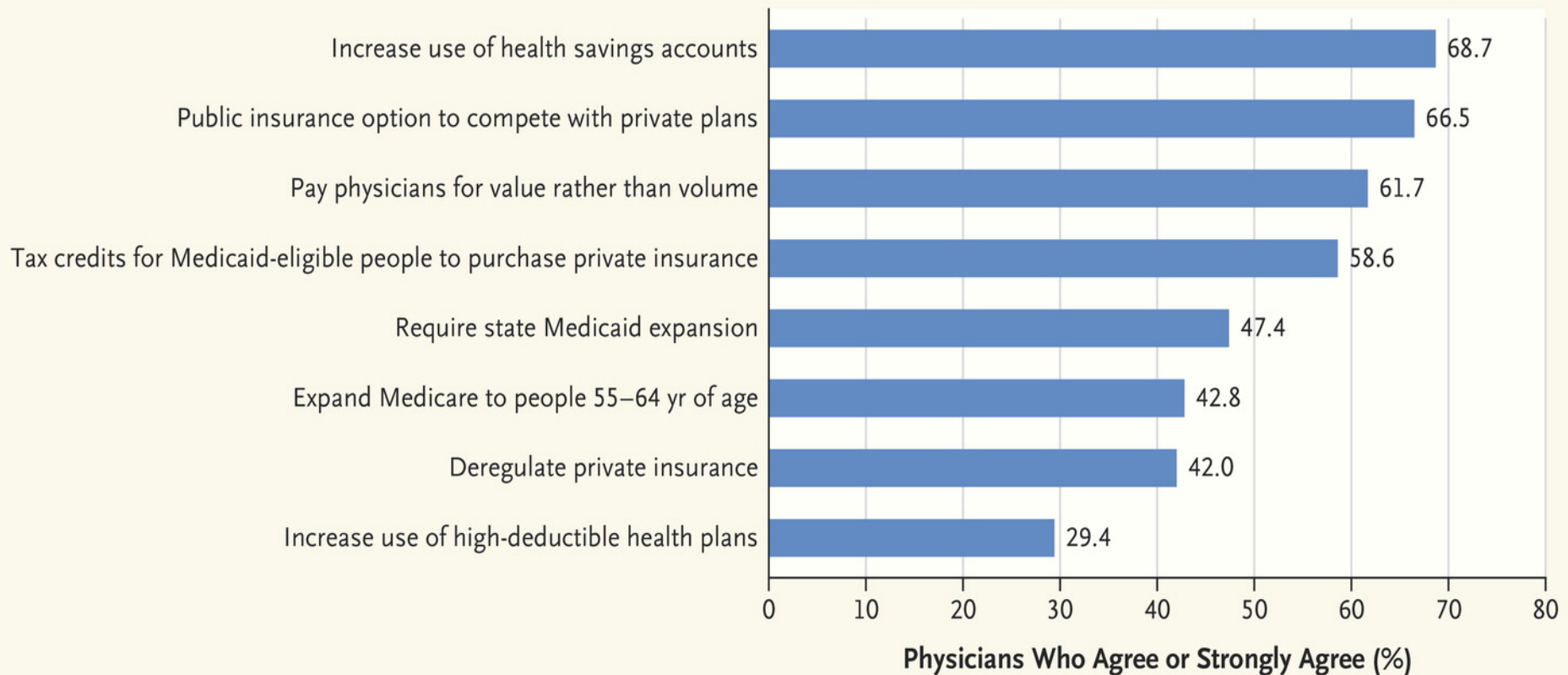


# Putting Innovation into Action: Translating Research into Policy

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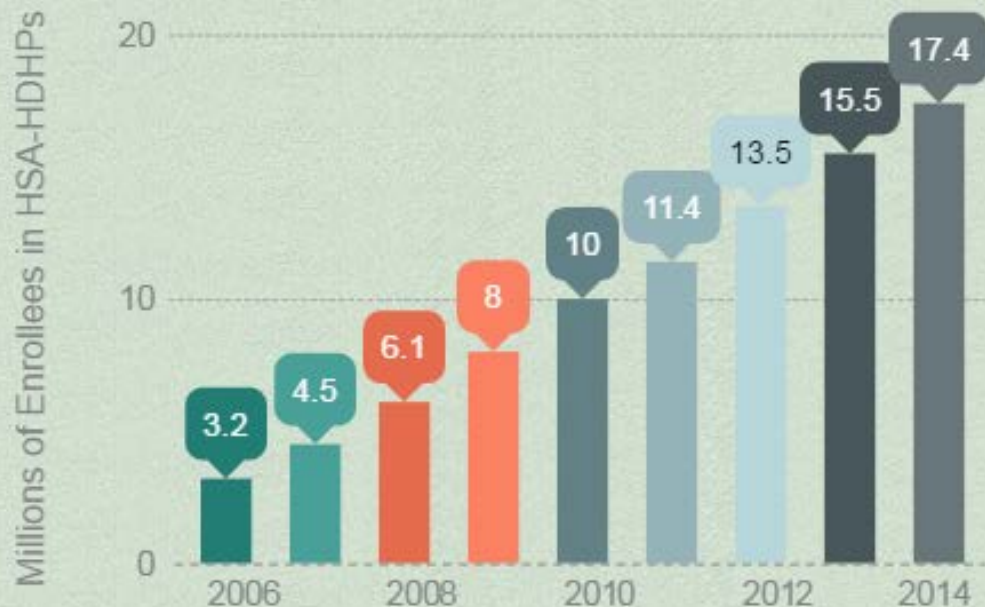


# NEJM Jan 2017, PCP Survey Responses Regarding Potential Health Reform





# HSA-HDHP enrollment and out-of-pocket expenses continue to grow



**Maximum  
Out-of-pocket  
expense 2006 to 2015**

individual: \$5,000 to \$6,450

family: \$10,000 to \$12,900

[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-2015-section-eight-high-deductible-health-plans-with-savings-option/>

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



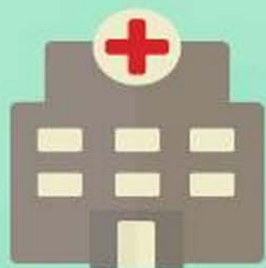
***IRS Safe Harbor Guidance allows zero  
consumer cost-sharing for specific  
preventive services***

**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

# Precision Benefit Design—Using “Smarter” Deductibles to Better Engage Consumers and Mitigate Cost-Related Nonadherence

A. Mark Fendrick, MD; Michael E. Chernew, PhD

**“To enable the continued growth of HSA-HDHPs, insurers need flexibility to provide pre-deductible coverage for high-quality services across the spectrum of clinical care.”**



JAMA Internal Medicine



# Are high-value health plans the wave of the future?

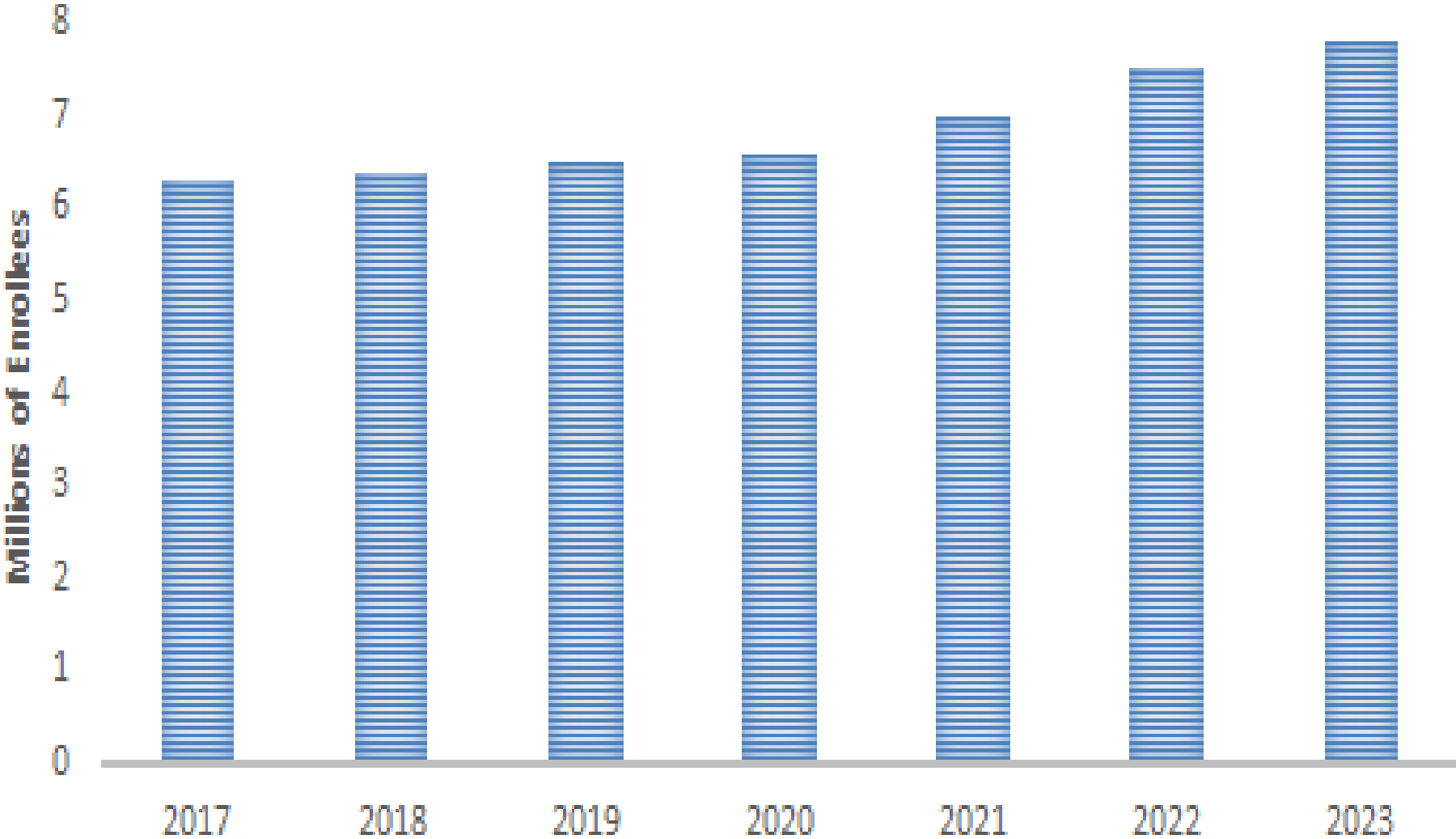
January 25, 2017

By Tracey Walker

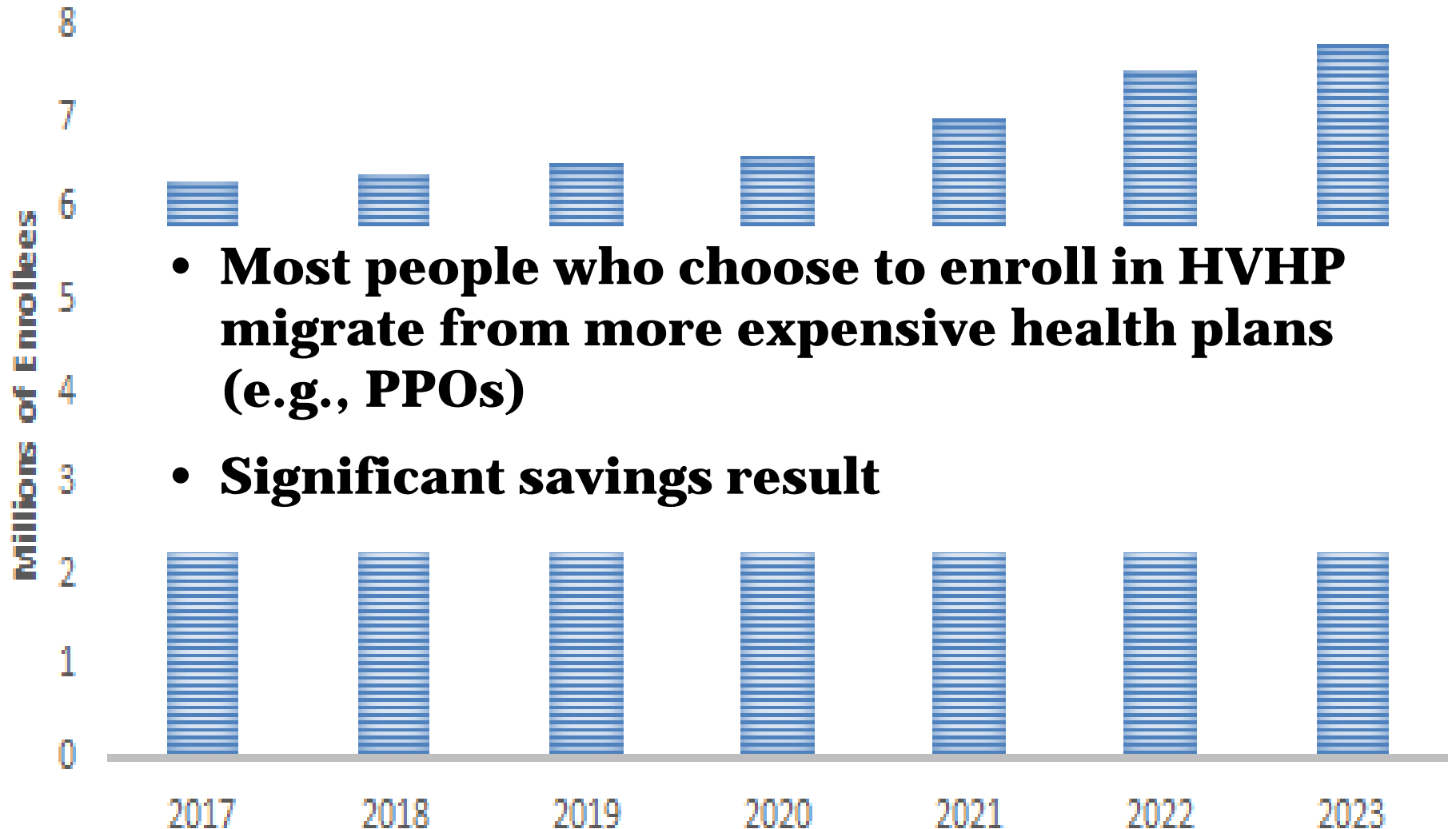
- **Pre-deductible coverage of additional evidence-based services to leads to better clinical outcomes**
- **Aligns with provider payment reform incentives**
- **Lowers premiums compared to most PPO and HMO plans**
- **Substantially reduces total health care spending**
- **Provides millions of Americans a plan option that better meets their clinical and financial needs**



# HVHP UPTAKE PROJECTIONS IN THE EMPLOYER MARKET (MILLIONS)



# HVHP UPTAKE PROJECTIONS IN THE EMPLOYER MARKET (MILLIONS)



- **Most people who choose to enroll in HVHP migrate from more expensive health plans (e.g., PPOs)**
- **Significant savings result**

# H.R. 5652: "Access to Better Care" Act

114TH CONGRESS  
2D SESSION

## **H. R. 5652**

IN THE HOUSE OF REPRESENTATIVES

**Bipartisan legislation amends IRS Code to allow HDHPs the flexibility to provide coverage for services that manage chronic disease prior to meeting the plan deductible.**

# Discussion

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



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