CENTER FOR VALUE BASED INSURANCE DESIGN
UNIVERSITY OF MICHIGAN

PRECISION MEDICINE NEEDS PRECISION BENEFIT DESIGN

STAR WARS SCIENCE

Precision medicine -- the integration of molecular science into the clinical care of an individual patient -- has spurred efforts to develop targeted preventive strategies and disease-specific therapies. This personalized approach to clinical medicine has vast potential to improve quality of care, enhance the patient experience, and allow more efficient health care expenditures.

Even as evidence that supports the promise of precision medicine accumulates, several challenges remain that hinder its implementation in clinical practice, including securing consumer trust and investing in the infrastructure required to support the financing and delivery of targeted care. If the full potential of precision medicine is to be realized, *system-based reforms must encourage -- not deter -- its adoption by clinicians and consumers*.

FLINTSTONES DELIVERY

Americans are being asked to pay more for their health care to encourage the use of effective, lower cost clinical services. Such approaches have been utilized for decades with varying effects on spending and patient-centered outcomes. A recommendation that patients are *initially* prescribed a lower cost treatment is a reasonable population health strategy, given that a first-line therapy will often be effective and will be considered high-value for that patient and for the payer. **Advances in precision medicine may specify the immediate use of more expensive, targeted therapies, nullifying recommendations for use of standard first-line treatment**. Thus, in the increasingly frequent scenario when a person tests positive for a specific marker, a targeted therapy may be indicated to optimize patient-centered outcomes. In these situations, the first-line therapy is no longer high-value, and a clinically indicated, 'precision' alternative becomes a higher value choice.

It is important to note that current cost-sharing levels are generally fixed and do not reflect the varying nature of many clinical conditions**.** An alternative approach would be to *set the level of consumer cost-sharing based on the clinical value -- not solely the price -- of a therapy when used in a specific circumstance.*

VALUE-BASED INSURANCE DESIGN

Aligning patients' out-of-pocket costs -- such as copayments, co-insurance, and deductibles -- with the value of health care services is the basic premise of Value-Based Insurance Design (V-BID). This approach to designing benefit plans recognizes that specific health services have different levels of value. Thus, V-BID programs are designed with the tenets of 'clinical nuance' in mind, which recognize that 1) medical services differ in the amount of health produced, and 2) the clinical benefit derived from a specific service depends on the consumer using it, as well as when, where, and by whom the service is provided. V-BID recognizes that the same therapy can be both high-value and low-value depending on patient demographics, presence or absence of specific biomarkers, the disease treated, or the stage of a specific clinical condition.

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Successful implementation of precision medicine will need to address several system-wide challenges, including administrative complexities, establishing incentives that engage patients, integrating provider- and patient-focused initiatives, and recognizing that the perfect must not be the enemy of the good. By enhancing access to effective therapies when indicated, **the application of clinically-nuanced cost-sharing commits to established policies that encourage first-line therapies and supports precision medicine initiatives.**

UNIVERSITY OF MICHIGAN CENTER FOR VALUE-BASED INSURANCE DESIGN

Since its inception in 2005, the University of Michigan Center for Value-Based Insurance Design has led efforts to promote the development, implementation, and evaluation of innovative health benefit designs that improve quality, enhance the patient experience, and lower costs.

For more information, please email us at vbidcenter@umich.edu or visit www.vbidcenter.org.

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