SCHOOL OF PUBLIC HEALTH
CENTER FOR VALUE-BASED INSURANCE DESIGN
UNIVERSITY OF MICHIGAN

Value-Based Insurance Design: Making Health Care Great (Again ;)

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www.vbidcenter.org

@um_vbid

#VBID

Table 1: Risk factors for nodding off at lectures

Factor	Odds ratio (and 95% CI)
Environmental	
Dim lighting	1.6 (0.8–2.5)
Warm room temperature	1.4 (0.9–1.6)
Comfortable seating	1.0 (0.7–1.3)
Audiovisual	
Poor slides	1.8 (1.3–2.0)
Failure to speak into microphone	1.7 (1.3–2.1)
Circadian	
Early morning	1.3 (0.9–1.8)
Post prandial	1.7 (0.9–2.3)
Speaker-related	
Monotonous tone	6.8 (5.4–8.0)
Tweed jacket	2.1 (1.7–3.0)
Losing place in lecture	2.0 (1.5–2.6)

Note: CI = confidence interval.

Making Health Care Great (Again ;)
Outline

- Impact of Consumer Cost-sharing
- Clinical Nuance
- Value-Based Insurance Design
- Translating Research into Policy
- Addressing Unnecessary Care
- Aligning Provider and Consumer Incentives

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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, cutting spending 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**

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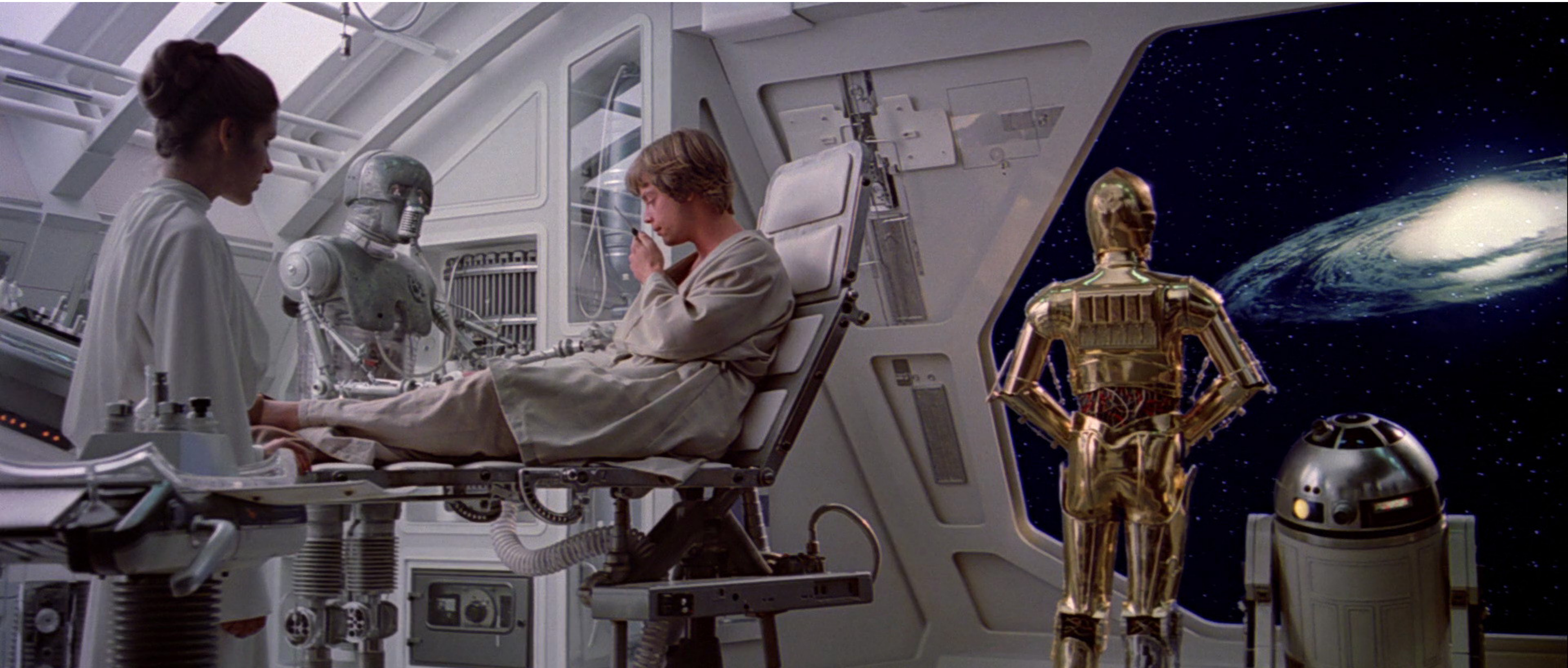
Star Wars Science



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Flintstones Delivery

-BID

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**

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

Year	HDHP/HRA	HSA-Qualified HDHP	Total
2006	2%	2%	4%
2007	3%	3%	5%
2008	3%	4%*	8%
2009	3%	6%	8%
2010	7%*	6%	13%*
2011	8%	9%*	17%*
2012	8%	11%	19%
2013	9%	11%	20%
2014	7%	14%	20%
2015	9%	15%	24%
2016	9%	19%*	29%

* 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)

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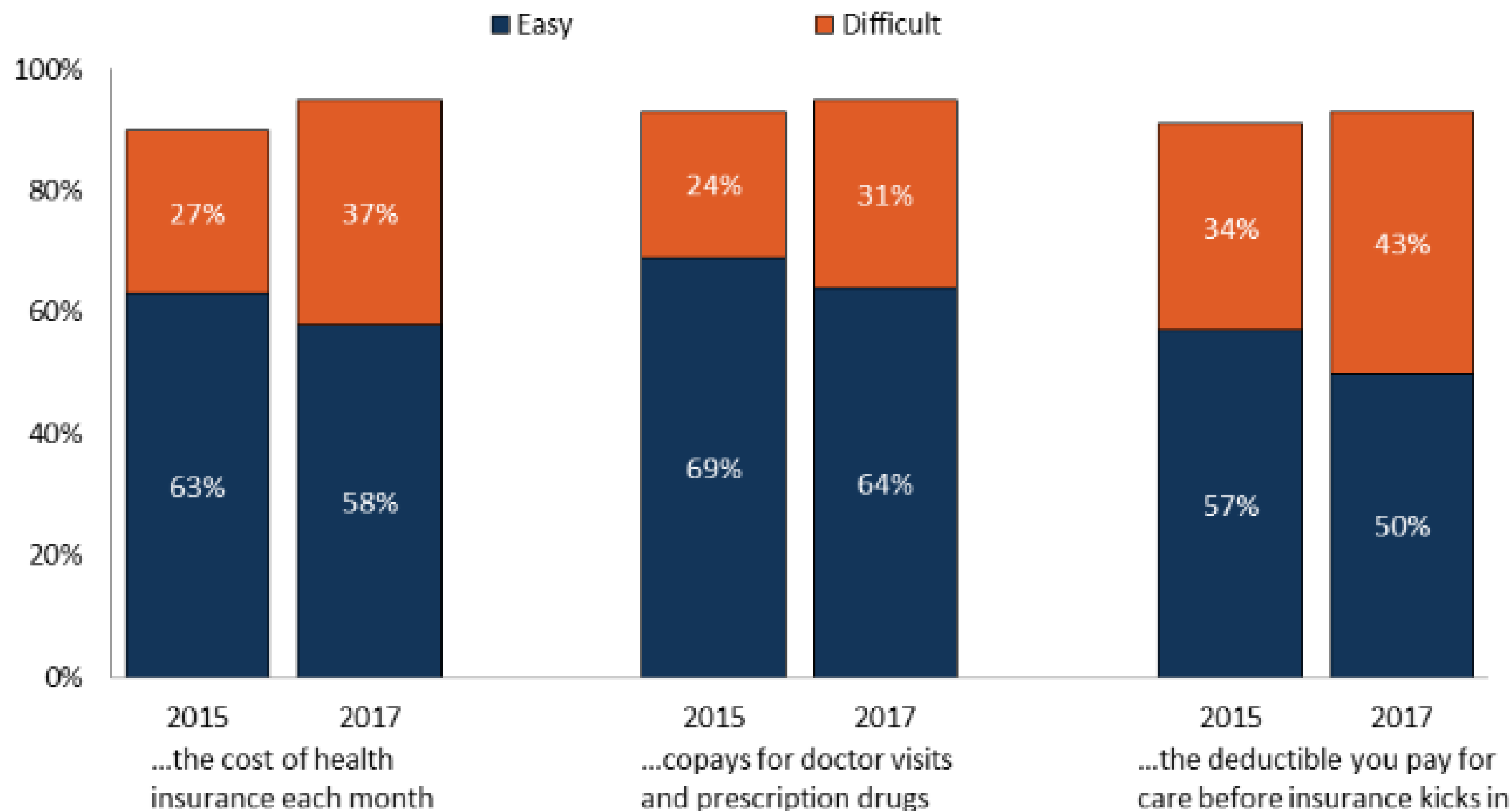
More Insured Americans Now Report Difficulty Affording Healthcare



NOTE: Don't have to pay (Vol.) and Don't know/Refused responses not shown.
SOURCE: Kaiser Family Foundation Health Tracking Polls

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Impact of Cost-Sharing on Health Care Disparities

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

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

[1]Department of Health Care Policy, Harvard Medical School, Boston, MA, USA; [2]Thomson Healthcare, Ann Arbor, MI, USA; [3]Managed Markets Division, GlaxoSmithKline, Research Triangle Park, NC, USA; [4]Managed Markets Division, GlaxoSmithKline, Montvale, NJ, USA; [5]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**

Chernew M. J Gen Intern Med 23(8):1131–6.

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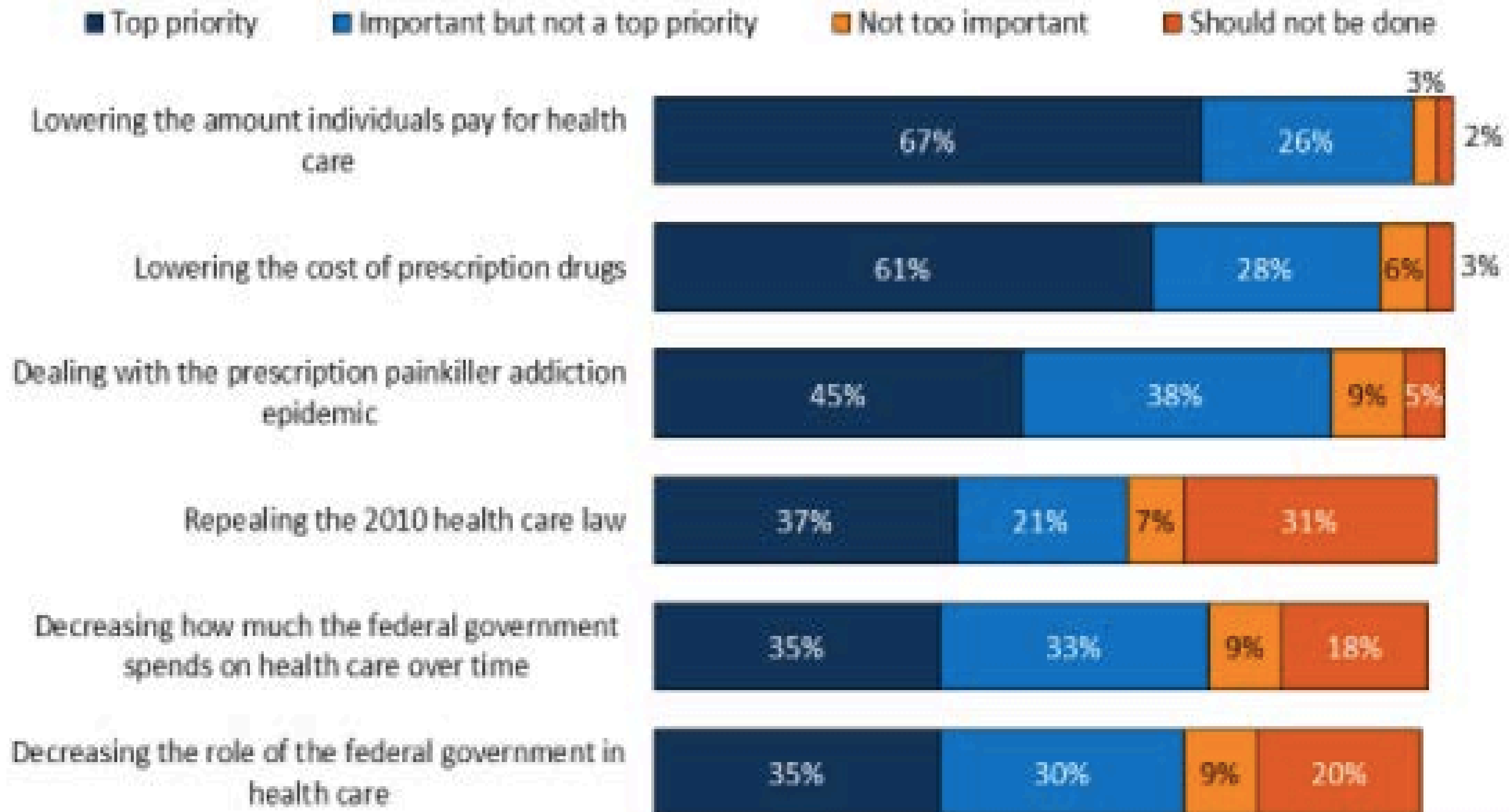
Americans Reporting Problems Paying Medical Bills in Past Year

Category	Percent
Uninsured	53%
	47%
Income <$50,000	37%
	29%
Adults 18-64	26%
	26%
HDHP	26%
	23%
All private insurance	19%

Source: Kaiser Family Foundation/New York Times Medical Bills Survey

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)

Health savings accounts may flourish under Trump

By
Editorial Staff

Published
November 18 2016, 11:28am EST

- **Health Savings Accounts coupled with High Deductible Health Plans are a top policy priority of the Trump Administration and Congressional Republicans**

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“Far Better, Far Less Expensive” Next Generation Plan Option 1

“It says our health insurance is being replaced by a series of tweets calling us losers.”

"Far Better, Far Less Expensive" Next Generation Plan Option 2: "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

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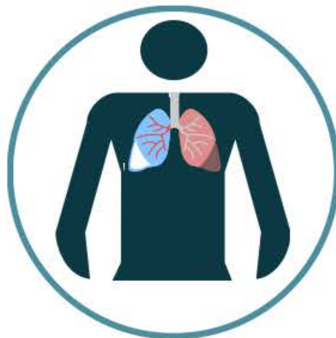
Understanding CLINICAL NUANCE

#1 Clinical Services Differ in the Benefit Produced

Office Visits



Diagnostic Tests

Prescription Drugs

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

Who receives it

Who provides it

Where it's provided

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Clinical Nuance: Key Takeaway

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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 JOUR
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
a move that would likely lower c

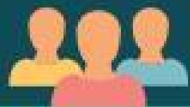
V-BID Momentum Continues

	Pharmacy Plan	Networks	Medical Plan
Planned for 2015	15%	20%	19%
In place in 2014	26%	13%	9%

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

V-BID: Who Benefits and How?

CONSUMERS	PAYERS	PROVIDERS
Improves access	Promotes efficient expenditures	Enhances patient-centered outcomes
Lowers out-of-pocket costs	Reduces wasteful spending	Aligns with provider initiatives



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Putting Innovation into Action
Broad Multi-Stakeholder Support

- HHS
- CBO
- 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
- NBGH
- National Coalition on Health Care
- Urban Institute
- RWJF
- IOM
- PhRMA

Lewin. *JAMA.* 2013;310(16):1669-1670

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Putting Innovation into Action: Translating Research into Policy

- **Patient Protection and Affordable Care Act**
- **Medicare**
- **TRICARE**
- **HSA-qualified HDHPs**
- **High Cost Drugs**
- **State Health Reform**

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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; over 76 million have accessed preventive services without cost-sharing

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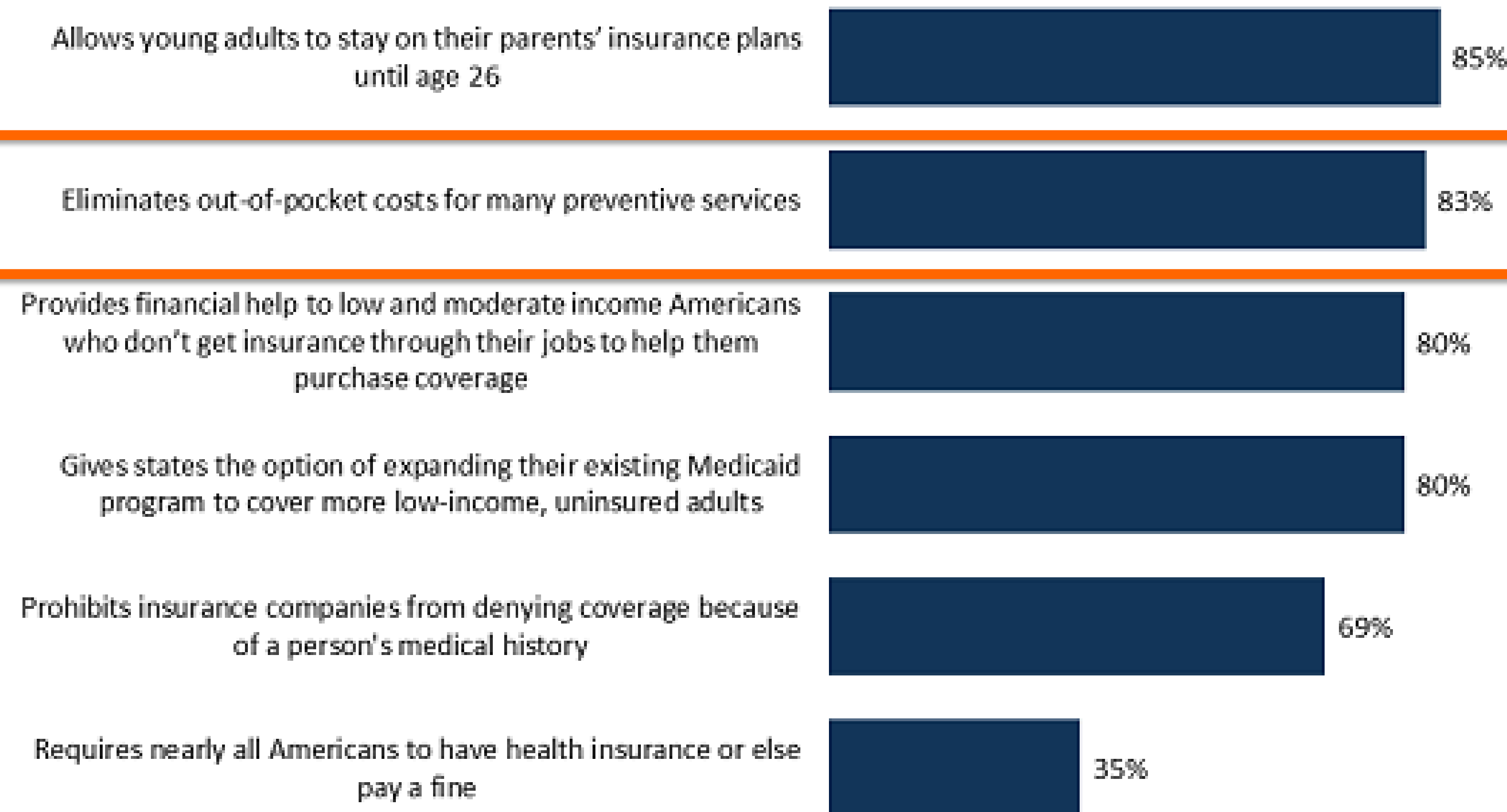
Majorities Favor Many Key ACA Provisions, But Not Its Individual Mandate

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)

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Putting Innovation into Action: Translating Research into Policy

- Patient Protection and Affordable Care Act
- **Medicare**
- TRICARE
- HSA-qualified HDHPs
- High Cost Drugs
- State Health Reform

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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"

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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

114TH CONGRESS
1ST 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.

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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

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

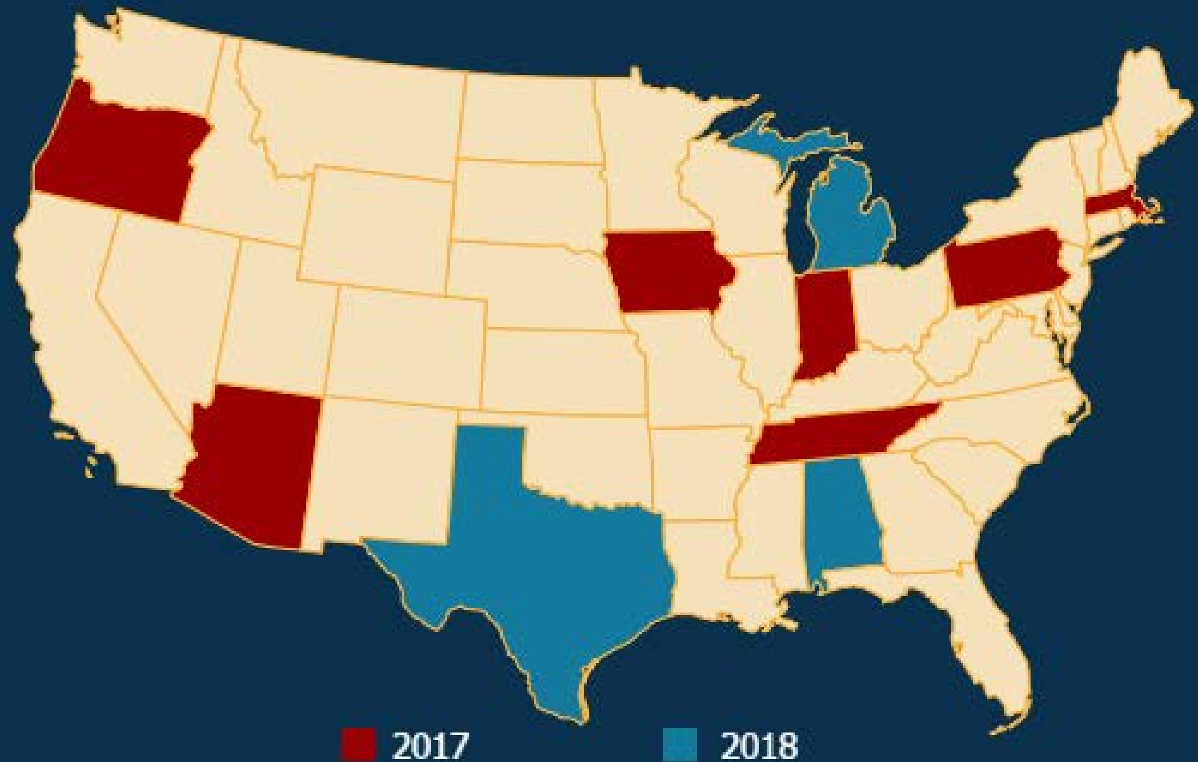
Cost Paid per Month ($)

	Diabetes Mellitus	COPD	CHF
Member Cost Share	↓ $21.64	↓ $17.63	↓ $12.73
Plan Paid Amount	↑ $24.56	↑ $14.36	↓ $.56
Total Societal Costs	↑ $2.94	↓ $3.27	↓ $13.29

http://vbidcenter.org/wp-content/uploads/2016/08/MA-White-Paper_final-8-16-16.pdf

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



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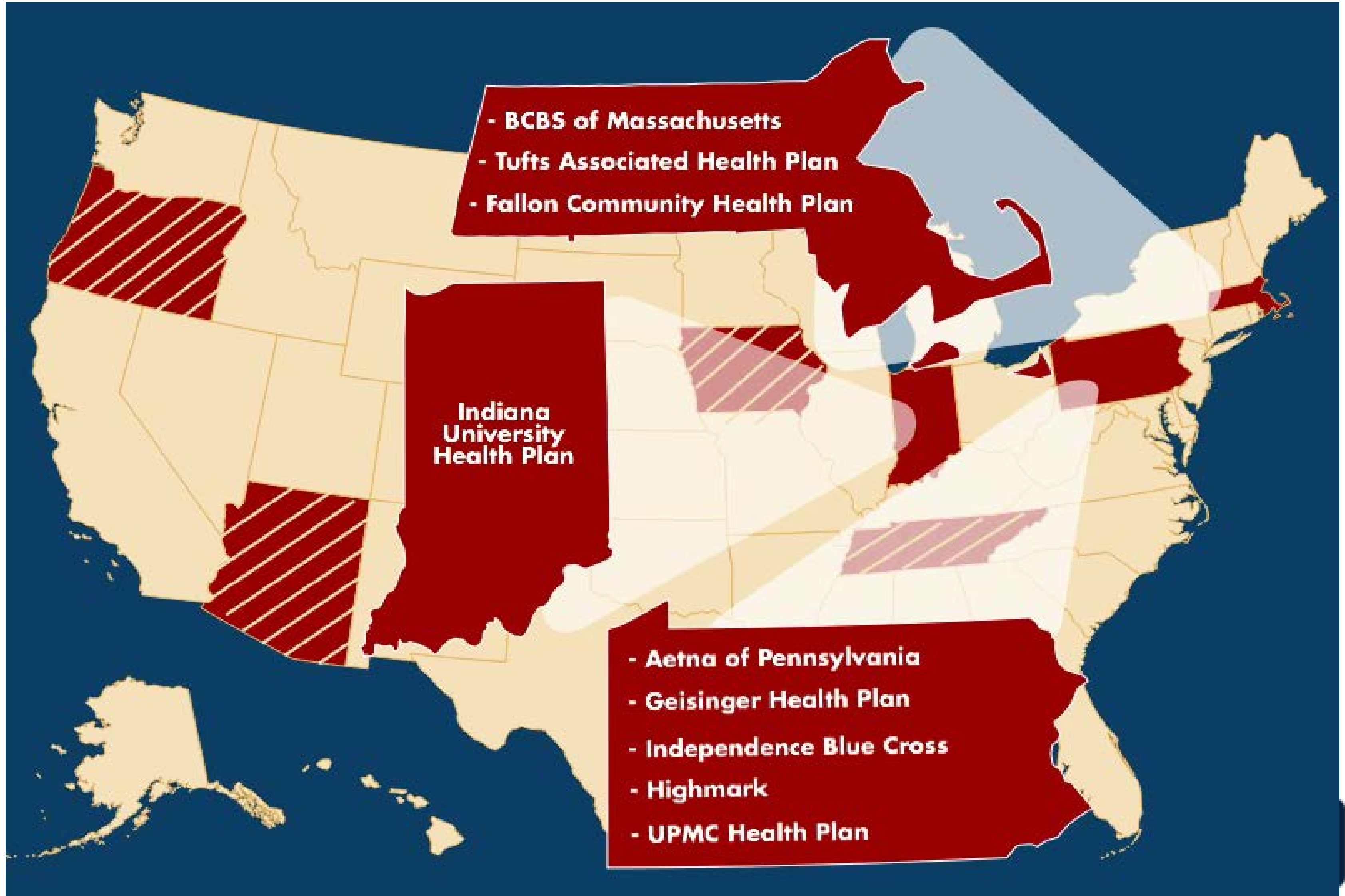
MA V-BID Model Test
Plans Participating in Year 1



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

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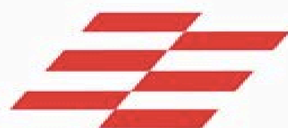
US House and Senate call for Expansion of MA VBID Demonstration to all 50 States

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

- Patient Protection and Affordable Care Act
- Medicare
- TRICARE
- HSA-qualified HDHPs
- High Cost Drugs
- State Health Reform

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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

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- **HSA-qualified HDHPs**
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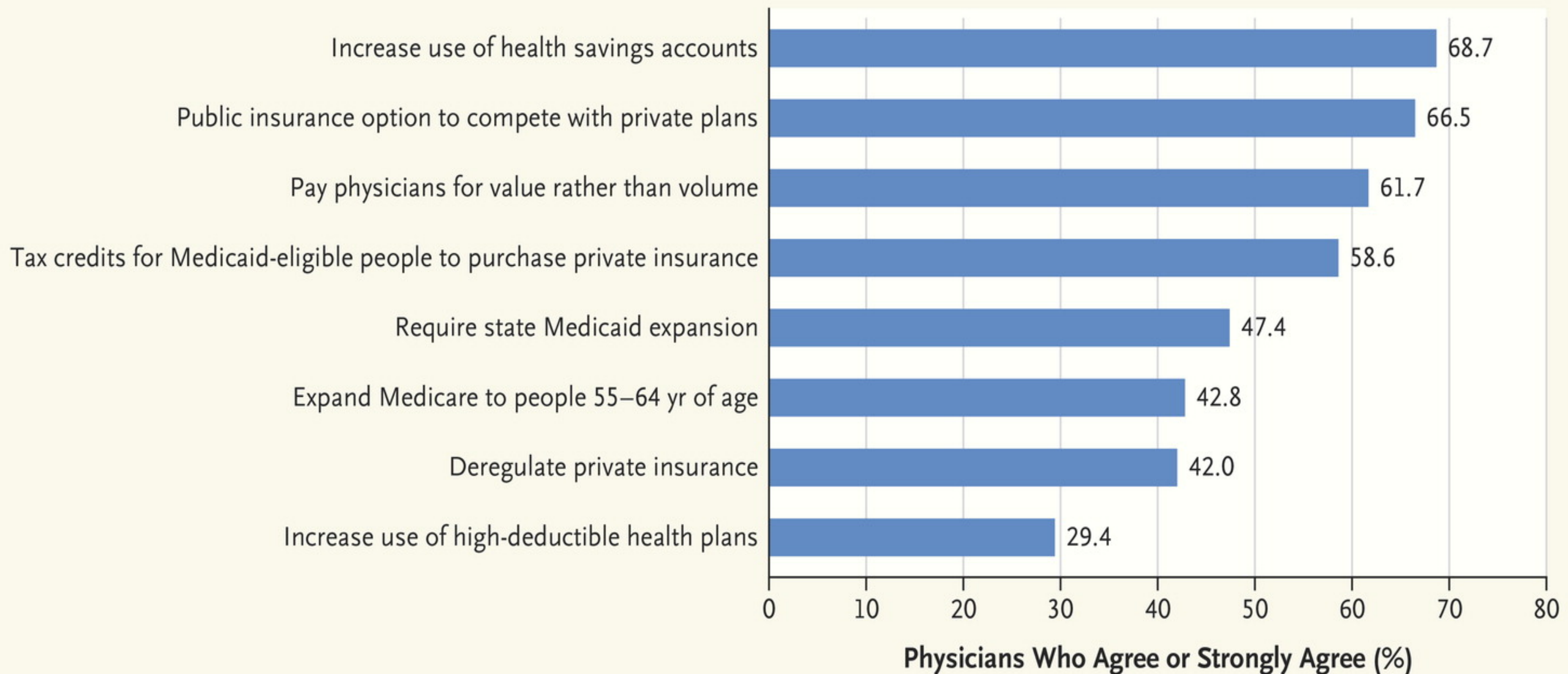
NEJM Jan 2017, PCP Survey Responses Regarding Potential Health Reform



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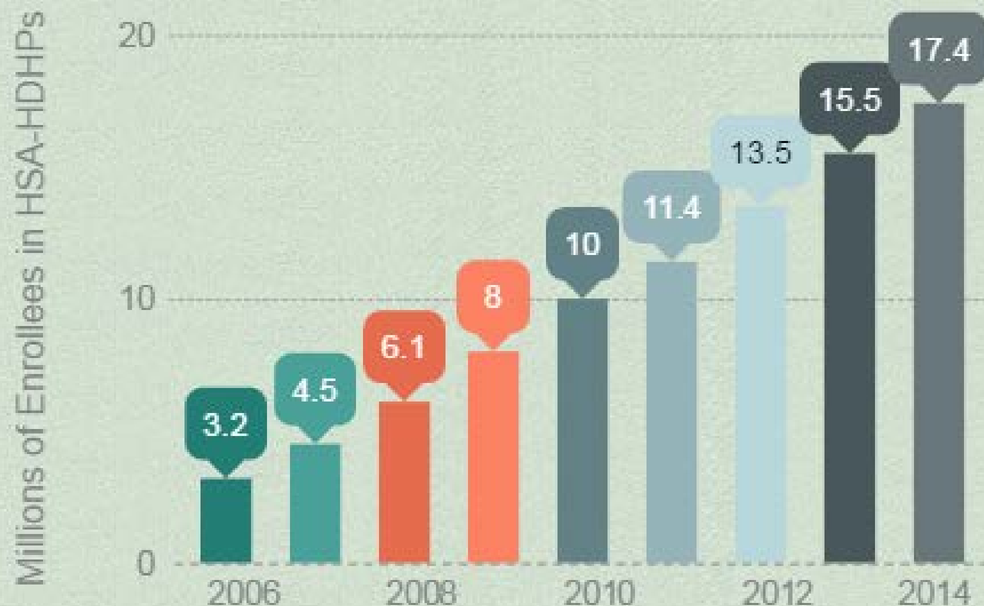
HSA-HDHP enrollment and out-of-pocket expenses continue to grow



Maximum Out-of-pocket expense 2006 to 2015

individual: $5,000 to $6,450

family: $10,000 to $12,900

http://kff.org/report-section/ehbs-2015-section-eight-high-deductible-health-plans-with-savings-option/

http://www.ahipcoverage.com/wp-content/uploads/2013/06/HSAinfographic_V9_FV.jpg

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

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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

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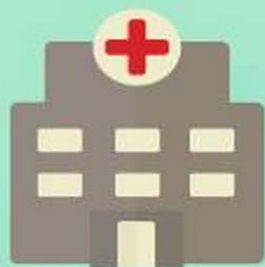
However, IRS guidance requires that services used to treat **"existing illness, injury or conditions"** are not covered until the minimum deductible is met



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

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Potential Solution:

High Value Health Plan

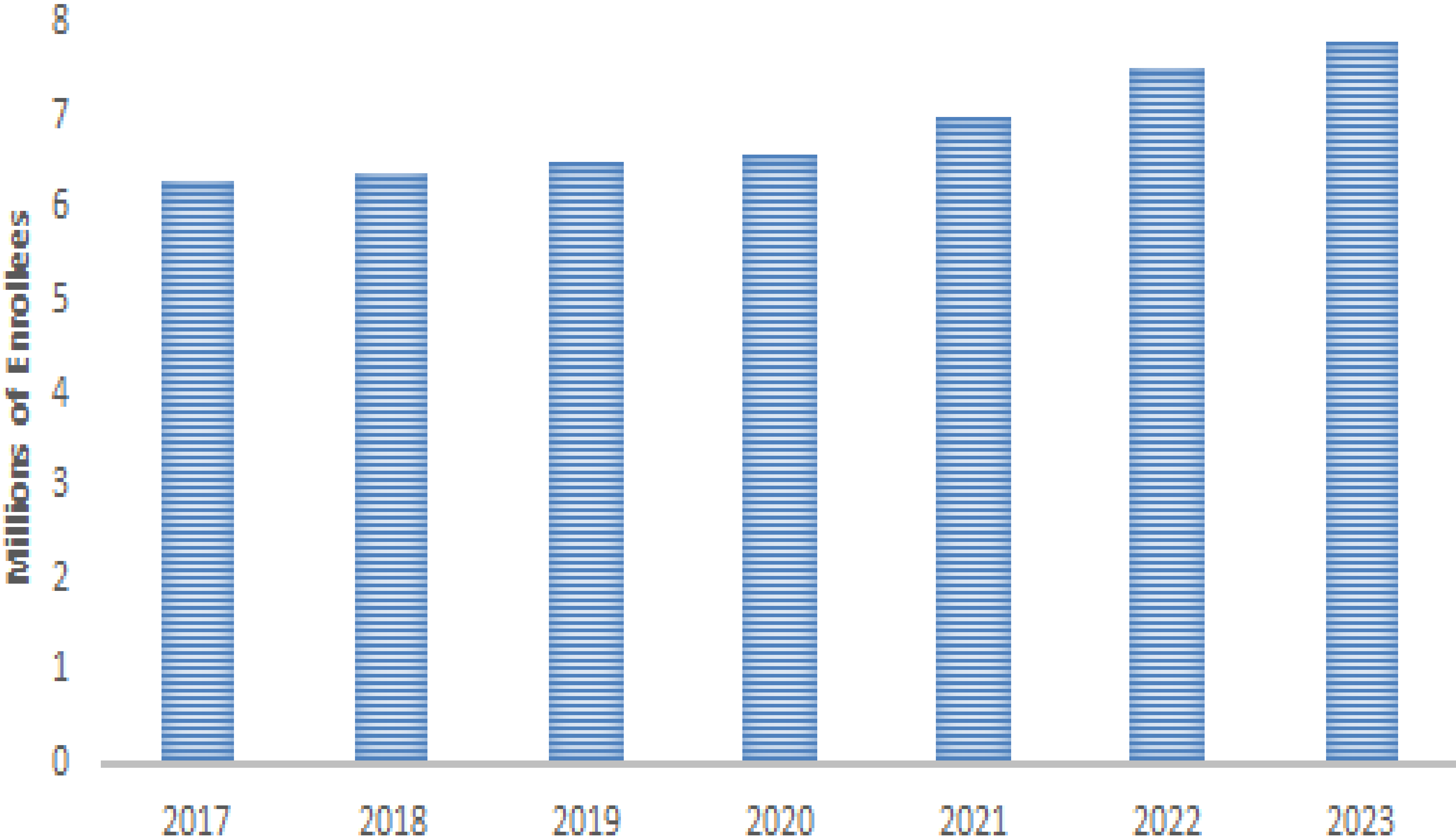
Flexibility to expand IRS "Safe Harbor" to allow coverage of additional evidence-based services prior to meeting the plan deductible

Invited Commentary

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."


HVHP UPTAKE PROJECTIONS IN THE EMPLOYER MARKET (MILLIONS)
Millions of Enrollees
0
1
2
3
4
5
6
7
8
2017
2018
2019
2020
2021
2022
2023

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.

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Managed Healthcare Executive > ACA

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**

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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

RIGHT DRUG. RIGHT PERSON. RIGHT TIME. RIGHT PRICE.

REWARD THE GOOD SOLDIER

RIGHT DRUG. RIGHT PERSON. RIGHT TIME. RIGHT PRICE.

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

RIGHT DRUG. RIGHT PERSON. RIGHT TIME. RIGHT PRICE.

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Putting Innovation into Action: Translating Research into Policy

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Getting to Health Care Value
V-BID Role in State Health Reform

- **Medicaid – Healthy Michigan Plan**
- **State Exchanges – Encourage V-BID (CA, MD)**
- **State Innovation Models – NY, PA, CT, VA**
- **State Employee Benefit Plans**

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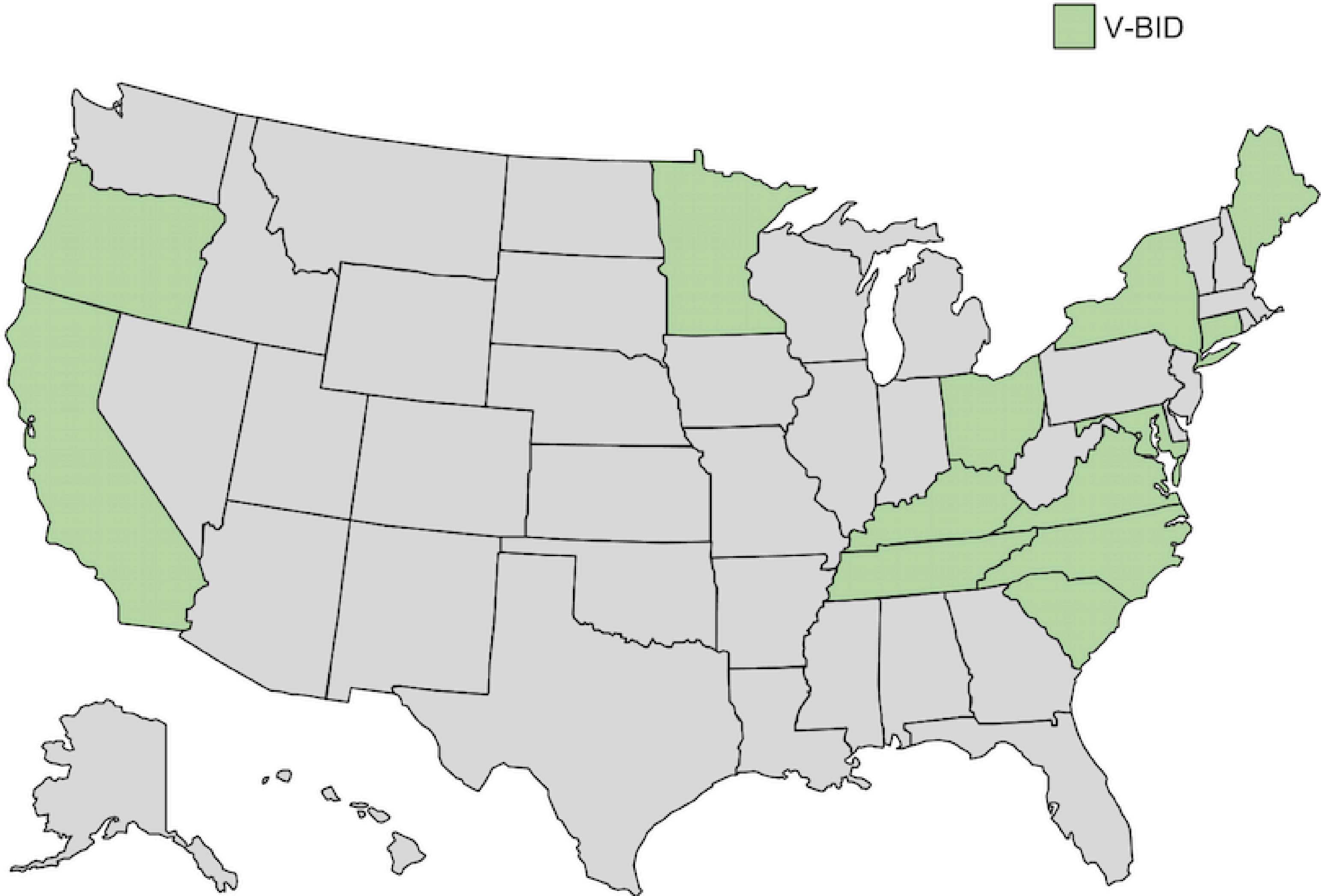
Value-Based Insurance Design Growing Role in State Employee Plans

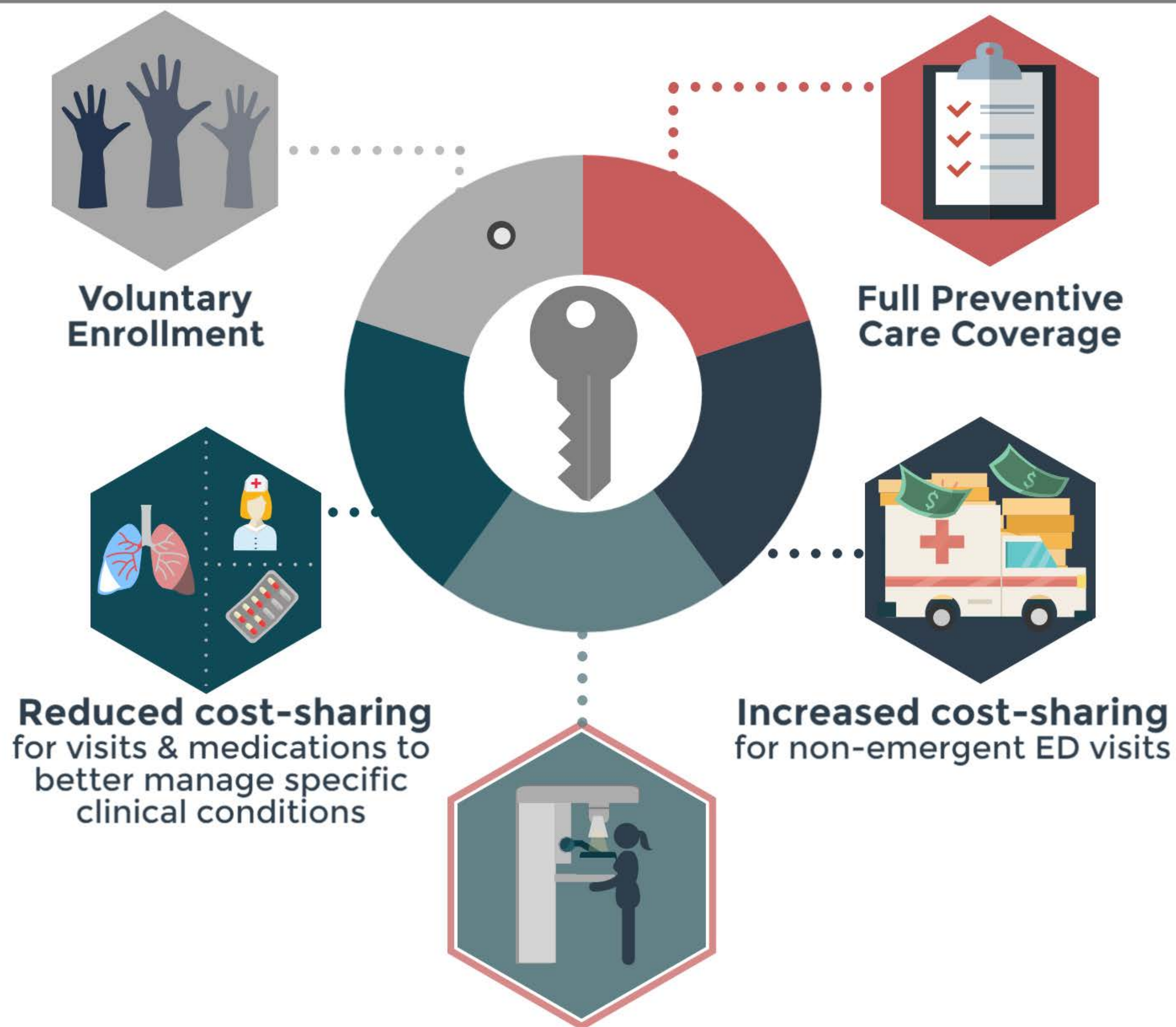


Health Affairs

ENGAGING PATIENTS ON PRICE & QUALITY

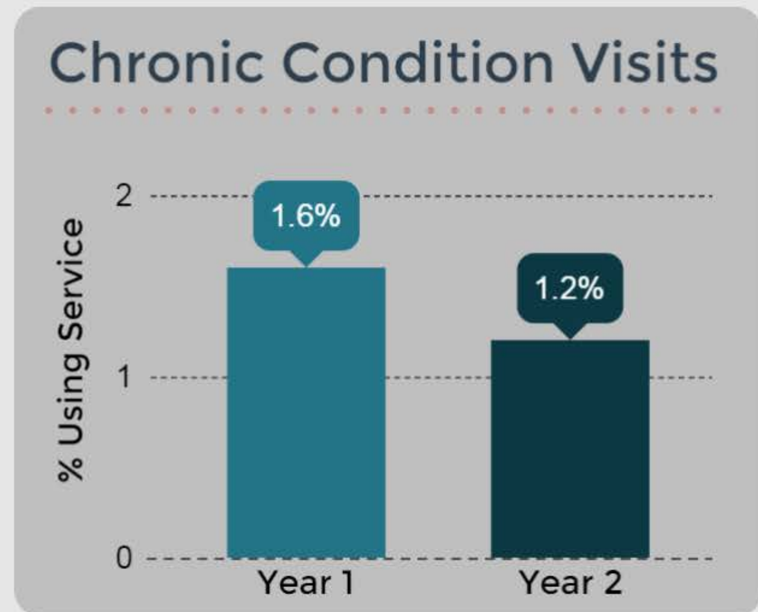
By Richard A. Hirth, Elizabeth Q. Cliff, Teresa B. Gibson, M. Richard McKellar, and A. Mark Fendrick

Connecticut's Value-Based Insurance Plan Increased The Use Of Targeted Services And Medication Adherence


Key Features of the HEP
Align out-of-pocket costs with healthy behaviors
Voluntary Enrollment
Full Preventive Care Coverage
Reduced cost-sharing
for visits & medications to better manage specific clinical conditions
Increased cost-sharing
for non-emergent ED visits
Participatory Requirement:
to maintain enrollment, members must complete age-appropriate preventive care & recommended chronic disease services

HEP Impact: 2 Year Results

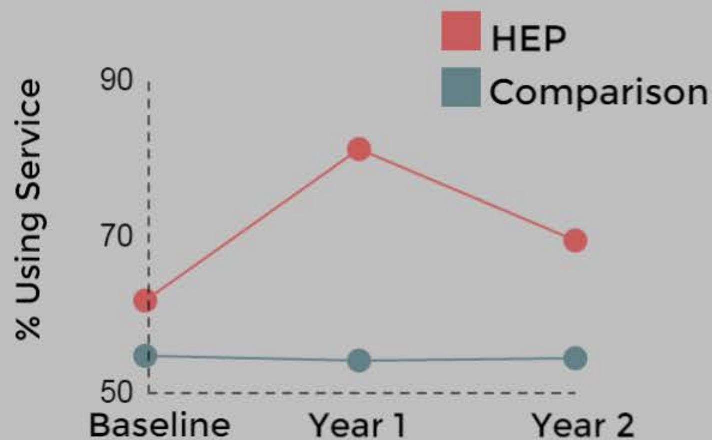
[1] Office Visit Increases

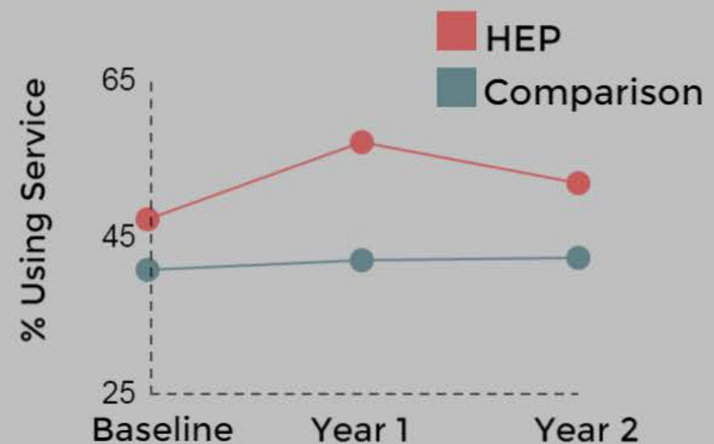


Relative change for HEP members compared to enrollees in control states

HEP Impact: 2 Year Results

[2] Preventive Care Utilization





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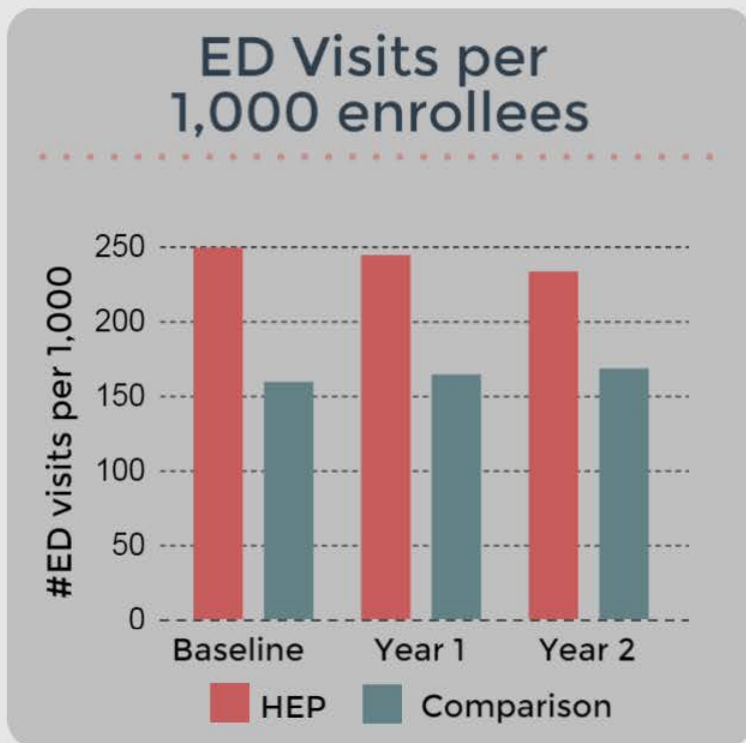
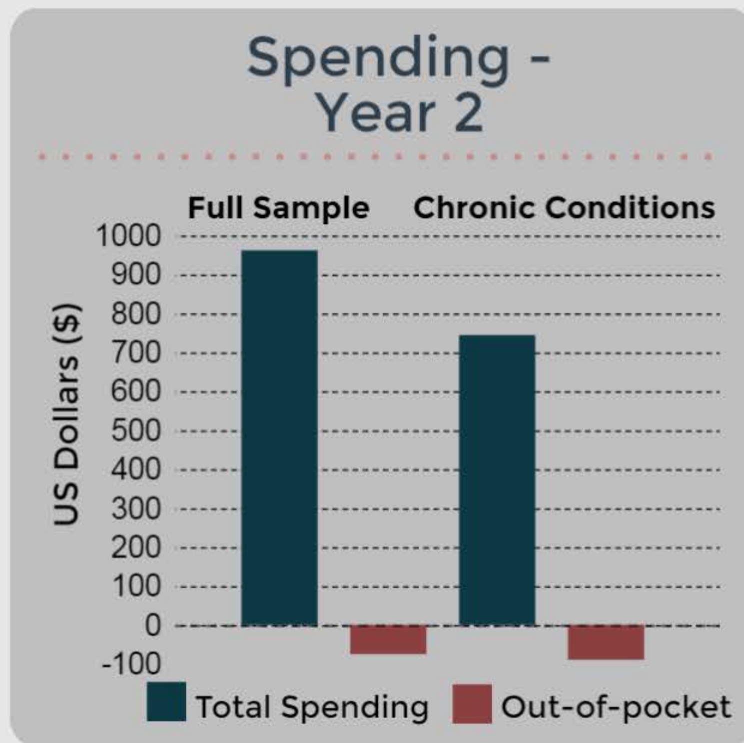
HEP Impact: 2 Year Results

[3] Resource Use





Health Affairs. 2016;35(4):637-46.

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Getting to Health Care Value
Focus Cost-Sharing Increases on Unnecessary Care

- **It is counter-intuitive to impose high levels of cost-sharing on those services that are identified as health plan quality measures**
- **Thus, instead of imposing blunt, price-driven cost-sharing increases on all services, consider high cost sharing on only those services that do not make people healthier**

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Our Health Care Spending

TOTAL

Hospitals, Clinical Services, Insurance, Equipment, Drugs

$2.6 TRILLION

$765 BILLION

$340 BILLION

WASTE

Excess Administration, Fraud, & Low-Value Care

LOW-VALUE CARE

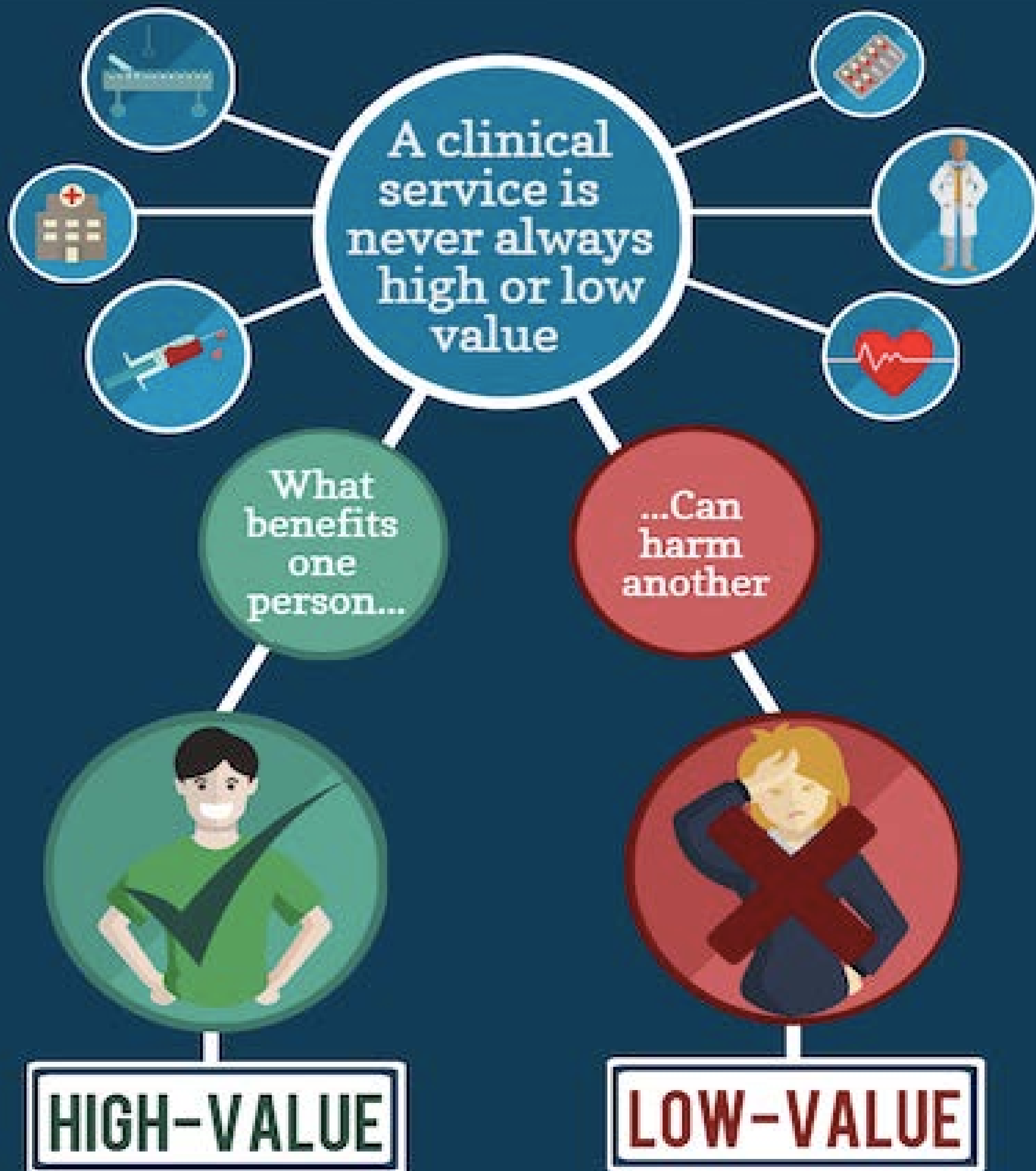
We spend $340 billion a year on services that don't make us healthier. These services are unnecessary, inefficient, or both.

Source: "Best Care at Lower Cost: The Path to Continuously Learning Health Care in America." Institute of Medicine (2013)

Identifying and Removing Unnecessary Care

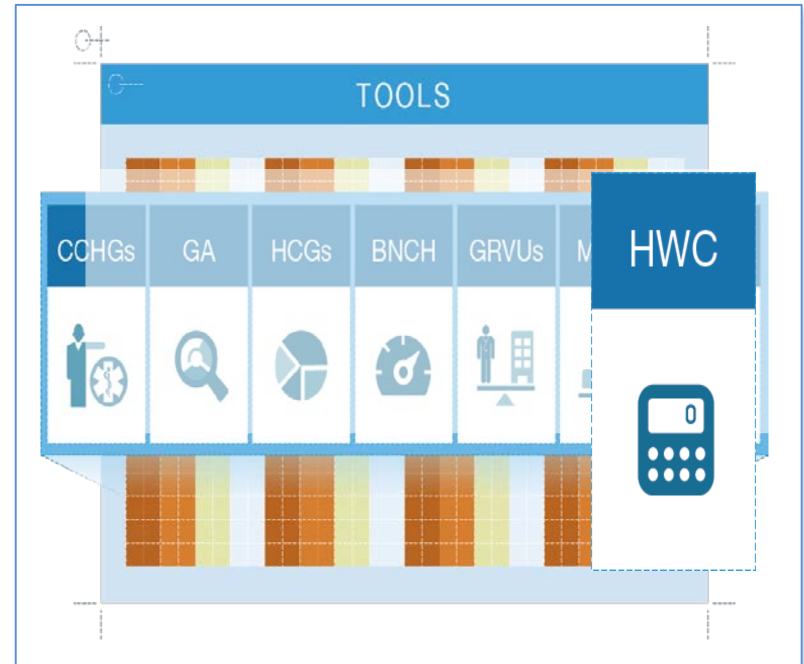
- **Key stakeholders—including a large number of medical professional societies—agree that discouraging consumers from using specific low-value services must be part of the strategy**
- **Unlike delay for cost offsets from improved quality, savings from waste elimination are immediate and substantial**
- **Identification, measurement, and removal of unnecessary care has proven challenging**

V-BID


A clinical service is never always high or low value
What benefits one person...
...Can harm another
HIGH-VALUE
LOW-VALUE

Identifying and Removing Unnecessary Care: Milliman Health Waste Calculator

- **Collaboration between Milliman and V-BIDHealth**
- **Measure potentially unnecessary services**
- **Analyze cost savings potential**
- **Discover ways to improve quality and patient safety**
- **Generate actionable reports and summaries for use across your organization**



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Commonwealth of Virginia Unnecessary Care Initiative

Clinical Measure	Total Services Measured	Low Value Index (%)	Low Value Services (#)	Unnecessary Spending ($)
Baseline labs for patients undergoing low-risk surgery	571,600	79%	453,447	$184,781,018
Stress cardiac or advanced non-invasive imaging in the initial evaluation of patients w/o symptoms	219,878	13%	27,817	$185,997,938
EKGs or other cardiac screening for low-risk patients w/o symptoms	2,268,194	6%	147,423	$60,499,385
Routine Pap tests in women 21–65 years of age	199,865	81%	161,539	$37,558,706
PSA-based screening for prostate cancer in all men regardless of age	313,011	42%	132,793	$31,501,675

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Aligning Payer and Consumer Incentives: As Easy as Peanut Butter and Jelly

Many "supply side" initiatives are restructuring provider incentives to move from volume to value:

- **Medical Homes**
- **Accountable Care**
- **Bundled Payments**
- **Reference Pricing**
- **Global Budgets**
- **High Performing Networks**
- **Health Information Technology**

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Aligning Payer and Consumer Incentives: As Easy as Peanut Butter and Jelly

Unfortunately, some "demand-side" initiatives – including consumer cost sharing - discourage consumers from pursuing the "Triple Aim"

Impact of Aligning Physicians and Patients: Financial Incentives to Lower Cholesterol

Mean LDL Reduction (mg/dL)

Control…	Patient…	Physician…	Physician-Patient…
25.1	25.1	27.9	33.6

Source: *JAMA.* 2015;314(18):1926-1935

Aligning Payer and Consumer Incentives: As Easy as PB & J

The alignment of clinically nuanced, provider-facing and consumer engagement initiatives is a necessary and critical step to improve quality of care, enhance patient experience, and contain cost growth

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Star Wars Science Meets Flintstones Delivery
Precision Medicine Needs Precision Benefit Design

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Discussion

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HIV AIDS

South Africa to give free HIV treatment to all infected

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