

Star Wars Science WITH FLINTSTONES DELIVERY

By Andrea LaFerle

Precision Benefit Design Is Necessary to Make Precision Medicine Financially Possible

Imagine you're in the doctor's office. You receive a frightening diagnosis. But there's a glimmer of hope. Your doctor tells you about an innovative, targeted treatment option based on specific genetic markers. It has shown quite a bit of success with people just like you.

Soon, that glimmer of hope disappears. Your insurance won't cover the treatment because it isn't the standard of care. The out-of-pocket cost is astronomical. There's no way you can afford to pay for it yourself.

"The science is moving toward customizing treatments not just to the individual patient but to the gene within the patient," says Mark Fendrick, professor of internal medicine and health management and policy at Michigan Medicine and Michigan Public Health. "But our insurance system isn't keeping up. It remains one-size-fits-all. It's Star Wars science with Flintstones delivery."

Fendrick directs the Center for Value-Based Insurance Design, or V-BID, at the University of Michigan. He says V-BID is a vital piece of the movement toward precision health. "Genetic testing and precision treatments are very expensive," he says. "We need to ensure we're providing these tests and treatments to the right people at the right time. The only way we're going to be able to cover those costs is to stop paying for low-value services that people don't need—and that are sometimes even harmful. This is how we can create headway for innovation and pay for things that we know are valuable but that are also very expensive."

The solution, according to Fendrick, is precision benefit design.

Precision benefit design commits to established policies that encourage lower-cost first-line treatments, enhance access to effective precision therapies when clinically appropriate, and increase access to recommended treatments by lowering administrative barriers and reducing cost-sharing. Most importantly, precision benefit design supports precision health initiatives by encouraging use of targeted therapies when clinically indicated.

"Underlying fiscal pressures are going to require public and private payers to make some tough decisions," he says. "It's impossible for everyone to get everything. This is where V-BID comes in and helps us prioritize high-value care over low-value care."

Developed at the University of Michigan in 2005, V-BID is built on the principle of lowering or removing financial barriers to essential, high-value

clinical services. V-BID plans align patient out-of-pocket costs, such as copayments, with the value of services.

V-BID plans also take into account the concept of clinical nuance, which recognizes two facts about health care. First, medical services differ in the amount of health they produce. Second, the clinical benefit derived from a medical service depends on the patient receiving the service as well as when, where, and by whom it is provided. For

example, when someone undergoes chemotherapy to treat cancer, that is a high-value service. When someone receives a CT scan for mild back pain, that is a low-value service.

Fendrick emphasizes that a specific service is never high-value or low-value in itself. It depends on the patient, the provider, and the circumstances. The value of a specific service depends on the clinical benefit it produces.

A single procedure, such as a colonoscopy, can have different values. For a 50 year old man who receives a colonoscopy in an outpatient clinic with an experienced board-certified physician, the value is high. For a 30 year old man with no family history who receives the procedure in a hospital with a non-certified physician, the value is low.

The problem with the current system, Fendrick explains, is that despite differences in clinical value, patient out-of-pocket costs are the same. So the 30 year old and the 50 year old are

similarly incentivized even though the value of the procedure is vastly different. "The current one-size-fits-all plans raise out-of-pocket costs, increase cost-related nonadherence, increase health disparities, and fail to align consumer and provider incentives," Fendrick says.

V-BID plans align patient out-of-pocket costs with the clinical value of services. In doing so, they increase the use of high-value services and providers, promote efficient expenditures, enhance clinical outcomes, and align patient and provider incentives. Ultimately, this model can help enhance patient experience, improve health outcomes, reduce health disparities, reward providers, and contain costs, Fendrick says.

He is hopeful that insurance benefit design will catch up to the science that is rapidly pushing precision health forward. "The science is moving to make health care so individualized, so personalized, so precise," he says. "The optimist in me thinks there will be similar changes in the payer space." <

