Value-Based Insurance Design

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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 ;)

1. Innovations to prevent and treat disease have led to impressive reductions in morbidity and mortality
2. Irrespective of these advances, cutting health care spending is the main focus of reform discussions
3. Underutilization of high-value services persists across the entire spectrum of clinical care
4. Our ability to deliver high-quality health care lags behind the rapid pace of scientific innovation

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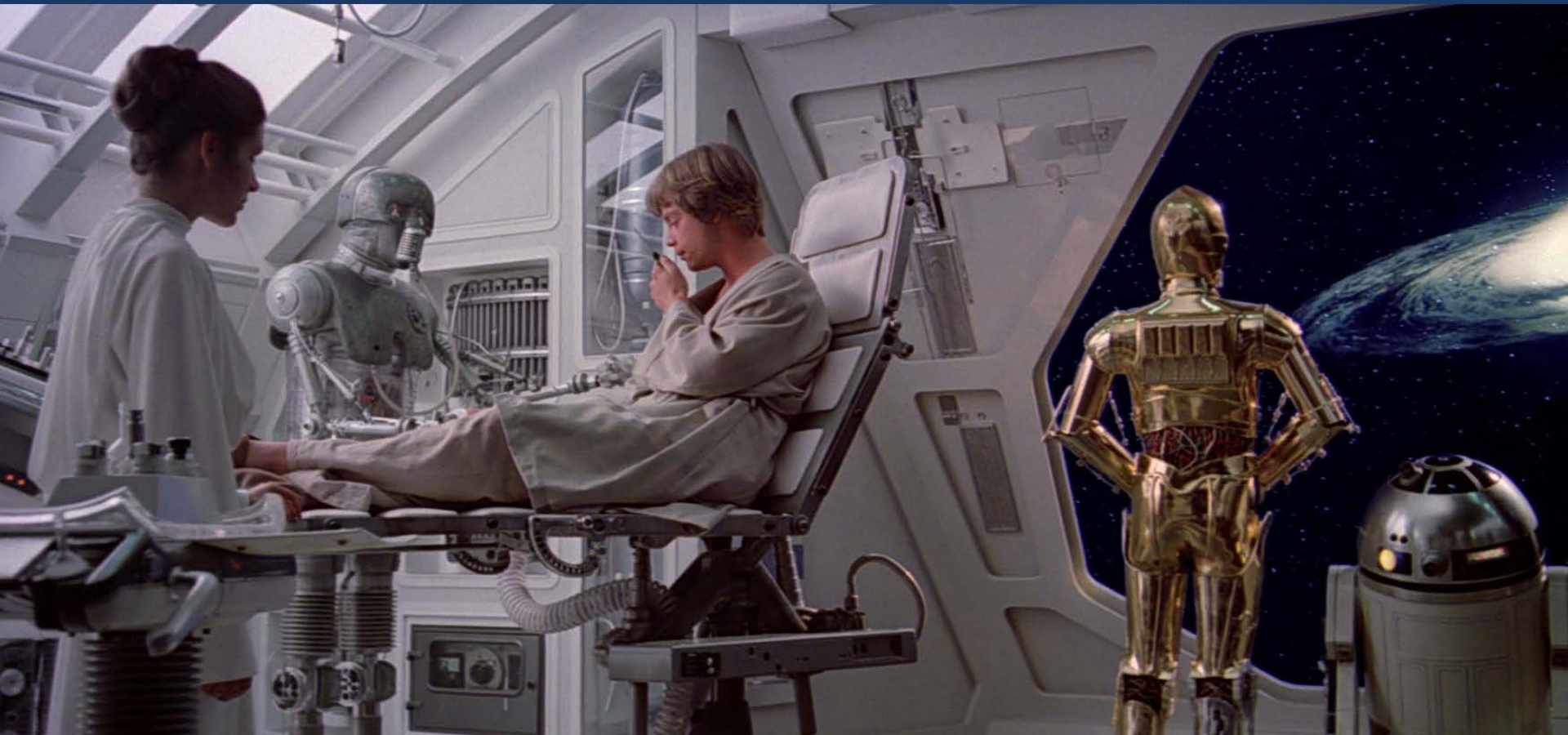
Star Wars Science



Flintstones Delivery

Outline

- Consumer Cost-sharing
- Value-Based Insurance Design
- Low-Value Care
- Clinical Nuance
- Translating Research into Policy

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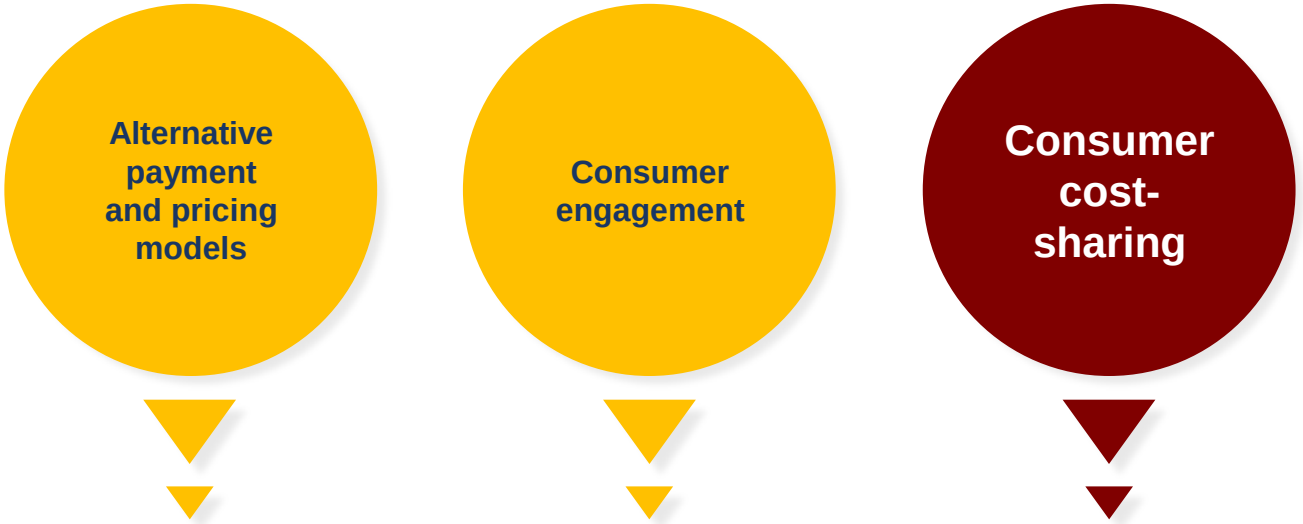
Shifting the Discussion from "How much" to "How well" Moving from Volume to Value

Requires a change in both how we pay for care and how we engage consumers to seek care



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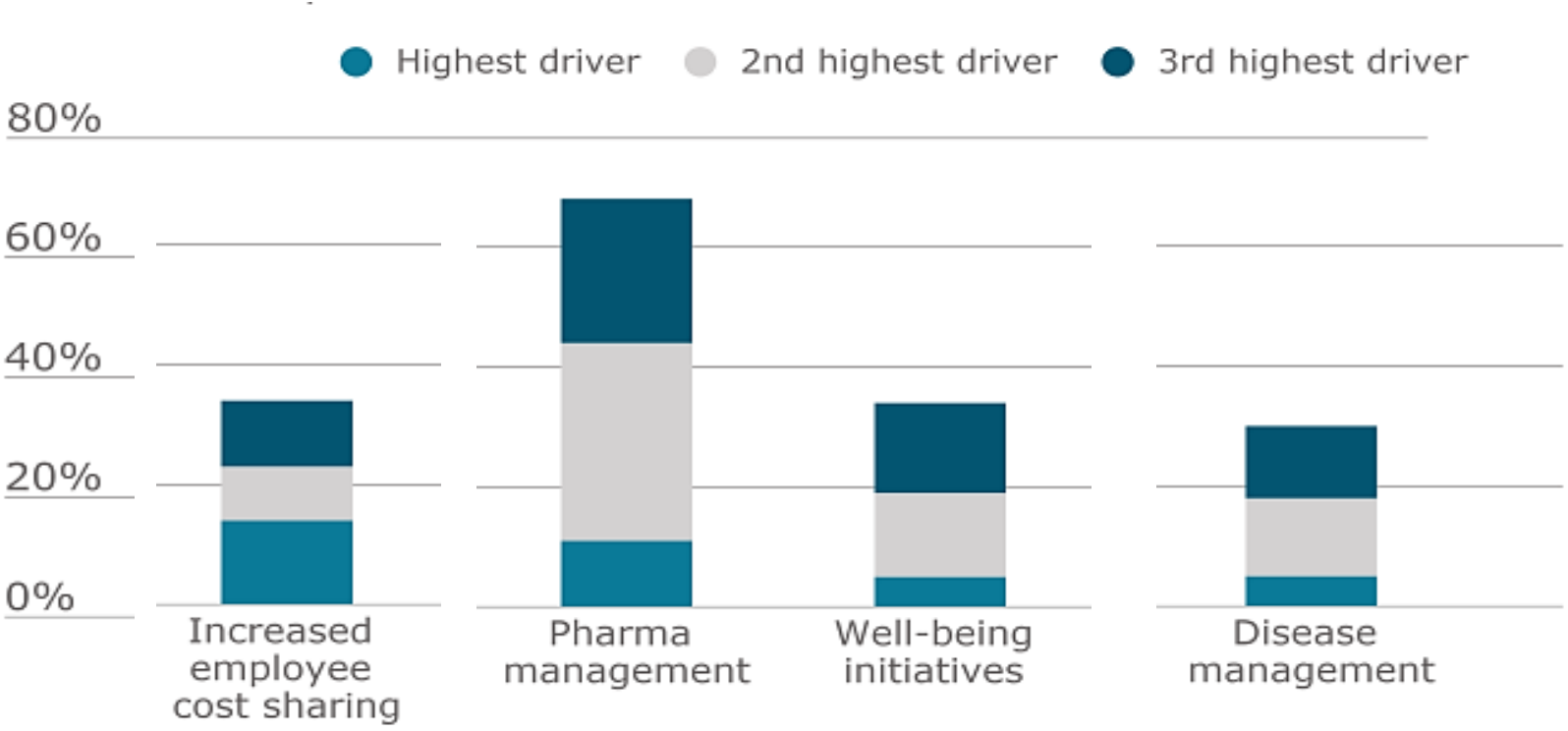
Employer Tactics to Control Health Expenditures



Source: NBGH

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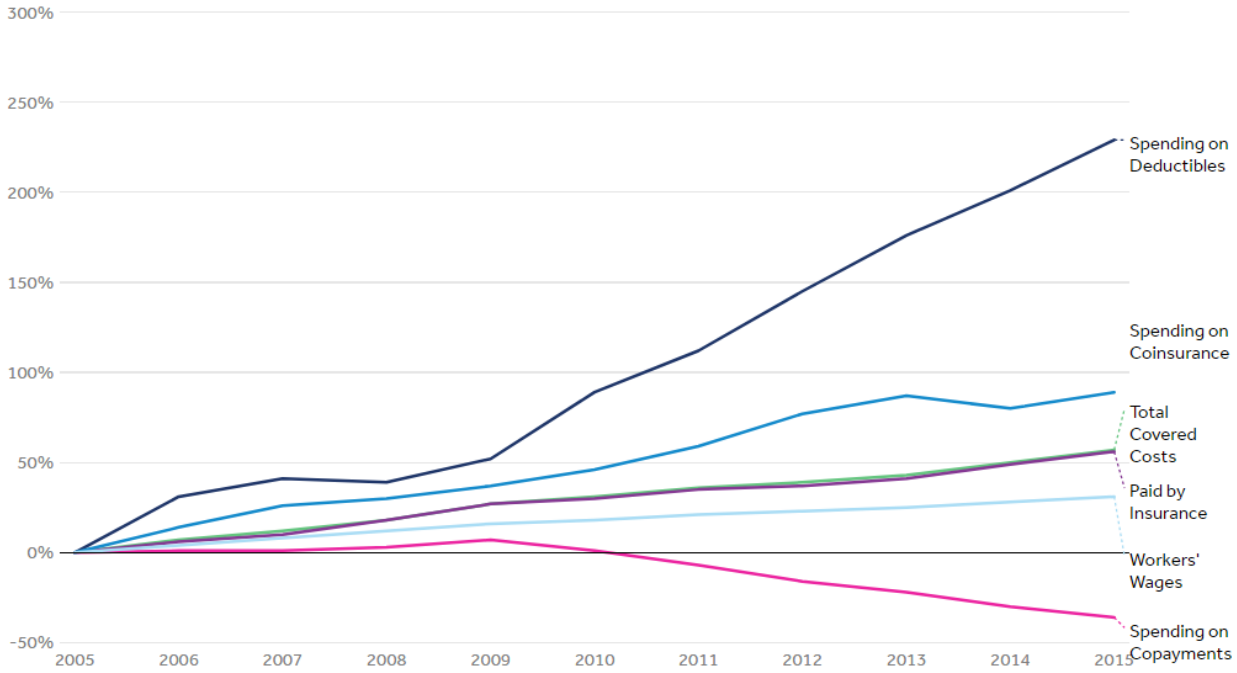
Consumer Cost-Sharing: Paying More for ALL Care Regardless of Value



Consumer Cost-sharing

Deductibles

Co-insurance

Co-payments

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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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]

- **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.

One in Four Patients Have Difficulty Affording Their Prescription Medicines

Kaiser Family Foundation Tracker Sept 2016

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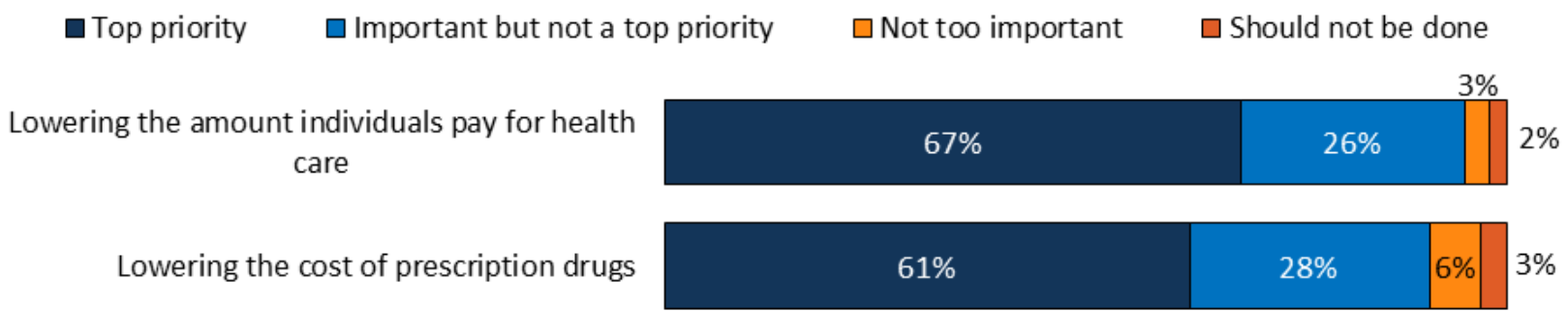
Americans Do Not Care About Health Care Costs; They Care About What It Costs Them



Clinical Nuance:
An Alternative to 'Blunt' Cost-Sharing

The clinical value of a specific clinical service depends on:

- **Who receives it?**
- **When in the course of disease?**
- **By whom?**
- **Where it is provided?**

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Clinical Nuance: Validation

“since nothing is really good or bad in itself—it's all what a person thinks about it”

William Shakespeare

Hamlet Scene 2

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Implementing Clinical Nuance: Value-Based Insurance Design (V-BID)

Value-Based Insurance Design

The Upshot

Health Plans That Nudge Patients to Do the Right Thing

Austin Frakt
THE NEW HEALTH CARE JULY 10, 2017

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Sets consumer cost-sharing on clinical benefit – not price

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V-BID: Bipartisan Political and Broad Multi-Stakeholder Support

- HHS
- CBO
- SEIU
- MedPAC
- Brookings Institution
- Commonwealth Fund
- NBCH
- American Fed Teachers
- Families USA
- AHIP
- AARP
- DOD
- BCBSA
- National Governor's Assoc.
- US Chamber of Commerce
- Bipartisan Policy Center
- Kaiser Family Foundation
- American Benefits Council
- National Coalition on Health Care
- Urban Institute
- RWJF
- IOM
- Smarter Health Care Coalition
- PhRMA
- EBRI
- AMA

Putting Innovation into Action: Translating Research into Policy

Translating Research into Policy

THE PATIENT PROTECTION AND AFFORDABLE CARE ACT

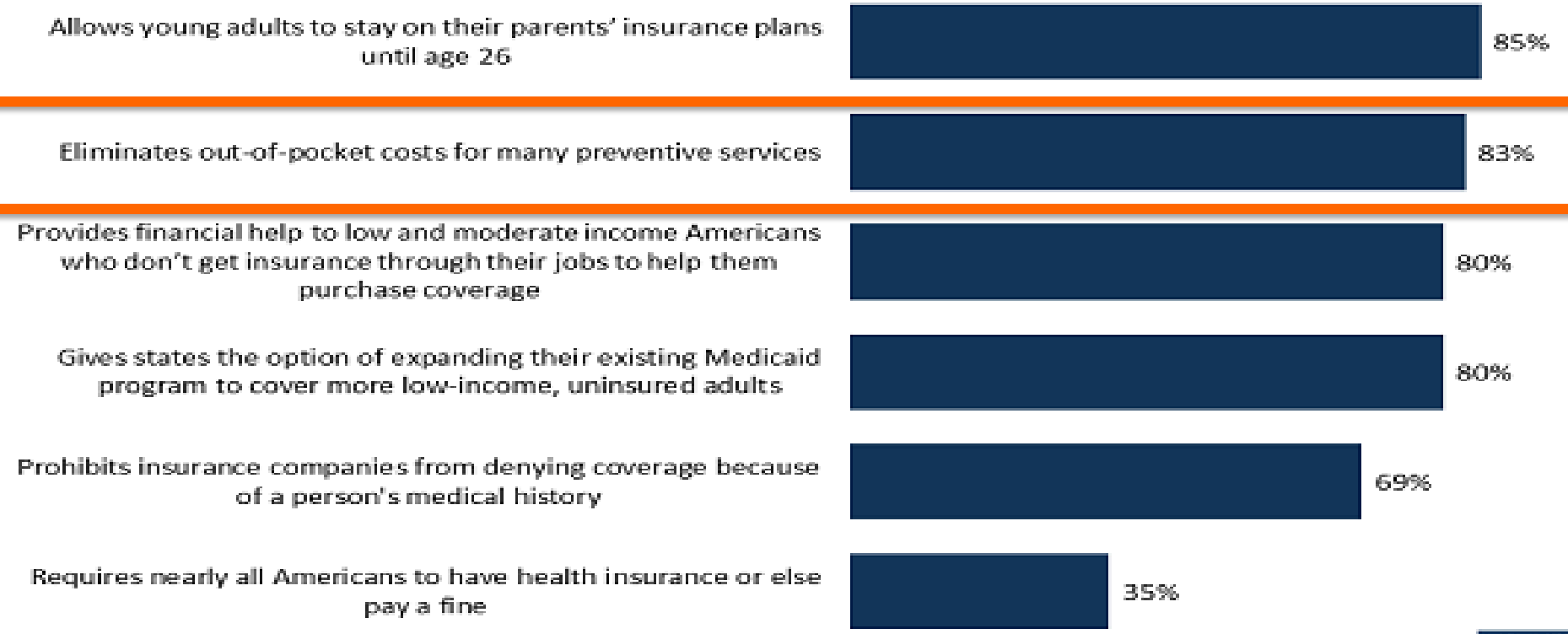
ACA Sec 2713: Selected Preventive Services be Provided without Cost-Sharing

- 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 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:



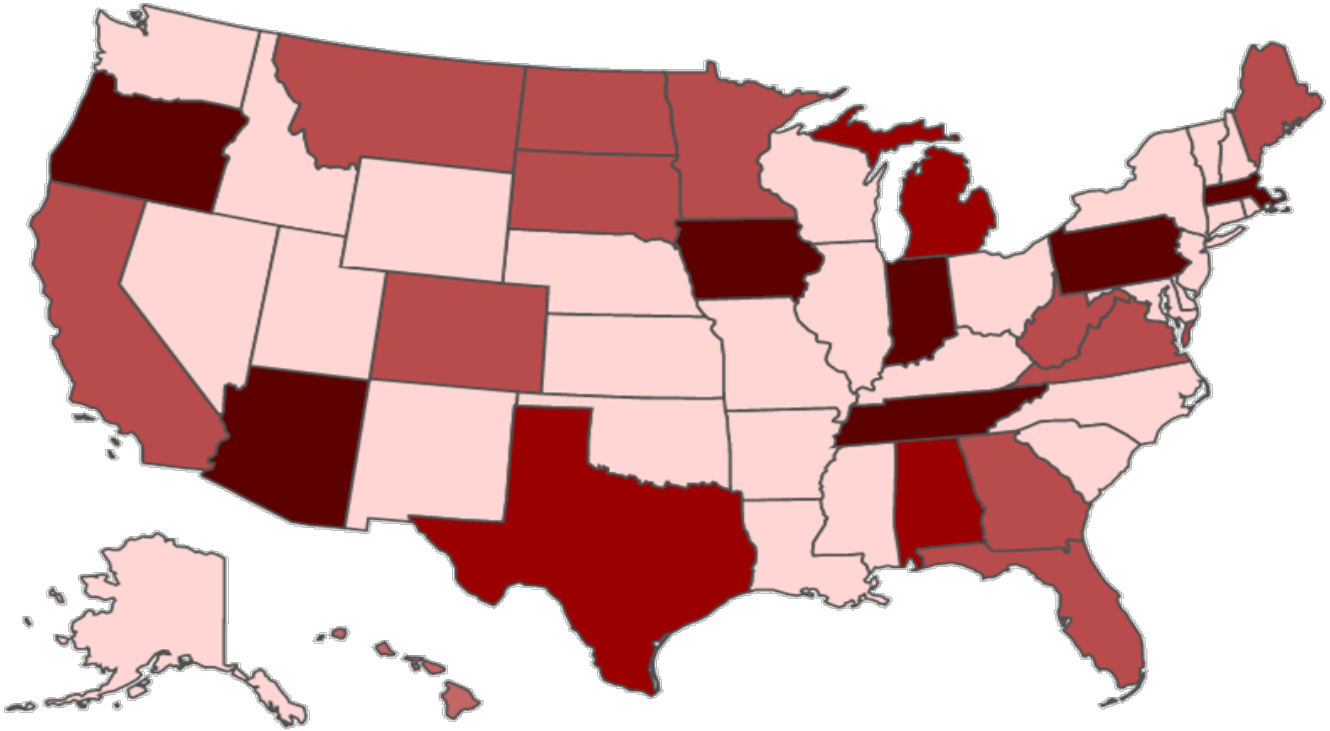
NOTE: Some items asked of half samples. Question wording abbreviated, see topline for full question wording.
SOURCE: Kaiser Family Foundation Health Tracking Poll (conducted November 15-21, 2016)

Putting Innovation into Action: Translating Research into Policy

Translating Research into Policy

Medicare

2018 Budget Bill Expands MA V-BID Model Test to all 50 States



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New CMS Uniformity Rule Provides Flexibility for V-BID in Medicare Advantage

"providing access to services (or specific cost sharing) that are tied to health status or disease state in a manner that ensures that similarly situated individuals are treated uniformly is consistent with the uniformity requirement in the Medicare Advantage (MA) regulations"

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Putting Innovation into Action: Translating Research into Policy

Translating Research into Policy

TRICARE®

2018 National Defense Authorization Act

Further incorporates V-BID principes in TRICARE by...

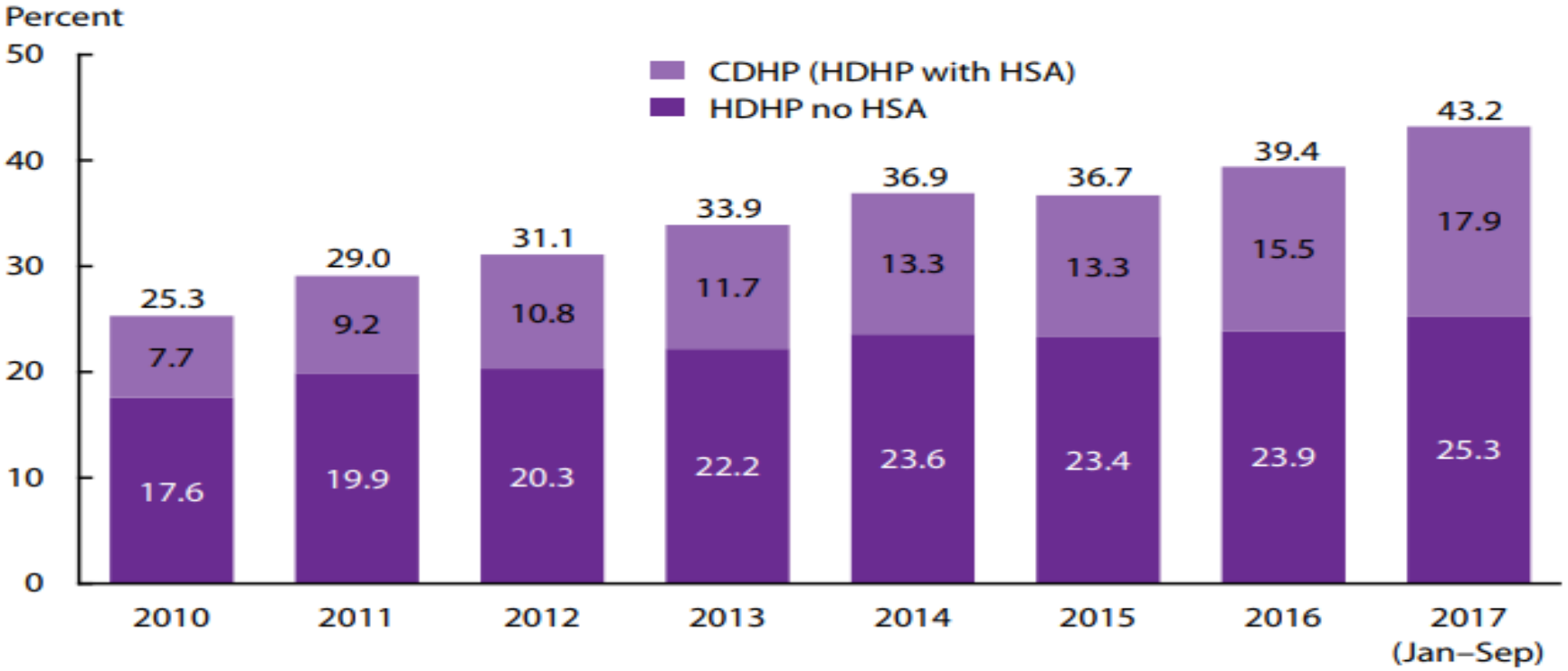
- Giving preferential status to high-value, non-generic medications by treating them as generics for cost-sharing purposes
- Excluding from the pharmacy benefits program any medication that provides little or no value, so as to encourage the use of high-value services

Putting Innovation into Action: Translating Research into Policy

Translating Research into Policy

HSA QUALIFIED HDHPS

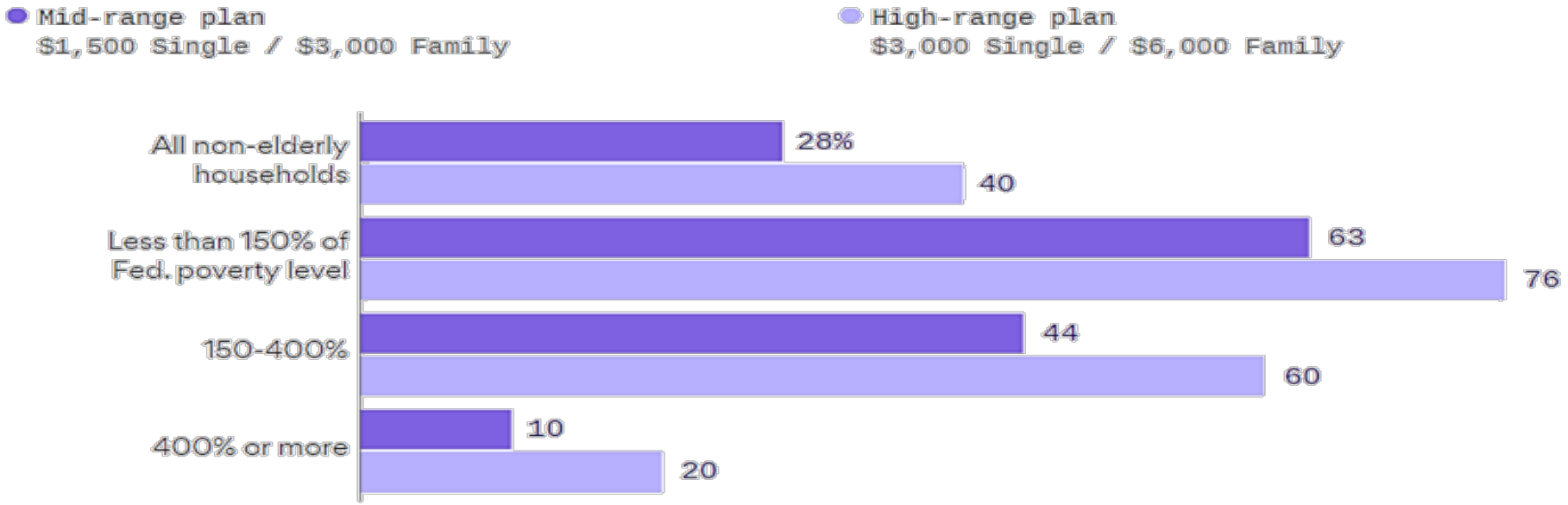
Percentage of People under 65 Enrolled in HDHPs



NOTES: CDHP is consumer-directed health plan, which is a high-deductible health plan (HDHP) with a health savings account (HSA). HDHP no HSA is a high-deductible health plan without an HSA. The individual components of HDHPs may not add up to the total due to rounding. Data are based on household interviews of a sample of the civilian noninstitutionalized population.
SOURCE: NCHS, National Health Interview Survey, 2010–2017, Family Core component.

A Significant Number of Households Do NOT Have Liquid Assets to Cover Their Plan Deductible

Among people with private health insurance



Reproduced from Kaiser Family Foundation analysis of the 2016 Survey of Consumer Finance; Note: Liquid assets include the sum of checking and saving accounts, money market accounts, certificates of deposit, savings bonds, non-retirement mutual funds, stocks and bonds. Chart: Axios Visuals

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IRS Rules Prohibit Coverage of Chronic Disease Care Until HSA-HDHP Deductible is Met

PREVENTIVE CARE COVERED

Dollar one

CHRONIC DISEASE CARE

NOT covered until deductible is met

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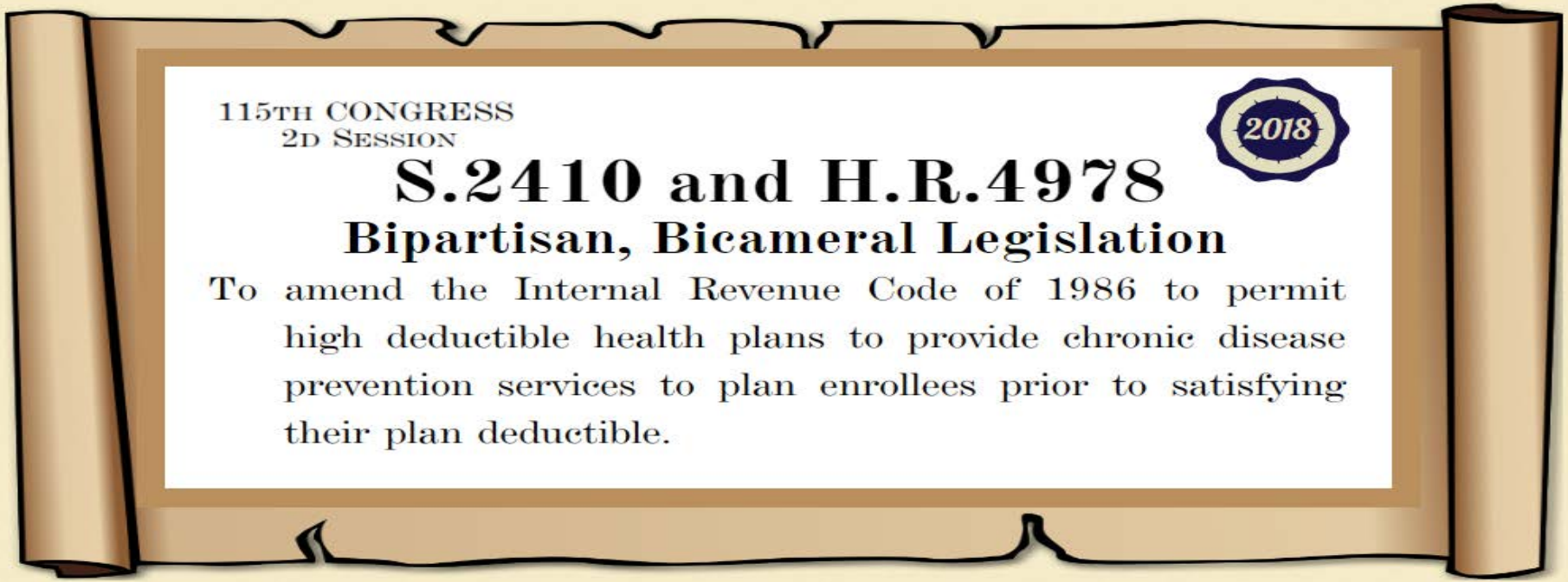
Potential Solution:

High Value Health Plan

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

Chronic Disease Management Act of 2018



Creating ‘Headroom” to Pay for High-Value Care Identifying /Removing Unnecessary Services

Low- Value Care

- **Discouraging the use of specific low-value services must be part of the strategy**

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Creating ‘Headroom” to Pay for High-Value Care Identifying /Removing Unnecessary Services

Low- Value Care

- 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

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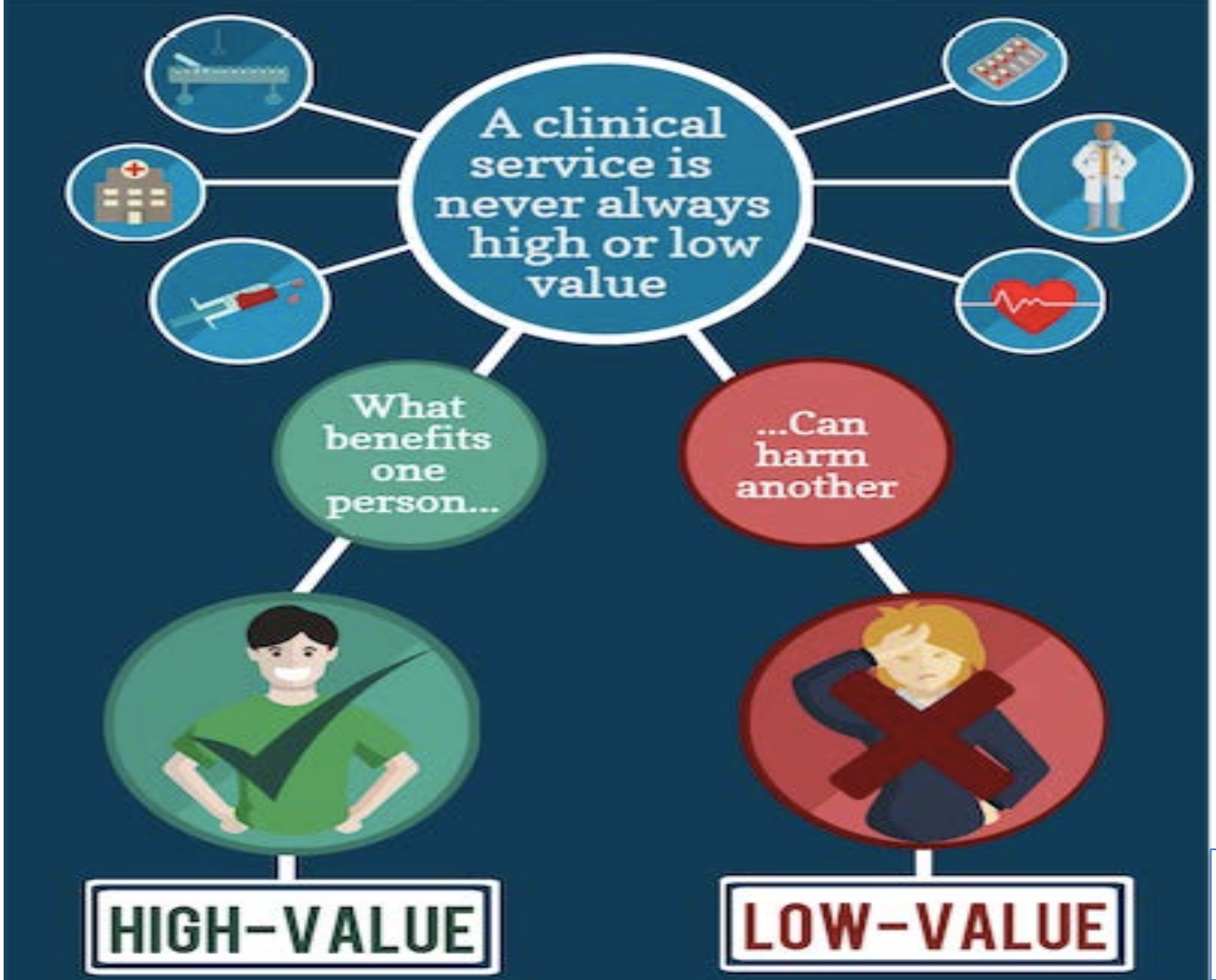
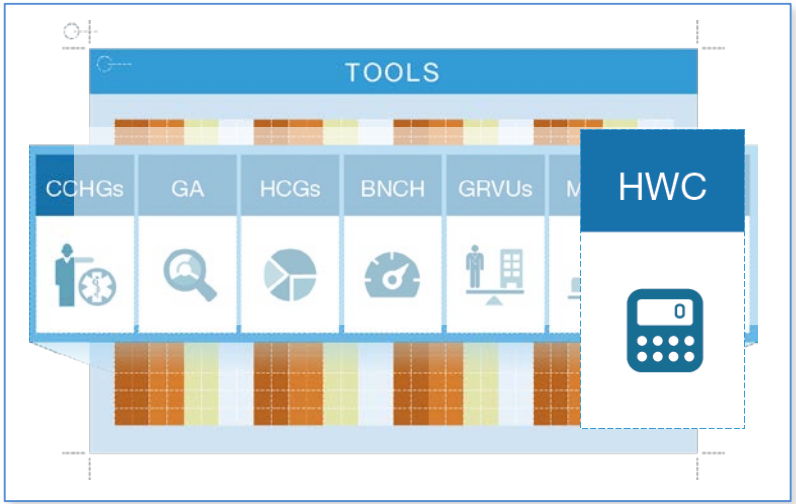

A clinical service is never always high or low value
What benefits one person...
...Can harm another
HIGH-VALUE
LOW-VALUE

Identifying and Removing Unnecessary Care: Milliman Health Waste Calculator

- Collaboration between Milliman and V-BIDHealth
- Measures 47 potentially unnecessary services
- Analyze cost savings potential
- Generate actionable reports and summaries



Milliman
MedInsight

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Milliman Health Waste Calculator
Commonwealth of Virginia Unnecessary Care Initiative

- **Among 5.5 million Virginia beneficiaries, 1 in 5 received at least 1 low-value service in 2014**
- **The 44 low-value services were delivered 1.7 million times, which cost $586 million (~2% of healthcare spend)**

COSTS & SPENDING

By John N. Mafi, Kyle Russell, Beth A. Bortz, Marcos Dachary, William A. Hazel Jr., and A. Mark Fendrick

DATAWATCH

Low-Cost, High-Volume Health Services Contribute The Most To Unnecessary Health Spending

An analysis of data for 2014 about forty-four low-value health services in the Virginia All Payer Claims Database revealed more than $586 million in unnecessary costs. Among these low-value services, those that were low and very low cost ($538 or less per service) were delivered far more frequently than services that were high and very high cost ($539 or more). The combined costs of the former group were nearly twice those of the latter (65 percent versus 35 percent).

Milliman MedInsight

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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

Milliman MedInsight

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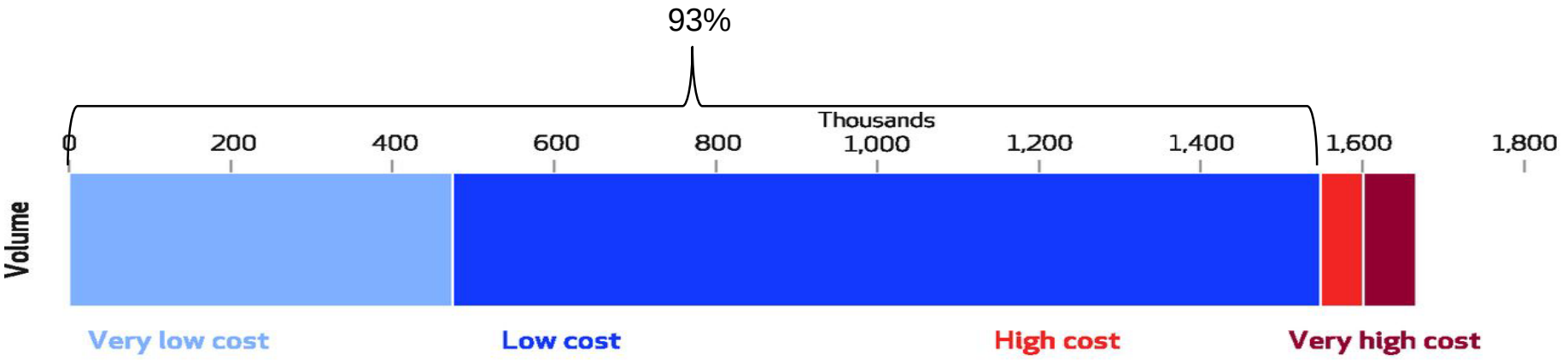
Over 90% of Low-value Services used in Virginia were "Little Ticket Items"



Blue colors signify low-cost (<$550) services

John N. Mafi et al. Health Aff 2017;36:1701-1704

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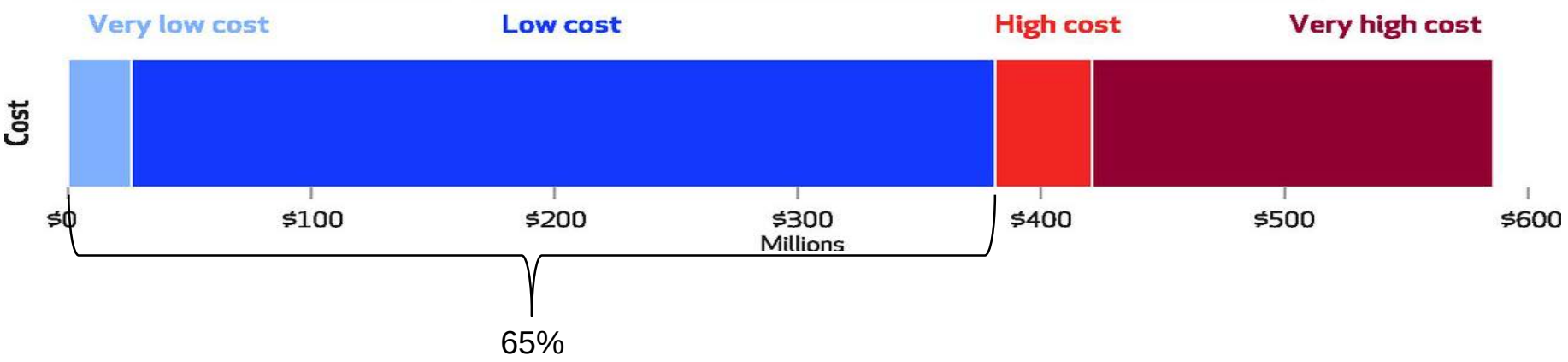
Nearly Two-Thirds of Expenditures on Low-Value Services in Virginia were on “Little Ticket Items”



John N. Mafi et al. Health Aff 2017;36:1701-1704

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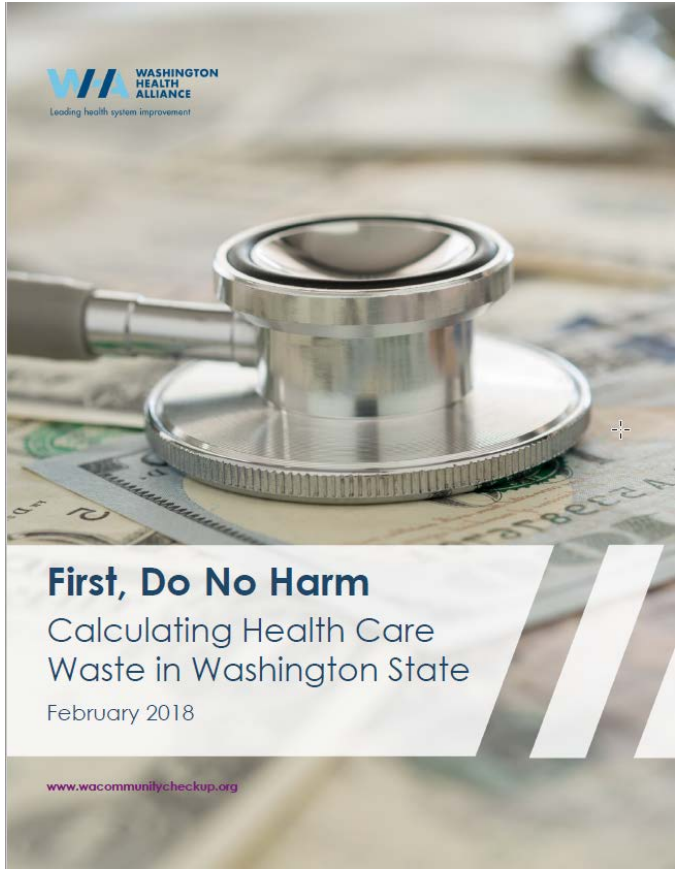
Community Coalition Reporting – State of Washington Health Alliance



- **Approximately 1.3 MM individuals received one of the 47 services, and almost half (47.9%) of them received at least one wasteful service.**
- **An estimated $282 MM in wasteful spending**
- **This is surprising, given that Washington State leads the nation in providing integrated, high-value care in largely capitated payment systems**

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Reducing Low Value Care: Why so difficult?

- **Clinician factors: e.g., training, fear of lawsuits, time pressures, intolerance of uncertainty**
- **Patient factors: lack of knowledge or financial consequences, "more is better"**
- **Healthcare system factors: institutional culture, pricing, fee-for-service payment models**

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Reducing Low Value Care: Where to Start?

- Although much of the low-value care discussion has focused on high-cost services, low-cost items are less likely to draw attention by particular clinicians or patient advocacy groups
- Choose services:
  - Easily identified in administrative systems
  - Mostly low value (little or no clinical nuance)
  - Reduction in their use would be barely noticed

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Multi-Stakeholder Task Force Identifies 5 Commonly Overused Services Ready for Action

1. Diagnostic Testing and Imaging Prior to Surgery

2. Vitamin D Screening

3. PSA Screening in Men 75+

4. Imaging in First 6 Weeks of Low Back Pain

5. Branded Drugs When Identical Generics Are Available

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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**
- **Electronic Medical Records**
- **Accountable Care Organizations**
- **Bundled Payments/Reference Pricing**
- **Global Budgets**
- **High Performing Networks**

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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”

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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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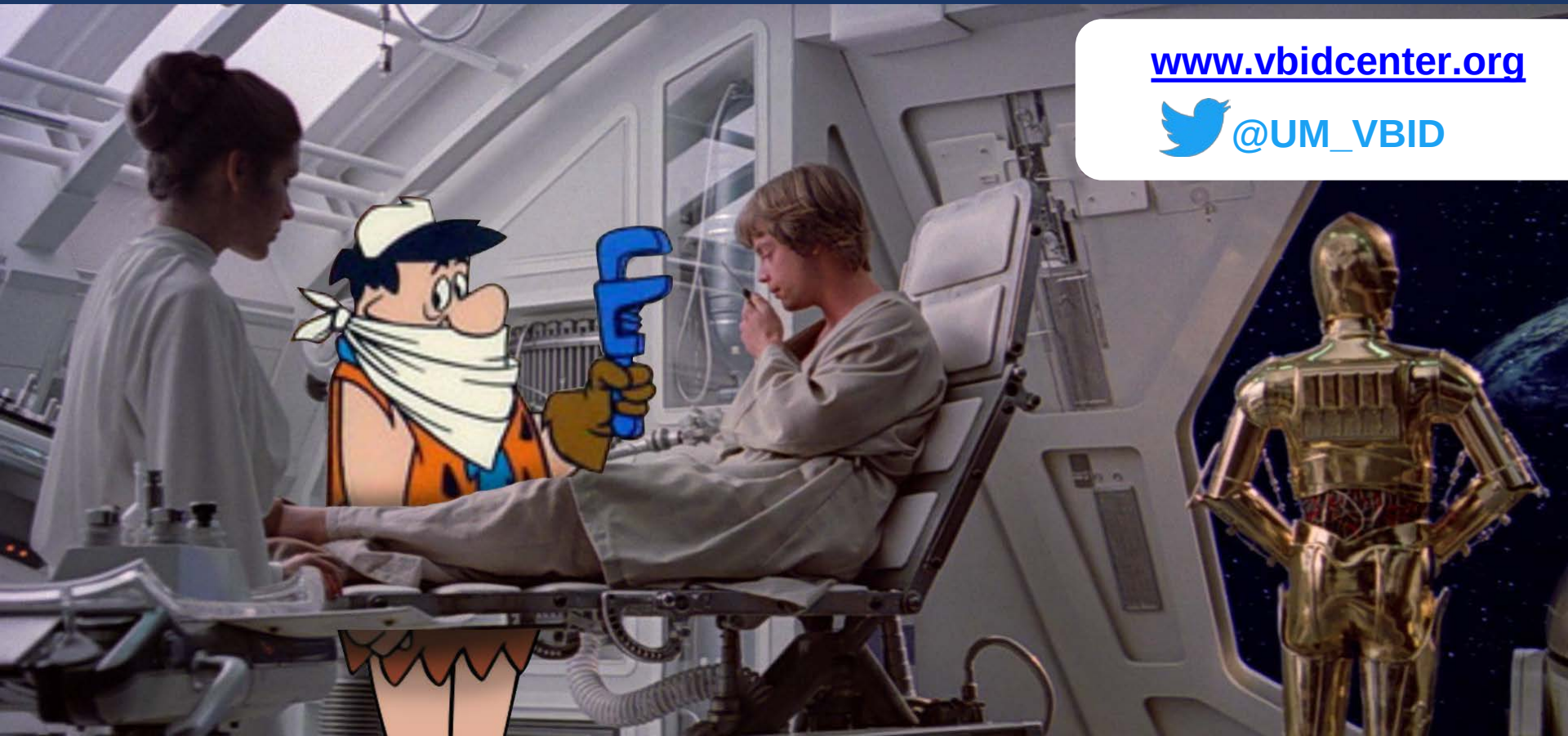
My Hope for the Future



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