



SCHOOL OF PUBLIC HEALTH

CENTER FOR VALUE-BASED INSURANCE DESIGN
UNIVERSITY OF MICHIGAN

Value-Based Insurance Design: Enhancing Affordability and Access to Essential Clinical Services

A. Mark Fendrick, MD
**University of Michigan Center for
Value-Based Insurance Design**

www.vbidcenter.org



@um_vbid



Health Care Costs Are a Top Issue For Purchasers and Policymakers: Solutions must protect consumers, reward providers and preserve innovation

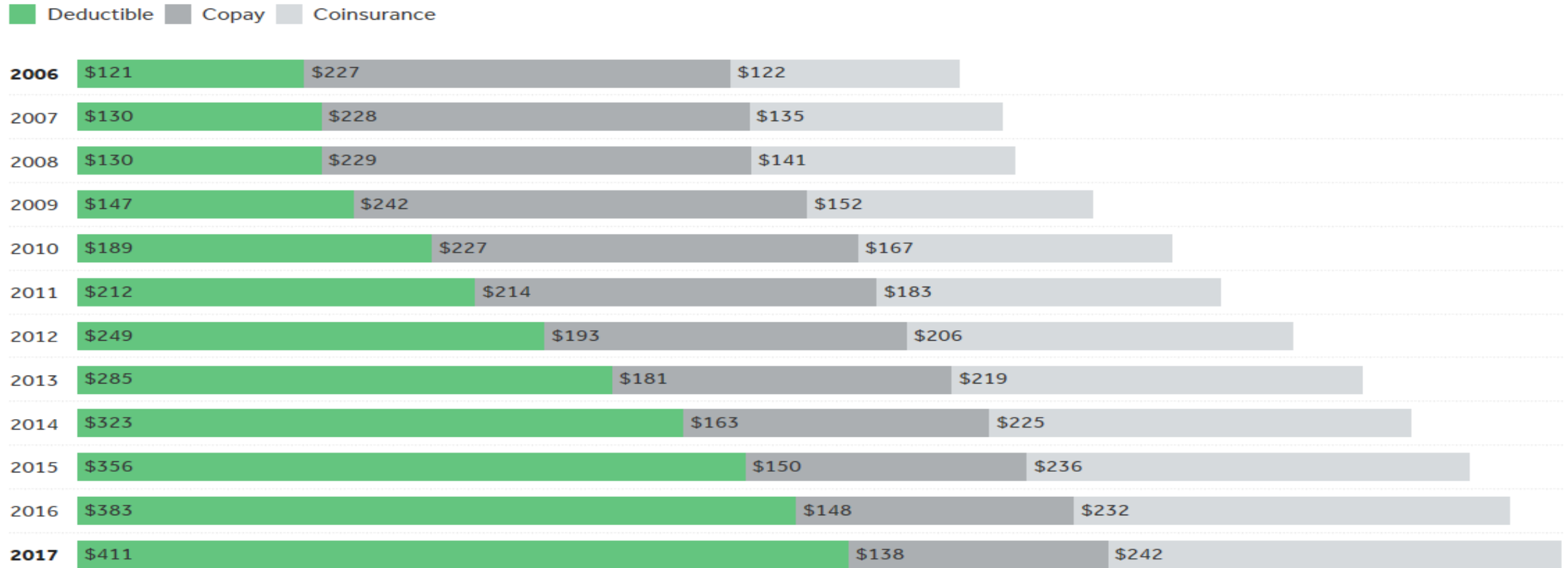
- 1 Innovations to prevent and treat disease have led to impressive reductions in morbidity and mortality**
- 2 Irrespective of remarkable clinical advances, cutting health care spending is the main focus of reform discussions**
- 3 Underutilization of high-value persists across the entire spectrum of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

Moving from the Stone Age to the Space Age: Change the health care cost discussion from “How much” to “How well”



- **Everyone (almost) agrees there is enough money in the US health care system; we just spend it on the wrong services**
- **Policy deliberations focus primarily on alternative payment and pricing models**
- **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**
- **Consumer cost-sharing is a common policy lever**

Out-of-pocket spending among people with large employer coverage, Paying More for ALL Care Regardless of Value



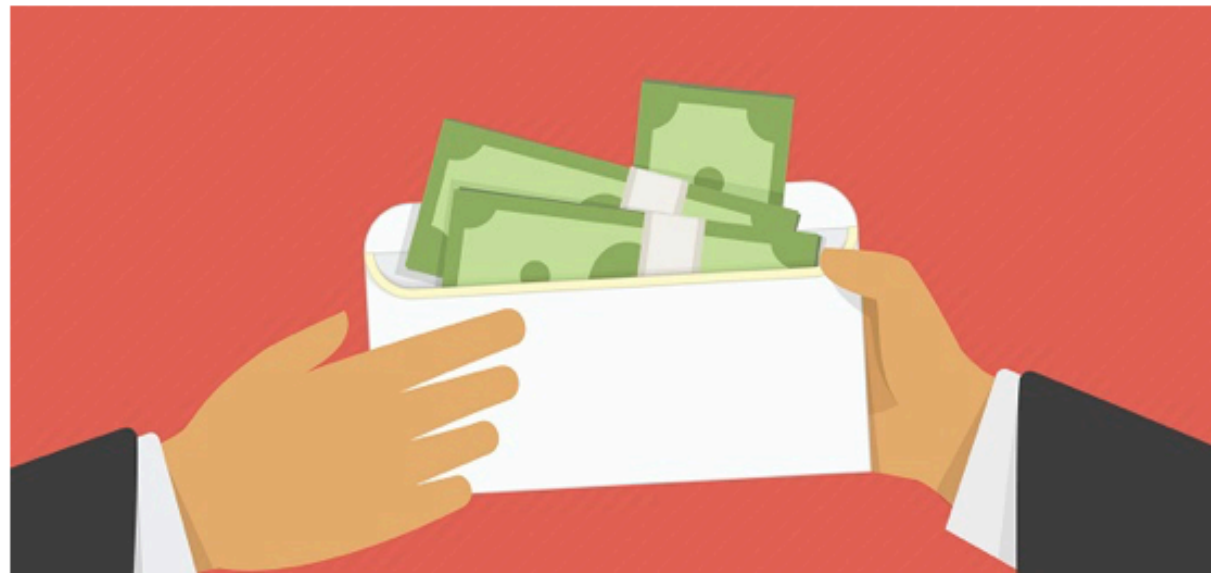
Source: KFF analysis of data from IBM MarketScan Database and the KFF Employer Health Benefit Survey

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



Patient Worry About Out-of-Pocket Healthcare Costs at All-Time High

A report from the Commonwealth Fund noted that patients are not confident they can afford high out-of-pocket healthcare costs.





“

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.

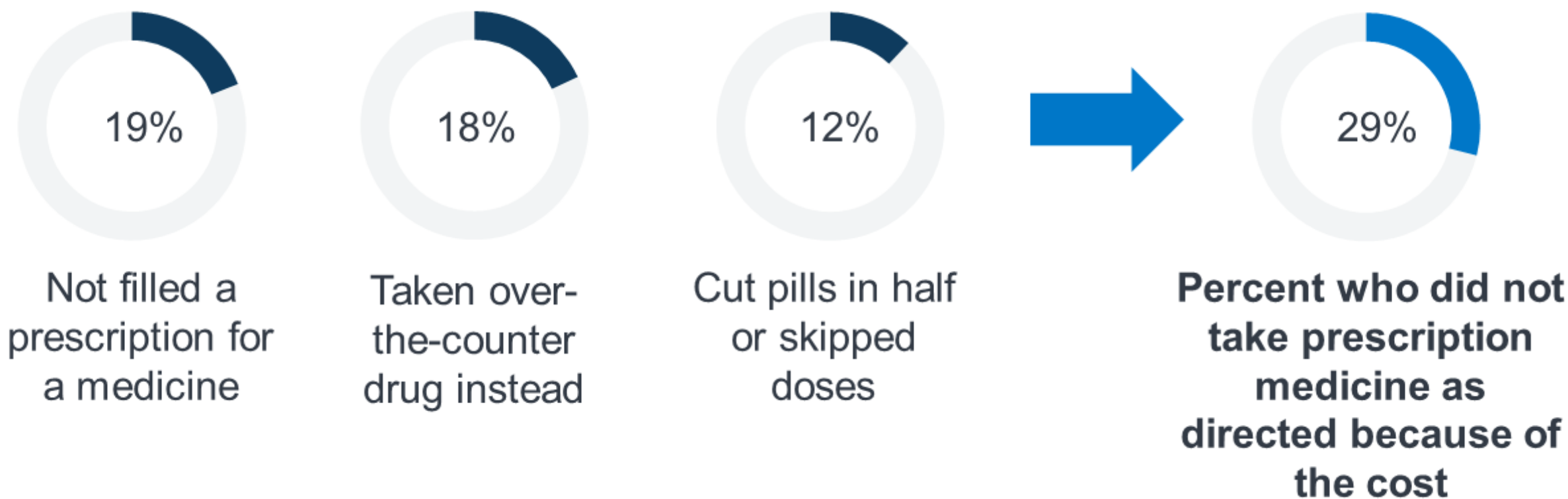
”

- Barbara Fendrick (my mother)

Figure 10

Three In Ten Say They Haven't Taken Their Medicine As Prescribed Due To Costs

Percent who say they have done the following in the past 12 months because of the cost:



SOURCE: KFF Health Tracking Poll (conducted February 14-24, 2019). See topline for full question wording and response options.

Impact of Cost-Sharing on Health Care Disparities

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

*Michael Chernew, PhD¹ Teresa B. Gibson, PhD² Kristina Yu-Isenberg, PhD, RPh³
Michael C. Sokol, MD, MS⁴ Allison B. Rosen, MD, ScD⁵, and A. Mark Fendrick, MD⁵*

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

Alternative to “Blunt” Consumer Cost Sharing: Value-Based Insurance Design (V-BID)

- Sets consumer cost-sharing on clinical benefit – not price
- Little or no out-of-pocket cost for high value care; high cost share for low value care
- Successfully implemented by hundreds of public and private payers



V-BID: Rare 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



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

U.S. Preventive Services Task Force Recommends Expanding Use Of PrEP In High Risk People To Prevent Infection

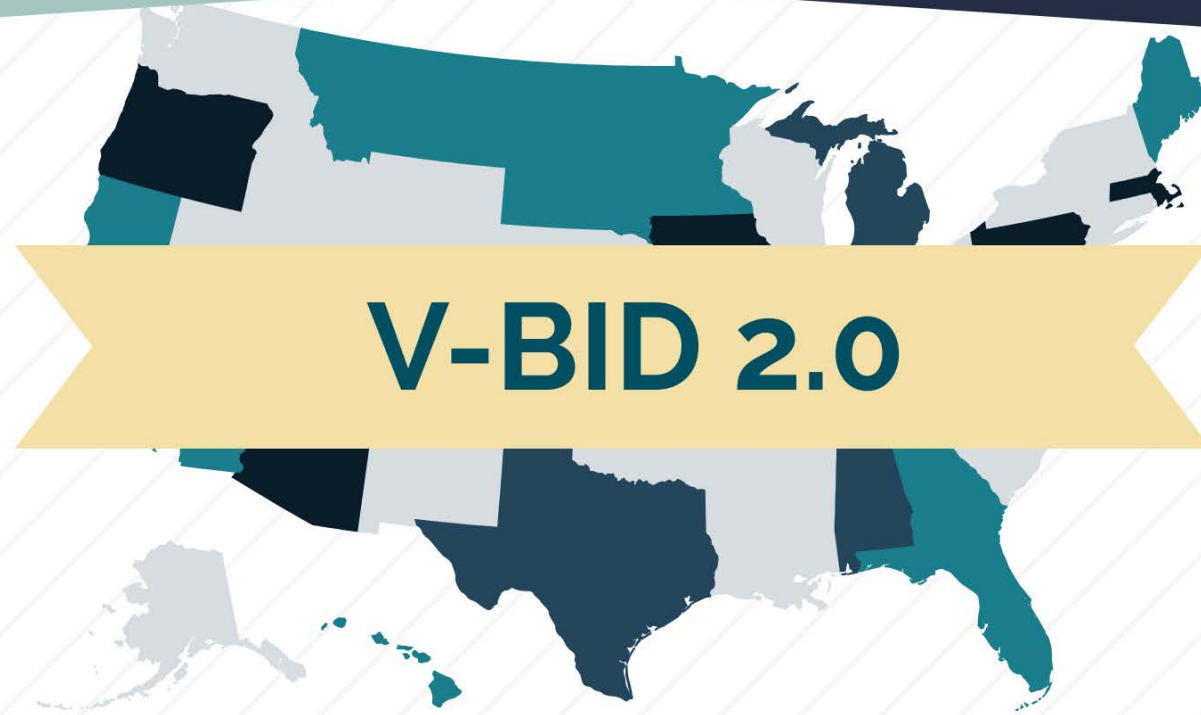
In an effort to eliminate nearly 40,000 new HIV infections in the U.S. each year, the U.S. Preventive Services Task Force recommended Truvada, which can reduce the risk of infection by 92% when taken daily, should be offered to more patients. High cost has been a barrier, and so far fewer than 10% of high-risk people take the medication.



Putting Innovation into Action: Translating Research into Policy



THE EXPANDED ROLE OF V-BID IN MEDICARE ADVANTAGE



CMS announced transformative updates to the **Medicare Advantage Value-Based Insurance Design model**, including its expansion to all 50 states

V-BID 2.0 allows MA plans to...

- ✓ Provide reduced cost-sharing and supplemental benefits in a more targeted fashion
- ✓ Increase access to new interventions like telehealth services, and wellness and healthcare planning
- ✓ Expand eligibility to include Dual Eligible SNPs, Institutional SNPs, and Regional PPOs
- ✓ Broaden rewards programs that improve beneficiaries' health



Putting Innovation into Action: Translating Research into Policy



Value-based insurance coming to millions of people in Tricare



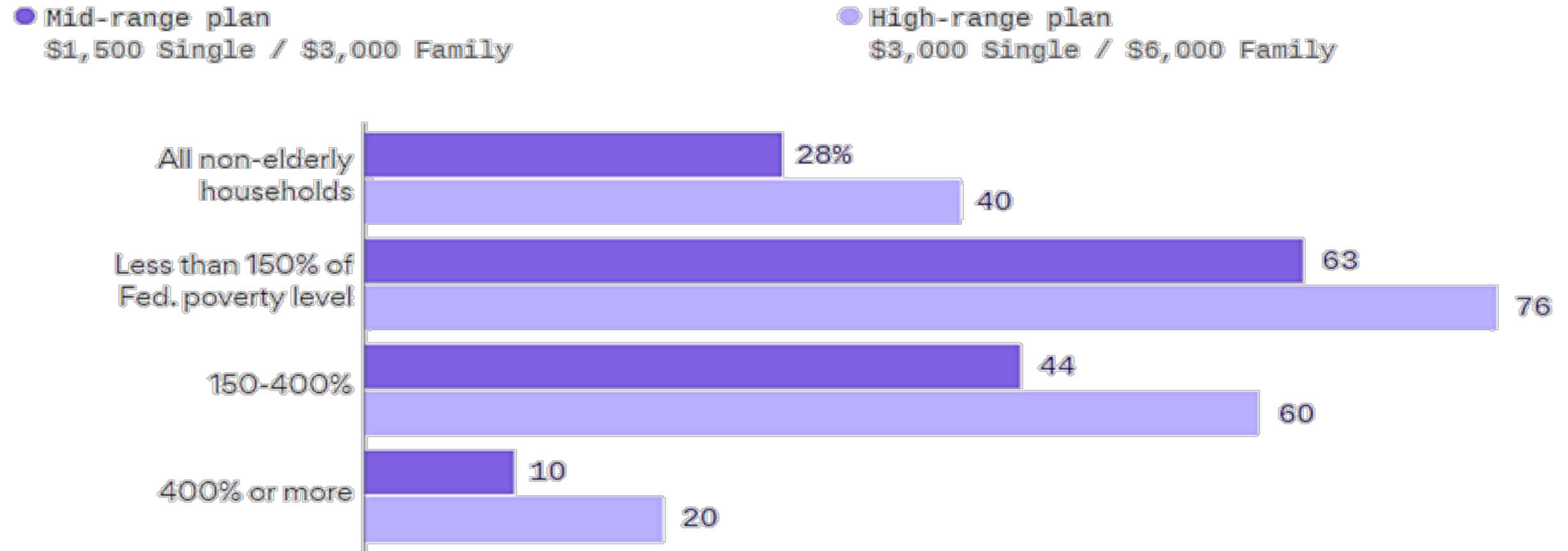
- **2017 NDAA: Obama Administration - reduce or eliminate co-pays and other cost sharing for certain high services and providers**
- **2018 NDAA: Trump Administration – reduce cost sharing for high value drugs on the uniform formulary**

HSA-HDHP Reform



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

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



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

President Donald J. Trump is Putting American Patients First by Making Healthcare More Transparent

— HEALTHCARE | Issued on: June 24, 2019

- The President's order also improves consumers' incentives to shop for care by expanding the benefit of Health Savings Accounts (HSAs) and other tax-preferred health accounts.

Chronic Disease Management Act

To amend the Internal Revenue Code of 1986 to permit high deductible health plans to provide chronic disease prevention services to plan enrollees prior to satisfying their plan deductible.

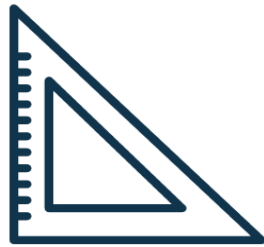
IN THE SENATE OF THE UNITED STATES

Mr. THUNE (for himself and Mr. CARPER) introduced the following bill; which was read twice and referred to the Committee on _____

REDUCING LOW-VALUE CARE



IDENTIFY.



MEASURE.



REPORT.



REDUCE.

Waste in the Healthcare System Comes From Many Places

Category	Sources	Estimate of Excess Costs	% of Waste	% of Total
Unnecessary Services	<ul style="list-style-type: none"> Overuse beyond evidence-established levels Discretionary use beyond benchmarks Unnecessary choice of higher-cost services 	\$210 billion	27%	9.15%
Inefficiently Delivered Services	<ul style="list-style-type: none"> Mistakes, errors, preventable complications Care fragmentation Unnecessary use of higher-cost providers Operational inefficiencies at care delivery sites 	\$130 billion	17%	5.66%
Excess Admin Costs	<ul style="list-style-type: none"> Insurance paperwork costs beyond benchmarks Insurers' administrative inefficiencies Inefficiencies due to care documentation requirements 	\$190 billion	25%	8.28%
Prices that are too high	<ul style="list-style-type: none"> Service prices beyond competitive benchmarks Product prices beyond competitive benchmarks 	\$105 billion	14%	4.58%
Missed Prevention Opportunities	<ul style="list-style-type: none"> Primary prevention Secondary prevention Tertiary prevention 	\$55 billion	7%	2.40%
Fraud	<ul style="list-style-type: none"> All sources – payers, clinicians, patients 	\$75 billion	10%	3.27%
Total		\$765 billion		33.33%

Reducing Low Value Care: Identify

The logo for 'Choosing Wisely' features a vertical stack of five colored squares (yellow, green, blue, purple, and red) to the left of the text 'Choosing Wisely' in a bold, black, sans-serif font.

An initiative of the ABIM Foundation

&



U.S. Preventive Services
TASK FORCE

Choose services:

- Easily identified in administrative systems
- Mostly low value
- Reduction in their use would be barely noticed

Reducing Low Value Care: Measure

Health Waste Calculator

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



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).



First, Do No Harm

Calculating Health Care Waste in Washington State

February 2018

www.wacommunitycheckup.org

Multi-Stakeholder **Task Force on Low Value Care** Identifies 5 Commonly Overused Services Ready for Action



1. Diagnostic Testing and Imaging Prior to Low Risk Surgery



2. Vitamin D Screening



3. PSA Screening in Men 70+



4. Imaging in First 6 Weeks of Acute Low Back Pain



5. Branded Drugs When Identical Generics Are Available

Impact of reducing Vitamin D testing in the general population

Cost 1 Vitamin D test =



V-BID X: Better Coverage, Same Premiums and Deductibles



Increased cost-sharing on **low-value services** reduces spending...



Spinal Fusions



Vitamin D
screening tests



Proton beam for
prostate cancer



High-cost
diagnostic imaging

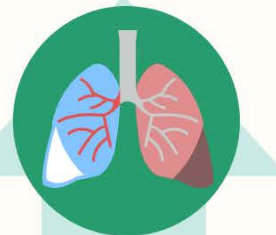
...and allows for lower cost-sharing and increased spending on **high-value services**



Hemoglobin
A1c tests



Blood pressure
monitors

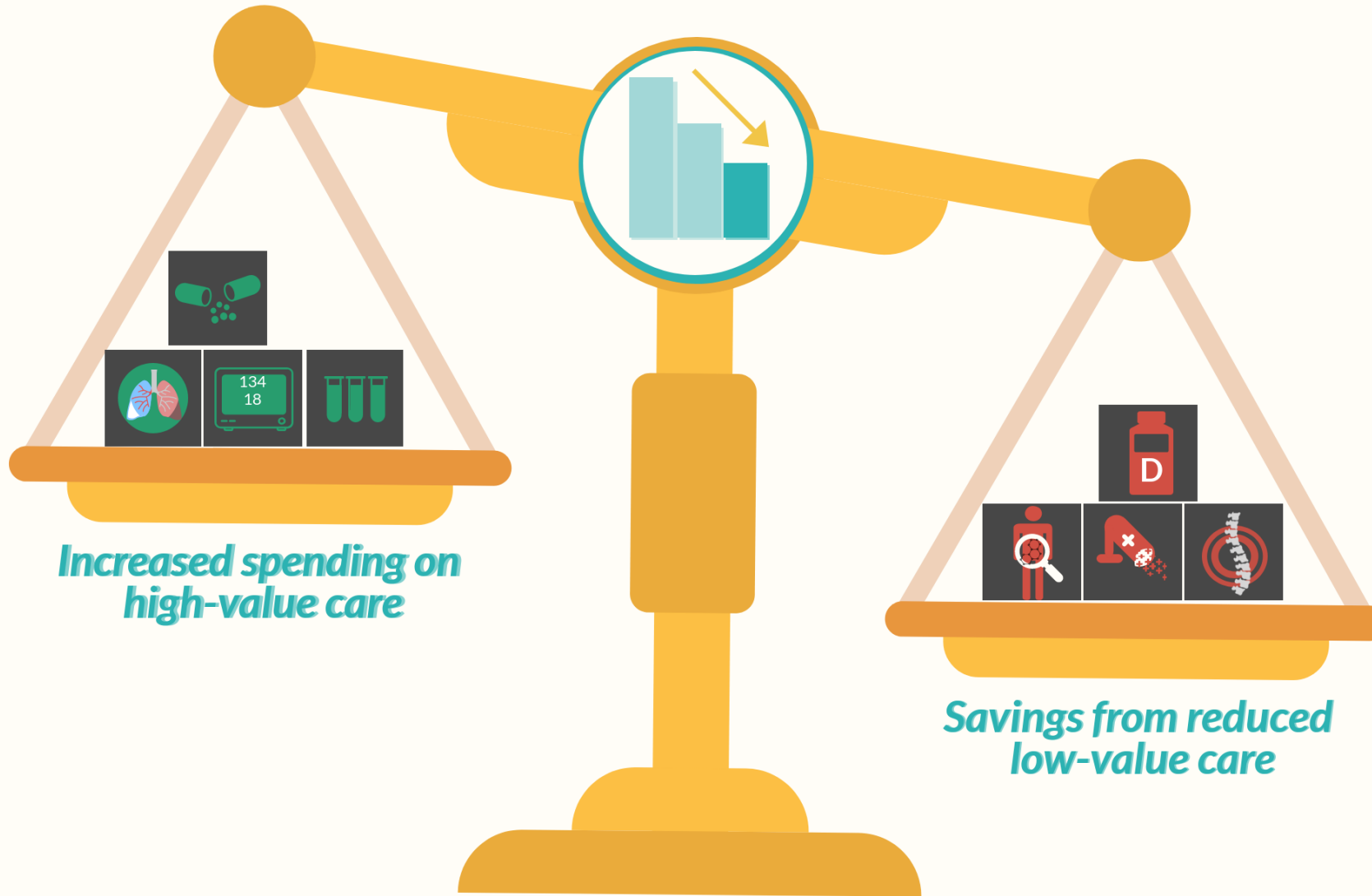


Pulmonary
rehabilitation



High-value
prescription drugs

When savings from reduced use of low-value care
exceed extra spending on high-value services,
premiums will decrease



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

Aligning
Incentives



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”



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

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

