



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

**A. Mark Fendrick, MD**

**University of Michigan Center for  
Value-Based Insurance Design**

**[www.vbidcenter.org](http://www.vbidcenter.org)**



**@um\_vbid**



**Table 1: Risk factors for nodding off at lectures**

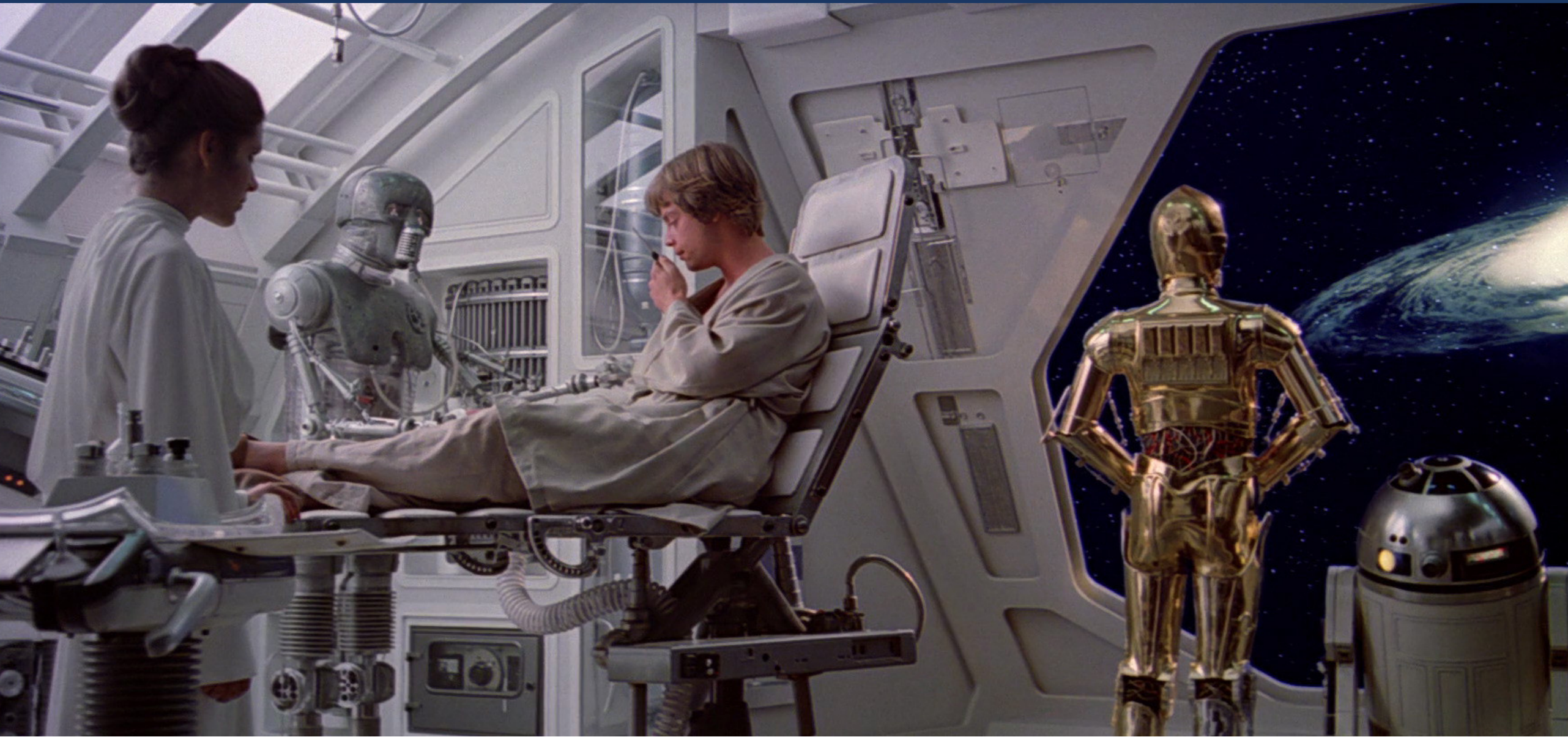
Factor	Odds ratio (and 95% CI)
<b>Environmental</b>	
Dim lighting	1.6 (0.8–2.5)
Warm room temperature	1.4 (0.9–1.6)
Comfortable seating	1.0 (0.7–1.3)
<b>Audiovisual</b>	
Poor slides	1.8 (1.3–2.0)
Failure to speak into microphone	1.7 (1.3–2.1)
<b>Circadian</b>	
Early morning	1.3 (0.9–1.8)
Post prandial	1.7 (0.9–2.3)
<b>Speaker-related</b>	
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.

# 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

# Star Wars Science



# Flintstones Delivery



# Outline

**Value-  
Based  
Insurance  
Design**

**Low Value  
Care**

**Aligning  
Incentives**

**Translating  
Research  
into Policy**

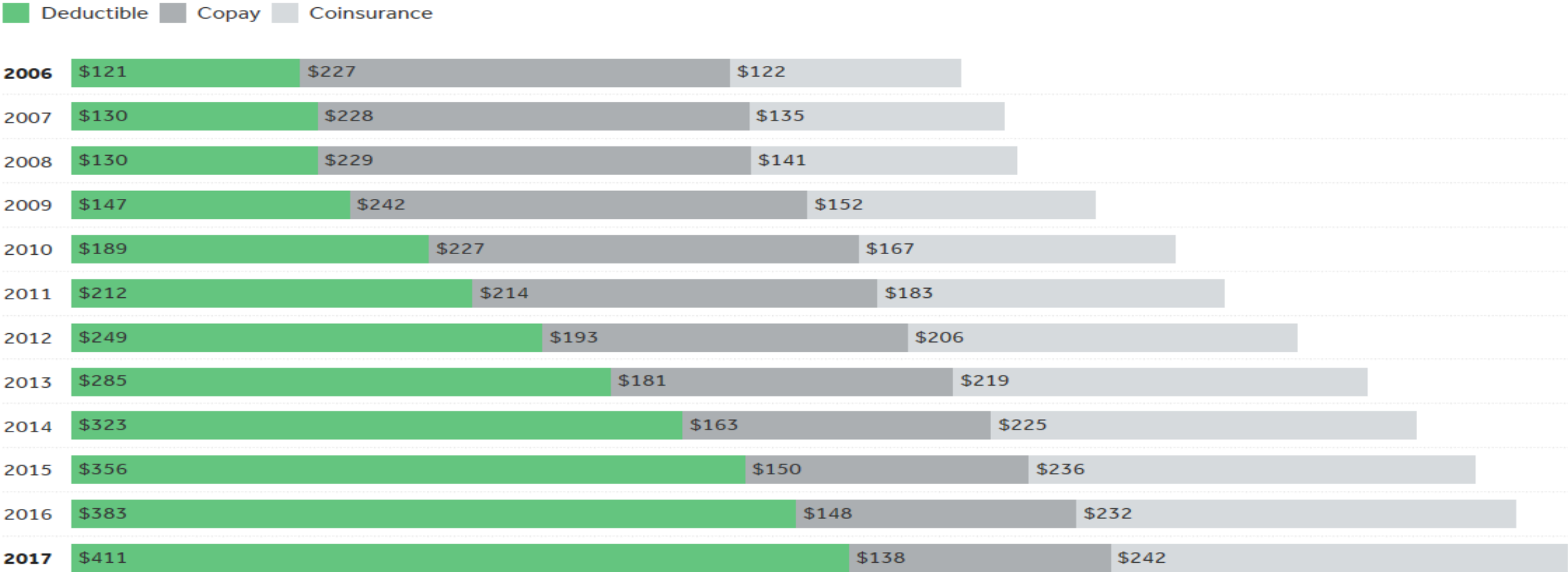
**V-BID X**

# 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**



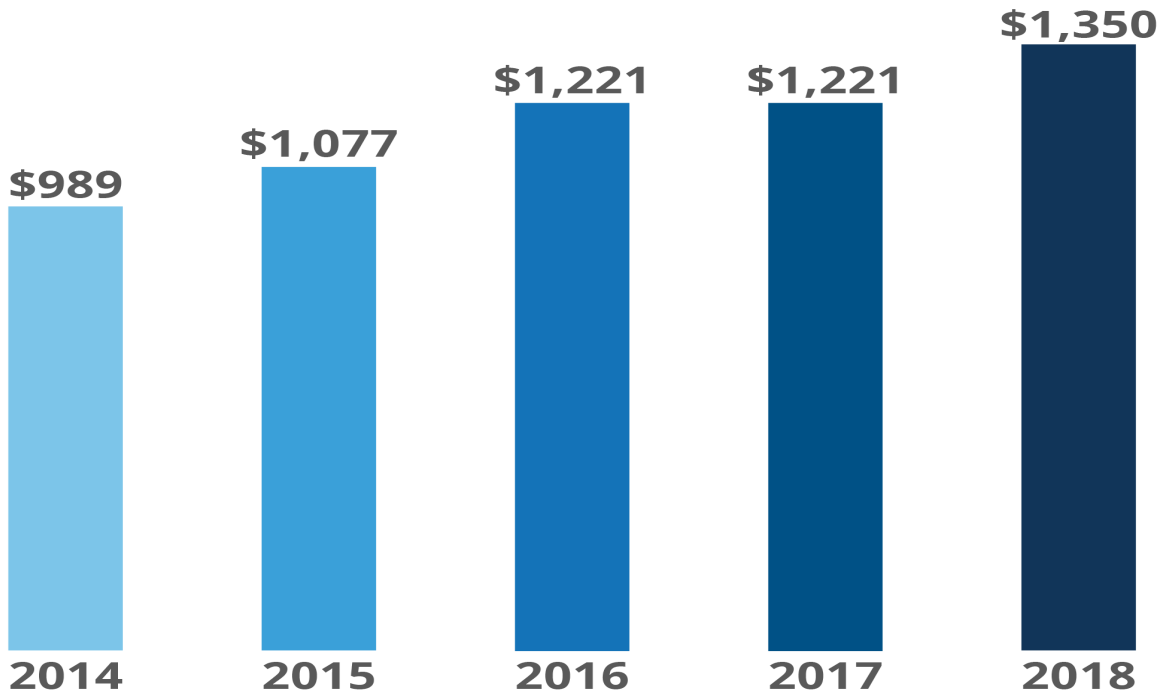
## Patient Worry About Out-of-Pocket Healthcare Costs at All-Time High

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

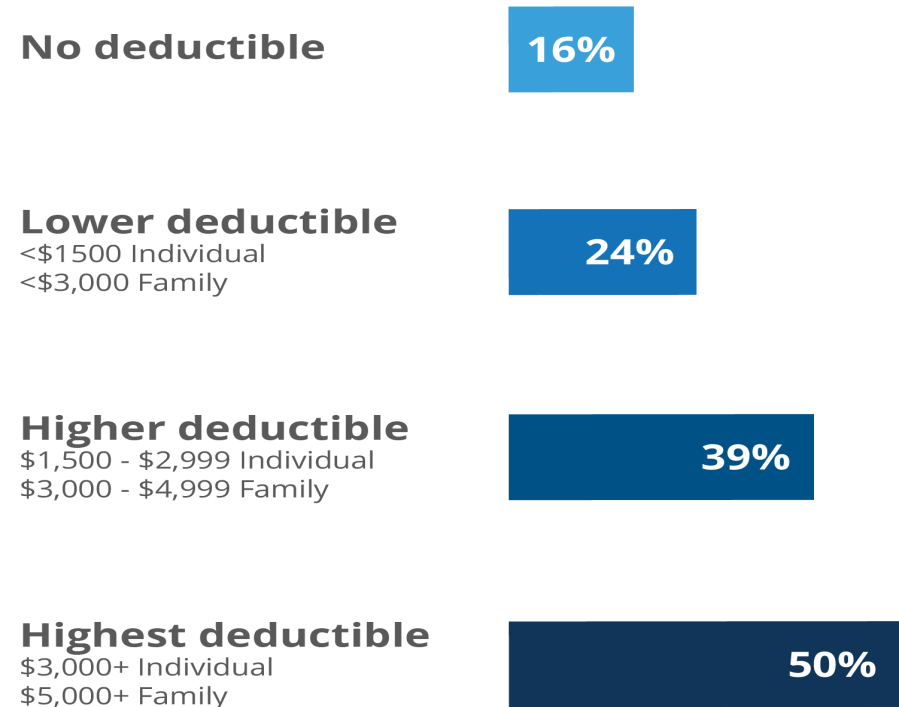


# Dissatisfaction With Employer Coverage Rises As Deductibles Climb

Average deductible among large employer plans, including those with \$0 deductibles



Percent who say their health insurance has gotten worse over the past 5 years



SOURCE: KFF analysis of data from KFF Employer Health Benefits Survey, 2018. KFF/LA Times Survey of Adults with Employer-Sponsored Health Insurance (Sept. 25-Oct. 9, 2018).



“

**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.**

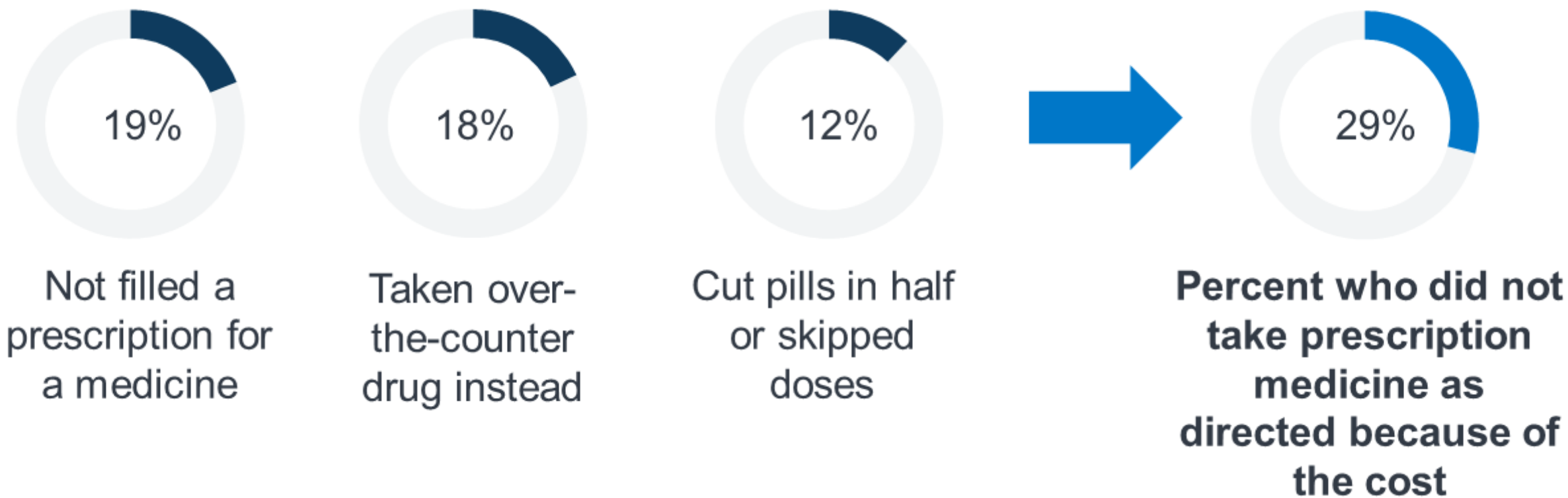
”

- 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

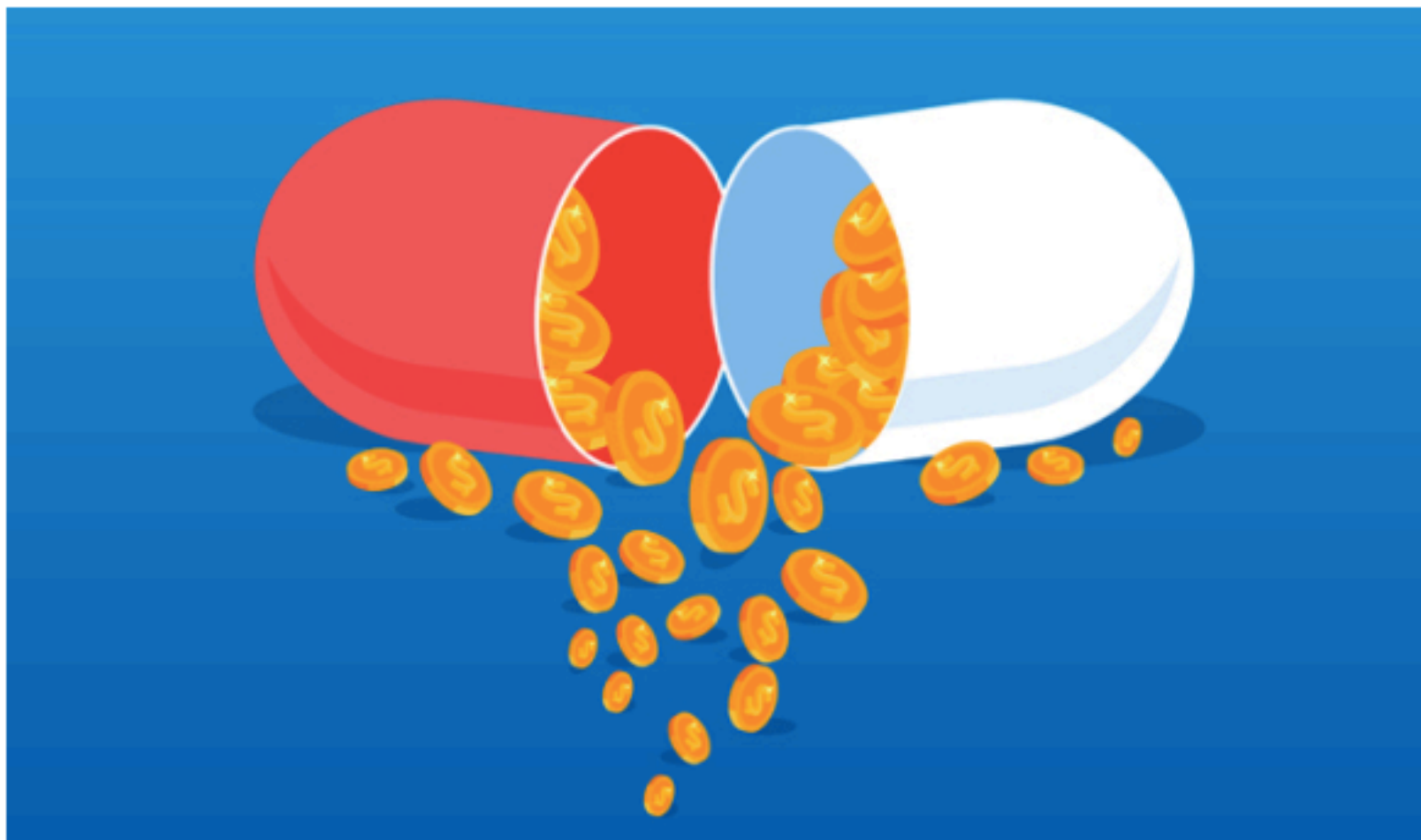
*Michael Chernew, PhD<sup>1</sup> Teresa B. Gibson, PhD<sup>2</sup> Kristina Yu-Isenberg, PhD, RPh<sup>3</sup>  
Michael C. Sokol, MD, MS<sup>4</sup> Allison B. Rosen, MD, ScD<sup>5</sup>, and A. Mark Fendrick, MD<sup>5</sup>*

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- **Rising copayments worsen disparities and adversely affect health, particularly among economically vulnerable individuals and those with chronic conditions**

# Out-of-Pocket Healthcare Costs Problem for 25% of Cancer Survivors

Out-of-pocket healthcare costs are a source of worry for patients, even as they enter cancer survivorship.



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

- **A clinical service is never always high or low value**
- **The clinical value of a specific clinical service depends on:**
  - Who receives it
  - When in the course of disease
  - Who provides it
  - Where it is provided

# 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

**TheUpshot**

## Health Plans That Nudge Patients to Do the Right Thing

 **Austin Frakt**  
THE NEW HEALTH CARE JULY 10, 2017



RELATED COVERAGE

-  THE NEW The A Prosta
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# 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



 **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



# **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



# 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"**

# Implementing V-BID in Medicare

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**"providers may not deny, limit, or condition the coverage or provision of benefits"**



**“To implement V-BID in Medicare will take an act of Congress”**



# 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

114<sup>TH</sup> CONGRESS  
1<sup>ST</sup> 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.



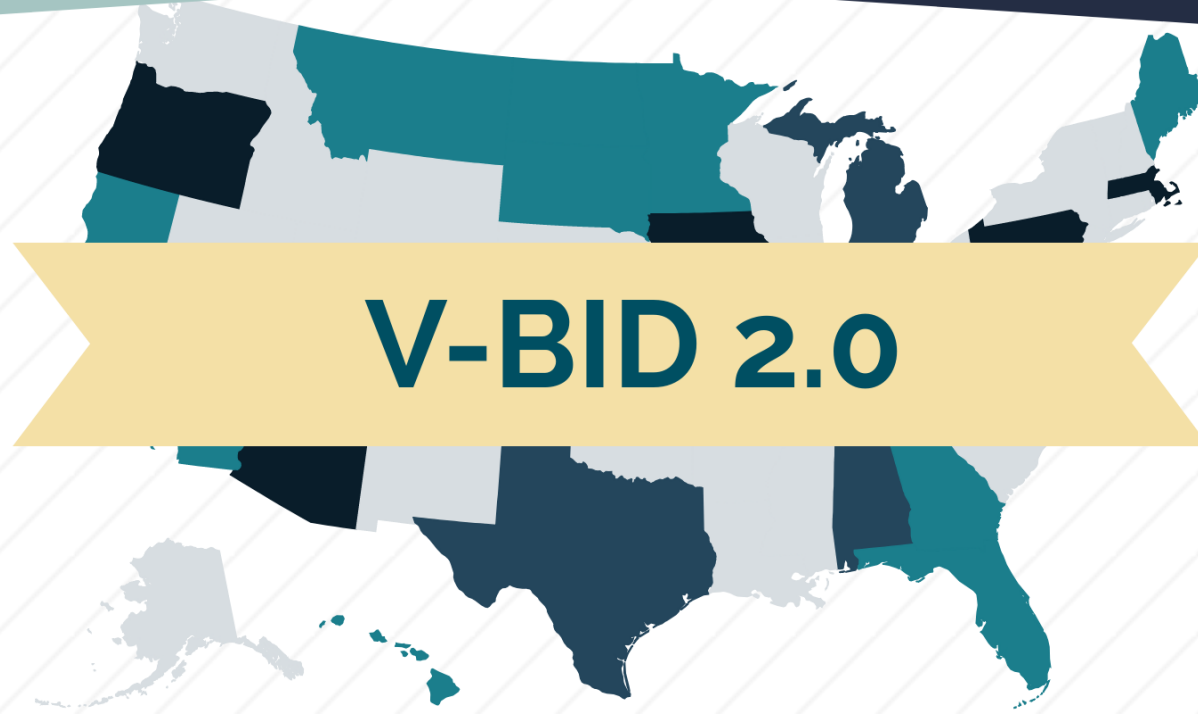
# CMS Announces Medicare Advantage Value-Based Insurance Design Model Test

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

# 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



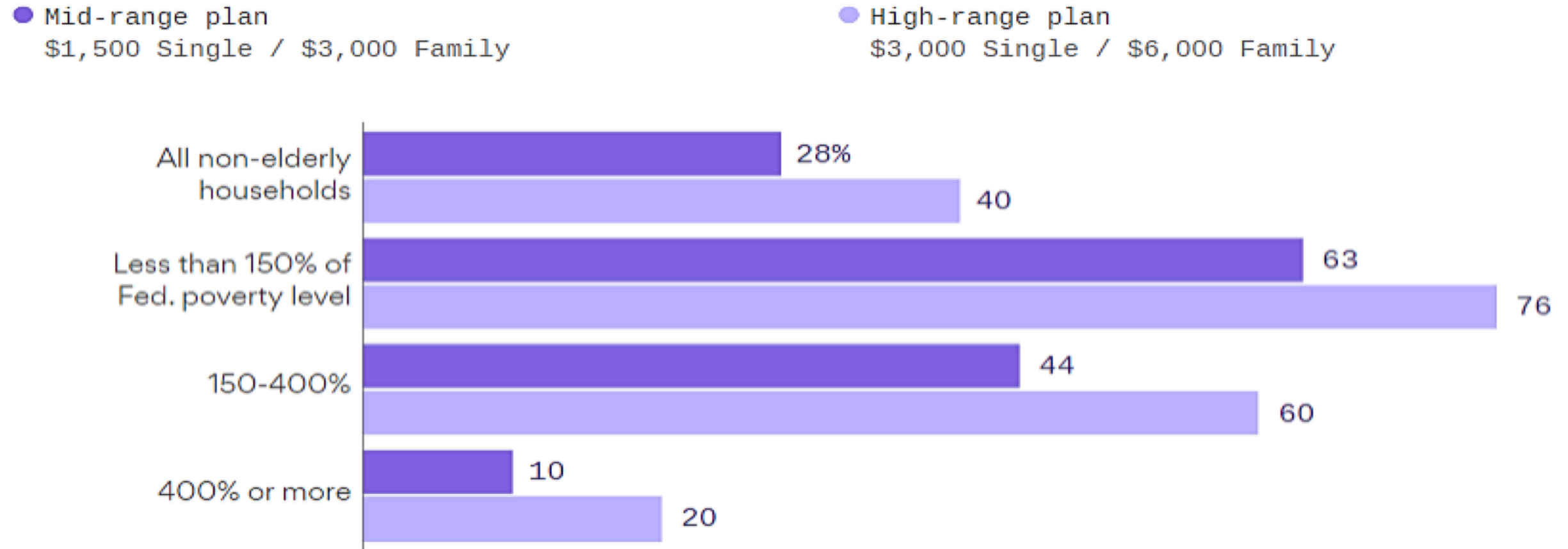
- **2017 NDAA: Obama Administration - reduce or eliminate co-pays and other cost sharing for certain high services and providers**
- **2018 NDAA: Trump Administration – reduce cost sharing for high value drugs on the uniform formulary**

# 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

# Chronic Disease Management Act of 2019

115<sup>TH</sup> CONGRESS  
2<sup>D</sup> SESSION



## **S.2410 and H.R.4978**

### **Bipartisan, Bicameral Legislation**

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.



# U.S. DEPARTMENT OF THE TREASURY

## PRESS RELEASES

Treasury Expands Health Savings Account Benefits for Individuals Suffering from Chronic Conditions

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# U.S. DEPARTMENT OF THE TREASURY

## **Additional Preventive Care Benefits Permitted to be Provided by a High Deductible Health Plan Under § 223**

**NOTICE 2019-45**

### **PURPOSE**

This notice expands the list of preventive care benefits permitted to be provided by a high deductible health plan (HDHP) under section 223(c)(2) of the Internal Revenue Code (Code) without a deductible, or with a deductible below the applicable minimum deductible (self-only or family) for an HDHP.

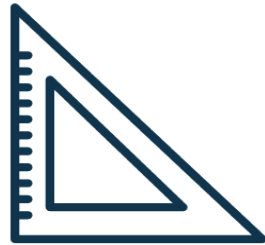
# List of services and drugs for certain chronic conditions that will be classified as preventive care under Notice 2019-45

<b>Preventive Care for Specified Conditions</b>	<b>For Individuals Diagnosed with</b>
Angiotensin Converting Enzyme (ACE) inhibitors	Congestive heart failure, diabetes, and/or coronary artery disease
Anti-resorptive therapy	Osteoporosis and/or osteopenia
Beta-blockers	Congestive heart failure and/or coronary artery disease
Blood pressure monitor	Hypertension
Inhaled corticosteroids	Asthma
Insulin and other glucose lowering agents	Diabetes
Retinopathy screening	Diabetes
Peak flow meter	Asthma
Glucometer	Diabetes
Hemoglobin A1c testing	Diabetes
International Normalized Ratio (INR) testing	Liver disease and/or bleeding disorders
Low-density Lipoprotein (LDL) testing	Heart disease
Selective Serotonin Reuptake Inhibitors (SSRIs)	Depression
Statins	Heart disease and/or diabetes

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



# Reducing Low Value Care: Identify

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

**Choosing  
Wisely**

*An initiative of the ABIM Foundation*

**&**



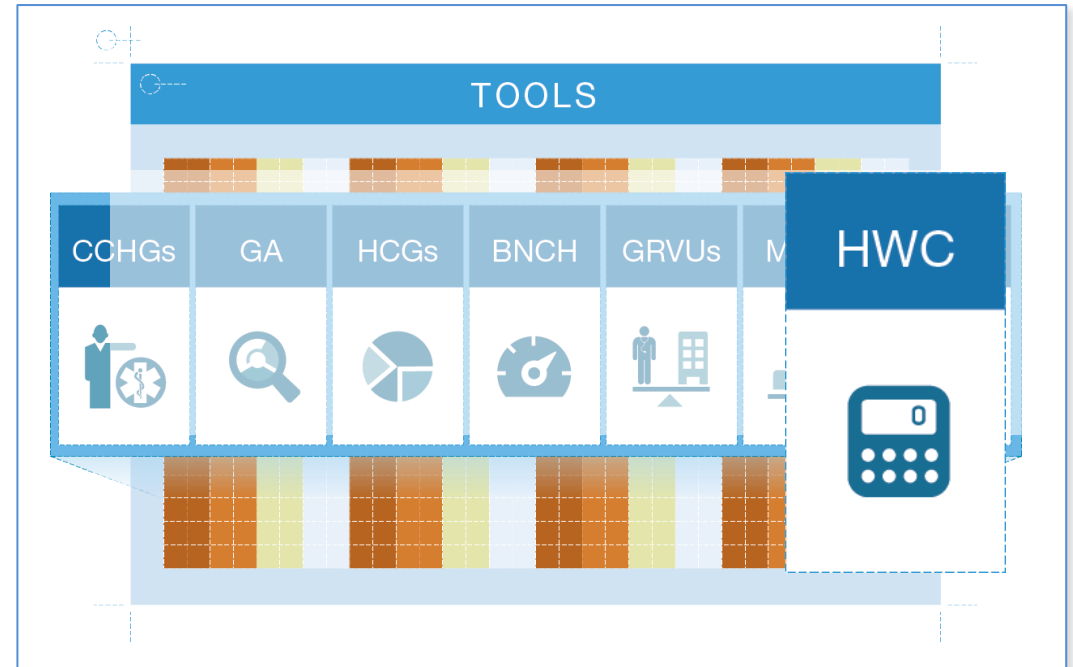
U.S. Preventive Services  
TASK FORCE

## Choose services:

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

# Measuring 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**



# Reducing Low Value Care: Measure

## Health Waste Calculator

- Collaboration between Milliman and V-BIDHealth
- Measures potentially unnecessary services
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- 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

# 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

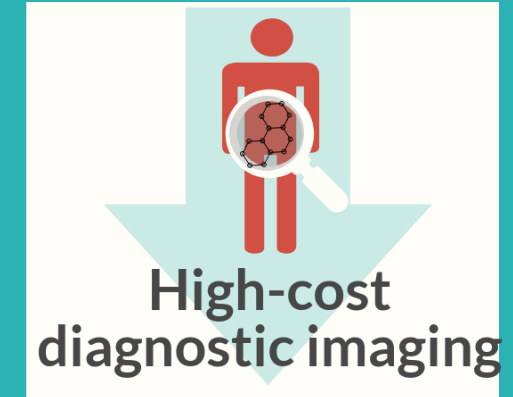
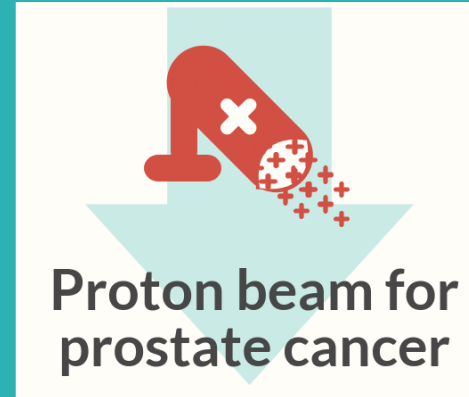
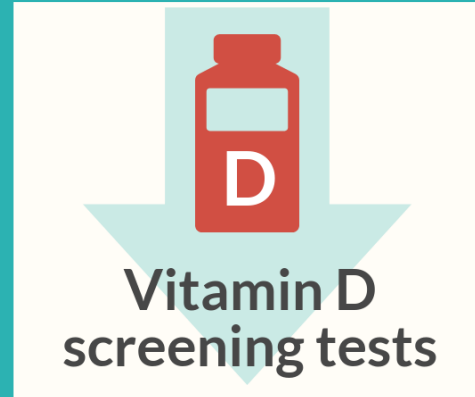
Cost 1 Vitamin D test =



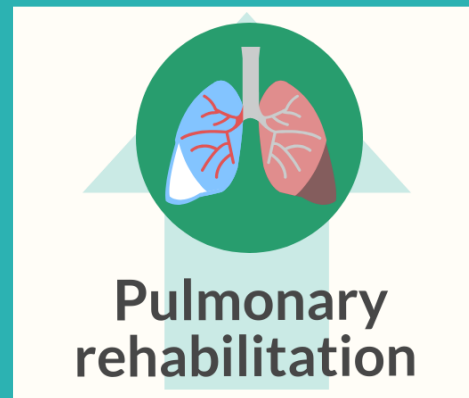
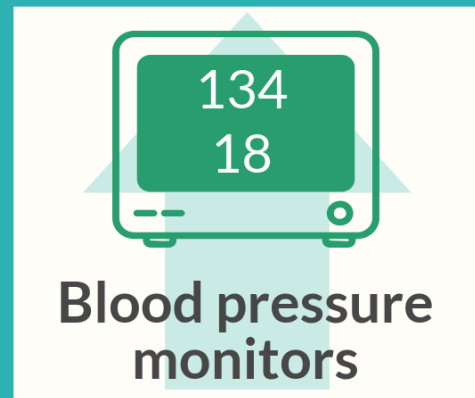
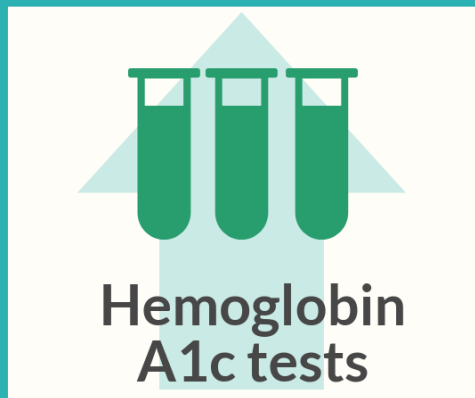


**V-BID X aims to reduce consumer cost-sharing for targeted high-value services and increase cost-sharing for specific low-value services while avoiding increases in premiums and deductibles.**

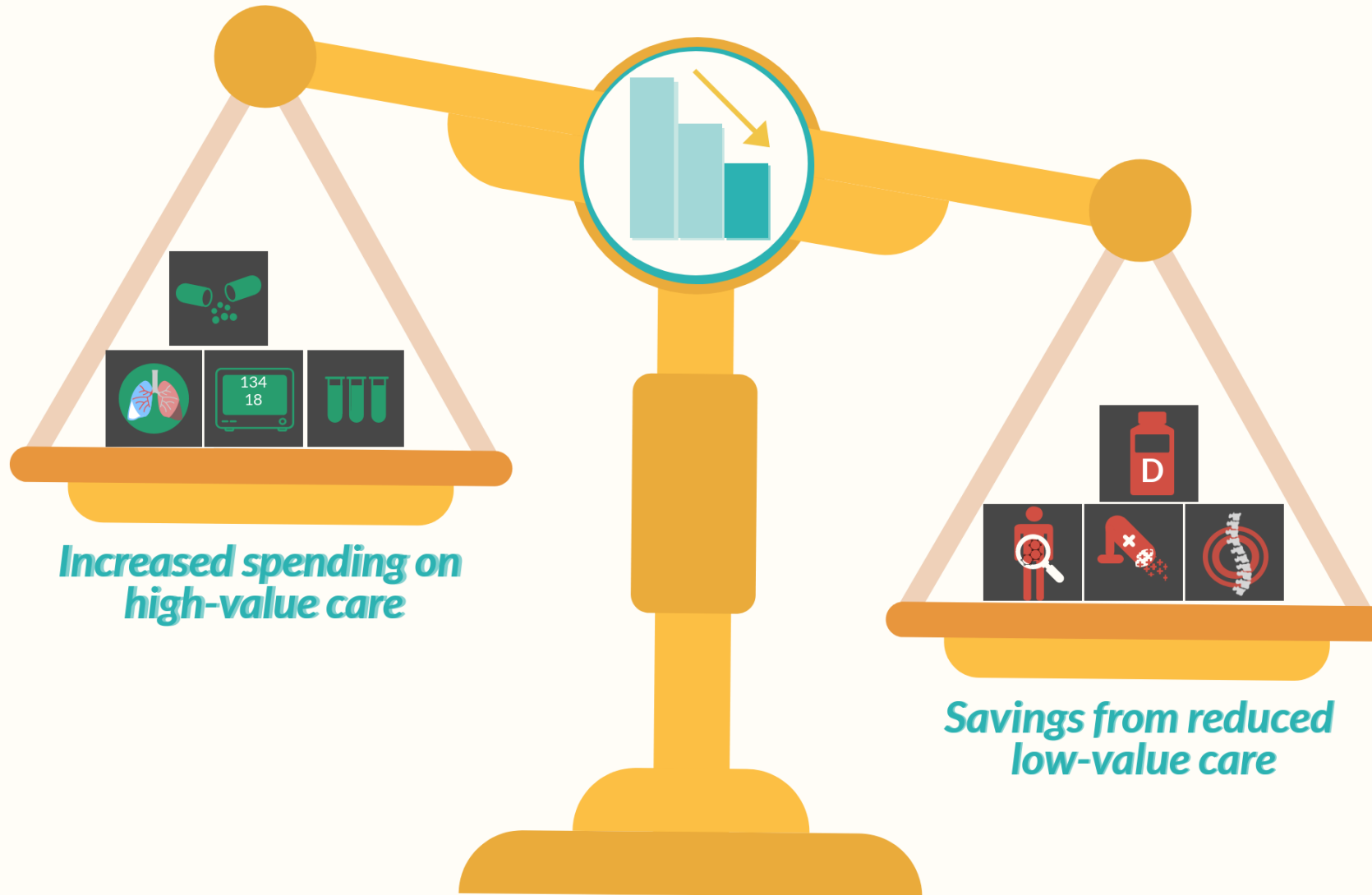
# Increased cost-sharing on **low-value services** reduces spending...



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



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





RELATED TOPICS:

COST SHARING | DEDUCTIBLES | COSTS AND SPENDING | PHARMACEUTICALS | PREMIUMS  
| AFFORDABLE CARE ACT | MEDICARE ADVANTAGE

# V-BID X: Creating A Value-Based Insurance Design Plan For The Exchange Market

Haley Richardson, Michael Budros, Michael E. Chernew, A. Mark Fendrick

JULY 15, 2019

[10.1377/hblog20190714](https://doi.org/10.1377/hblog20190714)

V-BID X Webinar: July 24, 2019 1:00PM – 2:00PM EDT



V-BID X: A New Plan Option with Enhanced Coverage for the Individual Health Insurance Market

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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**

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**



An aerial photograph of a large, oval-shaped stadium. The seating area is filled with blue seats, and the field is green with yellow yard lines. The word "MICHIGAN" is written in large yellow letters on the field. The stadium is surrounded by parking lots, roads, and trees. A semi-transparent white box is overlaid on the center of the stadium, containing a quote.

*“If we don’t succeed then we will fail.”*

Dan Quayle

# Questions?

[www.vbidcenter.org](http://www.vbidcenter.org)

 @UM\_VBID

