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BC/BS Of Massachusetts Rolls Out Value-Based Option

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Blue Cross and Blue Shield of Massachusetts, the state's largest insurer, is embracing one of the latest trends in pharmacy benefit management—value-based benefit design. The Boston-based health plan, already the only state HMO offering the design to self-insured accounts, will become the first HMO in Massachusetts to offer a VBBD to the fully insured group market beginning Jan. 1, 2010.

The VBBD concept, gaining traction around the country, reduces cost barriers to medications deemed most effective in controlling chronic diseases to drive patient compliance with treatment. Sometimes the price reduction for one drug is offset by the increase of another deemed less critical. For instance, a life-saving statin drug might be on a free or lowest-copay tier, while a lifestyle drug, such as Viagra, would be in the most expensive category.

The BC/BS plan design reduces copays for certain prescription drugs used to treat members diagnosed with diabetes, coronary artery disease or asthma, while encouraging members to have a primary care relationship and receive recommended preventive care. It is a flexible design that can be offered with nearly all of the insurer's products. Employers who can customize their products can apply elements of the design.

Table 1-1: Value-Based Benefit Design Basic Principles

» Value-based packages change out-of-pocket costs for specific services if clinical benefits reach certain levels.
» The greater the clinical benefit reaped by the member, the lower the cost
» Most commonly addressed chronic conditions/unhealthy habits - diabetes, coronary heart disease and smoking cessation
» Increased utilization costs will be balanced by lower medical costs and decreased absenteeism and disability costs.

Source: Value-Based Insurance Design: Returning Health and Wellness to the Health Care Cost Debate, A. Mark Fendrick, M.D., University of Michigan Center for Value-Based Insurance Design

The decision to use a VBBD requires healthcare payors take an initially expensive leap of faith. They must stomach immediate sharp increases in drug spending, in the hope that it will be offset by reduced medical spending and improved employee productivity down the line. Because it takes many months for any measurable effect on overall medical utilization to appear, the impact on medical cost trends generally does not materialize in the first year.

However, proponents of the movement are optimistic and say numerous studies show this system works. For instance, participants in a VBBD diabetes program for state of Maine employees had an average adjusted cost of $1,300 less than a control group over 12 months of follow up, while the average cost of a diabetes-related emergency room visit declined from $199 to $183, an 8 percent decrease.

"Compliance with preventive care recommendations can reduce cost, as can compliance with chronic disease treatments. Research has found that the diseases we targeted have a level of non-compliance that can result in negative results for the member and higher healthcare costs," said Mary Hennings, director of market planning, innovation and implementation at BC/BS of Massachusetts. "Major drivers of non-compliance range from the inability to afford multiple copayments for the many drugs chronically ill people often take, to not understanding what they need to take or forgetting to take the medication. We wanted the design to address all these factors.

"Some employers were experiencing lower rates of compliance with preventive care and chronic disease care as we reviewed data regarding their medical trends," Hennings added. "We recommend value-based benefit design changes where we see them as helping improve health and reduce costs."

Table 1-2: Adoption Of Value-Based Design Tools In Drug Benefit*

Type Of Value-Based Design Tool	Percentage Of Employers**
None	51.5%
Reduced copays for specific drug classes	28.6%
Incentives to motivate behavior change	22.7%
Reduced copays for members with specific conditions	7.9%
Reduced copays tied to participation in DM programs	6.1%
Rewards to recognize measurable behavior change	4.1%
Application of traditional tools	4.1%
Don't know	3.8%

* Pharmacy Benefit Management Institute 2009 drug benefit plan design survey of U.S. employers. Survey was completed by 417 employers representing 7,041,676 members

**Percentage total more than 100 percent because of multiple responses

Source: Prescription Drug Benefit Cost and Plan Design Report

Michael E. Chernew, Ph.D., a professor in the Harvard Medical School Department of Health Care Policy, has studied and analyzed VBBD trends, and while acknowledging it is not a panacea for all ills in the healthcare industry, he says it is a valuable tool.

"It allows you to blend the many programs relating to health and chronic disease management with the benefit design package. Historically, those were done separately," Chernew said. "People did benefit design, and then chronic care management, and the benefit design would end up penalizing people for taking these meds. Not intentionally, but copays could be raised for everything and these people would get caught up in the collateral damage.

"The VBBD programs allow you to sync the goals of your quality improvement initiatives with your benefit design structures," Chernew added. "I think there is a real movement toward it, and BC/BS of Massachusetts is a fine example of that."

BC/BS Offering Product For PPO, HMO Platform

The BC/BS of Massachusetts product, available to employers with a PPO or HMO plan who utilize Express Scripts for pharmacy benefit management services, reduces targeted generic drug copays to zero but keeps other copays the same when drug are purchased through a neighborhood pharmacy.

"Our clinicians looked at the generic drugs available to treat the target diseases and saw that these drugs could do an excellent job of treating these three diseases without the unneeded added cost of brand-name drugs," Hennings said. "If purchased through our mail order Rx program, drug copays are reduced for Tier 2 in addition. This sets up an incentive for members to receive their mail order drugs automatically, which supports compliance. We did a great deal of research to identify the diseases we wanted to focus on, [including]studies on how to shape human behavior, and looked at how to design a program that did not add costs as it was improving compliance."

Mike Taylor, an employee benefits consultant in the Boston office of Towers Perrin, said communication is vital in making sure such a program achieves the desired results. "There is no arguing whether it works, the question becomes whether the plan can administer it in a seamless way, and the employer has to spend some money up front to communicate," Taylor said. "If you don't communicate it, people won't follow. You can't just plop it in and expect it to work."

Toward that end, BC/BS offers a wide range of consumer support tools, with outreach to targeted members through telephone, print and the Internet. Members receive a guide to their benefits upon enrollment that explains the design and directs them to a Web site where they can find more tools and information about their disease, recommended preventive care, improving health status and managing exacerbating conditions like depression. The program includes reduced copays for drugs treating asthma, diabetes, CAD, but also for smoking cessation and insomnia, which can exacerbate the VBBD disease states.

In addition, Hennings said medication adherence is tracked, and members receive reminders if not compliant and are invited to consult with a BC/BS nurse to work out strategies to take their medication. Their doctors also are informed of the benefit changes, to give them another opportunity to discuss the importance of compliance with their patients, Hennings added.

VBBD Presents Both Challenges And Opportunities

One challenge with VBBD is the time lag between increased drug spending and reduced medical costs. Because it takes 18 to 24 months for increased drug adherence to affect medical costs, it takes time to demonstrate and measure desired results.

"There may be some question about the immediacy of the return on such an approach," said Peter Kilmartin, a principal in Mercer's Boston office. "Given the current economic climate, companies need to manage quarter-to-quarter from a budget perspective, and there may be some concern about forgoing copay dollars or cost-share dollars when they may not reap the near-term reward for it."

Payors can generally see some slivers of change at around nine to 12 months, mostly around fewer unscheduled absences and avoidable complications. But even when health improvements come quickly, medical claims information takes at least six months to come in, preventing employers from actually seeing the effect. Pharmacy purchases, however, show up immediately.

However, companies are moving to obtain claims data more quickly, and there is a growing belief in the tangible benefits of VBBD. "It is always a signal to the marketplace when an insurance company is willing to do something with its fully insured book as opposed to just the self-insured [as BC/BS is]," Kilmartin said. "It signifies this is something they fundamentally believe in and are willing to put dollars forward to support this."

Until recently, VBBD has been championed by the largest companies that self-insure their workers, taking on the financial risk of managing employees' care and paying health plans a fee to provide administrative services. When offering such a product to fully insured customers, the health plan is on the hook for paying the medical claims, sometimes with little assurance that the members will remain for the long haul. In addition to BC/BS of Massachusetts, Health Alliance in Illinois and Blue Shield of California are examples of major insurers who are rolling out VBBD packages to the fully insured market.

"When you get people with chronic diseases getting better care, typically costs will go up in the first year," said Cyndy Nayer, president and cofounder of the Center for Health Value Innovation. "You really have to have more than a one-year contract, otherwise there is no opportunity to recoup the investment. How long of a contract does a fully insured company have to sign up for in order for an insurance company to make money on this, that is the question. The reality is, the first year is an investment. Fully insured plans need a two- to three-year contract around them."

Nayer said she can understand why insurers would want to test the program on large clients, since the only way to really see a dividend is to analyze cost and benefits across a large population. "You need enough people in a value-based design that the cost of the drugs that you've now lowered … doesn't overwhelm the cost of the savings in the first year or two," she said.

Nayer credited BC/BS of Massachusetts for promoting the VBBD product, but also singled out its physician contracting efforts. Nayer is a strong proponent of convincing more health plans to move to outcomes-based contracting, which her organization is advocating now. It's different than typical pay-for-performance programs based on process measures. Instead of reliance on completing certain screening and tests, outcomes-based contracting tracks whether treatments result in improvements on health indicators, such as lowering hemoglobin A1c levels.

BC/BS of Massachusetts is actively signing providers to what it calls an Alternative Quality Contract, a voluntary option that combines two forms of payments: a global or fixed payment per patient, per year, adjusted for the health of patients; and substantial performance incentives tied to nationally accepted measures of quality, effectiveness and improvement of care.

BC/BS of Massachusetts officials say in devising the plan, they tried to combine the best features of capitation and pay-for-performance. Officials believe coupling the global payment with financial incentives based on performance guards against the possibility of under-treatment or doctors possibly withholding care.

"They have a superb quality contracting program out there, and this is where it all comes together," Nayer said. "The levers of VBBD are very different now. You have things like prevention and wellness, but you also need care delivery. They are doing some innovative things around care delivery in Massachusetts, and I think they are uniquely poised to enter the fully insured marketplace."

Outlook

BC/BS of Massachusetts is one of the insurers who are blazing new trails by trying out value-based benefit design on the fully insured market. The results will be widely watched, and if successful, they could propel widespread adoption of this intriguing strategy to encourage compliance with medications and better health outcomes.