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# More Michigan employers, insurers design benefit packages to encourage effective care

By Jay Greene

The use of value-based insurance design is expanding in Michigan as employers and insurers find it makes sense to reduce deductibles and copayments for medications, tests, procedures and treatments that have proven effective, said Mark Fendrick, M.D., co-director of the **Center for Value-Based Insurance Design** at the **University of Michigan**.

"We need to encourage patients to use medical care known to produce positive outcomes," said Fendrick, co-creator of value-based insurance design. "Reducing out-of-pocket costs for evidence-based care can lower health care costs."

In the **Affordable Care Act of 2010**, value-based insurance design is scheduled to be incorporated into Medicare beginning in 2012. The **U.S. Department of Health and Human Services** is developing implementation regulations.

"Progress is slow, but I believe it will get done in the Medicare program," he said. "We are seeing a lot more action in the private sector."

Fendrick said once HHS issues regulations, employers and insurers will speed up their development of VBID insurance plans.

"I know of dozens of companies that are interested in value-based insurance design," he said. "Many are just waiting for the right time."

For now, Southeast Michigan health insurers like **Blue Cross Blue Shield of Michigan** and **Health Alliance Plan of Michigan** are taking steps to adopt components of value-based insurance design in their plans.

Michigan-based employers including UM, **Meijer** and **Whirlpool Corp.** already have added value-based insurance to their benefit plans with positive results, Fendrick said. Nationally, companies like **Sprint** and **Safeway** also are using VBID, he said.

Meijer and Whirlpool declined comment for this story.

A recent **Mercer** study shows that 20 percent of employers with 500 or more employees use some form of value-based insurance design.

And 81 percent of employers with 10,000 or more beneficiaries were interested or very interested in implementing such plans within the next five years, Mercer said.

Some features of VBID include reducing co-payments to encourage patients with specific conditions to make use of available therapies, or eliminating co-payments to encourage patients to use lower-cost medications.

Fendrick said another way to discourage the use of low-value services is to increase co-payments for those services. For example, while a colonoscopy for people age 50 to 75 should be offered for free because of the cancer risks to that population, Fendrick said increasing out-of-pocket costs for those under age 50 could save money in the long run.

"Another boon for VBID will be the development of information technology and electronic health records," Fendrick said. "We will soon have systems in place to help identify the patients eligible for the high-value services. This will give physicians information to recommend those services."

The drive toward patient-centered medical homes and research into comparative effectiveness also will help develop VBID, he said. Millions of dollars from the health reform act have been doled out to university researchers to study what technologies and medical procedures produce the best results.

"We have a whole bunch of silos that are about to be connected," he said. "It is exciting."

Ted Makowiec, UM's senior director for benefits, said the university has developed a comprehensive, five-year benefit strategy to try to keep people healthy and reduce insurance costs. The strategy includes components of VBID.

"Overall, it has been revenue neutral," he said. "We are just beginning to measure the entire program. We expect to gain additional benefits because we have the **University of Michigan Health System**" through which employees can receive treatment.

In 2006, UM lowered co-pays for patients with diabetes. Last year, it began offering a free tobacco cessation program.

UM also changed the benefit plans for patients who need speech, physical or occupational therapy.

"We used to give 60 visits in 60 days for any condition, but we found that was a bit too much for a minor diagnosis, like a sprained thumb, and not enough for stroke," Makowiec.

So, minor diagnoses receive 15 visits in 60 days, and major ones like stroke, hip or joint replacement get 60 visits over a 365-day schedule.

At Blue Cross, Kathryn Levine, vice president of corporate marketing and products, said VBID already is used in a variety of wellness program designs.

"Employers who believe in wellness and have a belief that a healthy employee is more productive, more engaged and less costly from a health benefits perspective, want to incorporate VBID into their plan," she said.

Using preventive services, working with a primary care physician and adhering to a medication prescription plan all are important parts of VBID.

"Some of our self-insured customers have asked for it, mostly in diabetes management," she said. "It isn't for

everybody. There is a short-term bump in costs, but the use of health coaching, online tools, generic drugs and encouraging a relationship with your primary care physician help."

Levine said Blue Cross is considering adding VBID to other chronic disease programs, including obesity and asthma. She said other chronic disease treatment programs could use a VBID design include coronary artery disease, heart failure and hypertension.

"We see VBID as part of the total equation," Levine said. "It is optimizing health and productivity and delivering value."

At HAP, Mary Ann Tournoux, chief marketing officer, said VBID is a promising strategy that can motivate healthy behaviors. HAP uses components of VBID in several of its wellness products, she said.

"Our goal is to link cost sharing and value," she said. "HAP is in discussions with Dr. Fendrick regarding value-based insurance designs that potentially could reduce cost sharing for services that have strong evidence of clinical benefit."

While not directly connected to VBID, Jason Spangler, M.D., chief medical officer with **Partnership for Prevention** in Washington, said another mandate under the health reform law requires certain preventive care services from the **U.S. Preventive Services Task Force** to be offered for free.

In Section 2713 of the reform bill, private insurers must waive co-payments and deductibles for "A and B" recommendations. The treatments and tests include flu shots, cancer screenings, blood-pressure tests and cholesterol tests, as well as risk assessments for dozens of diseases and conditions.

"The A-and-B recommendations have the strongest evidence of effectiveness," Spangler said. "We hope this can be expanded to other tests. This shares similarities with VBID."

A UM study found that VBID can break even financially or possibly save money. The study, published last year in *Health Affairs*, evaluated five classes of drugs used to treat several serious but common chronic conditions, including diabetes, hypertension and heart disease.

"It is too early to tell how much money can be saved or how much productivity gained, but early results are promising," he said.

For example, fewer emergency department visits and hospitalizations can lead to big savings for employers, Fendrick said.

"If you have fewer disability days and less absenteeism, you will have greater worker productivity, Fendrick said. "Employers know this, and insurers are developing products for the self-insured population."

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