

Improving Care and Bending the Cost Curve

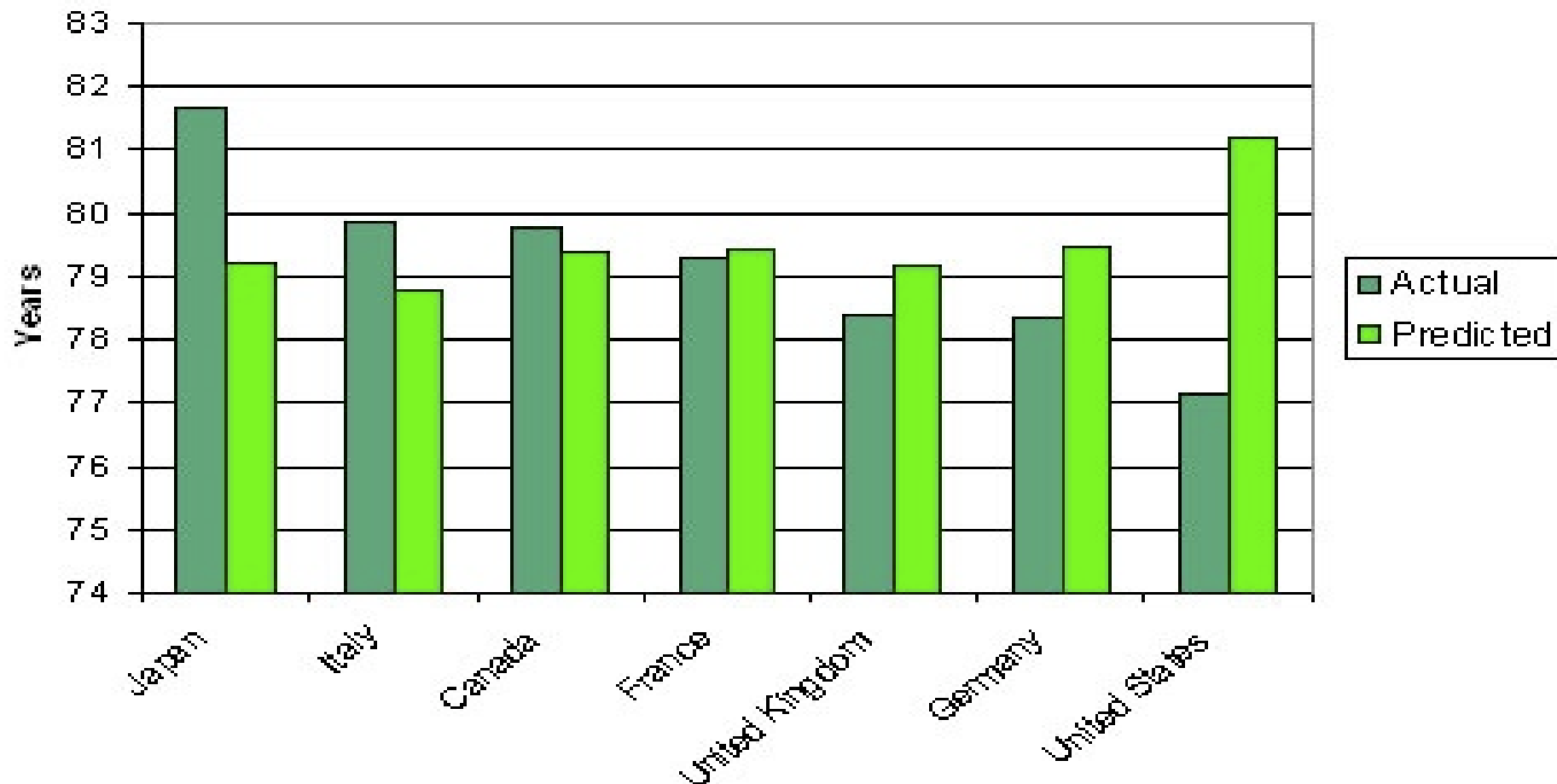
A. Mark Fendrick, MD

**University of Michigan Center for
Value-Based Insurance Design
www.vbidcenter.org**

Improving Care and Bending the Cost Curve

- **There is little disagreement over the fact there is enough money in the US health care system**
- **Therefore, payers should shift our focus from *how much* - to *how* we spend on health care - in order to maximize the amount of health produced for the expenditure made (value)**

Predicted Life Expectancy Based on Health Care Expenditure



Returning Health to the Health Care Debate

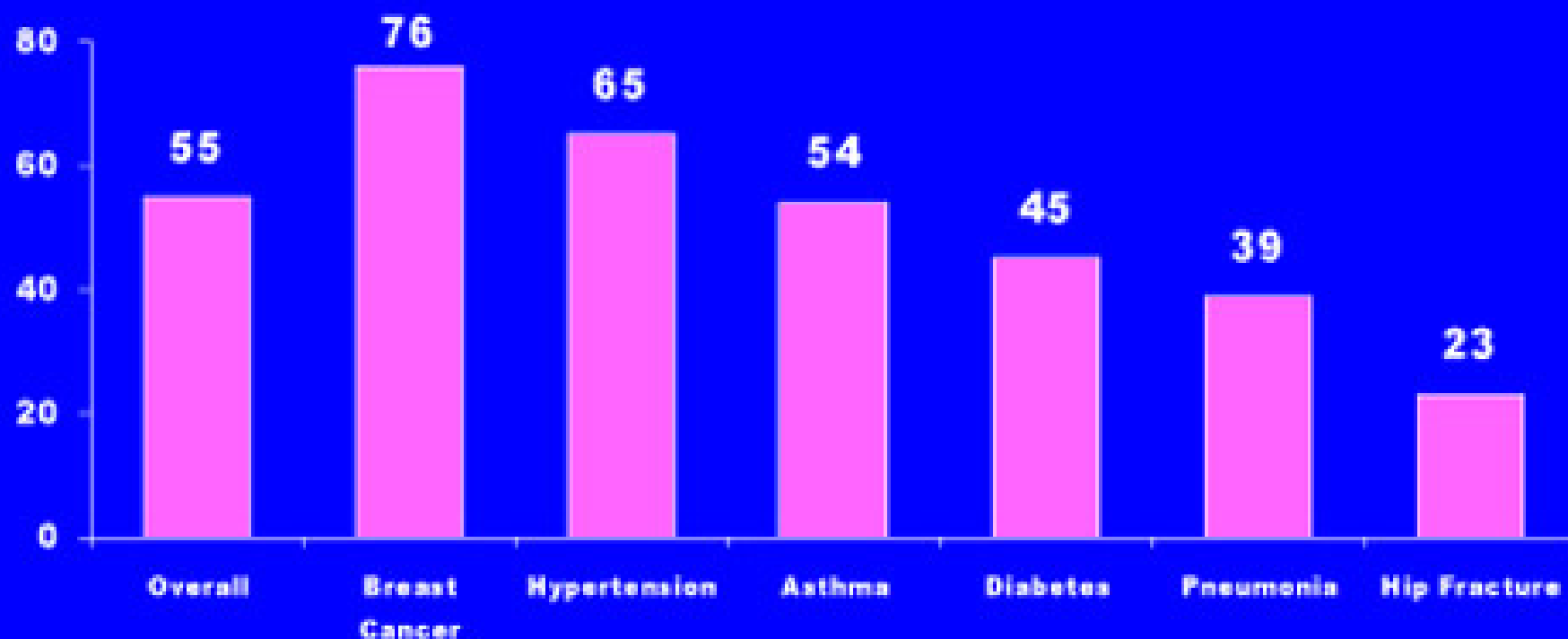
Our Goal is to Improve Health, Not Save Money

- **Cost growth is the principle focus of health care reform discussions**
- **Substantial underutilization of high value health care services persists**
 - **Wellness**
 - **Screening**
 - **Diagnostic testing**
 - **Therapy**
 - **Monitoring**



U.S. Adults Receive Only About Half of Recommended Care, and Quality Varies Significantly by Medical Condition

Percent of recommended care received



Source: McGlynn et al., "The Quality of Health Care Delivered to Adults in the United States," *The New England Journal of Medicine* (June 26, 2003): 2635–2645.



Non-Adherence to Evidence-Based Services: A Cost and Quality Problem

Up to 60% of
chronically ill
patients have
poor adherence to
evidence-based
treatment

Responsible for
up to one-quarter
of all hospital and
nursing-home
admissions

Costs from poor
medication
adherence
estimated to
exceed \$100 billion
annually



Improving Care and Bending the Cost Curve

Factors Contributing to Quality Gaps

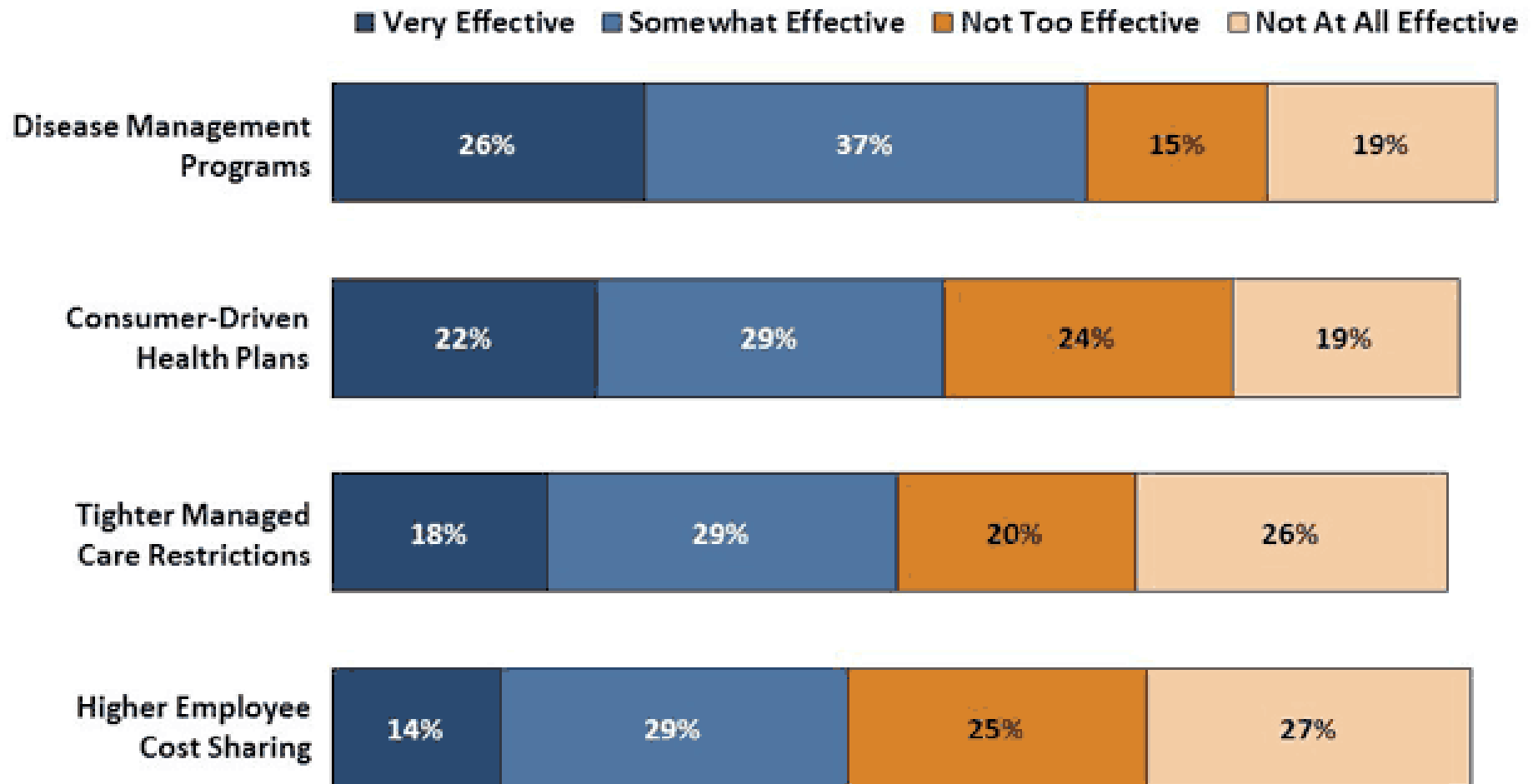
- **Forgetfulness**
- **Lack of belief in benefit of therapy**
- **Poor provider relationship**
- **Required monitoring**
- **Misaligned clinician incentives**
- **Complexity of treatment**
- **Side effects**
- **Cognitive impairment**
- **Inadequate follow-up**
- **Missed provider visits**
- **Lack of insight**
- **Patients out of pocket cost**

Dealing with the Health Care Cost Crisis

Interventions to Control Costs

- **Generic Drug Programs**
- **Prior Authorization**
- **Disease Management**
- **Information Technology**
- **Payment Reform**

Firms' Opinions on the Effectiveness of Strategies to Contain Health Insurance Costs, 2011



Note: Don't Know answers not shown

Source: Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2011

Dealing with the Health Care Cost Crisis

Interventions to Control Costs

- **Generic Drug Programs**
- **Prior Authorization**
- **Disease Management**
- **Information Technology**
- **Payment Reform**
- **Preventing Chronic Disease**

PERSPECTIVE

Preventing Chronic Disease: An Important Investment, But Don't Count On Cost Savings

An overwhelming percentage of preventive interventions add more to medical costs than they save.

by Louise B. Russell

ABSTRACT: Over the four decades since cost-effectiveness analysis was first applied to health and medicine, hundreds of studies have shown that prevention usually adds to medical costs instead of reducing them. Medications for hypertension and elevated cholesterol, diet and exercise to prevent diabetes, and screening and early treatment for cancer all add more to medical costs than they save. Careful choices about frequency, groups to target, and component costs can increase the likelihood that interventions will be highly cost-effective or even cost-saving. [*Health Affairs* 28, no. 1 (2009): 42–45; 10.1377/hlthaff.28.1.42]

Dealing with the Health Care Cost Crisis

Interventions to Control Costs

- **Make Beneficiaries Pay More**
 - **Increase premiums**
 - **Increase “one size fits all” cost sharing for clinician visits, diagnostic tests and prescription drugs**

Improving Care and Bending the Cost Curve

Lack of “Clinical Nuance” in Health Benefit Design

- **The archaic “one-size-fits-all” approach to patient cost sharing fails to acknowledge the differences in clinical value among medical interventions**
- **Ideally, patient copayments would be used to discourage the use of low-value care**

Cost Sharing Should Not Produce Preventable Reductions in Quality of Care

- **A growing body of evidence demonstrates that cost shifting leads to decreases in essential and non-essential care**

Value Based Insurance Design 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)



Patient Cost-sharing Negatively Affects Adherence to High-Value Clinical Services

- A growing body of evidence demonstrates that increased patient cost-sharing leads to decreases in non-essential and essential care which, in some cases, lead to greater overall costs**
 - Preventive care**
 - Diagnostic testing**
 - Prescription drugs**
 - Clinician visits**
 - Higher office copayments led to increased hospitalizations for Medicare beneficiaries**

IBM to Drop Co-Pay for Primary-Care Visits

Article

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By WILLIAM M. BULKELEY

In an unusual bid to cut health-care costs, International Business Machines Corp. plans to stop requiring \$20 co-payments by employees when they visit primary-care physicians.

The company said it believed the move would save costs by encouraging people to go to primary-care doctors faster, in order to get earlier diagnoses that could save on expensive visits to specialists and emergency rooms.

IBM said that the action applies to the 80% of its workers who are enrolled in plans in which the company self-insures—that is, programs in which it pays the health-care benefits, not insurers. The new policy doesn't cover IBM employees in health-maintenance organizations.

One of the nation's largest employers with 115,000 U.S. workers, IBM spends about \$1.3 billion a year on U.S. health care. Its benefit practices are closely watched in the human-resources community, and its actions are sometimes trend-setters.

Value Based Insurance Design

A Role for “Soft Paternalism”

- **If the consumer is not the appropriate decision maker, the system should provide incentives to offset the undesirable decreased use of essential services due to cost shifting**
- **It is critical to develop strategies that simultaneously address spending growth and aim to improve population health**



Improving Care and Bending the Cost Curve

Principles of Value-Based Insurance Design

- **V-BID premise: the more clinically beneficial the service, the lower the patient's cost share and the higher the clinician's payment**
- **Medical services differ in the benefit provided**
- **The clinical benefit derived from a specific service depends on the patient using it**
 - **There are few instances where the use of a specific drug, diagnostic test or procedure is always appropriate or inappropriate**



Value Based Insurance Design

More than High-Value Prescription Drugs

- **Prevention/Screening**
- **Diagnostic tests/Monitoring**
- **Treatments**
- **Clinician visits**
- **Physician networks**
- **Hospitals**





HEALTH AND FITNESS

Northeast OH Healthy Living and Medical Consumer News

“Lowe's is offering employees incentives in the form of reduced out-of-pocket costs to come to the Cleveland Clinic for heart procedures.”

[Harlan Spector, Health News, Insurance, Metro, Real-Time News »](#)

Lowe's will bring its workers to Cleveland Clinic for heart surgery

By Harlan Spector, The Plain Dealer
February 17, 2010, 3:58AM



[View full size](#)

[Chuck Burton / Associated Press](#)

Lowe's is offering employees nationwide incentives in the form of reduced out-

Value-Based Insurance Design Milestones

Widespread Private and Public Sector Adoption

JPMorganChase



MassMutual
FINANCIAL GROUP

QuadGraphics



HALLIBURTON

Cargill



P&G

L.L.Bean

3M Worldwide

CATERPILLAR®
TODAY'S WORK. TOMORROW'S WORLD.™



FPL

WELLS
FARGO

Marriott



Fact Sheet January 2009

www.unitedhealthgroup.com



UnitedHealthcare®

A UnitedHealth Group Company

Diabetes Health Plan

As part of its commitment to drive health care quality, usability, accessibility and affordability at an accelerated pace, UnitedHealthcare is introducing a Diabetes Health Plan. The Diabetes Health Plan is designed to support and encourage diabetics to better manage their condition and avoid the natural progression to the complications associated with diabetes through earlier identification and self-management. This new plan is designed for individuals with diabetes or pre-diabetes and their family members. Employers may offer the Diabetes Health Plan as a standalone comprehensive health care plan or added to a traditional plan.

Value Based Insurance Design Economic Effects

Incremental costs of the increased use of high valued services can be subsidized by:

- **Medical cost offsets**



Business Insurance®

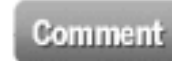
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Joanne Wojcik



Kansas City-area value-based plan project shows savings after first year

September 15, 2011 - 4:20pm

KANSAS CITY, Mo.—Nine of 15 Kansas City-area employers participating in a yearlong value-based insurance design project saved an average of \$194 per employee by focusing on prevention and improving health status, the Kansas City Collaborative said Thursday.



Value Based Insurance Design Economic Effects

Incremental costs of the increased use of high valued services can be subsidized by:

- **Reduction in absenteeism/disability costs**

Including productivity along with medical cost offsets provides a broader and more appropriate measure of the economic impact of health care expenditures.

Without this information, employers cannot make informed decisions regarding the value of coverage



**Synergies at Work:
Realizing the Full Value of
Health Investments**

Value Based Insurance Design Policy Implications



Sec 2713 Interim Final Regulation – July 2010

Strong Support for VBID

“The Departments recognize the important role that value-based insurance design can play in promoting the use of appropriate preventive services. ”

PPACA Sec. 2713: Certain Preventive Services be Provided without Patient Cost Sharing

- **Receiving an A or B rating from the United States Preventive Services Taskforce**
- **Immunizations recommended by the Advisory Committee on Immunization Practices**
- **Preventive care and screenings supported by the Health Resources Administration (HRSA) for infants, children and adolescents**
- **Additional preventive care and screenings recommended by HRSA for women**



Investing in Primary and Secondary Prevention

CMS Administrator Donald Berwick, MD – June 2011

“investing in prevention makes financial sense, too. That's especially true for secondary prevention -- preventing deterioration in chronic illness. As much as three quarters of the \$2.5 trillion-plus that we spend on US health care each year goes to paying the bills for chronic illness.”

Value-Based Insurance Design Implications Beyond Primary Prevention

- **A substantial majority of private sector V-BID programs include reduced cost-sharing for evidence-based services for established diseases**
 - **Medications, eye exams for diabetes**
 - **Behavioral therapy, meds for depression**
 - **Long-acting inhalers, spirometers for asthma**
 - **Minimally invasive surgery**
- **Future regulations should allow payers to adjust cost-sharing based on evidence-based guidelines**



Institute of Medicine, Essential Health Benefits Report Emphasis of V-BID Principles

“The EHB must be affordable, maximize the number of people with insurance, protect the most vulnerable individuals, promote better care, ensure stewardship of limited financial resources by focusing on high value services of proven effectiveness, promote shared responsibility for improving our health, and address the medical concerns of greatest importance to us all.”

Value-Based Insurance Design Implications Beyond Primary Prevention

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Value Based Insurance Design Align with Health Reform Initiatives

- **Wellness Programs**
- **Disease Management**
- **Health Information Technology**
- **Health Insurance Exchanges**
- **Payment Reform**
 - **Patient-Centered Medical Home**



Aligning Incentives and Systems

*Promoting Synergy Between
Value-Based Insurance Design
and the Patient Centered
Medical Home*



Patient-Centered
Primary Care
COLLABORATIVE

www.pcpcc.net

Value Based Insurance Design Align with Health Reform Initiatives

- **Wellness Programs**
- **Disease Management**
- **Health Information Technology**
- **Health Insurance Exchanges**
- **Payment Reform**
- **Creation of High Value Networks**



Value-Based Insurance Design

Improving Care and Bending the Cost Curve

- **The ultimate test of health reform will be whether it improves health and addresses rising costs**
- **The use of “clinically sensitive” incentives [and disincentives] to encourage [and discourage] patient and provider behavior to redistribute medical expenditures will ultimately produce **more health at any level of health expenditure****

www.vbidcenter.org





NEWS



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September 15, 2011

KAISER HEALTH NEWS:

V-BID Center's Mark Fendrick, MD offers view on how to optimize Essential Benefit Plans.

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September 15, 2011

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Kansas City-area value-based insurance design project reports savings after first year.

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About V-BID

What Is Value-Based Insurance Design?

The basic premise of value-based insurance design is to remove barriers to essential, high-value health services.

V-BID programs improve health outcomes at any level of healthcare expenditure.

- [Read more](#) about V-BID and the Center
- Watch Center faculty explain V-BID on video links to the right



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Aligning Incentives and Systems
Promoting Synergy Between Value-Based Insurance Design and the Patient Centered Medical Home.

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Synergies at Work: Realizing the 'Full Value' of Health Investment
V-BID Center Outlines the 'Full Value' of Health Investments for Employers.

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