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Beginning July 1, University of Michigan employees and their dependents who have any form of diabetes will be charged no co-pay for certain drugs that control blood sugar, lower blood pressure, cut the risk of heart and kidney problems, and ease depression. The “free co-pays” are part of an innovative new pilot program aimed at encouraging the use of medicines that can help prevent the disease’s worst long-term effects.

The concept for the program came from UM research involving School of Public Health faculty, which showed the potential health value of removing any cost barrier that might keep people with some chronic illnesses from getting beneficial medications, tests, and screenings. UM research also suggested that the approach may save individuals, employers, insurers, and society money in the long run by preventing or delaying costly complications ranging from heart attacks and strokes to blindness and amputations.

The new program, called MHealthy: Focus on Diabetes, is the first program in the nation to be designed specifically to evaluate the impact of targeted co-pay reduction for preventive medications. Although several companies have reduced or waived co-pays as part of employee health promotion or disease management programs, and at least one has reported cost savings linked to such programs, the specific impact of reduced drug co-pays has not been measured.

“Chronic diseases like diabetes pose a real and growing threat to the health of our employees and their dependents, and to our society,” said UM President Mary Sue Coleman in announcing the program. “We hope this effort will yield solid results for our own community and provide a model for others. Although it will cost us money in the short run, we anticipate it will save lives and money in the long run.”

The decision to start with diabetes, said UM Executive Vice President for Medical Affairs Robert Kelch, stemmed from a university analysis that showed much room for improvement in the use of preventive medications, and other measures, among diabetic members of M-CARE, the UM–owned managed care company.

The fact that diabetes affects so many people, and that proper treatment has been shown to reduce the risk of complications and early death by up to 50 percent, also played a significant role.

The evaluation component of the program will be headed by Allison Rosen, an assistant professor of internal medicine with joint appointments in SPH and the VA Ann Arbor Healthcare System, and one of the researchers whose work inspired the project. Rosen is clinical director of the UM Center for Value-Based Insurance Design (VBID), which is housed in SPH.

In 2005, Rosen led a computer-model study that showed that making certain drugs free to older-aged diabetics would prevent health problems and premature deaths while ultimately saving money.

“Academics like myself have repeatedly demonstrated that increasing co-pays decreases the likelihood that patients will adhere to their prescriptions, and that in turn this poor adherence to certain medications harms their health,” she said. “But there has been a disconnect between what academia is demonstrating, and what has been done in real-world prescription-drug benefit design.”

Noting that employers nationwide have tended to increase employees’ out-of-pocket costs, no matter the potential long-term health benefit of their drugs, Rosen said, “This program will test whether we can improve both the quality and the value of care for people with diabetes, and will stand as an

Tangible Results

It’s not often that research findings convert quickly into policy, but that’s what happened in April to Allison Rosen when the University of Michigan announced a new health-care co-pay system based, in part, on findings that she and a team of UM researchers published in 2005. Rosen, the clinical director of the UM Center for Value-Based Insurance Design (VBID), spoke to Findings about her reaction to the news.

Were you surprised when the University of Michigan announced a new co-pay system based on your research?
To be honest it didn’t come as a complete surprise, because the university is very forward-looking, and Michigan researchers have been involved in some of the most important research guiding value-based insurance design. The entire Michigan Healthy Community initiative is so much in line with what we wanted to do that it was great timing, but it’s also very forward-thinking on the part of our university. There are very few major universities out there, if any, that would try this, and I think that makes Michigan really unique. It creates an amazingly wonderful opportunity for junior investigators like me to take risks and to try nontraditional research. This creates a really unparalleled opportunity because my interest is in redesigning our health-care financing system to improve health, and that is not a trivial task. I can’t say enough times how excited I am about this.

Is there a chance the university will end up losing money on this?
The money piece is secondary. The first goal is to improve the health of UM employees and their dependents. Because that’s what we spend money on in health care—we spend money to buy health. So if we’re spending money, we can at least spend it wisely. And if improving health helps prevent downstream complications that

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example of what can be done, with an in-depth evaluation to reveal if there's been a difference."

The new program will be open to all UM employees and their dependents who have diabetes, regardless of which health insurance plan they have chosen.

The project will be co-directed by Mark Fendrick, who holds appointments in SPH and the Medical School and who co-directs VBID; Zelda Geyer-Sylvia, executive director and CEO of M-CARE and an adjunct professor in the Depart-ment of Health Management and Policy; and William Herman, director of the UM's Michigan Diabetes Research and Training Center, M-CARE medical director for disease management, and a professor of epidemiology.

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are costly, then that's wonderful.

I think the really spectacular thing about this is that it's giving us the actual opportunity to play with a much more rational benefit design. Instead of a one-size-fits all co-pay, this allows us to tailor the co-pays so that they really create the right incentives, the incentives for people who will benefit most from certain therapies to use them. It maximizes health and therefore value.

What kind of reaction have you had from people outside UM?
Externally, folks have been very excited. People think that this is promising, but they're also a bit hesitant because they want to see how this plays out.

When will you know how it's playing out?
The university is committed to paying for two years of the pilot program. It would be reasonable at one year to look at changes in adherence to these beneficial therapies. We know from other literature how the use of these medications impacts health, so we can use computer modeling to project what the health outcomes will be. Over time we will also follow the actual outcomes at the university.

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