SCHOOL OF PUBLIC HEALTH
CENTER FOR VALUE-BASED INSURANCE DESIGN
UNIVERSITY OF MICHIGAN

Determining the Role for Value-Based Insurance Design in Healthy Michigan

A. Mark Fendrick, MD
University of Michigan Center for Value-Based Insurance Design
www.vbidcenter.org
@um_vbid

M | V-BID

Value-Based Insurance Design in Healthy Michigan

- **Brief Overview of V-BID Concept**
- **V-BID in Healthy Michigan Legislation**
- **CMS Regulatory Guidance**
- **Massachusetts Legislative Example**
- **Case Studies**
- **Discussion**

Value-Based Insurance Design in Healthy Michigan

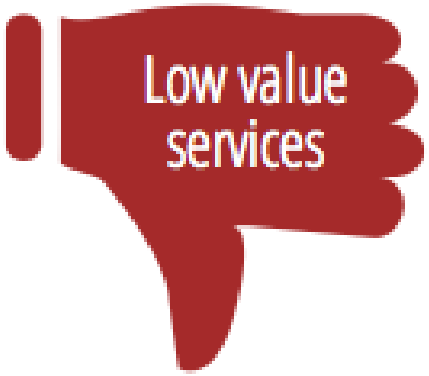
- **Brief Overview of V-BID Concept**

M | V-BID

The Problem: "One Size Fits All" Cost Sharing

Cost sharing for medical services and providers are the same for...

&



+ Strong evidence base
+ Enhance clinical outcomes
+ Increase efficiency

- Weak evidence base
- Minimal or no clinical benefit
- Increase inefficiency

...despite evidence-based differences in value.

M | V-BID

Value-Based Insurance Design in Healthy Michigan Patient Cost-sharing Negatively Affects Adherence

- **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**

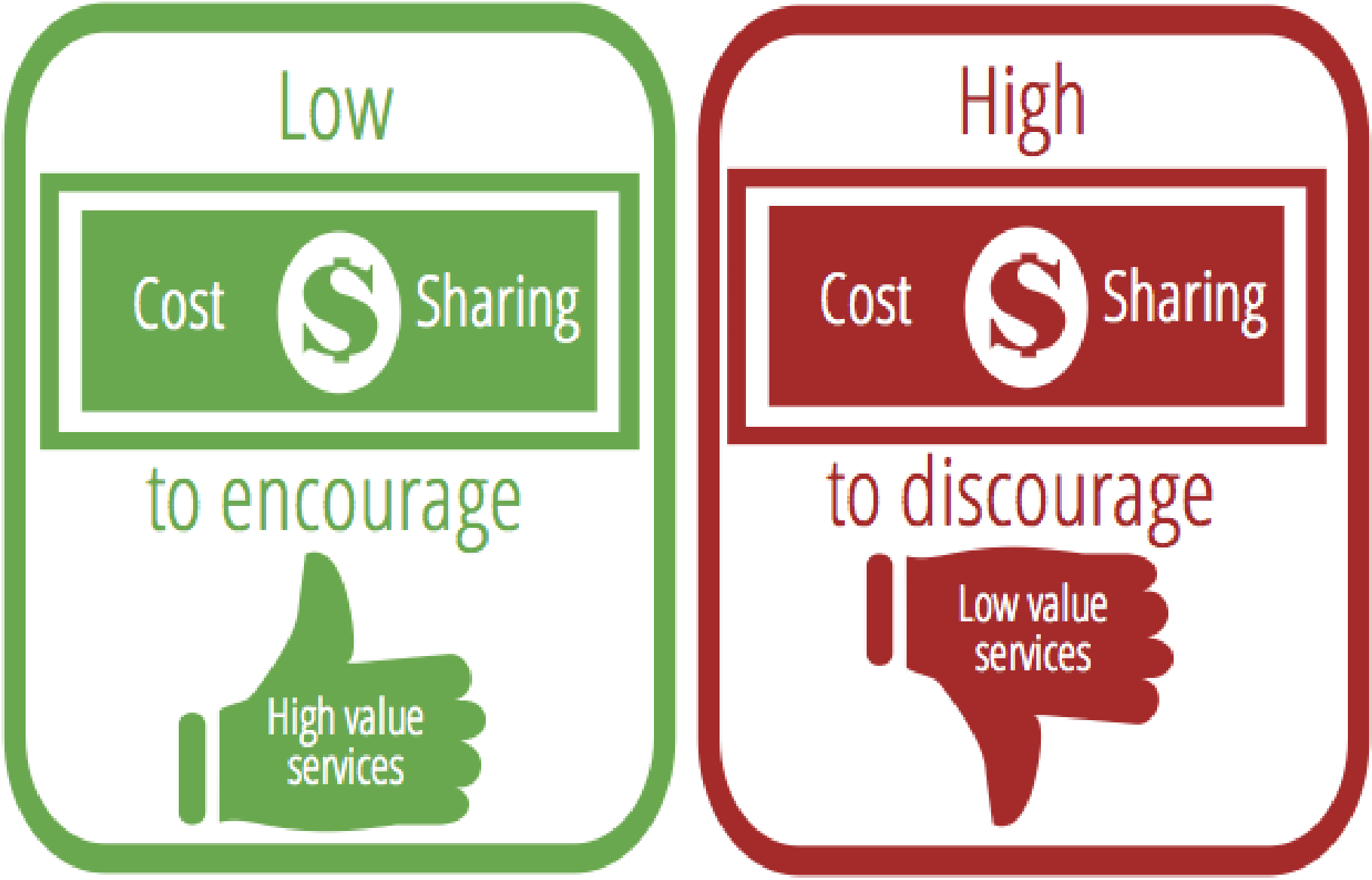
M | V-BID

A New Approach: Clinical Nuance

1. Services differ in clinical benefit produced

2. Clinical benefits from a specific service depend on:

The Solution: Clinically-Nuanced Cost Sharing



Patient Protection and Affordable Care Act
V-BID Included

"2713(c) Valued-based Insurance Design. –The Secretary may develop guidelines to permit a group health plan and a health insurance issuer offering group or individual health insurance coverage to utilize value-based insurance designs."

Sec 2713: Selected Preventive Services be Provided without 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**

M | V-BID

Value Based Insurance Design: The Evidence

- **July 2013 *Health Affairs* Article:**
  - **Systemic review of 13 studies of incentive-only programs**
  - **"Value-based insurance design was consistently associated with improved medication adherence."**
  - **No significant increases in overall medical spending for patients *and* payers**

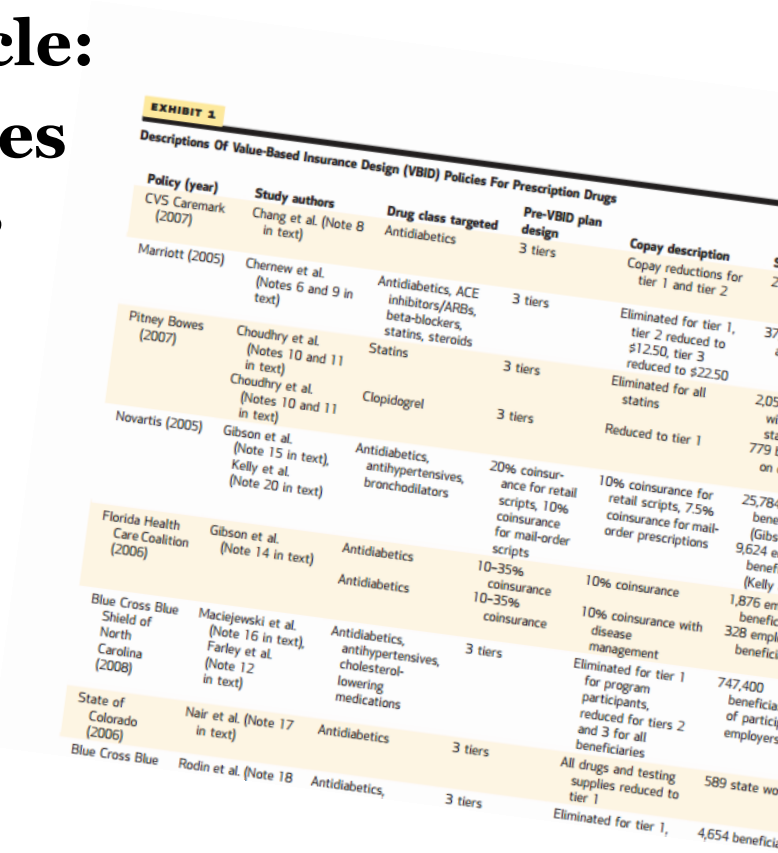


EXHIBIT 1

Descriptions Of Value-Based Insurance Design (VBID) Policies For Prescription Drugs

Policy (year)	Study authors	Drug class targeted	Pre-VBID plan design	Copay description	
CVS Caremark (2007)	Chang et al. (Note 8 in text)	Antidiabetics	3 tiers	Copay reductions for tier 1 and tier 2	
Marriott (2005)	Chernew et al. (Notes 6 and 9 in text)	Antidiabetics, ACE inhibitors/ARBs, beta-blockers, statins, steroids	3 tiers	Eliminated for tier 1, tier 2 reduced to $12.50, tier 3 reduced to $22.50	37
Pitney Bowes (2007)	Choudhry et al. (Notes 10 and 11 in text)	Statins	3 tiers	Eliminated for all statins	2,05 wi sta
	Choudhry et al. (Notes 10 and 11 in text)	Clopidogrel	3 tiers	Reduced to tier 1	779 on
Novartis (2005)	Gibson et al. (Note 15 in text), Kelly et al. (Note 20 in text)	Antidiabetics, antihypertensives, bronchodilators	20% coinsurance for retail scripts, 10% coinsurance for mail-order scripts	10% coinsurance for retail scripts, 7.5% coinsurance for mail-order prescriptions	25,784 bene (Gibs 9,624 e benef (Kelly
Florida Health Care Coalition (2006)	Gibson et al. (Note 14 in text)	Antidiabetics	10–35% coinsurance	10% coinsurance	1,876 en benefic
		Antidiabetics	10–35% coinsurance	10% coinsurance with disease management	328 empl benefici
Blue Cross Blue Shield of North Carolina (2008)	Maciejewski et al. (Note 16 in text), Farley et al. (Note 12 in text)	Antidiabetics, antihypertensives, cholesterol-lowering medications	3 tiers	Eliminated for tier 1 for program participants, reduced for tiers 2 and 3 for all beneficiaries	747,400 beneficia of partici employers
State of Colorado (2006)	Nair et al. (Note 17 in text)	Antidiabetics	3 tiers	All drugs and testing supplies reduced to tier 1	589 state wo
Blue Cross Blue	Rodin et al. (Note 18	Antidiabetics,	3 tiers	Eliminated for tier 1,	4,654 beneficia

V-BID

Joy L. Lee, Matthew Maciejewski, Shveta Raju, William H. Shrank, and Niteesh K. Choudhry
Health Aff July 2013 vol. 32 no. 7 1251-1257

The Results: Benefits for All Stakeholders

Consumers

Improves access to necessary services
Enhances clinical outcomes
Lowers out of pocket costs

Payers

Aligns with provider initiatives
Promotes efficient expenditures
Reduces wasteful spending

M | V-BID

V-BID: Implementation and Impact

M | V-BID improves quality & lowers cost

Value-Based Insurance Design in Healthy Michigan

- **V-BID in Healthy Michigan Legislation**

Beneficiary Incentives Based on V-BID Principles

Health plans permitted to:

- Reduce required contributions to an individuals health savings account if "healthy behaviors are being addressed, as based on uniform standards developed by DCH in consultation with health plans."
- Waive co-pays "to promote greater access to services that prevent the progression and complications related to chronic diseases."

[Section 105D(1)(e)]

Department of Community Health to "design and implement a co-pay structure that encourages the use of high-value services, while discouraging low-value services such as non-urgent Emergency Department utilization."

[Section 105D(1)(f)]

DCH to implement a pharmaceutical benefit that utilizes co-pays at appropriate levels allowable by CMS to encourage the use of high-value, low-cost prescriptions.

[Section 105D(1)(5)]

Source: Stephen Fitton, MDCH

Value-Based Insurance Design in Healthy Michigan

- **CMS Regulatory Guidance**

V-BID

CMS Regulatory Guidance

- **The Centers for Medicare and Medicaid Services (CMS) recently finalized rules (CMS-2334-F) giving state Medicaid programs greater flexibility to vary enrollee cost-sharing for drugs as well as certain outpatient, emergency department, and inpatient visits**

M | V-BID

CMS Regulatory Guidance – Outpatient Services

- **Medicaid programs are free to impose cost-sharing (within certain income-based boundaries) on select outpatient services while allowing other services to be provided without cost-sharing**
- **Plans may impose the maximum allowable cost-sharing for use of low-value services**
  - **Choosing Wisely**
  - **USPSTF Grade D recommendations**

M | V-BID

CMS Regulatory Guidance – Outpatient Visits

- **States may vary cost-sharing for a particular outpatient service in accordance with who provides the service and/or where the service is delivered**
- **This might be useful as plans identify high-performing providers or care settings**
  - **For example, a plan might wish to impose a copayment for clinician office visits, but eliminate cost-sharing for visits that take place at a Patient-Centered Medical Home**

M | V-BID

CMS Regulatory Guidance – Clinical Targeting

- **The final rule allows state Medicaid plans to target cost-sharing (within certain income-based boundaries) to specific groups of individuals based on clinical information (e.g., diagnosis, risk factors).**
- **CMS has recognized that there are compelling reasons for Medicaid programs to impose different levels of cost-sharing on different groups of enrollees for certain medical services**

M | V-BID

CMS Regulatory Guidance – Clinical Targeting

- **Targeting specific populations is key to clinical nuance**
- **Reducing cost-sharing for these services for all enrollees, regardless of clinical indication, can lead to overuse of services, wasted dollars, and the potential for harm**

M | V-BID

CMS Regulatory Guidance – Prescription Drugs

- **The rule provides states with the flexibility for differential cost-sharing on preferred ($0-$4) and non-preferred drugs (up to an $8)**
- **The final rule retains the states' ability to differentiate preferred and non-preferred drugs through Preferred Drug Lists**
- **Under this model, preferred and non-preferred categories may be determined based on their clinical value, not solely on their acquisition cost**

M | V-BID

CMS Regulatory Guidance – Emergency Care

- **The new rule gives Medicaid plans the option to impose up to an $8 copayment for non-emergency services**
- **Unlike other clinician visits and drugs, the evidence-based application of "clinical nuance" is less clear in the emergency setting**
- **Plans must ensure that increases in ED cost-sharing can be accurately applied only in non-emergent cases so that increased copayments do not lead enrollees to delay or forgo necessary care**

Value-Based Insurance Design in Healthy Michigan

- **Massachusetts Legislative Example**

M | V-BID

Massachusetts V-BID Legislation (Active)

The Commonwealth of Massachusetts

PRESENTED BY:

Carl M. Sciortino, Jr. and Patricia D. Jehlen

To the Honorable Senate and House of Representatives of the Commonwealth of Massachusetts in General Court assembled:

The undersigned legislators and/or citizens respectfully petition for the passage of the accompanying:

An Act relative to keep people healthy by removing barriers to cost-effective care .

Massachusetts V-BID Legislation

Section 226 (a) The commissioner shall by regulation determine which medical services, treatments and prescription drugs shall be deemed high-value cost-effective services for the purposes of this section. The determination of high-value cost-effective services shall rely on the recommendations of the Barrier-Free Care Expert Panel established by subsection (c). Any service, treatment or prescription drug determined by the commissioner to be a high-value cost-effective service by regulation promulgated prior to July 1 of a year shall be deemed a high-value cost-effective service for the purposes of subsection (b) effective on January 1 of the following year. In determining medical services, treatments and prescription drugs to be deemed high-value cost-effective services, the commissioner may limit the effect of the determination to people with one or more specific diagnoses or risk factors for a disease or condition.

M | V-BID

Massachusetts V-BID Legislation Determining High-Value Services

(1) out-patient or ambulatory services, including medications, lab tests, procedures, and office visits, generally offered in the primary care or medical home setting;

(2) of clear benefit, strongly supported by clinical evidence to be cost-effective;

(3) likely to reduce hospitalizations or emergency department visits, or reduce future exacerbations of illness progression, or improve quality of life;

(4) relatively low cost when compared to the cost of an acute illness or incident prevented or delayed by the use of the service, treatment or drug; and

(5) at low risk for overutilization.

In making recommendations, the panel may limit a recommended high-value cost-effective service as applicable only to patients with one or more specific diagnoses or risk factors

M | V-BID

Value-Based Insurance Design in Healthy Michigan

- **Case Studies**

V-BID

Implementing V-BID in Medicaid: New Mexico

- **In an effort to prompt individuals to accept greater accountability for their decisions, New Mexico Medicaid recipients will face higher co-pays for certain services**
- **Enrollees will also be offered incentives to earn points redeemable for gifts if they take certain steps for better health such as seeing a dentist, completing a prenatal care program, or managing chronic diseases**

M | V-BID

Implementing V-BID for State Employees: Connecticut State Employees Health Benefit Plan

- **Participating employees receive a reprieve from higher premiums if they commit to:**
  - **Yearly physicals, age-appropriate screenings/preventive care, two free dental cleanings**
  - **If employees have one of five chronic conditions, they must participate in disease management programs (which include free office visits and lower drug co-pays)**
- **Early results:**
  - **99% of employees enrolled and 99% compliant**
  - **Decrease in ER usage and specialty care**
  - **Increase in primary care visits**
  - **Increase in chronic disease medication adherence**

Implementing V-BID in Medicaid: Improving the Health of Newborns in South Carolina

- **The *Choosing Wisely* initiative discourages elective, non-medically indicated inductions of labor or Cesarean deliveries before 39 weeks**
- **The South Carolina Department of Health & Human Services and Blue Cross/Blue Shield of SC announced they would no longer reimburse hospitals or physicians for these elective procedures**
- **As a result of a commitment from all 43 birthing hospitals in South Carolina to end the practice, non-medical inductions prior to 39 weeks have been reduced by half in the past year**

M | V-BID

Aligning "Supply-Side" and "Demand-Side" Incentives BlueShield of California's "Blue Groove" Plan

- **Combines wellness programs, advanced member engagement, Value-Based Insurance Design, and high-performing providers**
- **Qualify for lower co-payments only if you have one or more conditions and use a high-value provider:**
  - **--End-stage renal disease**
  - **--Coronary artery disease**
  - **--Diabetes**
  - **--Osteoarthritis**
  - **--Congestive Heart failure**
  - **--Cancer**
  - **--Hypertension**
- **Aligns clinical goals of supply-side (ACO) and demand-side (V-BID) initiatives**

M | V-BID

Implementing V-BID in Medicare: V-BID Included in "Better Care, Lower Cost Act of 2014

"(D) CHANGES IN COVERAGE.—The Secretary, in consultation with experts in the field, shall establish a process for qualified BCPs to submit value-based Medicare coverage changes that encourage and incentivize the use of evidence-based practices that will drive better outcomes while ensuring patient protections and access are maintained.

Value-Based Insurance Design in Healthy Michigan

- **Discussion**

Value-Based Insurance Design in Health Michigan: "Clinically Nuanced, Fiscally Responsible"

- **If V-BID principles are used to set enrollee cost- sharing levels, Medicaid programs can improve quality of care, remove waste, foster personal accountability, and mitigate the legitimate concern that non-nuanced cost-sharing may lead individuals to forgo clinically important care**

www.vbidcenter.org
@um_vbid

M | V-BID