

Value Based Insurance Design: Improving Care and Bending the Cost Curve

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Improving Care and Bending the Cost Curve

Our Goal is to Improve Health, Not Save Money

- **Cost growth is the principle focus of health care reform discussions**
- **Despite unequivocal evidence of clinical benefit substantial underutilization of high-value services persists**



Improving Care and Bending the Cost Curve

Our Goal is to Improve Health, Not Save Money

- **Wellness**
- **Screening**
- **Diagnostic testing**
- **Therapy**
- **Monitoring**



Improving Care and Bending the Cost Curve

Our Goal is to Improve Health, Not Save Money

- **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 well* we spend on health care - in order to maximize the amount of health produced for the expenditure made (value)**



Dealing with the Health Care Cost Crisis

Interventions to Control Costs

- **Prior Authorization**
- **Wellness Programs**
- **Payment Reform**
- **Information Technology**
- **Preventing Chronic Disease**



Dealing with the Health Care Cost Crisis

Interventions to Control Costs

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- **Make Beneficiaries Pay More**



Improving Care and Bending the Cost Curve

Lack of “Clinical Nuance” in Health Benefit Design

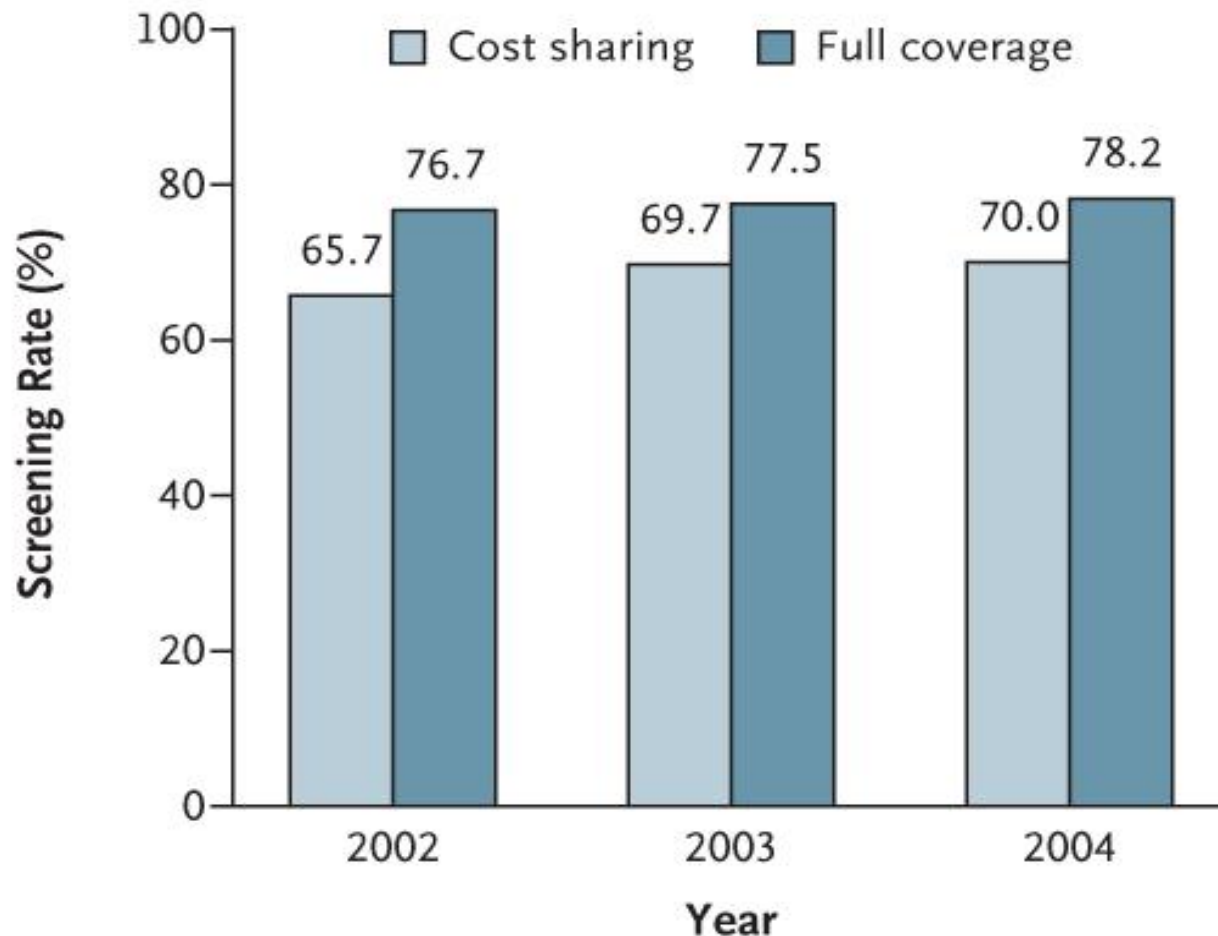
- **The archaic “one-size-fits-all” approach to patient cost sharing fails to acknowledge the differences in clinical value among medical interventions**
- **Ideally, patient copayments would be used to discourage the use of low-value care**



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**

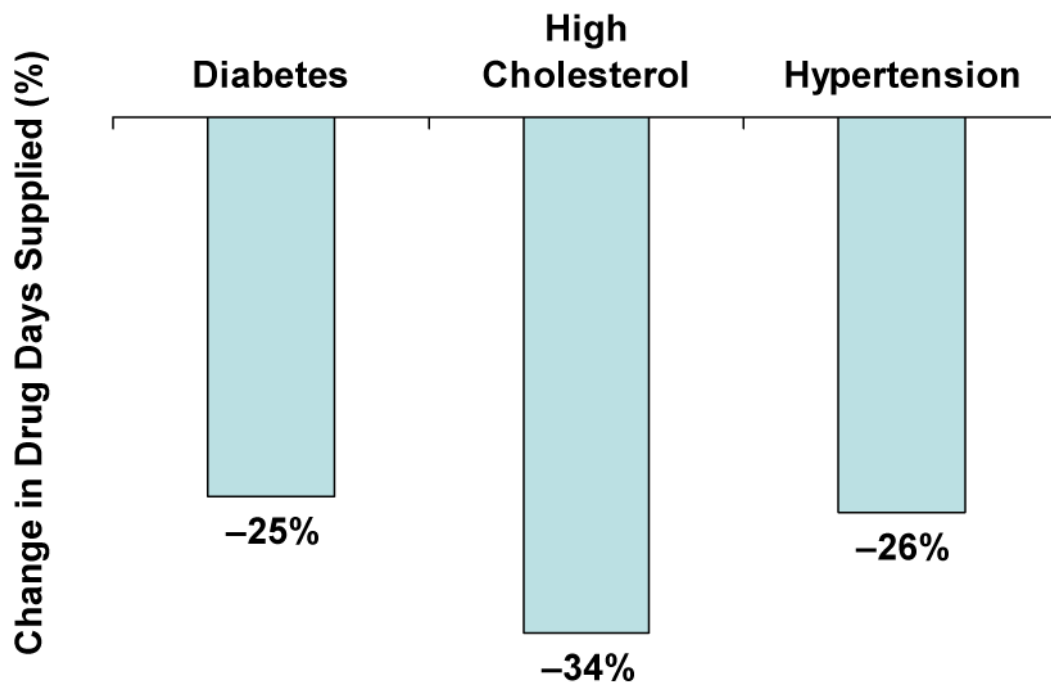
Cost-sharing Affects Adherence to Screening: Mammography Use in Medicare Beneficiaries





High Copays Reduce Adherence to Appropriate Medication Use

Change in Days Supplied for Selected Drug Classes When Copays Were Doubled



- When copays were doubled, patients took less medication in important classes. These reductions in medication levels were profound
- Reductions in medications supplied were also noted for:
 - NSAIDs 45%
 - Antihistamines 44%
 - Antiulcerants 33%
 - Antiasthmatics 32%
 - Antidepressants 26%
- For patients taking medications for asthma, diabetes, and gastric disorders, there was a 17% increase in annual ER visits and a 10% increase in hospital stays

ER = emergency room.

Goldman DP et al. *JAMA*. 2004;291:2344-2350.

Increased Ambulatory Copayments for the Elderly: Making Things Worse

- **Copays increased:**
 - from **\$7.38** to **\$14.38** for primary care
 - from **\$12.66** to **\$22.05** for specialty care
 - remained unchanged at **\$8.33** and **\$11.38** in controls

- **In the year after increases:**
 - **19.8 fewer** annual outpatient visits per 100 enrollees
 - **2.2 additional** hospital admissions per 100 enrollees
 - **Effects worse in low income and patients with chronic illness**

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**



Cost Containment Efforts Should NOT Produce Avoidable Reductions in Quality of Care

- **Value-based packages adjust patients' out-of-pocket costs and clinician reimbursement for specific services based on an assessment of the clinical benefit achieved**



Improving Care and Bending the Cost Curve

Principles of Value-Based Insurance Design

- **Medical services differ in the benefit provided**
- **The clinical benefit derived from a specific service depends on the patient using it**
- **V-BID premise: the more clinically beneficial the service, the lower the patient's cost share and the higher the clinician's payment**



Value-Based Insurance Design Reallocation Based on “Clinical Nuance”

- **An opportunity exists for a cost-saving reallocation **within any health budget**, through increasing use of high-value interventions and simultaneously reducing the use of interventions that offer little or no benefit relative to their cost**



Value-Based Insurance Design

“Clinically Nuanced, Fiscally Responsible”

- **To date, most V-BID programs have focused on removing barriers to high-value services**
 - **As barriers are reduced, utilization increases**
- **V-BID programs that discourage use of low-value services are being implemented**
 - **Choosing Wisely**



Value Based Insurance Design

More than High-Value Prescription Drugs

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



Value Based Insurance Design

More than High-Value Prescription Drugs

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



Value Based Insurance Design Economic Effects

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

- **Medical cost offsets**



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



Patient Protection and Affordable Care Act VBID 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.”

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**



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

- **The prohibition of cost-sharing for selected evidence-based preventive care for specified populations is consistent with V-BID principles**
 - **Cost sharing elimination may be restricted to in-network providers**
 - **Several private and public plans have similar programs in place for many years**
- **Such programs acknowledge that all preventive services and clinical settings are not equal in terms of clinical value**



2011 Kaiser Family Foundation's Employer Health Benefits Survey: Profound Impact of Sec. 2713

- **Approximately 54 million Americans have received expanded coverage of some preventive services due to the Affordable Care Act**



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**



Innovations in Value Based Insurance Design Align V-BID with Other Health Reform Initiatives

- **Wellness Programs**
- **Disease Management**
- **Comparative Effectiveness Research**
- **Health Information Technology**
 - **As electronic medical records expand, the feasibility to target specific conditions/patients groups will increase**
- **Payment Reform**
 - **Consumer Directed “Low Deductible” Health Plan**
 - **Accountable Care Organizations**
 - **Patient-Centered Medical Home**



Aligning Incentives and Systems

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



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Innovations in Value-Based Insurance Design

Connecticut State Employees Health Enhancement Plan

- **Participating employees receive a reprieve from higher premiums if they commit to:**
 - **Yearly physicals**
 - **Age-appropriate screenings/preventive care**
 - **Two free dental cleanings**
- **Employees must participate in disease management programs (which include free office visits and lower drug co-pays) if they have one of five chronic conditions**
- **98% of employees actively moved into HEP over 1 week open enrollment**
- **Link to PCMH initiative in progress**



Innovations in Value-Based Insurance Design

Blue Shield of California – “Blue Groove”

- **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**
 - **Congestive Heart failure**
 - **Coronary artery disease**
 - **Cancer**
 - **Diabetes**
 - **Hypertension**
 - **Osteoarthritis**
- **Aligns clinical goals of supply-side (ACO) and demand-side (V-BID) initiatives**



Innovations in Value-Based Insurance Design

“Clinically Nuanced, Fiscally Responsible”

- **The use of “clinically nuanced” incentives [and disincentives] to encourage [and discourage] patient and provider behavior to redistribute medical expenditures will produce more health at any level of health expenditure**
- **Consumer engagement initiatives must be aligned with ongoing payment reform and delivery system transformation**
- **Regulators should allow payers to adjust patient cost-sharing and payment based on clinical evidence**

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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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