Value-Based Insurance Design

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Improving Care and Bending the Cost Curve

- **The past several decades have produced remarkable medical innovations resulting in impressive reductions in morbidity and mortality**
- **Regardless of these advances, cost growth remains the principle focus of health reform discussions**
- **Despite unequivocal evidence of clinical benefit, Americans systematically underuse high-value services across the entire spectrum of clinical care**
- **Attention should turn from *how much* to *how well* we spend our health care dollars**

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Impact of Cost-Sharing on Health Care Utilization

- **Ideally, consumer cost-sharing levels would be set to encourage the clinically appropriate use of health care services**
- **The archaic "one-size-fits-all" approach to consumer cost-sharing fails to acknowledge the differences in clinical value among medical interventions**
- **A growing body of evidence concludes that increases in cost-sharing leads beneficiaries to reduce the use of essential care, which in some cases, leads to greater overall costs**

Goldman D. *JAMA*. 2007;298(1):61–9.

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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)

Impact of Cost-Sharing on Health Care Disparities

Effects of Increased Patient Cost Sharing on Socioeconomic Disparities in Health Care

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Michael C. Sokol, MD, MS[4] Allison B. Rosen, MD, ScD[5], and A. Mark Fendrick, MD[5]

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- **Rising copayments may worsen disparities and adversely affect health, particularly among patients living in low-income areas.**

Chernew M. J Gen Intern Med 23(8):1131–6.

A New Approach: Clinical Nuance

1. Services differ in clinical benefit produced

2. Clinical benefits from a specific service depend on:

Value-Based Insurance Design

- **Sets consumer cost-sharing level on clinical benefit – not acquisition price – of the service**
  - **Reduce or eliminate financial barriers to high-value clinical services and providers**
- **Successfully implemented by hundreds of public and private payers**


WSJ.com THE WALL STREET JOUR ONLINE

June 16, 2004

FOLLOW THE MONEY

From 'One Size Fits All' To Tailored Co-Payments

June 16, 2004

University of Michigan researchers say a patient
drug should depend on how much he or she will
a move that would likely lower c

Evidence for Value-Based Insurance Design: Improving Adherence Without Increasing Costs

- **Improved adherence**
- **Lower consumer costs**
- **No significant increase in total spending**
- **Reduced disparities**

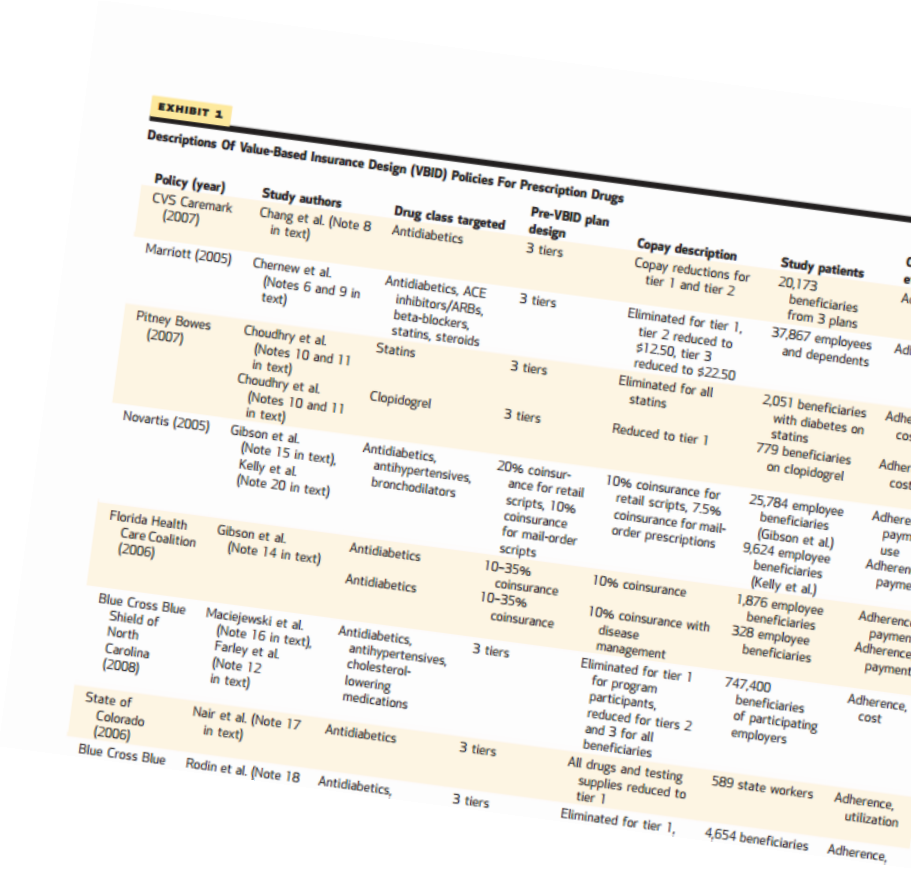


EXHIBIT 1

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

Policy (year)	Study authors	Drug class targeted	Pre-VBID plan design	Copay description	Study patients	
CVS Caremark (2007)	Chang et al. (Note 8 in text)	Antidiabetics	3 tiers	Copay reductions for tier 1 and tier 2	20,173 beneficiaries from 3 plans	
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	37,867 employees and dependents	
Pitney Bowes (2007)	Choudhry et al. (Notes 10 and 11 in text)	Statins	3 tiers	Eliminated for all statins	2,051 beneficiaries with diabetes on statins	
	Choudhry et al. (Notes 10 and 11 in text)	Clopidogrel	3 tiers	Reduced to tier 1	779 beneficiaries on clopidogrel	
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 employee beneficiaries (Gibson et al.) 9,624 employee beneficiaries (Kelly et al.)	
Florida Health Care Coalition (2006)	Gibson et al. (Note 14 in text)	Antidiabetics	10–35% coinsurance	10% coinsurance	1,876 employee beneficiaries	
		Antidiabetics	10–35% coinsurance	10% coinsurance with disease management	328 employee beneficiaries	
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 beneficiaries of participating 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 workers	
Blue Cross Blue	Rodin et al. (Note 18	Antidiabetics,	3 tiers	Eliminated for tier 1,	4,654 beneficiaries	

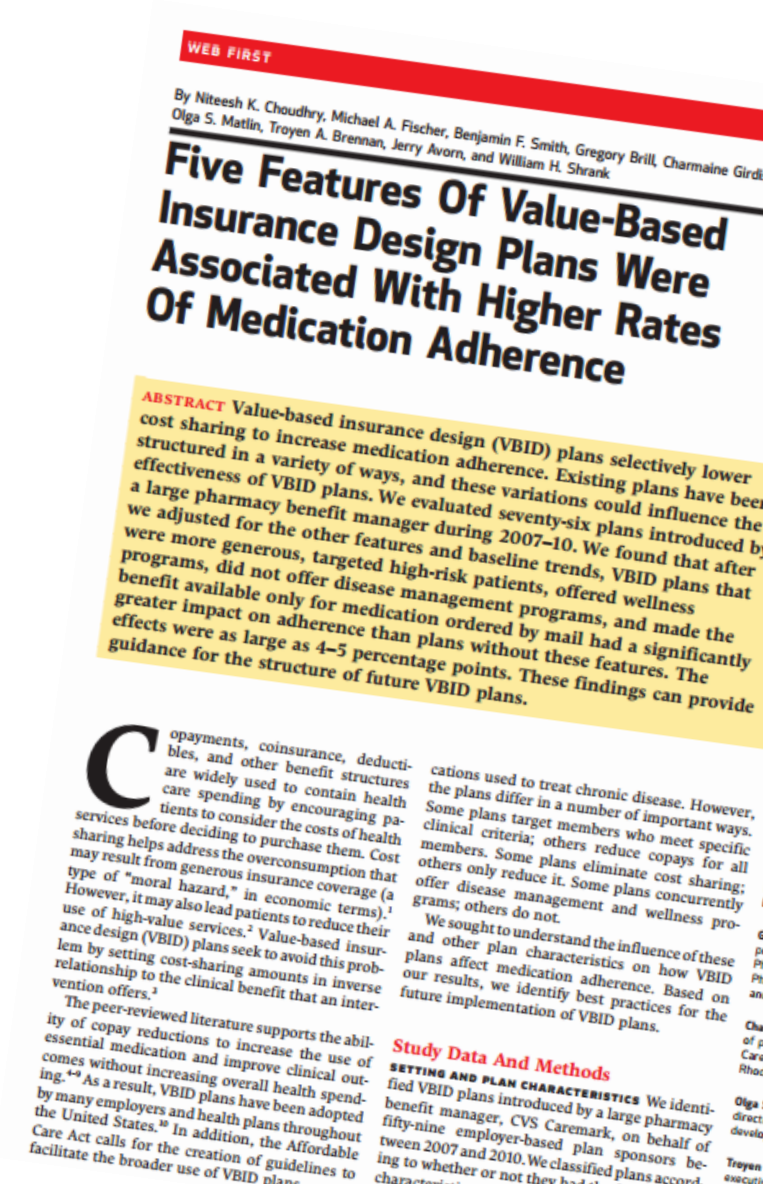
Lee J. *Health Affairs.*. 2013;32(7):1251-1257

Emerging Best Practices in V-BID Implementation

A 2014 *Health Affairs* evaluation of 76 V-BID plans reported that programs that:

- **were more generous**
- **targeted high-risk individuals**
- **offered wellness programs**
- **avoided disease management**
- **used mail-order prescriptions**

had greater impact on adherence than plans without these features



WEB FIRST

By Niteesh K. Choudhry, Michael A. Fischer, Benjamin F. Smith, Gregory Brill, Charmaine Girdi
Olga S. Matlin, Troyen A. Brennan, Jerry Avorn, and William H. Shrank

Five Features Of Value-Based Insurance Design Plans Were Associated With Higher Rates Of Medication Adherence

ABSTRACT Value-based insurance design (VBID) plans selectively lower cost sharing to increase medication adherence. Existing plans have been structured in a variety of ways, and these variations could influence the effectiveness of VBID plans. We evaluated seventy-six plans introduced by a large pharmacy benefit manager during 2007–10. We found that after we adjusted for the other features and baseline trends, VBID plans that were more generous, targeted high-risk patients, offered wellness programs, did not offer disease management programs, and made the benefit available only for medication ordered by mail had a significantly greater impact on adherence than plans without these features. The effects were as large as 4–5 percentage points. These findings can provide guidance for the structure of future VBID plans.

Copayments, coinsurance, deductibles, and other benefit structures are widely used to contain health care spending by encouraging patients to consider the costs of health services before deciding to purchase them. Cost sharing helps address the overconsumption that may result from generous insurance coverage (a type of "moral hazard," in economic terms).[1] However, it may also lead patients to reduce their use of high-value services.[2] Value-based insurance design (VBID) plans seek to avoid this problem by setting cost-sharing amounts in inverse relationship to the clinical benefit that an intervention offers.[3]

The peer-reviewed literature supports the ability of copay reductions to increase the use of essential medication and improve clinical outcomes without increasing overall health spending.[4–9] As a result, VBID plans have been adopted by many employers and health plans throughout the United States.[10] In addition, the Affordable Care Act calls for the creation of guidelines to facilitate the broader use of VBID plans for medications used to treat chronic disease. However, the plans differ in a number of important ways. Some plans target members who meet specific clinical criteria; others reduce copays for all members. Some plans eliminate cost sharing; others only reduce it. Some plans concurrently offer disease management and wellness programs; others do not.

We sought to understand the influence of these and other plan characteristics on how VBID plans affect medication adherence. Based on our results, we identify best practices for the future implementation of VBID plans.

Study Data And Methods

SETTING AND PLAN CHARACTERISTICS We identified VBID plans introduced by a large pharmacy benefit manager, CVS Caremark, on behalf of fifty-nine employer-based plan sponsors between 2007 and 2010. We classified plans according to whether or not they had

Choudhry. N. *Health Affairs*. 2014;33(3).

Multi-Stakeholder Support for V-BID

- HHS - National Quality Strategy
- CBO
- SEIU
- MedPAC
- Brookings Institution
- The Commonwealth Fund
- NBCH
- PCPCC
- Partnership for Sustainable Health Care
- National Governor's Assoc.
- Academy of Actuaries
- Bipartisan Policy Center
- Kaiser Family Foundation
- NBGH
- National Coalition on Health Care
- Urban Institute
- RWJF
- IOM – Essential Health Benefits

Lewin. *JAMA.* 2013;310(16):1669-1670

Federal and State Policy Efforts

V-BID

ACA Sec. 2713c Regulation: V-BID Definition

"Value-based insurance designs include the provision of information and incentives for consumers that promote access to and use of higher value providers, treatments, and services."

Sec 2713: Selected Preventive Services be Provided without Cost-Sharing

- **Receiving an A or B rating from the United States Preventive Services Taskforce (USPSTF)**
- **Immunizations recommended by the Advisory Committee on Immunization Practices (ACIP)**
- **Preventive care and screenings supported by the Health Resources and Services Administration (HRSA)**

Over 100 million Americans have received expanded coverage of preventive services

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V-BID in Medicare

Value-Based Insurance Design Copayment Reduction Act of 2014

IN THE SENATE OF THE UNITED STATES

Mr. THUNE introduced the following bill; which was read twice and referred to the Committee on _____

A BILL

To establish a demonstration program requiring the utilization of Value-Based Insurance Design in order to demonstrate that reducing the copayments or coinsurance charged to Medicare beneficiaries for selected high-value prescription medications and clinical services can increase their utilization and ultimately improve clinical outcomes, enhance beneficiary satisfaction, and lower health care expenditures.

The Better Care, Lower Cost Act of 2014

Sponsored by:

U.S. Sen. Ron Wyden, D-Ore.

U.S. Sen. Johnny Isakson, R-Ga.

U.S. Rep. Erik Paulsen, R-Minn.

U.S. Rep. Peter Welch, D-Vt.

Institute of Medicine Essential Health Benefits Report Recognition of Clinical Nuance

"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."

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Value-Based Insurance Design Growing Role in State Health Reform

- **State Employees Benefit Plans**
  - **Connecticut**
  - **Oregon**
  - **Virginia**
  - **Minnesota**
  - **Maine**
- **State Exchanges**
  - **Maryland**
  - **California**
- **CO-OPs**
- **Medicaid**

V-BID Center brief

EVIDENCE, EXAMPLES, AND INSIGHT ON VALUE-BASED INSURANCE DESIGN

V-BID in Action: A Profile of Connecticut's Health Enhancement Program

Value-Based Insurance Design (V-BID)—hailed as a "game changer" by the National Coalition on Health Care— refers to insurance designs that vary consumer cost-sharing to distinguish between high-value and low-value health care services and providers. V-BID entails (1) reducing financial barriers that deter use of evidence-based services and high-performing providers, and (2) imposing disincentives to discourage use of low-value care. Through the incorporation of greater clinical nuance in benefit design, payers, purchasers, taxpayers, and consumers can attain more health for every dollar spent. The University of Michigan Center for V-BID leads in research, development, and advocacy for innovative health benefit plans and payment reform initiatives.

Connecticut Seeks to Improve Health and Contain Costs

The State of Connecticut faced a projected budget gap of $3.8 billion in fiscal year 2012, and state employees were asked to help address the shortfall. The Governor's Office and a coalition of unions representing state employees met throughout 2011 to discuss a wide range of topics, including the health plan covering active and retired state employees. The parties focused health care discussions on possibilities for improving health as a means to control long-term costs. Discussions involving unions, the

The Key Features of HEP

Prior to 2012, Connecticut's state employee health plan did not distinguish between high-value services and low-value services in determining cost-sharing for beneficiaries. HEP is different.

Accountability. HEP rewards state employees, select retirees, and dependents who commit to a number of responsibilities. The "ask" of beneficiaries is as follows:

- Obtain specified age and gender-appropriate health risk assessments, evidence-based screenings, and physical and vision examinations;
- Undergo two dental cleanings per year;[a] and
- Participate in condition-appropriate chronic disease management services.[b]

Specified guideline-based clinical services are required of HEP enrollees with diabetes, high cholesterol, high blood pressure, heart disease, asthma, and chronic obstructive pulmonary disorder (COPD). There are provisions to exempt enrollees with unusual or special circumstances from requirements as appropriate.

Beneficiaries may be disenrolled from HEP if they do not adhere to the requirements outlined above. HEP strives to avoid this

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CMS Rules (CMS-2334-F) Enable V-BID in Medicaid


July 2013

V-BID Center brief

NCE, EXAMPLES, AND INSIGHT ON VALUE-BASED
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Regulations Permit Use of Value-Based Insurance Design in State Medicaid Programs

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and account for a large and growing
gets. The Centers for Medicare and
MS) recently finalized rules
state Medicaid programs greater flexi-
cost-sharing for drugs as well as certain
y department, and inpatient visits. If

New Mexico's Centennial Care:
Clinical Nuance Implementation in Medicaid:

After roughly a year of negotiations, New Mexico was granted an 1115 waiver from the Centers for Medicare and Medicaid Services. In an effort to prompt individuals to accept greater accountability for their health care 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. Additionally, the program features will expand care coordination for all beneficiaries.

- **Plans may vary cost-sharing for drugs, outpatient, inpatient, and emergency department visits**
- **Plans may target cost-sharing to specific groups of individuals based on clinical information (e.g., diagnosis, risk factors)**
- **Plans may vary cost-sharing for an outpatient service according to where and by whom the service is provided**

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V-BID Prominently Featured in Healthy Michigan Plan

- **Sec 105D(1)(e), plans may waive consumer copayments, "to promote greater access to services that prevent the progression and complications related to chronic diseases."**
- **Sec 105D(1)(f), assigned to "design and implement a copay structure that encourages the use of high-value services, while discouraging low-value services."**
- **Sec 105D(5), assigned to "implement a pharmaceutical benefit that utilizes copays at appropriate levels allowable by CMS to encourage the use of high-value, low-cost prescriptions."**


February 2014

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EVIDENCE, EXAMPLES, AND INSIGHT ON VALUE-BASED INSURANCE DESIGN

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V-BID in Action: Michigan Medicaid Expar

Introduction

Value-Based Insurance Design (V-BID) is an innovative approach that can improve clinical outcomes and contain costs. The basic premise of V-BID is to align consumer incentives with value by reducing barriers to high-value health services and providers ("carrots") and discouraging the use of low-value health services and providers ("sticks"). When "carrots" and "sticks" are used in a clinically nuanced manner, V-BID improves health care quality and controls spending growth. The concept of clinical nuance recognizes that: 1) medical services differ in the benefit provided; and 2) the clinical benefit derived from a specific service depends on the patient using it, as well as when and where the service is provided. By incorporating greater clinical nuance into benefit design, payers, purchasers, taxpayers, and consumers can attain more health for every dollar spent.

Federal Government Allows V-BID in Medicaid

State Medicaid programs cover some of the nation's most vulnerable citizens and account for a large and growing portion of state budgets. 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 prescription drugs as well as certain outpatient, emergency de-

Cost-sharing for Outpatient and Inpatien

Under the new rule, Medicaid programs cost-sharing (within certain income-base outpatient services while allowing other without cost sharing. Plans may also vary particular outpatient service in accordanc service and/or where the service is deliver rule allows state Medicaid agencies to targ sharing (within certain income-based boun groups of individuals based on clinical infor (e.g., diagnosis, clinical risk factors).

Non-emergent use of the Emergency Departm

The new rule gives Medicaid plans the option $8 copayment for non-emergency services p emergency department (ED).

Cost-sharing for Prescription Drugs

The rule provides states with the flexibility for sharing on preferred ($0-$4) and non-preferre copay). The rule also retains the states' ability preferred and non-preferred drugs within their Preferred Drug Lists.

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Barriers to V-BID in HSA-qualified HDHPs

- **IRS guidance documents specifically exclude from the definition of preventive care those services or benefits meant to treat "an existing illness, injury or condition**
- **Confusion persists what services can and cannot be covered outside of the deductible**


April 2012

V-BID Center brief

EVIDENCE, EXAMPLES, AND INSIGHT ON VALUE-BASED INSURANCE DESIGN

Value-Based Insurance Design: Contributions to Consumer Health in Consumer-Directed Health Plans[1]

A consumer-directed health plan (CDHP) is an insurance product that offers lower premiums in exchange for higher patient deductibles than traditional plans. People who use CDHPs are responsible for paying for most of their routine care. The goal of CDHPs is to make customers more cost-conscious about the care they use, theoretically saving money on foregone services and lowering prices for consumers. In 2010, 28 million people were enrolled in a CDHP; in the same year nearly half of all employers reported that they planned to offer a CDHP to their employees within five years.[2]

CDHPs have faced criticism [illegible]

ductibles in most CDHP plans.[3] V-BID is an innovative and widely implemented approach to providing health benefits that seeks to enhance patients' clinical outcomes and constrain health care cost growth. By reducing barriers to high-value, evidence-based services and providers (often through lower costs and other patient incentives) V-BID plans can achieve improved health outcomes at any level of health care expenditure. A V-BID waiver program would ensure that consumers are not deterred from receiving needed [illegible] care), while

Moving Forward

- **The ultimate test of health reform will be whether it improves health and addresses rising costs**
- **Cost containment efforts should not result in preventable reductions in quality of care**
- **V-BID should be part of the solution to enhance the efficiency of health care spending**

The New York Times

Business Day

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ECONOMIC VIEW

When a Co-Pay Gets in the Way of Health

By SENDHIL MULLAINATHAN
Published: August 10, 2013

ECONOMISTS specialize in pointing out unpleasant trade-offs — a skill that is on full display in the health care debate.

Enlarge This Image

Minh Uong/The New York Times

We want patients to receive the best care available. We also want consumers to pay less. And we don't want to bankrupt the government or private insurers. Something must give.

The debate centers on how to make these trade-offs, and who gets to make them. The stakes are high, and the choices are at times unseemly. No matter how necessary, putting human suffering into dollars and cents is not attractive work. It's no surprise, then, that the conversation is so heated.

What is a surprise is that amid these complex issues, one policy sidesteps these t

Mullainathan S. When a Co-Pay Gets in the Way of Health. The New York Times. 2013 Aug 10.

Discussion

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