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

A. Mark Fendrick, MD

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

Table 1: Risk factors for nodding off at lectures

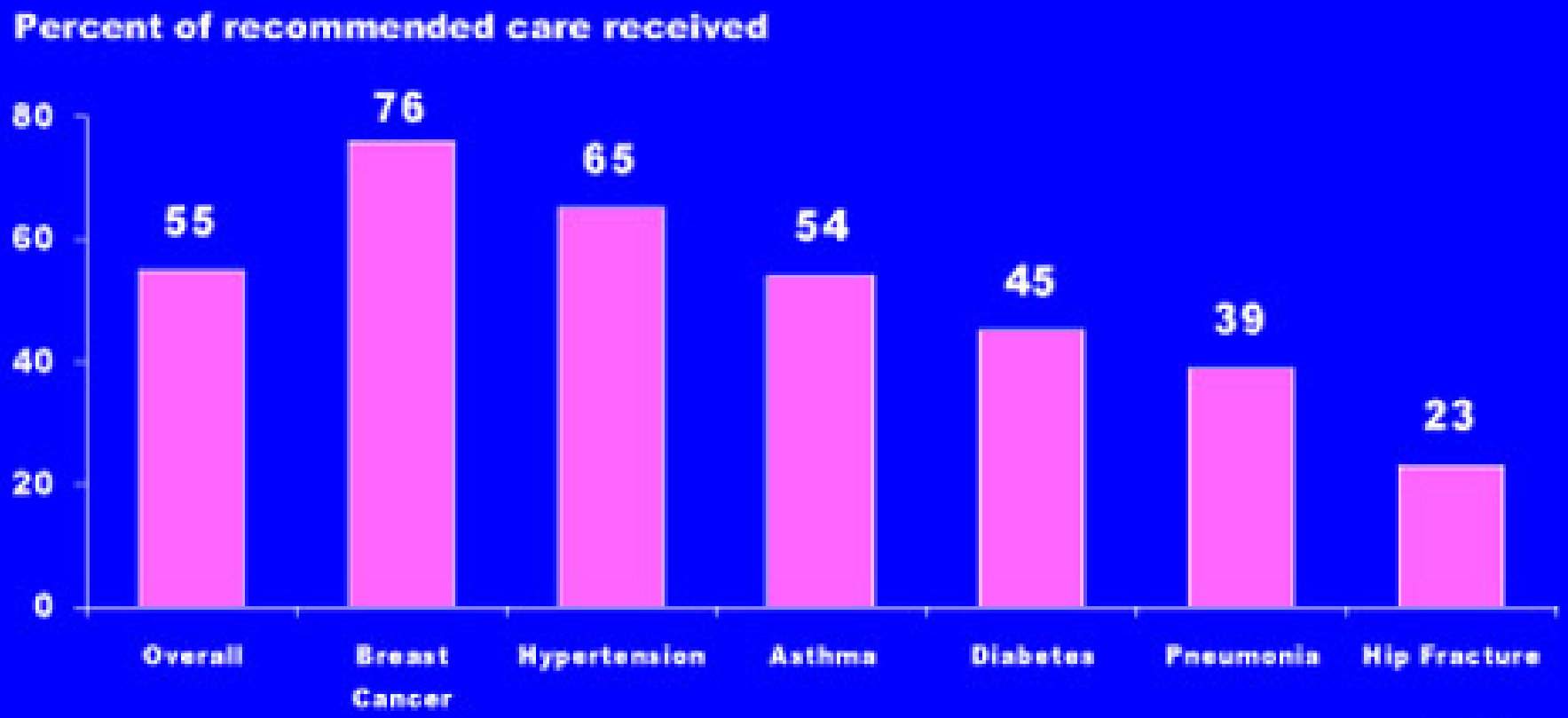
Factor	Odds ratio (and 95% CI)
Environmental	
Dim lighting	1.6 (0.8–2.5)
Warm room temperature	1.4 (0.9–1.6)
Comfortable seating	1.0 (0.7–1.3)
Audiovisual	
Poor slides	1.8 (1.3–2.0)
Failure to speak into microphone	1.7 (1.3–2.1)
Circadian	
Early morning	1.3 (0.9–1.8)
Post prandial	1.7 (0.9–2.3)
Speaker-related	
Monotonous tone	6.8 (5.4–8.0)
Tweed jacket	2.1 (1.7–3.0)
Losing place in lecture	2.0 (1.5–2.6)

Note: CI = confidence interval.

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 produced by CER and other studies, substantial underutilization of high-value 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



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.

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

N Engl J Med 2005;353:487-97

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

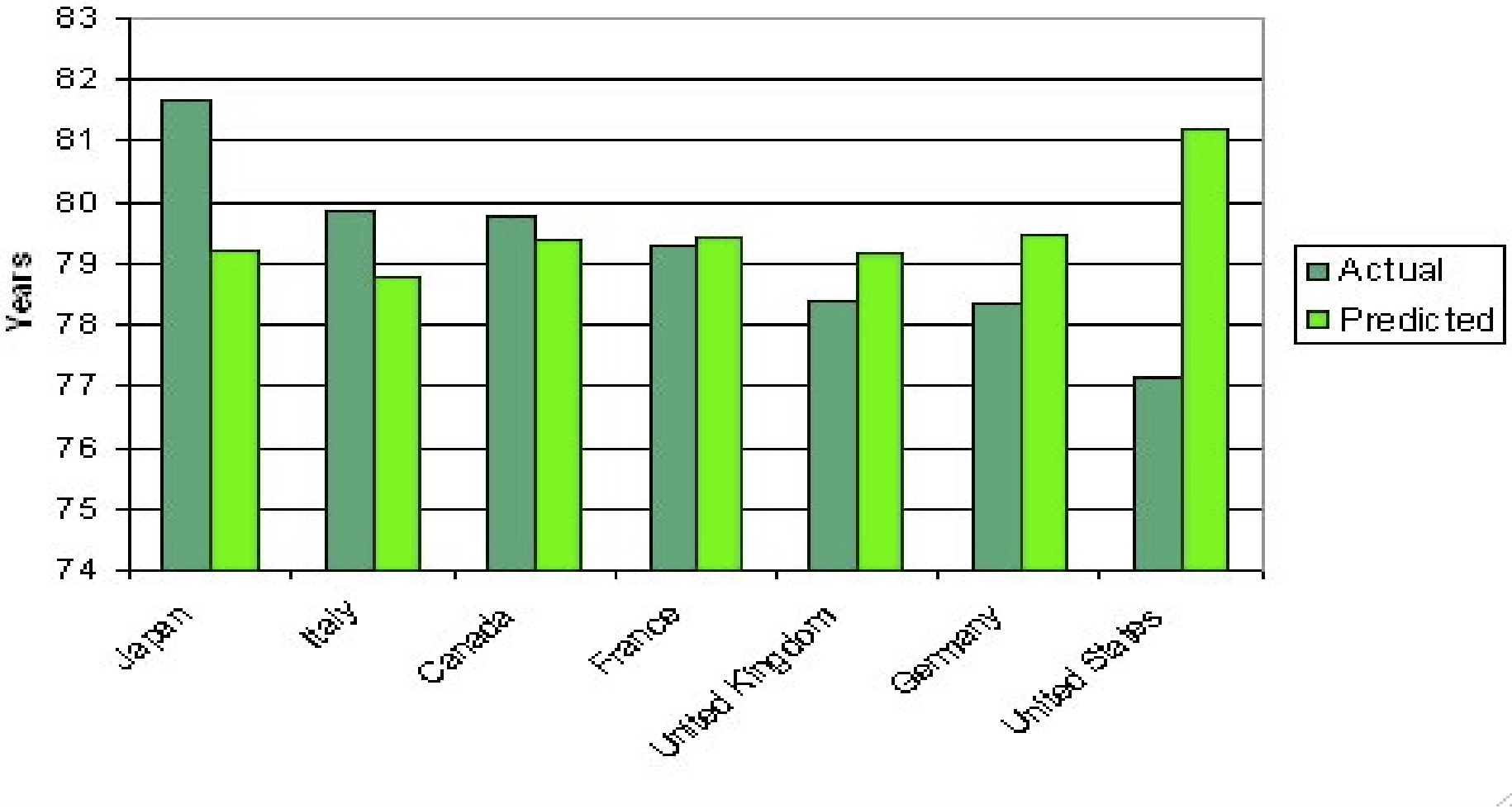
Costs from poor medication adherence estimated to exceed $100 billion annually

Dunbar-Jacob, *Journal of Clinical Epidemiology* 54 (2001) S57-S60.

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* 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



Dealing with the Health Care Cost Crisis
Interventions to Control Costs

- Prior Authorization
- Disease Management
- Information Technology
- Payment Reform
- 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

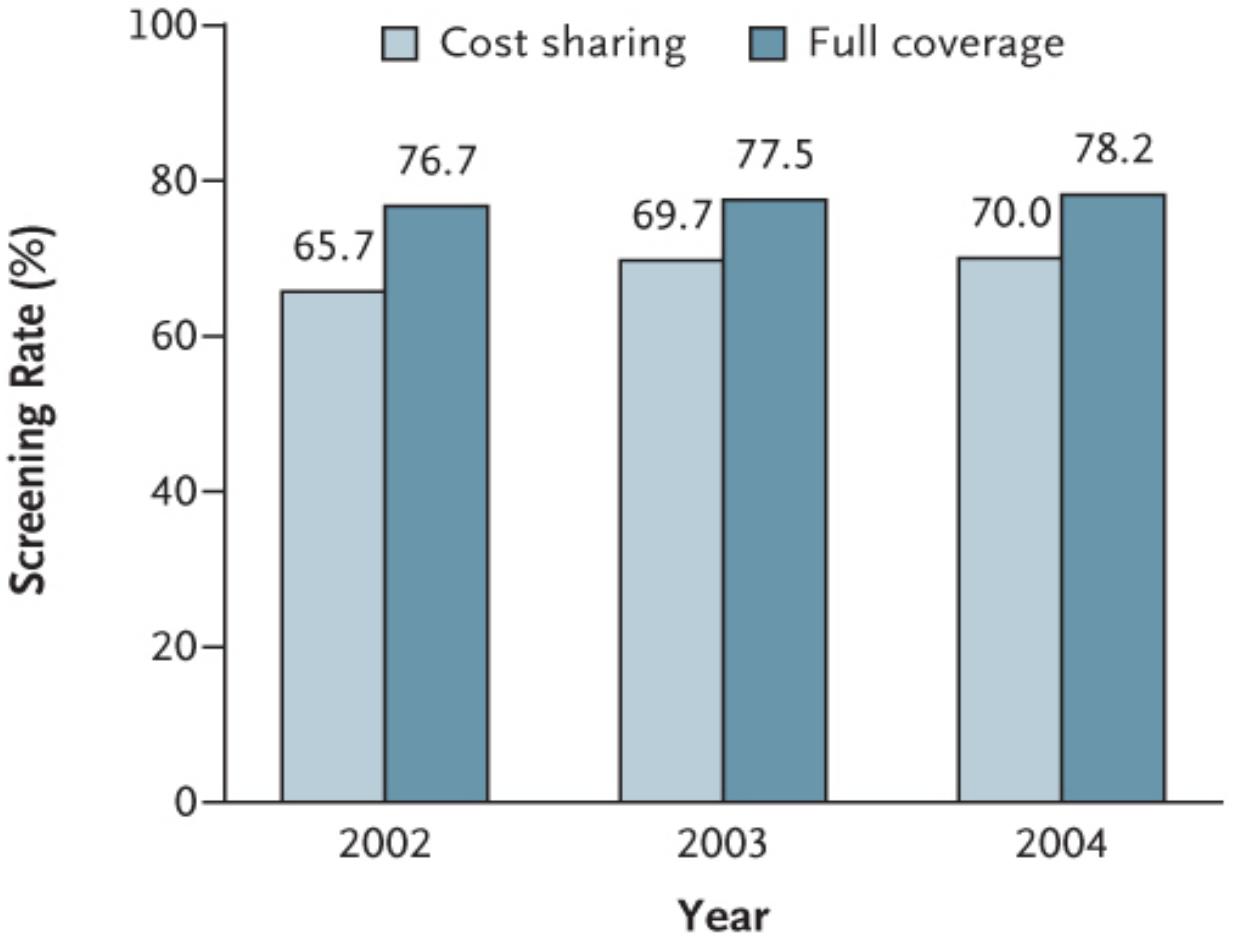
Trivedi A. N Engl J Med. 2010 Jan 28;362(4):320-8..

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.”

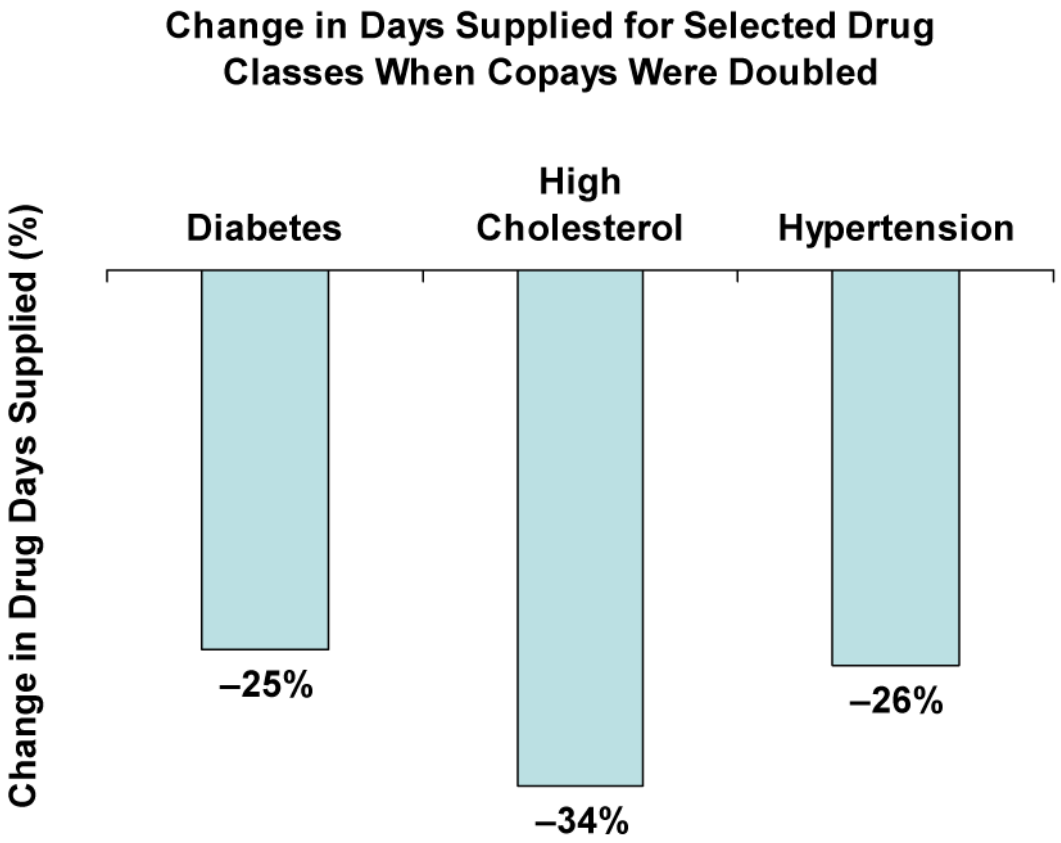
Barbara Fendrick (my mother)

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



Trivedi. *NEJM.* 2008;358:375-383

High Copays Reduce Adherence to Appropriate Medication Use



- 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

1. Trivedi A. N Engl J Med. 2010 Jan 28;362(4):320-8..

IBM to Drop Co-Pay for Primary-Care Visits

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**

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**
- **The more clinically beneficial the therapy for the patient, the lower that patient's cost share and the higher the clinician's bonus**

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
"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**
  - **There are few instances where the use of a specific drug, diagnostic test or procedure is <u>always</u> appropriate or inappropriate**
- **As electronic medical records become more commonplace, the feasibility to target specific indications / patient populations will increase**

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
Widespread Private and Public Sector Adoption

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®

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

National Pharmaceutical Council

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

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

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."

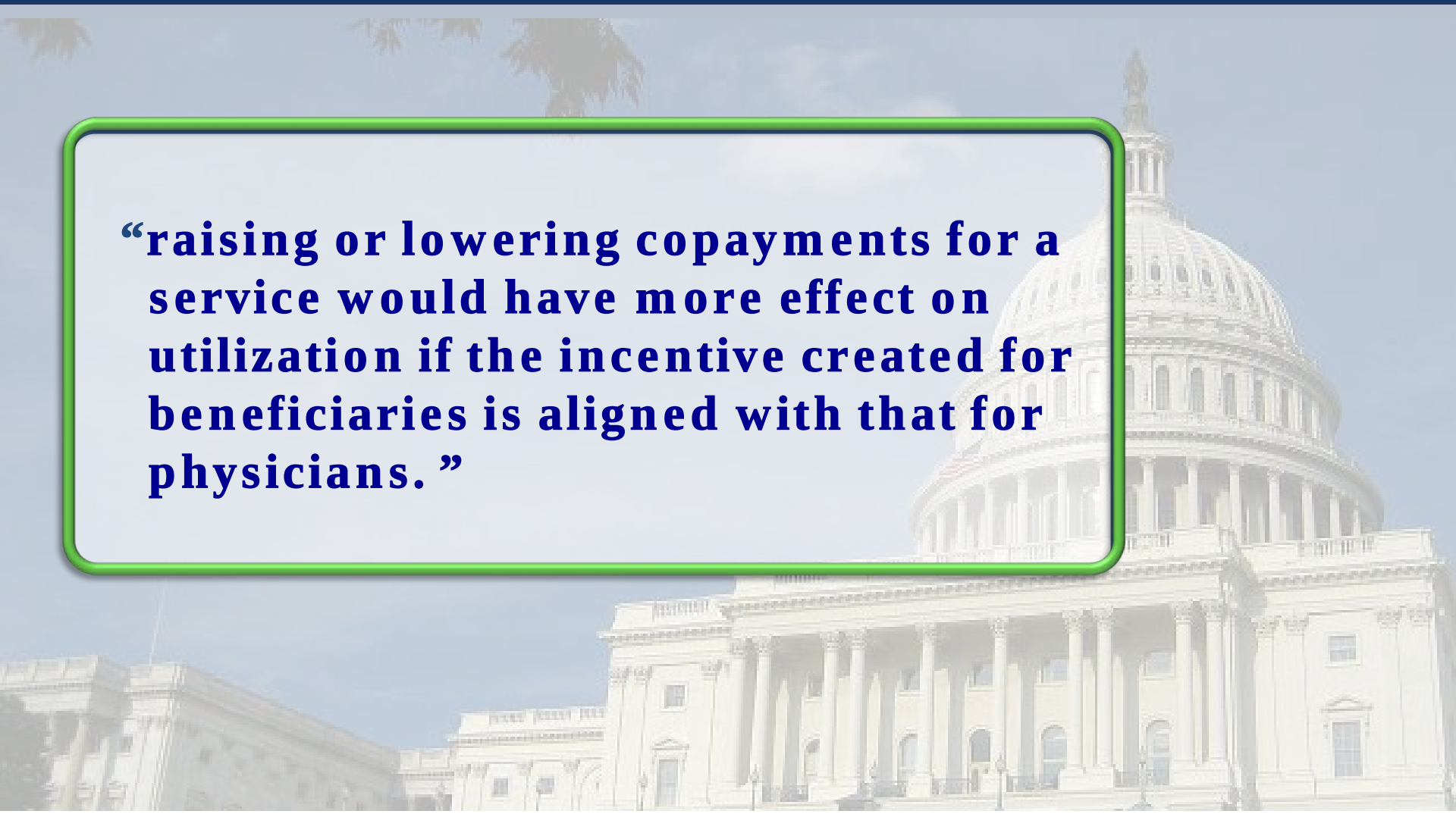
Value-Based Insurance Design
Implications Beyond Primary Prevention

- **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**

Value Based Insurance Design
Align with Health Reform Initiatives

- Wellness Programs
- Disease Management
- Comparative Effectiveness Research
- Shared Decision Making
- Health Information Technology
- Payment Reform
  - Bundled Payments
  - Patient-Centered Medical Home
  - Accountable Care Organizations

MedPAC Report to Congress– June, 2011
Support of V-BID Use for Patient and Providers



"raising or lowering copayments for a service would have more effect on utilization if the incentive created for beneficiaries is aligned with that for physicians."

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 nuanced" 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