Value-Based Insurance Design:
Using Medical Evidence to Design Benefits

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Using Medical Evidence to Design Benefits Improving Care and Bending the Cost Curve

- **Cost growth remains the principle focus of health reform discussions**
- **Despite unequivocal evidence of clinical benefit, Americans systematically underuse high-value services across the care spectrum**
- **Slowdown in healthcare costs may have negative health implications**
- **Attention should turn from *how much* to *how well* we spend our health care dollars**

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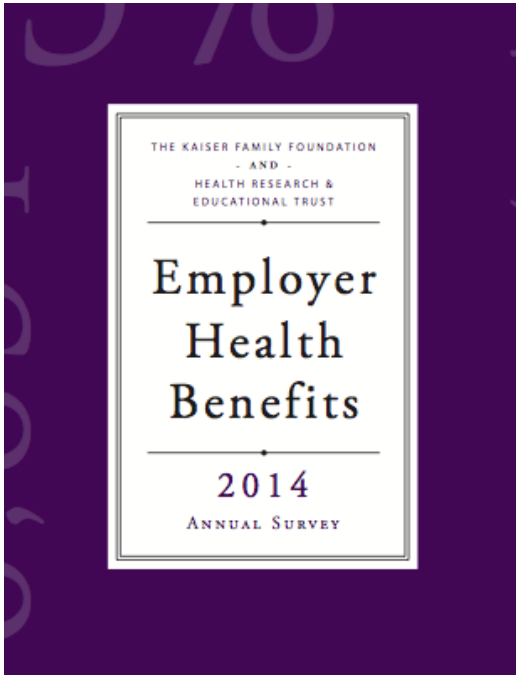
Motivation for VBID

- **For today, our focus is on costs paid by the member**
- **Ideally cost-sharing levels would be set to encourage the clinically appropriate use of health care services**
- **"One-size-fits-all" cost-sharing fails to acknowledge the differences in clinical value among medical interventions**
- **Despite a slowing in cost growth, consumer contributions are rising**



Health Affairs 2014. doi: 10.1377/hlthaff.2014.0792

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December 9, 2013

Costs Still Keep 30% of Americans From Getting Treatment

Lower-income and younger adults most likely to have delayed treatment

- **A growing body of evidence concludes that increases in consumer cost-sharing leads to a reduction in the use of essential care and in some cases leads to greater overall costs**
- **Effects worse in low-income individuals and beneficiaries with chronic illness**

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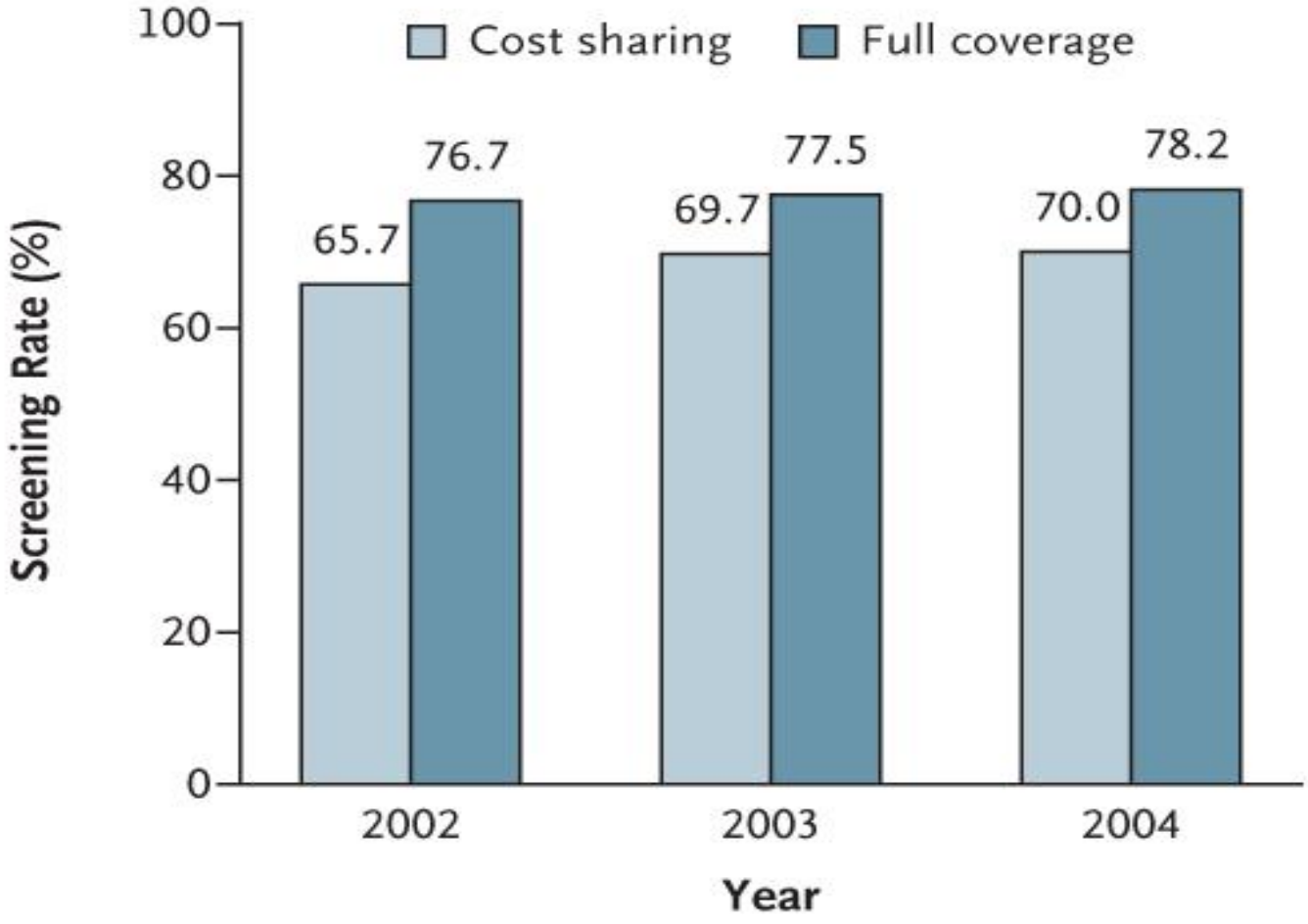
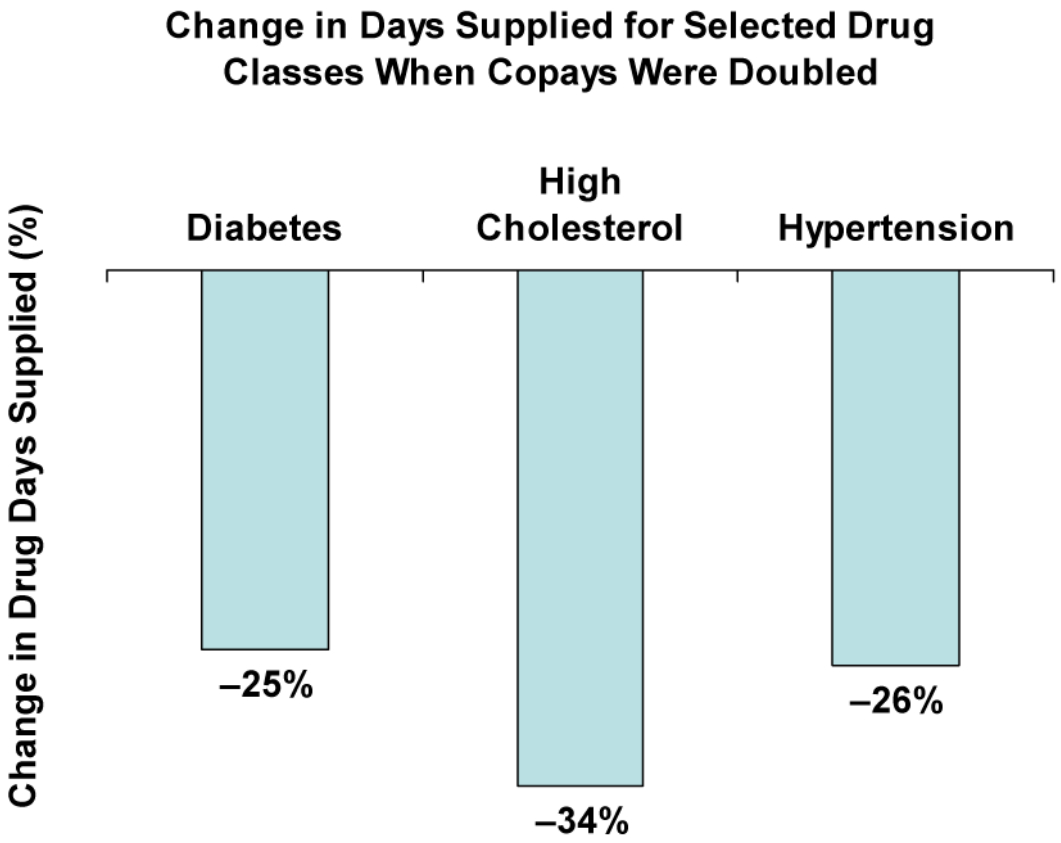
Goldman D. *JAMA*. 2007;298(1):61–9. Trivedi A. *NEJM*. 2008;358:375-383. Trivedi A. *NEJM*. 2010;362(4):320-8.. Chernew M. J Gen Intern Med 23(8):1131–6.

Cost-sharing Affects Mammography Use by Medicare Beneficiaries



Trivedi A. *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.

Effects of Increased Copayments for Ambulatory Visits for Medicare Advantage Beneficiaries

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 copayment increases:

- **19.8 fewer annual outpatient visits per 100 enrollees**
- **2.2 additional hospital admissions per 100 enrollees**
- **Effects worse in low-income individuals and beneficiaries with chronic illness**

Trivedi A. *NEJM*. 2010;362(4):320-8..

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**
- **Successfully implemented by hundreds of public and private payers**


WSJ.com THE WALL STREET JOURNAL 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's drug should depend on how much he or she will medication -- a move that would likely lower co

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

- **Improved adherence**
- **Lower consumer out-of-pocket costs**
- **No significant increase in total spending**
- **Reduction in health care disparities**

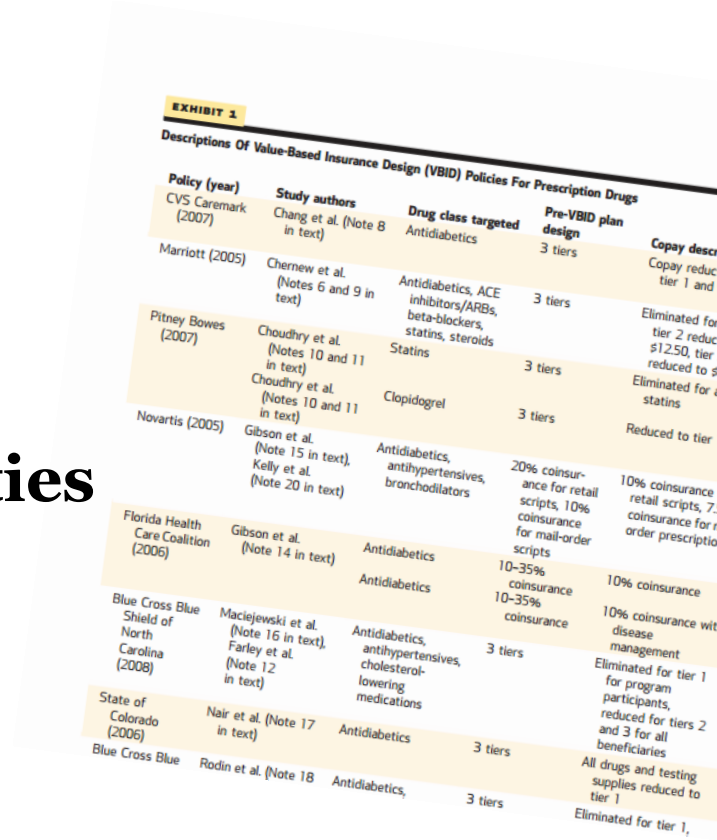

EXHIBIT 1

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

Policy (year)	Study authors	Drug class targeted	Pre-VBID plan design	Copay desc
CVS Caremark (2007)	Chang et al. (Note 8 in text)	Antidiabetics	3 tiers	Copay reduc tier 1 and
Marriott (2005)	Chernew et al. (Notes 6 and 9 in text)	Antidiabetics, ACE inhibitors/ARBs, beta-blockers, statins, steroids	3 tiers	Eliminated fo tier 2 reduc $12.50, tier reduced to $
Pitney Bowes (2007)	Choudhry et al. (Notes 10 and 11 in text)	Statins	3 tiers	Eliminated for statins
	Choudhry et al. (Notes 10 and 11 in text)	Clopidogrel	3 tiers	Reduced to tier
Novartis (2005)	Gibson et al. (Note 15 in text), Kelly et al. (Note 20 in text)	Antidiabetics, antihypertensives, bronchodilators	20% coinsur-ance for retail scripts, 10% coinsurance for mail-order scripts	10% coinsurance retail scripts, 7 coinsurance for order prescriptio
Florida Health Care Coalition (2006)	Gibson et al. (Note 14 in text)	Antidiabetics	10–35% coinsurance	10% coinsurance
		Antidiabetics	10–35% coinsurance	10% coinsurance wit disease management
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
State of Colorado (2006)	Nair et al. (Note 17 in text)	Antidiabetics	3 tiers	All drugs and testing supplies reduced to tier 1
Blue Cross Blue	Rodin et al. (Note 18	Antidiabetics,	3 tiers	Eliminated for tier 1,

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

Value-Based Insurance Design
Broad Multi-Stakeholder Support

- HHS
- CBO
- SEIU
- MedPAC
- Brookings Institution
- The Commonwealth Fund
- NBCH
- PCPCC
- PhRMA
- AHIP
- NBCH
- National Governor's Assoc.
- Academy of Actuaries
- Bipartisan Policy Center
- Kaiser Family Foundation
- NBGH
- National Coalition on Health Care
- Urban Institute
- RWJF
- IOM
- US Chamber of Commerce

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

ACA 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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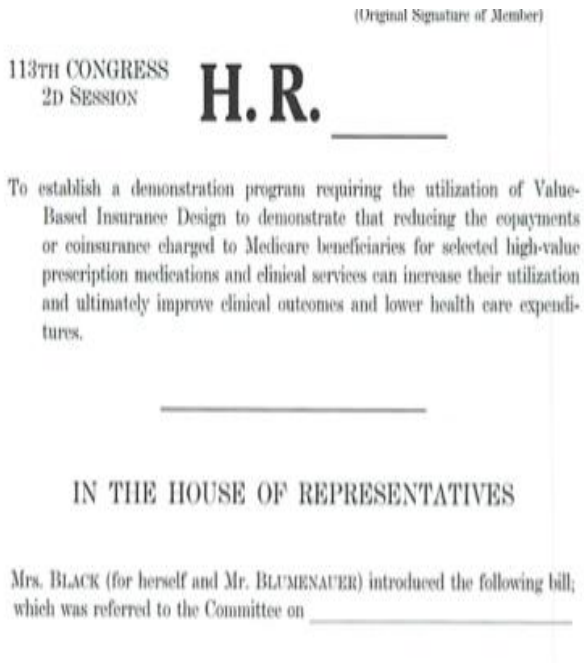
Value-Based Insurance Design: Key Initiatives

- **Medicare Advantage**
- **State Health Reform**
- **Specialty Medications**
- **HSA-qualified HDHPs**

HR 5183: V-BID for Better Care Act Highlights

- **Directs HHS to establish a demonstration program to test V-BID in MA for beneficiaries with chronic conditions**
- **MA plans may lower cost-sharing to encourage the use of specific, evidence-based medications or services and/or specific high-performing providers**
- **Explicitly prohibits plans from increasing cost-sharing**

HR 5183: The Value-Based Insurance Design for Better Care Act of 2014



(Original Signature of Member)

113TH CONGRESS
2D SESSION

H. R. _____

To establish a demonstration program requiring the utilization of Value-Based Insurance Design 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 and lower health care expenditures.

IN THE HOUSE OF REPRESENTATIVES

Mrs. BLACK (for herself and Mr. BLUMENAUER) introduced the following bill; which was referred to the Committee on _____

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Value-Based Insurance Design Role in State Health Reform

- State Exchanges
- Medicaid - CMS Rule 2334-F
  - Plans may vary cost-sharing for drugs, outpatient, inpatient, and ED visits
  - Plans may target cost-sharing to specific groups of individuals based on clinical information
  - Plans may vary cost-sharing for an outpatient service according to where and by whom the service is provided
- State Employees Benefit Plans

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Value-Based Insurance Design Growing Role in State Health Reform

- **State Employees Benefit Plans**
  - **Connecticut**
  - **Oregon**
  - **Virginia**
  - **Minnesota**
  - **Maine**
  - **New York**

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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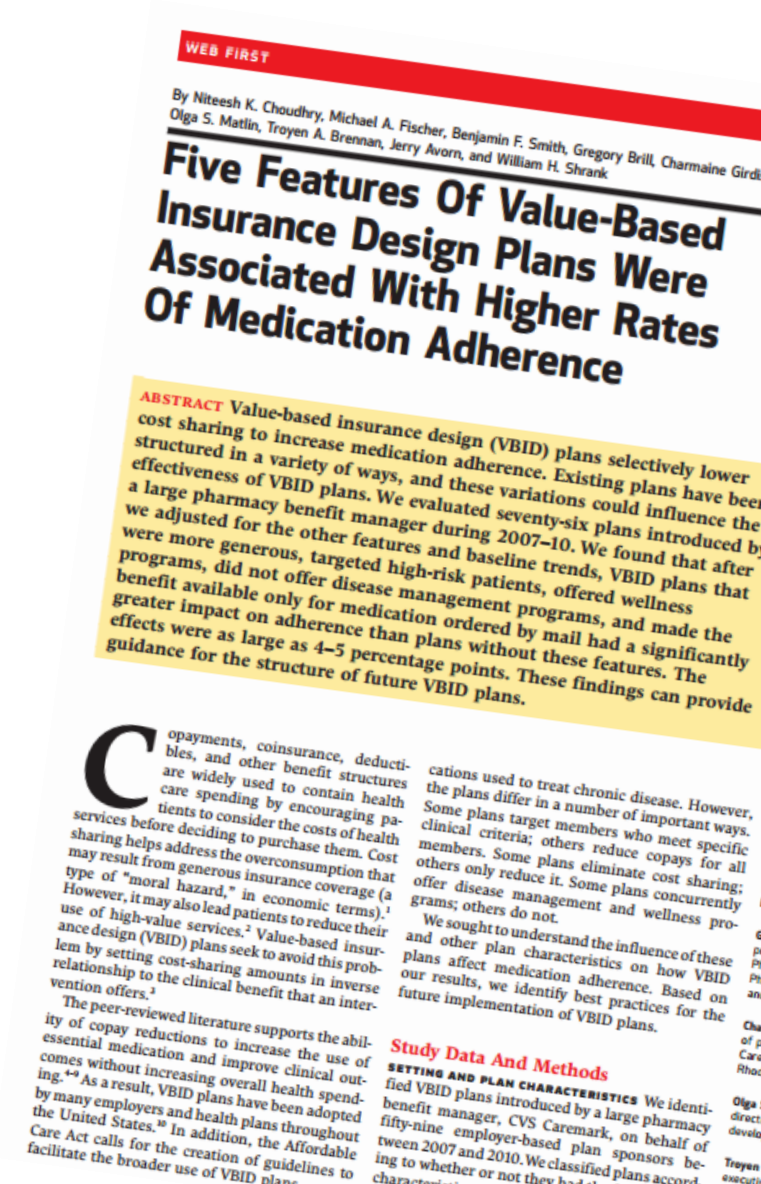
Emerging Best Practices in V-BID Implementation

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

- **were more generous**
- **targeted high-risk individuals**
- **offered wellness programs**

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 bee structured in a variety of ways, and these variations could influence the effectiveness of VBID plans. We evaluated seventy-six plans introduced b 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

cations 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

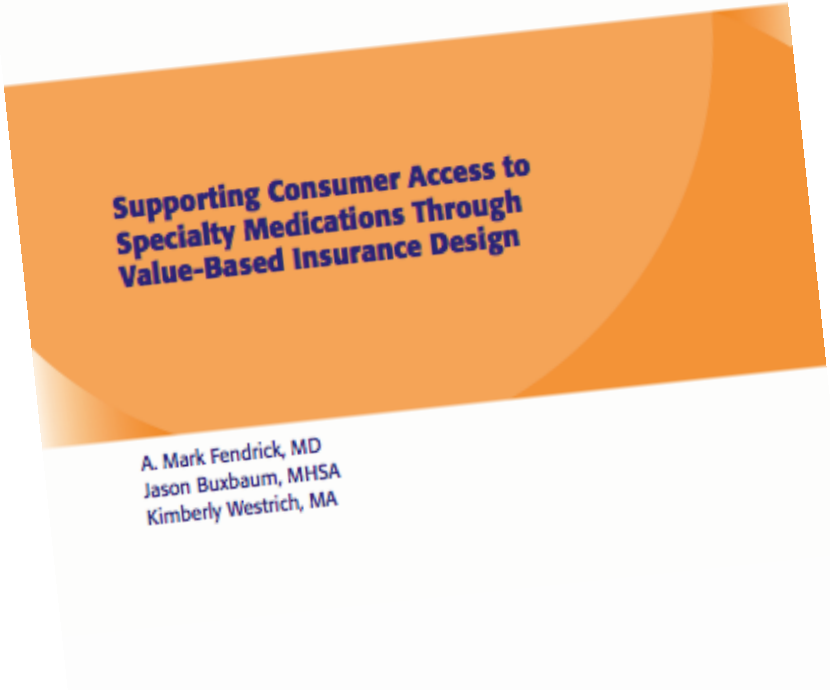
Choudhry. N. *Health Affairs*. 2014;33(3).

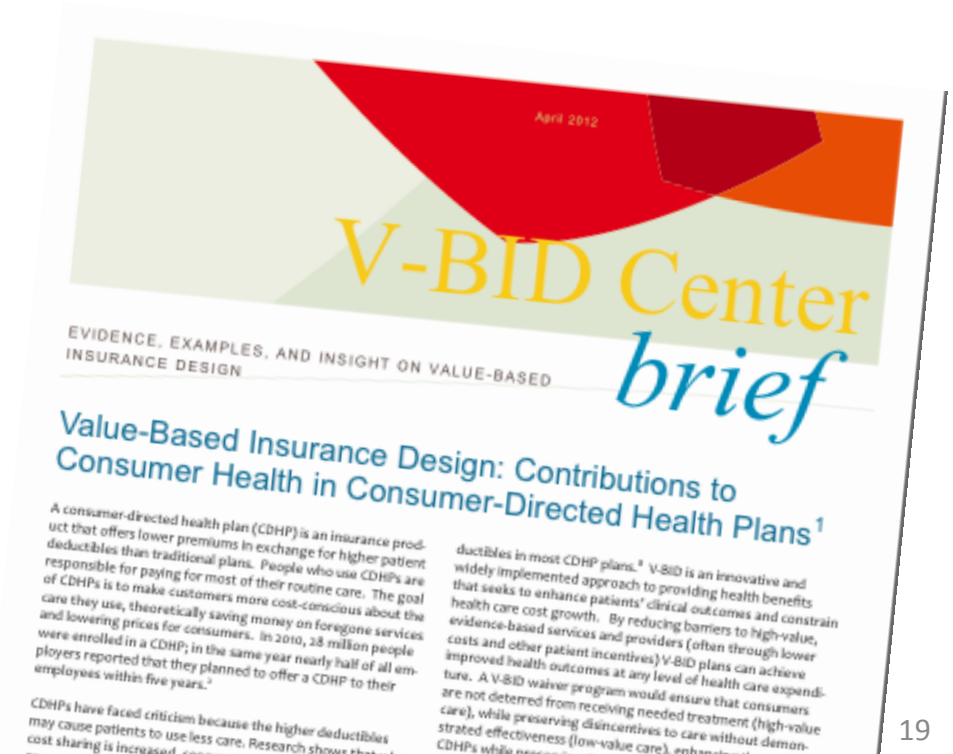
Value-Based Insurance Design
"Clinically Nuanced, Fiscally Responsible"

- **To date, most V-BID programs have focused on removing barriers to high-value services**
- **V-BID programs that encourage conversations about the use of low-value services are being implemented**
  - **Choosing Wisely**
  - **MedInsight Health Waste Calculator**

Value-Based Insurance Design: Key Initiatives

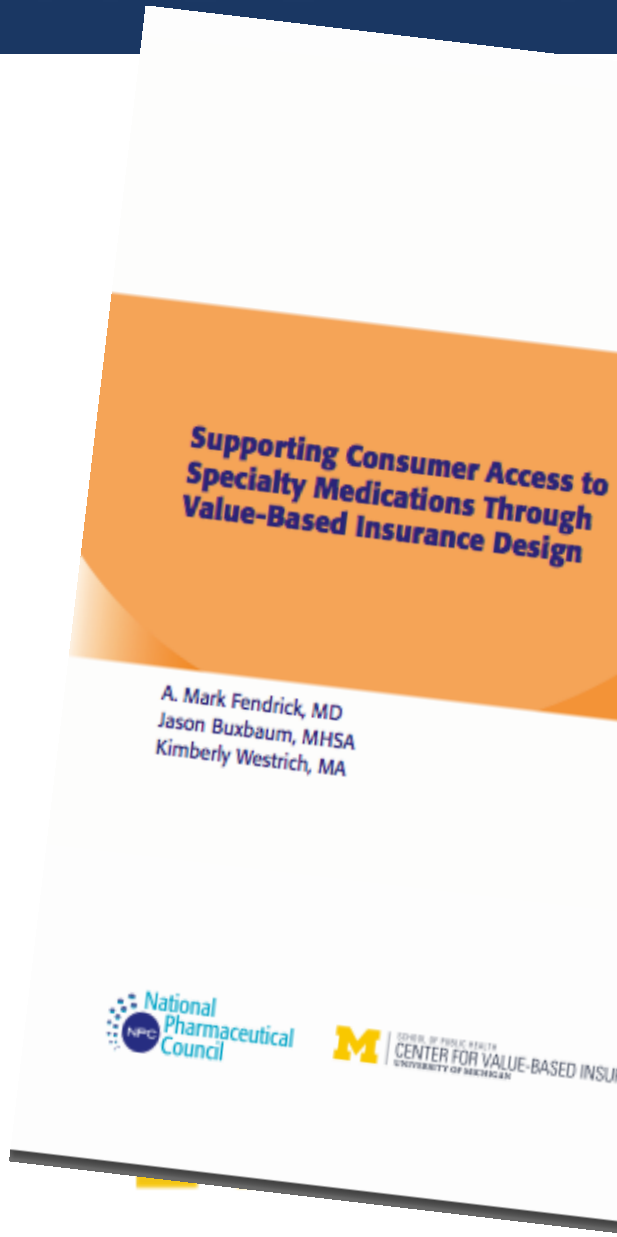
- **Applying V-BID to Specialty Medications**
- **Incorporating V-BID in HSA-qualified HDHPs**





Applying V-BID to Specialty Medications

- **Impose no more than modest cost-sharing on high-value services**
- **Reduce cost-sharing in accordance with patient- or disease-specific characteristics**
- **Relieve patients from high cost-sharing after failure on a different medication**
- **Use cost-sharing to encourage patients to select high-performing providers and settings**



Barriers to V-BID in HSA-qualified HDHPs

- **HSA-HDHP fastest growing health insurance product**
  - **Increasingly popular plan on health exchanges**
- **Primary prevention deductible exempt**
- **IRS "safe harbor" specifically excludes services or benefits meant to treat "an existing illness, injury or condition" from deductible exempt status**
- **Multi-stakeholder initiative underway to create expanded safe harbor**

Improving Care and Bending the Cost Curve

- **The ultimate test of health reform will be whether it improves health and addresses rising costs**
- **V-BID should be part of the solution to reduce cost-related non-adherence and health care disparities**

The New York Times

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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 th

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