

Evidence Based Benefit Design: A Key Pillar of Value Based Purchasing

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Center for Value Based Insurance Design
University of Michigan, December 15, 2005



National Business Coalition on Health (NBCH)

- ***Our identity:*** National, non profit association of nearly 80 business and health coalitions. Network of 7,000 employers and 30 million covered lives
- ***Our vision:*** Market-based reform through value based purchasing, community by community
- ***Our primary mission:*** Building coalition and employer leadership capacity in value based purchasing
- ***Our focus:*** Local markets and collective employer action
- ***Our current strategic goal:*** To be a catalyst and distribution network for best practices in value based purchasing

Key Take Aways

- The Health Care System can do better!
- Value Based Purchasing is still the path forward – but must be led by employers
- Evidenced Based Health Benefit Design can help steer consumers to appropriate and clinically effective medical interventions and high performing plans and providers

The US Health Care System (or Non-System): Opportunities Abound

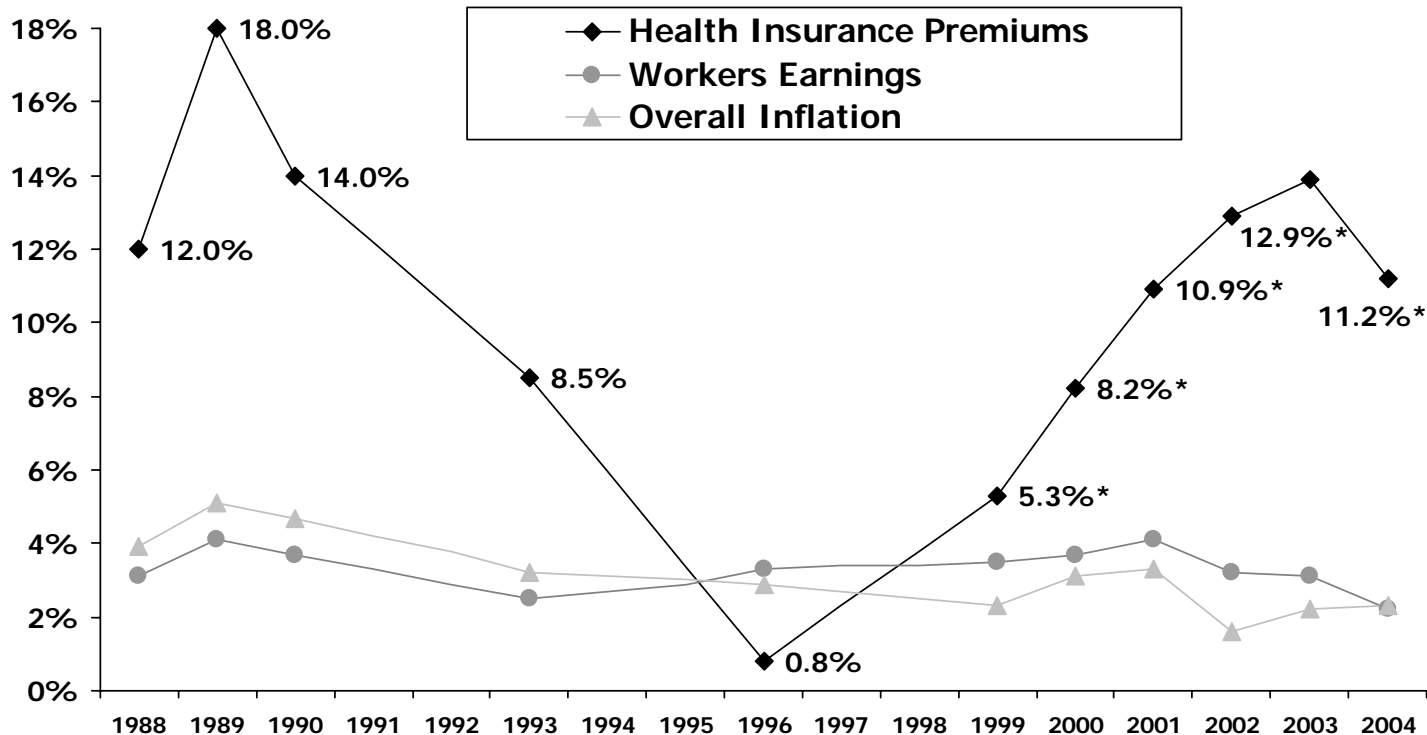
- Safety - Tens of thousands die due to medical errors (IOM, 99)
- Effectiveness - 50/50 chance of getting appropriate care (McGlynn, 03)
- Unexplained Medical Practice Variation - Supply Induced Demand (Wennberg, 1973-present)
- Administrative Waste and Absence of HIT
- Uninsured- over 40 million people (IOM, 03)

And We Get What We Pay For:

- Throughput rather than outcomes
- Individual units of care rather than episodes of illness
- Acute care not prevention
- Medical errors and “do overs”
- With no payment by performance
- And consumers insulated from cost sensitivity because of 3rd party payment

Resulting in No Business Case for Quality!

All Leading to Unsustainable Cost Escalation



● * Estimate is statistically different from the previous year shown at $p < 0.05$.

● † Estimate is statistically different from the previous year shown at $p < 0.1$.

● Note: Data on premium increases reflect the cost of health insurance premiums for a family of four.

● Source: KFF/HRET Survey of Employer-Sponsored Health Benefits: 1999-2004; KPMG Survey of Employer-Sponsored Health Benefits: 1993, 1996; The Health Insurance Association of America (HIAA): 1988, 1989, 1990; Bureau of Labor Statistics, Consumer Price Index (U.S. City Average of Annual Inflation (April to April), 1988-2004; Bureau of Labor Statistics, Seasonally Adjusted Data from the Current Employment Statistics Survey (April to April), 1988-2004.

Whither Employers?

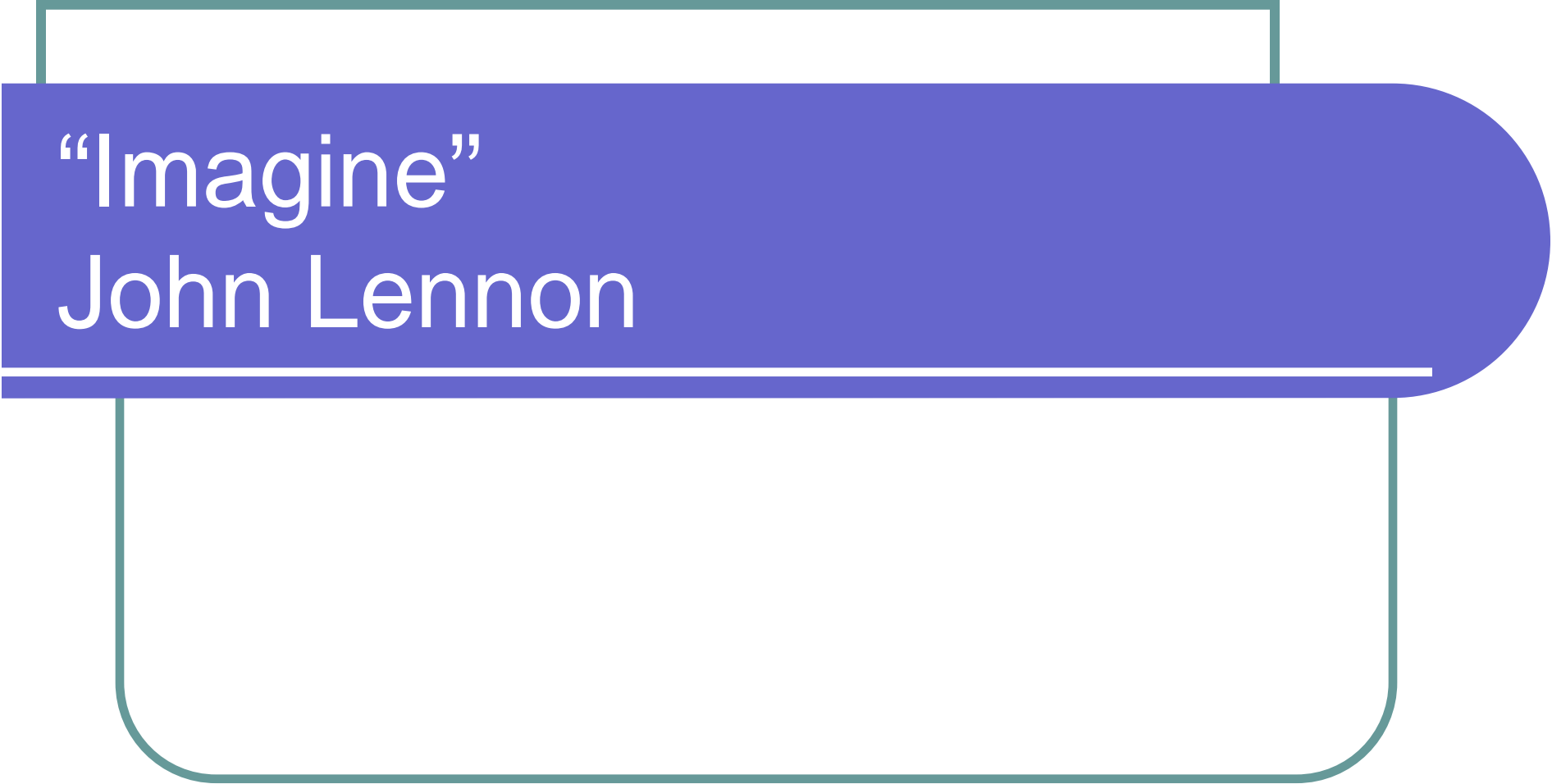
A Tale of Two Cities:

● **Stay in the Game/Vanguard Employers:**

- workforce as primary competitive asset
- investment in robust benefits important to recruitment and retention
- hope for health care system reform

● **Exit/Battle Fatigue Employers:**

- workforce not primary competitive asset
- little hope for health care reform
- shift costs to employees and plan exit strategy



“Imagine”
John Lennon

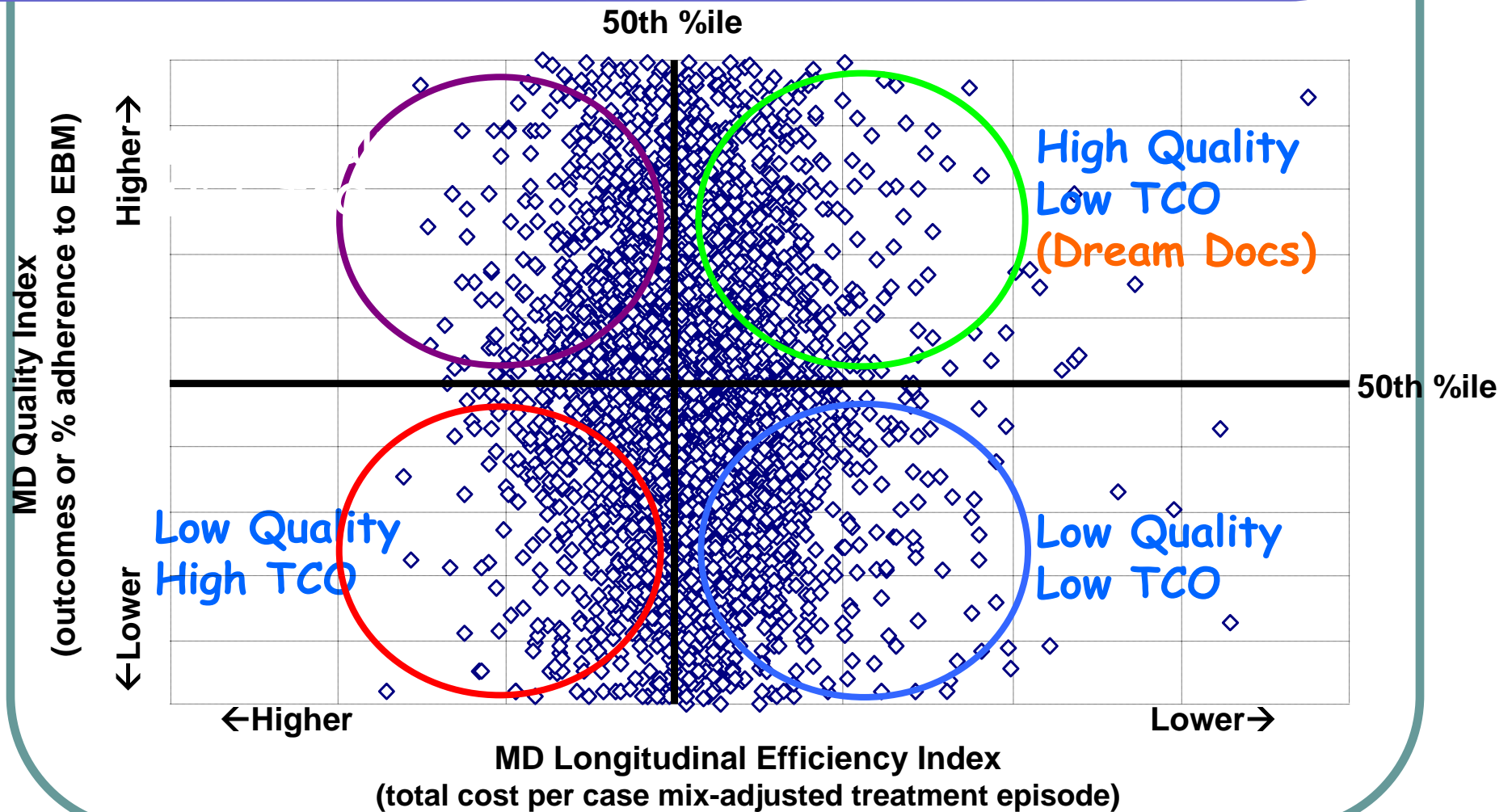
Value Based Purchasing: A Path Forward

Four Pillars:

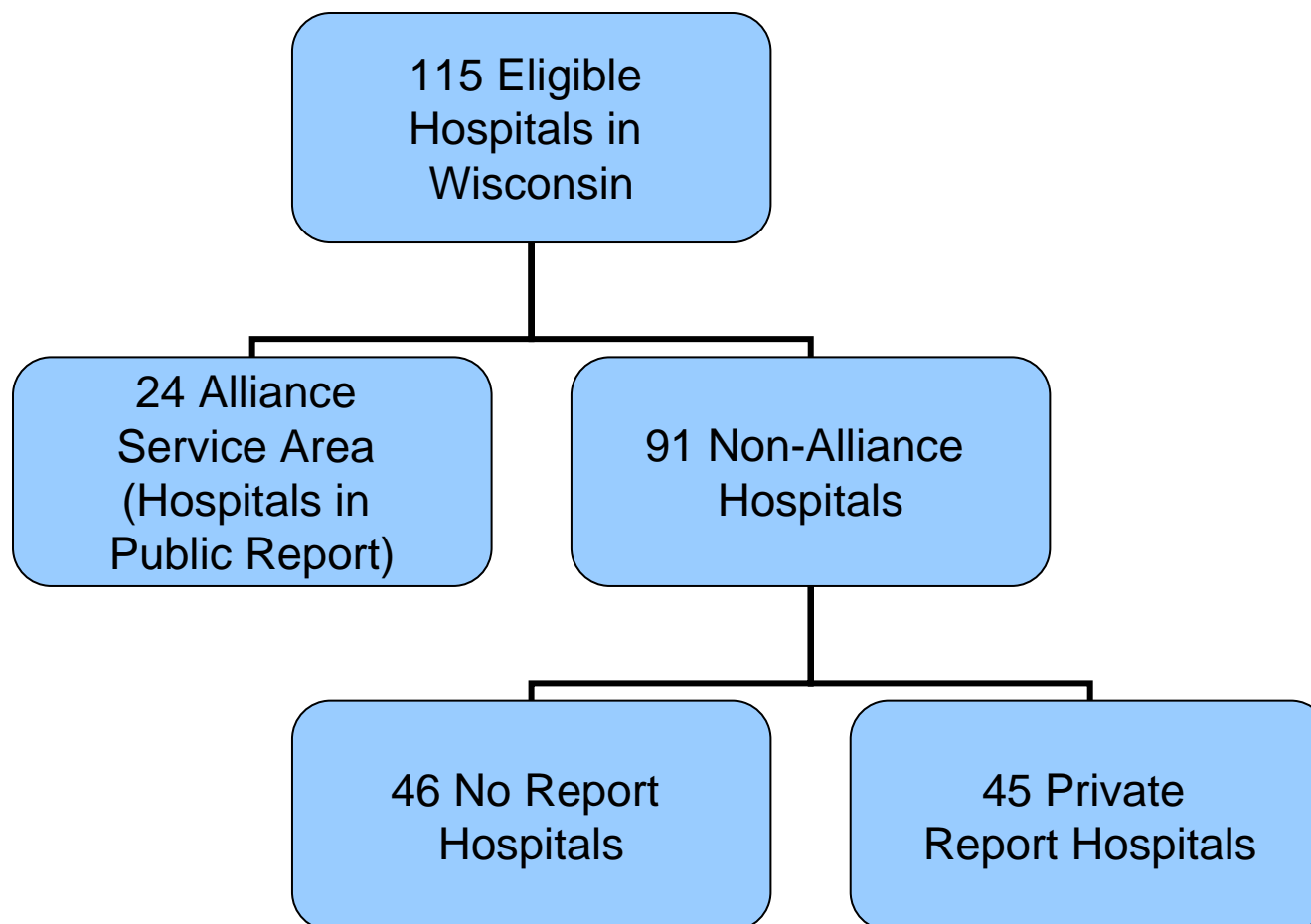
1. Performance Measurement
2. Transparency and Public Reporting
3. Payment Reform
4. **Consumerism**

*Accelerating the Pace to the Ultimate
Goal: Health and Health Care
Improvement*

Performance Measurement

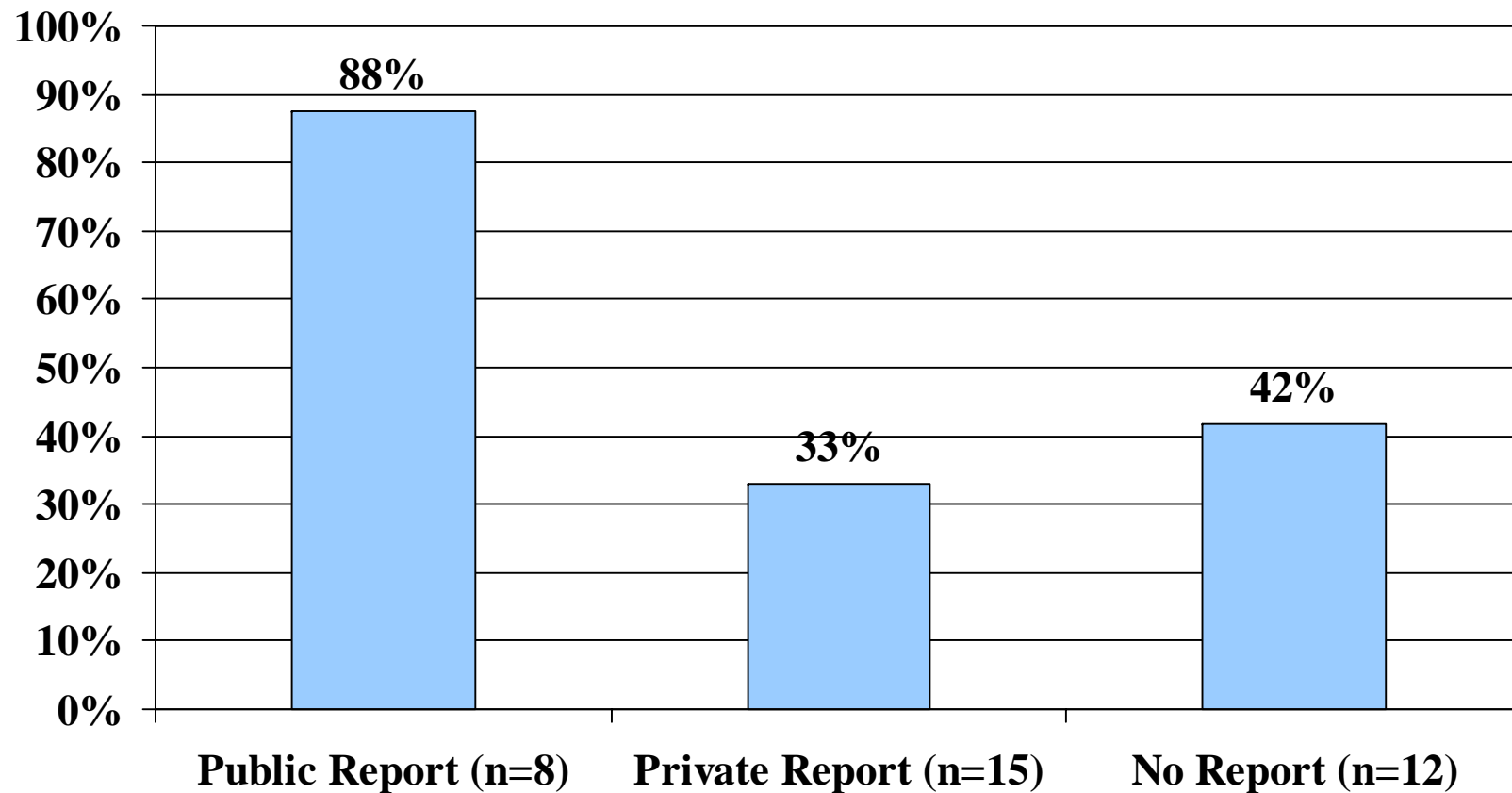


Transparency and Public Reporting



* Three hospitals were lost to closure and two hospitals were ineligible due to overlapping administrative structures

Percentage of hospitals who had poor scores at baseline and who improved their scores in the post-report period



Payment Reform – Bridges to Excellence

Structure (PPC):

PHYSICIAN OFFICE LINK

- Patient safety – e-prescribing
- Guideline-driven care – EHRs
- Focus on high-cost patients – Care coordination
- Improved compliance – Patient education & support

Process & Outcomes (DPRP & HSRP):

DIABETES CARE LINK

- HbA1Cs tested and controlled
- LDLs tested and controlled
- BP tested and controlled
- Eye, foot and urine exams

CARDIAC CARE LINK

- LDLs tested and controlled
- BP tested and controlled
- Use of aspirin
- Smoking cessation advice



Consumerism

The Goal - Awaken the Individual Consumer (the Sleeping Giant) to Make Informed Choices Selections of:

- A Healthy Life Style
- Evidenced-based Preventive Services, Medical Treatments, and Pharmaceutical Interventions
- Self-management of illness/disease
- High Performing Health Plans, Doctors, Hospitals

What is the Employer Role?

Two Key Strategies:

- **Health and Productivity Programs**
- **Evidence-based Health Benefit Design**

***In Combination and Coordinated a
Powerful Force!***

What is Evidence Based Benefit Design?

Key Principles:

- Individuals need financial “skin in the game,” ideally means tested
- Benefit design should be used to steer individuals towards evidence based medical and pharmaceutical interventions and high performing plans and providers.
- Individuals who reduce risk factors and self manage chronic illness should be rewarded through reduction/waiver of insurance copays
- Basic architecture should rely on broad choice but with differential tiering

Do CDHPs Fit the Evidenced Based Benefit Design Criteria?

- Reduces/delays demand for appropriate services
- Relies on consumers in a market that lacks information/transparency
- Would benefit from expanding definition of preventive services in basic insurance package
- CDHPs have raised profile of the importance of consumer engagement



Are There Models of Evidence
Based Benefit Design?

General Motors

		HMO A	HMO B	HMO C	HMO D
eValue8 RFI Results	Raw Score Flex Score (25)	129 5	221 25	211 24	176 16
HEDIS / CAHPS (CARS evaluation)	Raw Score Flex Score (20)	7 7	14 14	13 13	13 13
NCQA Accreditation	Raw Score Flex Score (5)	Commendable 2	Excellent 5	Excellent 5	Accredited 1
Total Quality Score (50)		14	44	42	30
National Rate Rankings		24	20	19	22
Relationships of rates to Local Indemnity		23	13	12	14
Total Cost Score (50)		47	33	31	36
Total Quality + Cost (100)		61	77	73	66
Rating		Below Avg	Benchmark	Strong	Good
Sample Employee Contribution		\$100	\$20	\$40	\$55

The Boeing Company

Creating Differential Hospital Insurance for Employees

- Effective July 1, 2004, union employees and early retirees will obtain 100% coverage after deductible for services provided by a Leapfrog-compliant hospital.
- Hourly employees hospitalized in facilities that do not meet the Leapfrog safety practices will obtain 95% coverage after deductible.
- This benefit design will remain in place until July 1, 2006 when a new collective bargaining agreement becomes effective.

Pitney Bowes

Pharmacy tier co-pay and benefit changes:

- Tier 1: 10% co-pay includes:
 - Most generics
 - All medications for: Diabetes / Asthma / Hypertension
- Tier 2: 30% co-pay
 - Most preferred brand name drugs
- Tier 3: 50% co-pay
 - Non-preferred brand name drugs

Other Pharmacy Changes:

- No mandatory mail order
- No mandatory generic
- No step therapy
- Limited prior authorization requirements

Pitney Bowes – Diabetes Results

- **Market Share**

- Use of impacted drugs increased from 41% to 71%

- For Type 2 diabetics, use of impacted drugs increased from 29% to 52%

- 85% of people on impacted drug remained on treatment

- **Cost & Utilization**

- Median total medical cost of a diabetic decreased 6%

- Office visits per 1,000 declined 4%

- ER visits per 1,000 declined 35%

- **Pharmacy**

- Net per member per month pharmacy costs declined 12%

- Decreased cost of drugs used to treat complications offset increase in cost of diabetic drugs

- Decreased pharmacy costs of 7% for diabetics

How Do We Accelerate Deployment? A Role for VBID?

- Identify best practices
- Measure ROI for the employer
- Create a generic benefit design model – based on low hanging fruit
- Link evidence based benefit design to health and productivity programs
- Create distribution network of best practices to coalition/employer community – an NBCH role

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