Value-Based Insurance Design:
Bridging the Divide Between
Quality Improvement and Cost Containment
Value-Based Insurance Design: Lessons Learned

A. Mark Fendrick, MD
Co-Director
University of Michigan Center for Value-Based Insurance Design
“One of the lessons of history is that nothing is often a good thing to do and always a clever thing to say.”

Will Durant
Value Based Insurance Design
Acknowledge the Cost / Quality Divide

- Need for employers to constrain health care cost growth is the critical element
- In most surveys, “high performing employers” are those who spend less on health care
- Almost all of these analyses lack an assessment of clinical outcomes
- Revisit motivation for health benefits
Quality improvement initiatives are designed to improve patient self-management by enhancing compliance with specific high value interventions.

At the same time, rising co-payments create financial barriers that discourage the use of recommended services.
“I can’t believe you had to spend a million dollars in grant funding to show that if you make people pay more for something they will buy less of it.”

Barbara Fendrick (my mother)
Cost-sharing within Plan Design Affects Adherence to Chronic Disease Drugs

Figure 1. Mean MPR% for Chronic Disease Medications Based on Cost Sharing Plan
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 decrease use of essential services due to cost shifting
A Benefit-Based Copay for Prescription Drugs: Patient Contribution Based on Total Benefits, Not Drug Acquisition Cost

A. Mark Fendrick, MD; Dean G. Smith, PhD; Michael E. Chernew, PhD; and Sonali N. Shah, MBA, MPH
Medical services differ in the level of clinical benefit they provide.

The clinical benefit derived from a specific medical service likely differs, depending on the patient population who is using it.
Value-Based Insurance Design: A “Clinically Sensitive” Approach to Preserve Quality of Care and Contain Costs

A. Mark Fendrick, MD; and Michael E. Chernew, PhD
Value-based benefit packages adjust patients' out-of-pocket costs for health services on an assessment of the clinical benefit to the individual patient. The more clinically beneficial the therapy for the patient, the lower that patient's cost share. Higher cost sharing is applied to interventions with little or no proven benefit.
Value-Based Insurance Design: A “Clinically Sensitive, Fiscally Responsible” Approach to Mitigate The Adverse Clinical Effects of High-Deductible Consumer-Directed Health Plans

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“We believe that relying on clinically informed financial incentives – for patients and providers – will be useful in achieving improved health outcomes for any level of health care expenditures.”

Value-Based Insurance Design: From Concept to Reality
“Reality is a crutch for people who cannot cope with drugs”

Lily Tomlin
Can a VBID intervention be successfully implemented?
February 21, 2007

To Save Later, Some Employers Are Offering Free Drugs Now

By MILT FREUDENHEIM

For years, employers have been pushing their workers to pay more for health care, raising premiums and out-of-pocket medical expenses in an effort to save money for the company and force workers to seek only the most necessary care.

Now some employers are reversing course, convinced that their pennywise approach does not always reduce long-term costs. In the most radical of various moves, a number of employers are now giving away drugs to help workers manage chronic conditions like diabetes, high blood pressure, asthma and depression.

Major employers like Marriott International, Pitney Bowes, the carpet maker Mohawk Industries and Maine state government have introduced free drug programs to avoid paying for more expensive treatments down the road.
April 24, 2006

University of Michigan unveils innovative medication program for employees and dependents with diabetes

Co-pays for some proven preventive medications will now be free Concept inspired by U-M research on co-pays’ impact on long-term health

ANN ARBOR, MI – University of Michigan employees and their dependents who have any form of diabetes will be able to receive some of their medications for free, through an innovative new pilot program aimed at encouraging the use of medicines that can help prevent the disease's worst long-term effects.

Beginning July 1, participants will be charged no co-pay for certain drugs that control blood sugar, lower blood pressure, cut the risk of heart and kidney problems, and ease depression. All of the drugs chosen for "free co-pays" have been shown to help prevent diabetes complications that can be debilitating or fatal. Co-pays for other drugs in the...
Value Based Insurance Design
Keys to Acceptance

- Will the program be accepted by beneficiaries?
“I just wanted to say thank you for the new initiative on diabetes! As a staff member at the University I have always felt blessed for the health benefits that are available to me…. Besides insulin, I take Lipitor and an ACE Inhibitor for kidney disease prevention - the new initiative is a God-send!”
What are the clinical and economic effects?
“It is better to do nothing with your money than something that you don’t understand.”

Suze Orman
Value Based Insurance Design
Evaluation of M Healthy: Focus on Diabetes

- Controlled Prospective Trial
  - Allison Rosen, PI

- Outcome Measures
  - Drug adherence
  - Selected clinical outcomes
  - Medication spending
  - Total health care spending
Value Based Insurance Design
“Fiscally Responsible, Clinically Sensitive”

- Amount saved by preventing adverse consequences is directly related to
  - Risk of adverse event
  - Availability of interventions that reduce risk
  - Non-compliance with risk reducing services

- If offset not enough, costs of the increased use of high valued services can be subsidized by higher cost sharing for services of lower value
Free prescription drugs boost usage, cut costs

Program targeting chronic conditions improves health

By JOANNE WOJCIK

WASHINGTON—A major U.S. hospitality industry employer has found that giving free prescription drugs to certain employees who have chronic but manageable health conditions can save money as well as improve health care outcomes.

This was the preliminary conclusion of Marriott Inc. following its 2011 decision to eliminate copays for generic drugs used to treat asthma, diabetes and heart disease.

Inc. is experimenting with a program that eliminates copays for generic drugs used to treat asthma, diabetes and heart disease.

In situations where the patient is not taking a drug because of its cost, ActiveHealth works with the pharmacy benefit manager to provide discounts to make the drug more affordable for the patient, Mr. Reisman said.

“We selectively reduce copayments for drugs that these patients should be taking but aren’t,” he said. “It’s manipulation of plan design based on the physiology of the member.”

In Marriott’s case, the PBM was instructed to eliminate generic copayments and halve copays for