



SCHOOL OF PUBLIC HEALTH

CENTER FOR VALUE-BASED INSURANCE DESIGN

UNIVERSITY OF MICHIGAN

**Value-Based Insurance Design:
Using “Smarter” Cost-sharing to Align Consumer
Incentives with Alternative Payment Models**

A. Mark Fendrick, MD

**University of Michigan Center for
Value-Based Insurance Design**

www.vbidcenter.org



@um_vbid



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.

Shifting the Discussion from “How much” to “How well”

Overview

- **Impact of Consumer Cost-sharing**
- **New Approach: “Clinically Nuanced” Cost-sharing**
- **Value-Based Insurance Design**
- **Putting Innovation into Action**
- **Identifying and Removing Waste**
- **Synergies with Alternative Payment Models**

Getting to Health Care Value

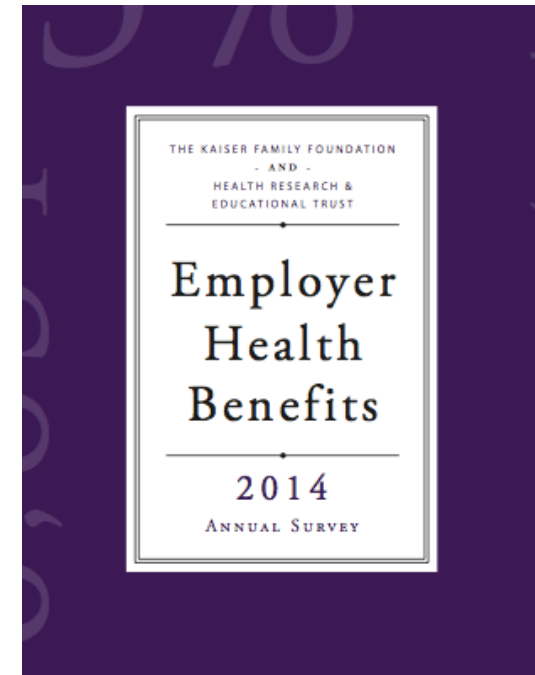
Shifting the discussion from “How much” to “How well”

- **Innovations to prevent and treat disease have led to impressive reductions in morbidity and mortality**
- **Regardless of these advances, cost growth is the principle focus of health care reform discussions**
- **Despite unequivocal evidence of clinical benefit, substantial underutilization of high-value services persists across the entire spectrum of clinical care**
- **Attention should turn from *how much* to *how well* we spend our health care dollars**

Getting to Health Care Value

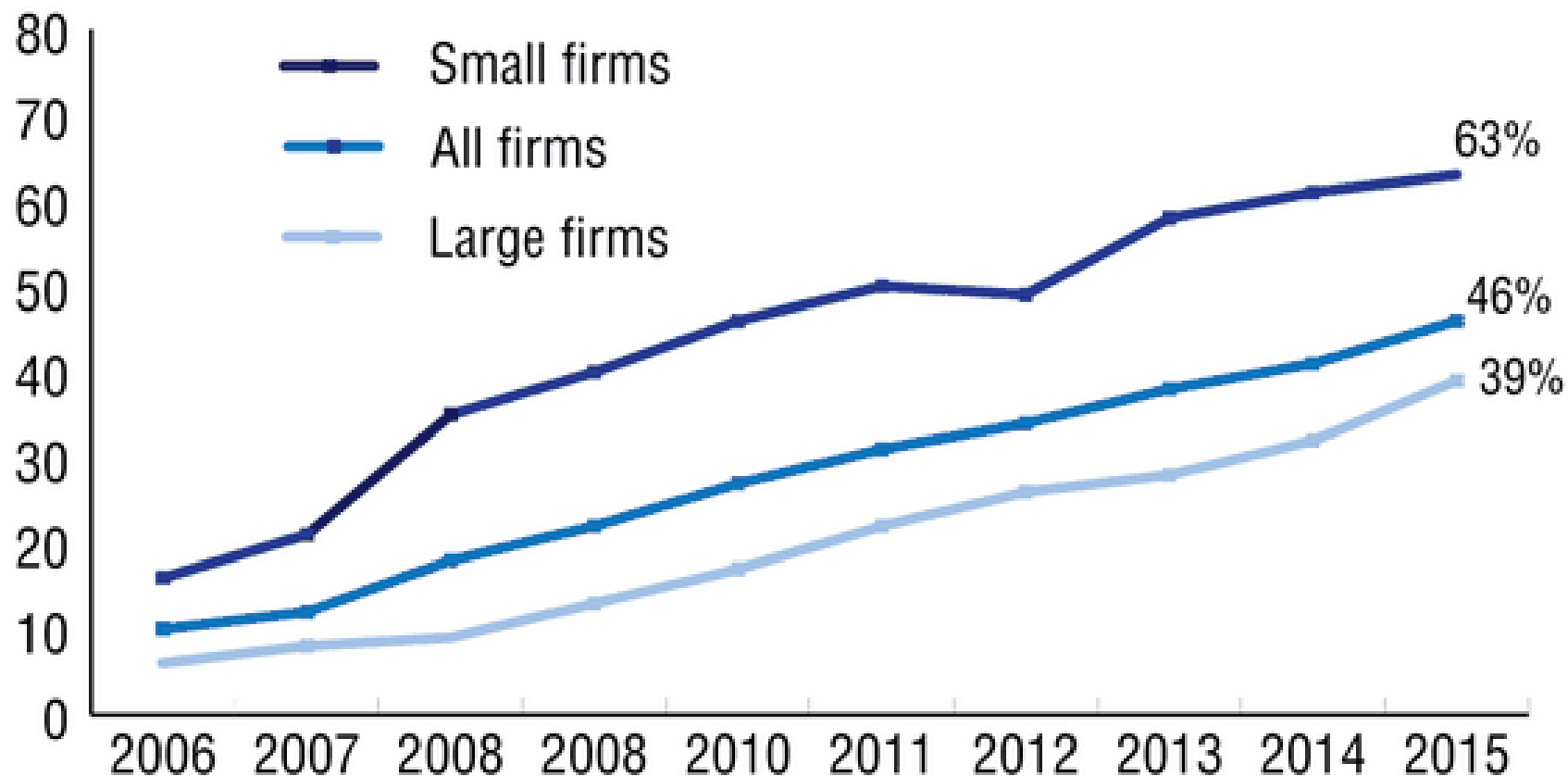
Role of Consumer Cost-Sharing in Clinical Decisions

- For today's discussion, the focus is on costs paid **by the consumer**, not the employer or third party administrator
- Archaic “one-size-fits-all” cost-sharing fails to acknowledge the differences in clinical value among medical interventions
- Consumer cost-sharing is rising rapidly



Deductibles on the rise

Percentage of covered workers with an annual deductible of \$1,000 or more for single coverage



Source: Kaiser Family Foundation and Health Research and Educational Trust

Pathway to Better Health and Lower Costs 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 Increases in Consumer Cost-Sharing on Health Care Utilization

A growing body of evidence concludes that increases in consumer cost-sharing leads to a reduction in the use of essential services, worsens health disparities, and in some cases leads to greater overall costs.

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.

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](#)



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.

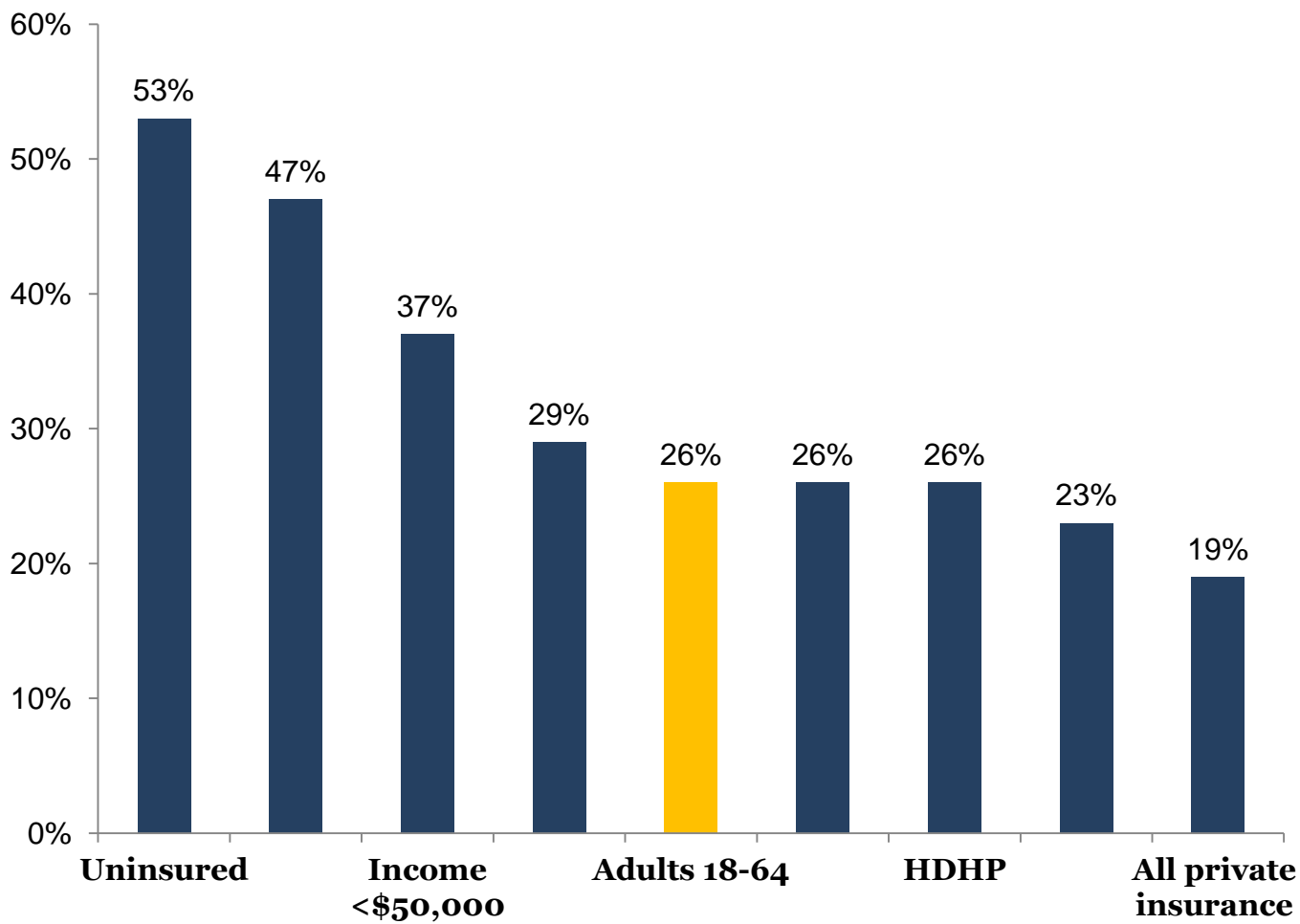
What is a surprise is that amid these complex issues, one policy sidesteps these trade-offs.

Minh Uong/The New York Times

FACEBOOK
TWITTER
GOOGLE+
SAVE
EMAIL
SHARE
PRINT
REPRINTS

THE GRAND BUDAPEST HOTEL

Americans Reporting Problems Paying Medical Bills in Past Year



Source: Kaiser Family Foundation/New York Times Medical Bills Survey



Getting to Health Care Value

Consumer Solutions Needed to Enhance Efficiency

- **While important, the provision of accurate price and quality data does not address appropriateness of care nor substantially impact consumer behavior**
- **Additional solutions are necessary to better allocate health expenditures on the clinical benefit – not only the price or profitability – of services**

Potential Solution to Cost-Related Non-Adherence

Clinically Nuanced Cost-Sharing

What is clinical nuance?

Services differ in clinical benefit produced



Clinical benefits from a specific service depend on:

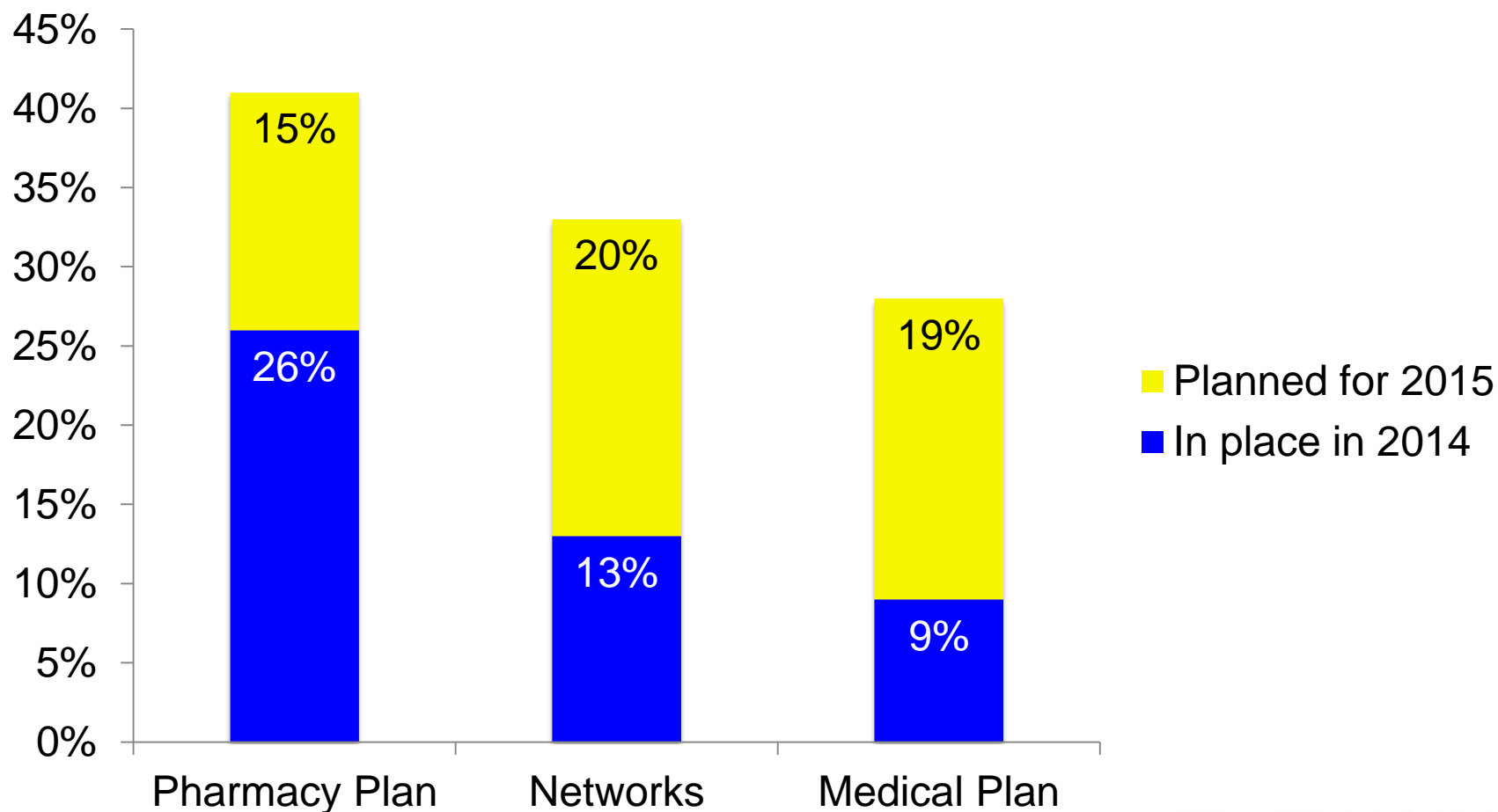


Implementing Clinical Nuance: Value-Based Insurance Design

- **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**



V-BID Momentum Continues



Source: 19th Annual Towers Watson/National Business Group on Health Employer Survey



V-BID: Who Benefits and How?



CONSUMERS



Improves access

Lowers out-of-pocket costs



PAYERS



Promotes efficient expenditures

Reduces wasteful spending



PROVIDERS



Enhances patient-centered outcomes

Aligns with provider initiatives



Putting Innovation into Action

Broad Multi-Stakeholder Support

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

Putting Innovation into Action: Translating Research into Policy

- **Patient Protection and Affordable Care Act**
- Medicare
- HSA-qualified HDHPs
- State Health Reform



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 137 million Americans have received expanded coverage of preventive services

Putting Innovation into Action: Translating Research into Policy

- Patient Protection and Affordable Care Act
- **Medicare**
- HSA-qualified HDHPs
- State Health Reform



Translating Research into Policy: Implementing V-BID in Medicare

Why not lower cost-sharing on high-value services?



The anti-discrimination clause of the Social Security Act does not allow clinically nuanced consumer cost-sharing.

"providers may not deny, limit, or condition the coverage or provision of benefits"

H.R.2570/S.1396: Bipartisan “Strengthening Medicare Advantage Through Innovation and Transparency”

- **Directs HHS to establish a V-BID demonstration for MA beneficiaries with chronic conditions**
- **Passed US House with strong bipartisan support in June 2015**

HR 2570: Strengthening Medicare Advantage Through Innovation and Transparency

114TH CONGRESS
1ST SESSION

H. R. 2570

IN THE SENATE OF THE UNITED STATES

JUNE 18, 2015

Received; read twice and referred to the Committee on Finance

AN ACT

To amend title XVIII of the Social Security Act with respect to the treatment of patient encounters in ambulatory surgical centers in determining meaningful EHR use, 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, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE.

This Act may be cited as the “Strengthening Medicare Advantage through Innovation and Transparency for Seniors Act of 2015”.

SEC. 2. TREATMENT OF PATIENT ENCOUNTERS IN AMBULATORY SURGICAL CENTERS IN DETERMINING MEANINGFUL EHR USE.



CMS Announces Medicare Advantage Value-Based Insurance Design Model Test

A 5-year demonstration program will test the utility of structuring consumer cost-sharing and other health plan design elements to encourage patients to use high-value clinical services and providers.



*Red denotes states included in V-BID model test

Putting Innovation into Action: Translating Research into Policy

- Patient Protection and Affordable Care Act
- Medicare
- **HSA-qualified HDHPs**
- State Health Reform

HSA-HDHP enrollment and out-of-pocket expenses continue to grow



Maximum Out-of-pocket expense 2006 to 2014

individual: \$5,000 to \$6,350

family: \$10,000 to \$12,700

http://www.ahipcoverage.com/wp-content/uploads/2013/06/HSAinfographic_V9_FV.jpg

<http://kff.org/report-section/ehbs-2014-section-eight-high-deductible-health-plans-with-savings-option/>

<http://www.irs.gov/pub/irs-drop/n-04-2.pdf>

***IRS Safe Harbor Guidance allows zero
consumer cost-sharing for specific
preventive services***

INCLUDING:

- ✓ periodic health evaluations/screenings
- ✓ routine prenatal and well-child care
- ✓ child and adult immunizations
- ✓ tobacco cessation programs
- ✓ obesity weight-loss programs

www.irs.gov/pub/irs-drop/n-04-23.pdf

However, IRS guidance requires that services used to treat
"existing illness, injury or conditions"
are not covered until the minimum deductible is met



office visits



diagnostic tests



drugs

As HSA-HDHP enrollees with existing conditions are required to pay out-of-pocket for necessary services, they utilize less care, potentially resulting in poorer health outcomes and higher costs

Potential Solution:

High Value Health Plan

Flexibility to expand IRS
"Safe Harbor" to allow
coverage of additional
evidence-based services
prior to meeting
the plan deductible



Putting Innovation into Action: Translating Research into Policy

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- HSA-qualified HDHPs
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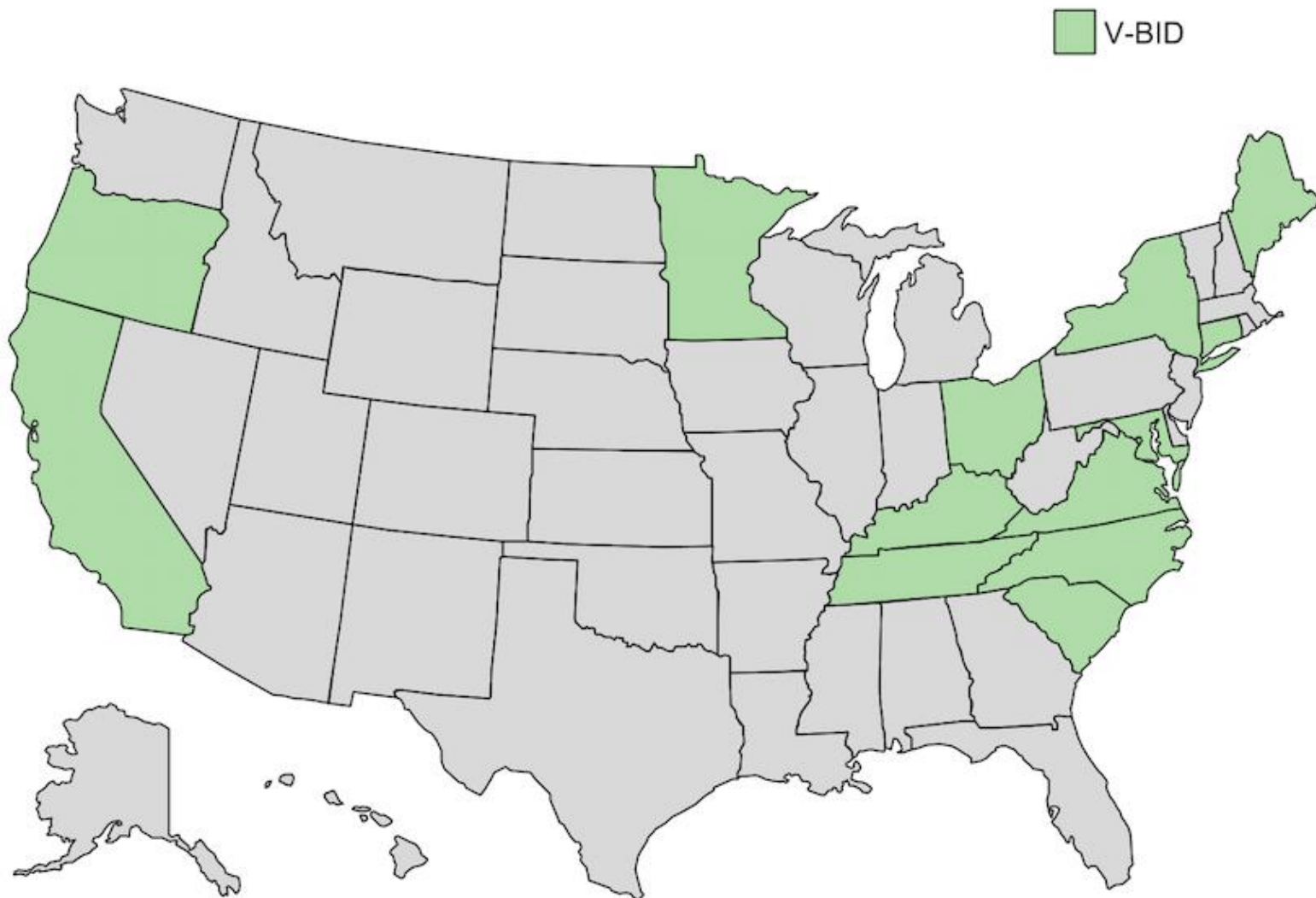
Getting to Health Care Value - What's Your State's Path?

V-BID Role in State Health Reform

- **State Exchanges – Encourage V-BID (CA, MD)**
- **CO-OPs - Maine**
- **Medicaid – Michigan**
- **State Innovation Models – NY, PA, CT, VA**
- **State Employee Benefit Plans**



Value-Based Insurance Design Growing Role in State Employee Plans



Implementing V-BID for State Employees: Connecticut State Employees Health Benefit Plan

- Employees receive a reprieve from higher premiums and receive lower cost-sharing if they commit to:
 - Age-appropriate screenings/preventive care
 - Participate in disease management programs for chronic conditions
- **Compliance required to remain in plan**
- **2 year results:**
 - Increased use of preventive services
 - Improved medication adherence
 - Decreased ER visits
 - Inconclusive cost impact



Removing Waste

Health Waste Calculator (HWC)

Category	Sources	Estimate of Excess Costs	% of Waste	% of Total
Unnecessary Services	<ul style="list-style-type: none"> • Overuse beyond evidence-established levels • Discretionary use beyond benchmarks • Unnecessary choice of higher-cost services 	\$210 billion	27%	9.15%
Inefficiently Delivered Services	<ul style="list-style-type: none"> • Mistakes, errors, preventable complications • Care fragmentation • Unnecessary use of higher-cost providers • Operational inefficiencies at care delivery sites 	\$130 billion	17%	5.66%
Excess Admin Costs	<ul style="list-style-type: none"> • Insurance paperwork costs beyond benchmarks • Insurers' administrative inefficiencies • Inefficiencies due to care documentation requirements 	\$190 billion	25%	8.28%
Prices that are too high	<ul style="list-style-type: none"> • Service prices beyond competitive benchmarks • Product prices beyond competitive benchmarks 	\$105 billion	14%	4.58%
Missed Prevention Opportunities	<ul style="list-style-type: none"> • Primary prevention • Secondary prevention • Tertiary prevention 	\$55 billion	7%	2.40%
Fraud	<ul style="list-style-type: none"> • All sources – payers, clinicians, patients 	\$75 billion	10%	3.27%
Total		\$765 billion		33.33%

Identifying and Removing Waste

Category	Sources	Estimate of Waste Costs	% of Waste	% of Total
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Removing Waste

Health Waste Calculator (HWC) – Sample Results

20%

of members exposed
to 1+ wasteful
service

36%

of services were
wasteful

2.4%

or \$11.94 PMPM in
claims wasted

Health Waste Calculator (HWC)

Top 5 Measures by Cost

Waste Measure Description	Total Wasteful Services Overall	Total Wasteful Dollars Overall
Baseline laboratory studies in patients without systemic disease undergoing low-risk surgery	938,814	\$365,847,701.78
Stress cardiac imaging or advanced non-invasive imaging in the initial evaluation of patients w/o cardiac symptoms	54,702	\$185,997,938.76
Annual electrocardiograms (EKGs) or any other cardiac screening for low-risk patients without symptoms.	276,698	\$113,615,026.14
Routine annual cervical cytology screening (Pap tests) in women 21–65 years of age.	334,184	\$73,369,640.80
PSA-based screening for prostate cancer in all men regardless of age.	272,015	\$63,137,698.98

Identifying and Removing Waste Levers to Create Change

- **Claim Adjudication**
- **Analytics & Reporting**
- **Education & Promotion**
- **Provider Network**
- **Pay for Performance**
- **Medical Management**
- **Purchasing Criteria**
- **Benefit Design**

Aligning Payer and Consumer Incentives: As Easy as Peanut Butter and Jelly

Many “supply side” initiatives are restructuring provider incentives to move from volume to value:

- **Medical Homes**
- **Accountable Care**
- **Bundled Payments**
- **Reference Pricing**
- **Global Budgets**
- **High Performing Networks**
- **Health Information Technology**

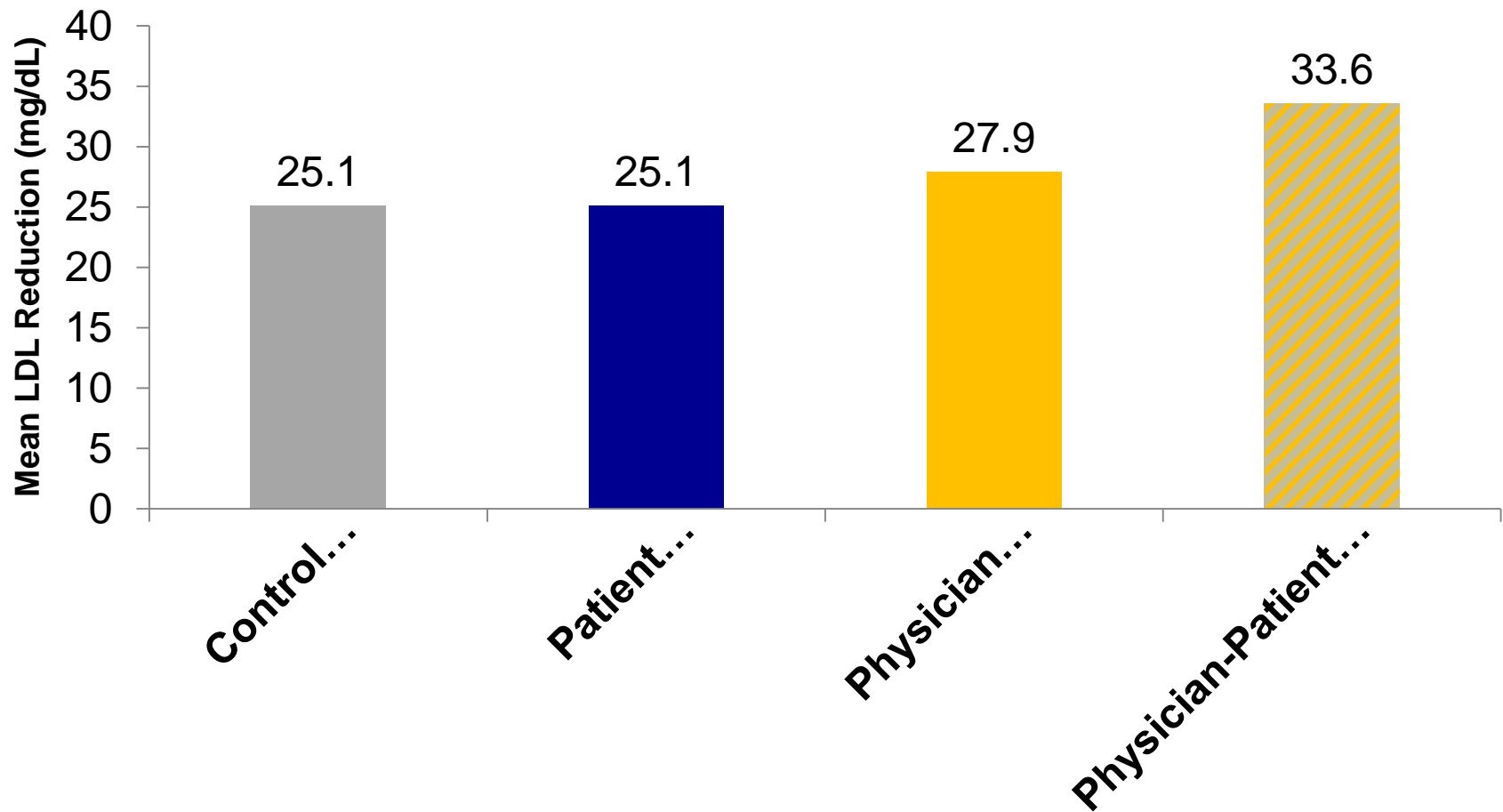


Aligning Payer and Consumer Incentives: As Easy as Peanut Butter and Jelly

Unfortunately, some “demand-side” initiatives – including consumer cost sharing and a lack of incentives to stay within an ACO - discourage consumers from pursuing the “Triple Aim”



Impact of Aligning Physicians and Patients: Financial Incentives to Lower Cholesterol



Source: *JAMA*. 2015;314(18):1926-1935



Align Payer and Consumer Incentives: As Easy as Peanut Butter and Jelly

The alignment of clinically nuanced, provider-facing and consumer engagement initiatives is a necessary and critical step to improve quality of care, enhance employee experience, and contain cost growth



Discussion

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