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

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#WMAHUVBID

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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**

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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**

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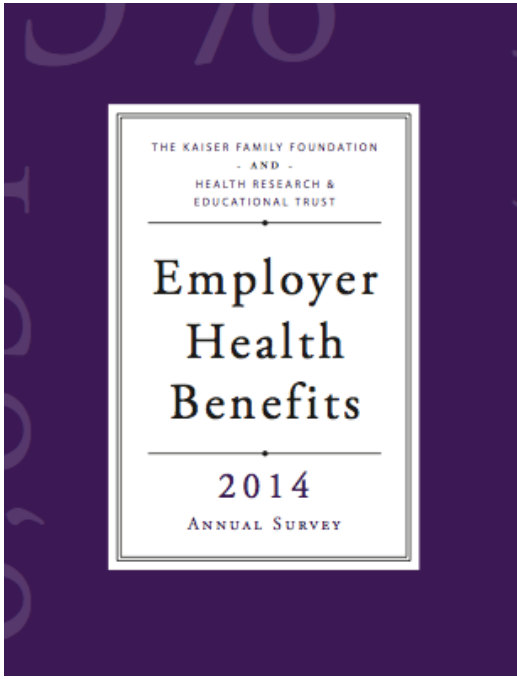
Getting to Health Care Value
Role of Consumer Cost-Sharing in Clinical Decisions

- **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**



Health Affairs 2014. doi: 10.1377/hlthaff.2014.0792

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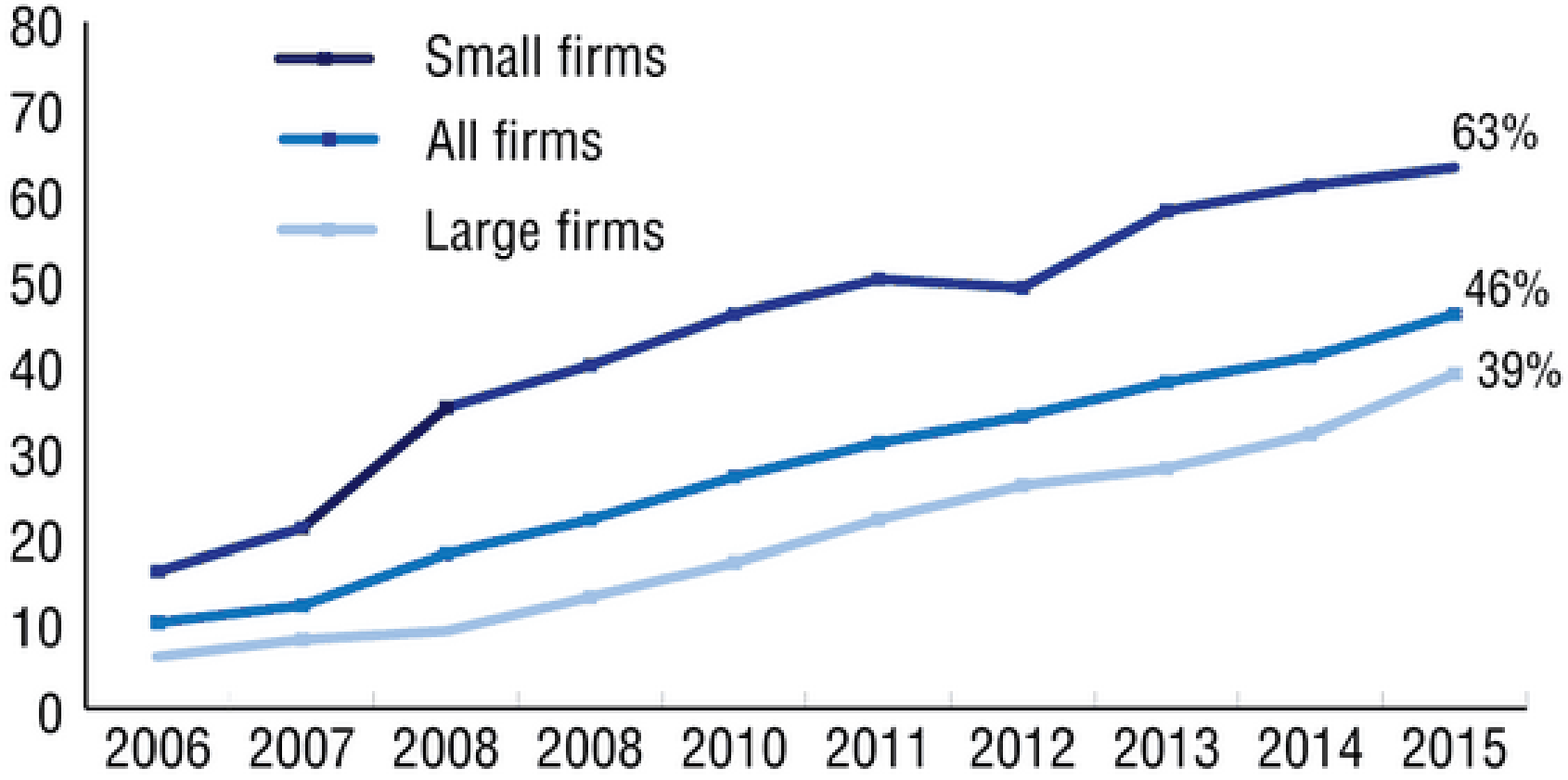
Deductibles on the rise

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.**

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.

FACEBOOK
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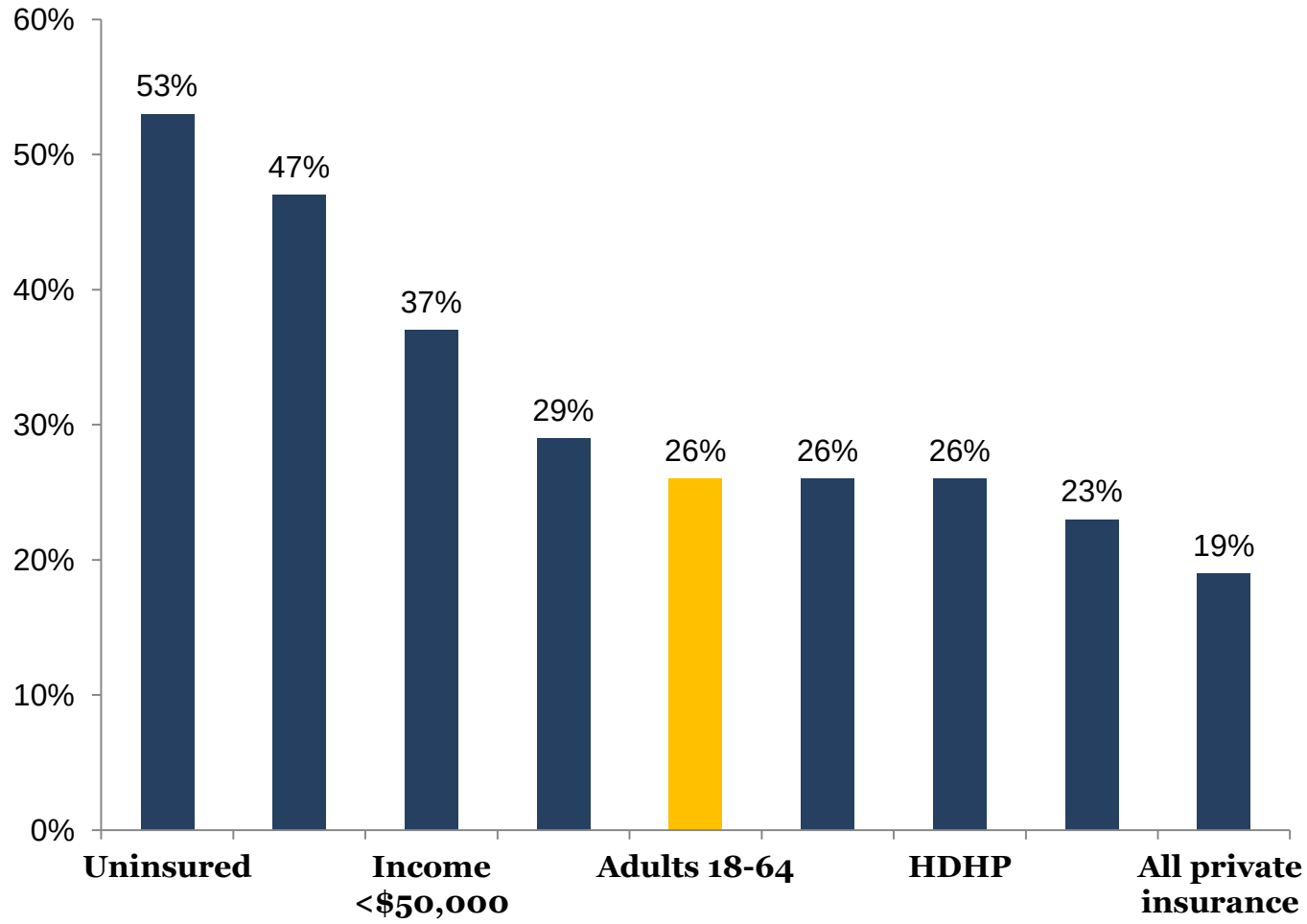
GOOGLE+
SAVE
EMAIL
SHARE
PRINT
REPRINTS

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.

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**

Understanding CLINICAL NUANCE

A Solution to "One-Size-Fits-All" Cost-Sharing

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#1 Clinical Services Differ in the Benefit Produced

Office Visits

Diagnostic Tests

Prescription Drugs

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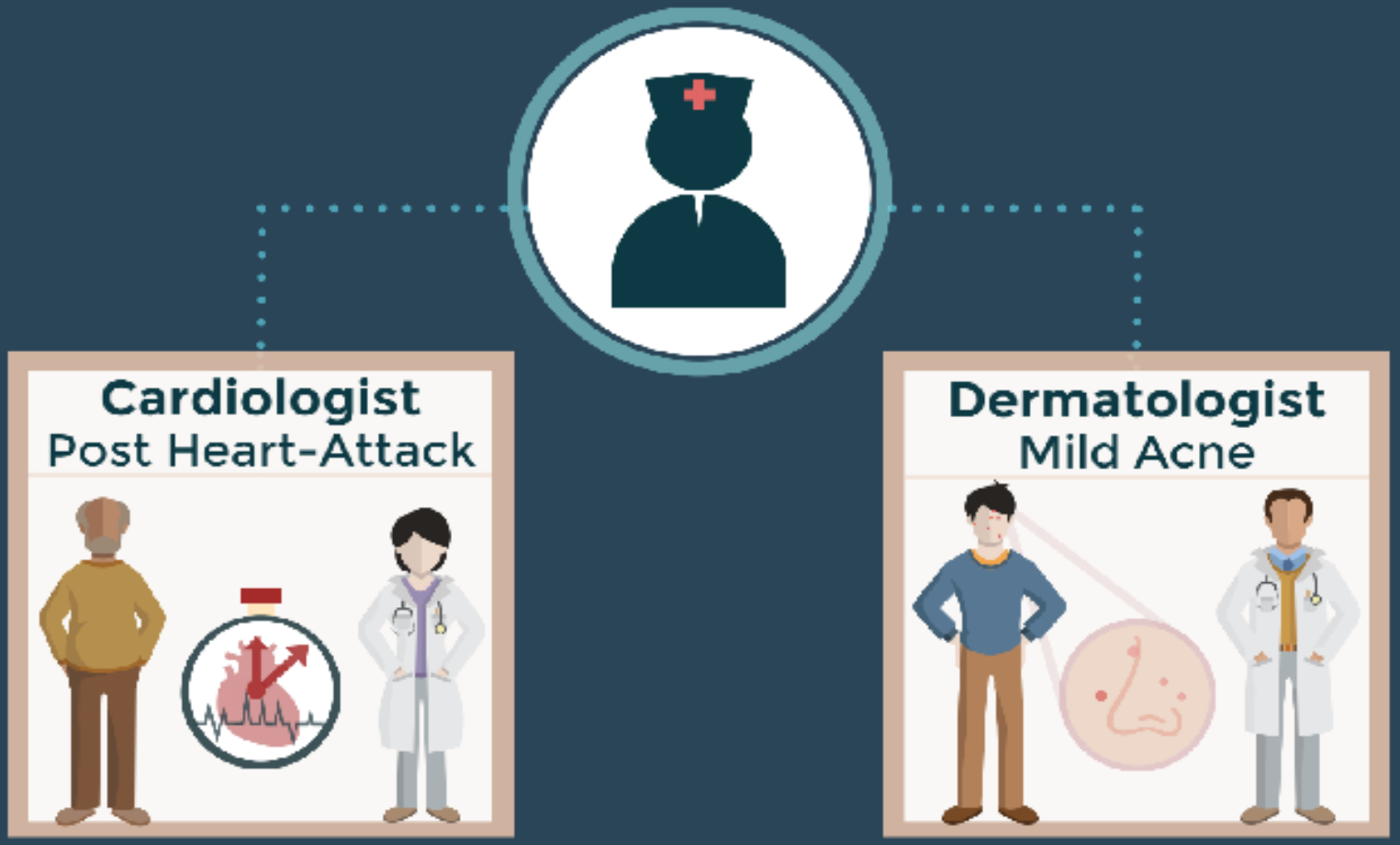
Despite these differences in clinical value, consumer out-of-pocket costs are the same for every clinician visit within a network...



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...for all diagnostic tests...

Blood Sugar Monitoring

CT Imaging for Back Pain

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Consumer out-of-pocket costs are the same for all drugs within a formulary tier

Statins	Anti-Depressants	Toenail Fungus Rx	Heartburn Treatment
			

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#2 The Clinical Benefit Derived From a Service Depends On...

Who receives it

Who provides it

Where it's provided

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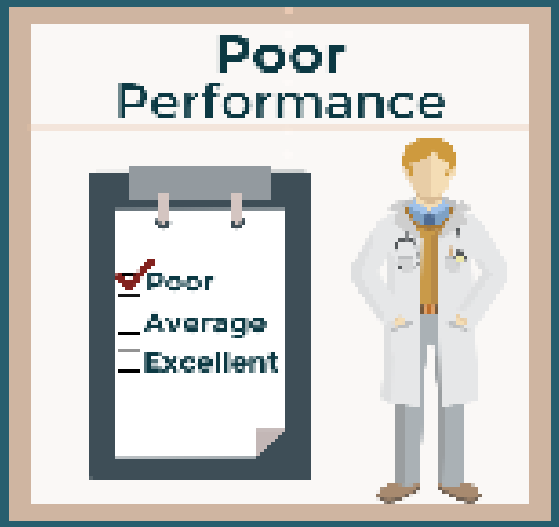
Clinical benefit depends on **who** receives it

Screening for Colorectal Cancer

Screening Recipients

First-degree relative of colon cancer sufferer	Average risk 50 year old	30 year old with no family history of colon cancer
		
Exceptional Value	**High Value**	**Low Value**

who provides it...



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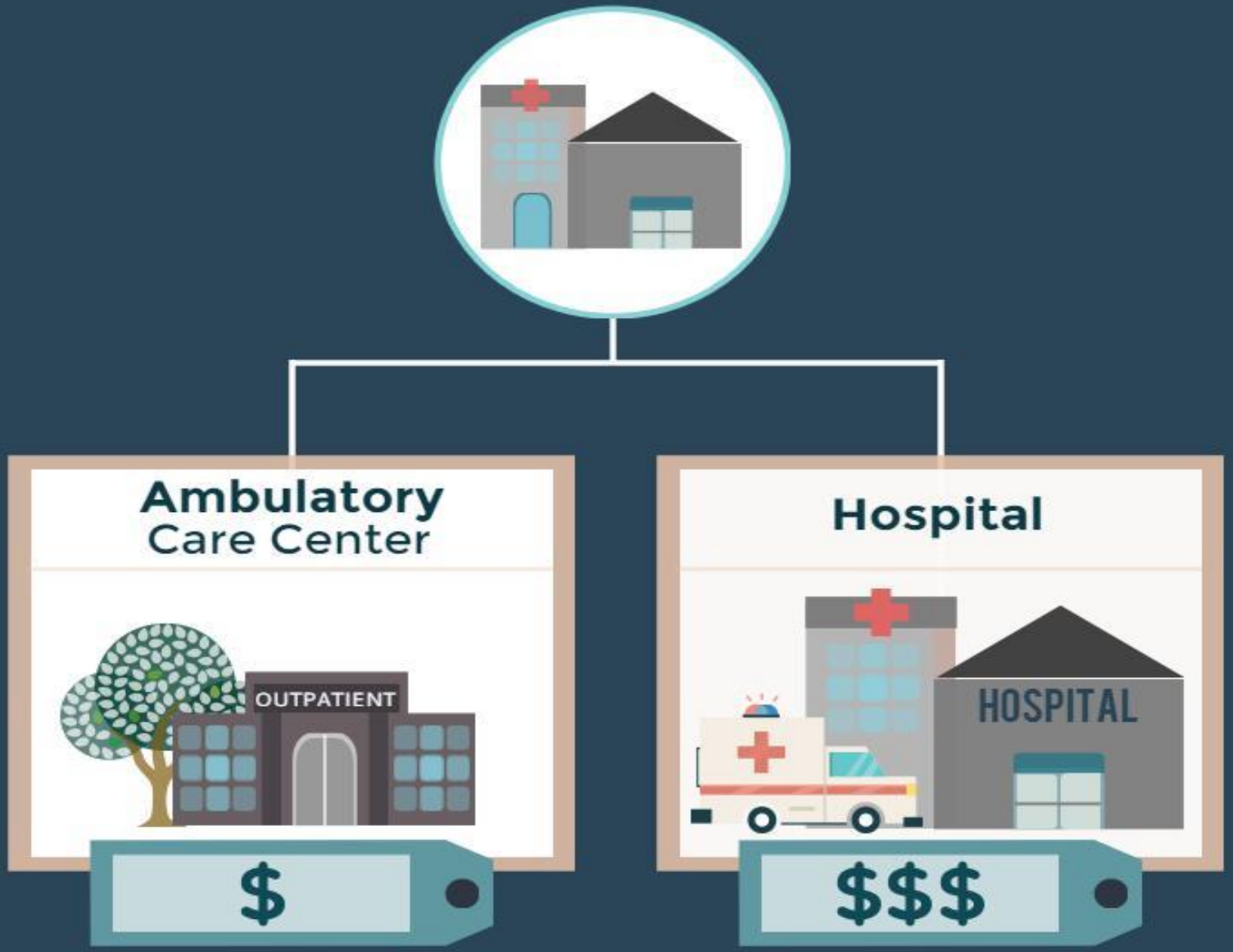
Clinical benefit depends on **where** care is provided



Implementing Clinical Nuance

Value-Based Insurance Design

Sets cost-sharing to encourage greater utilization of high-value services and providers and discourage use of low-value care

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Implementing Clinical Nuance

Value-Based Insurance Design

Sets cost-sharing to encourage greater utilization of high-value services and providers and discourage use of low-value care

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


WSJ.com THE WALL STREET JOUR ONLINE

June 16, 2004

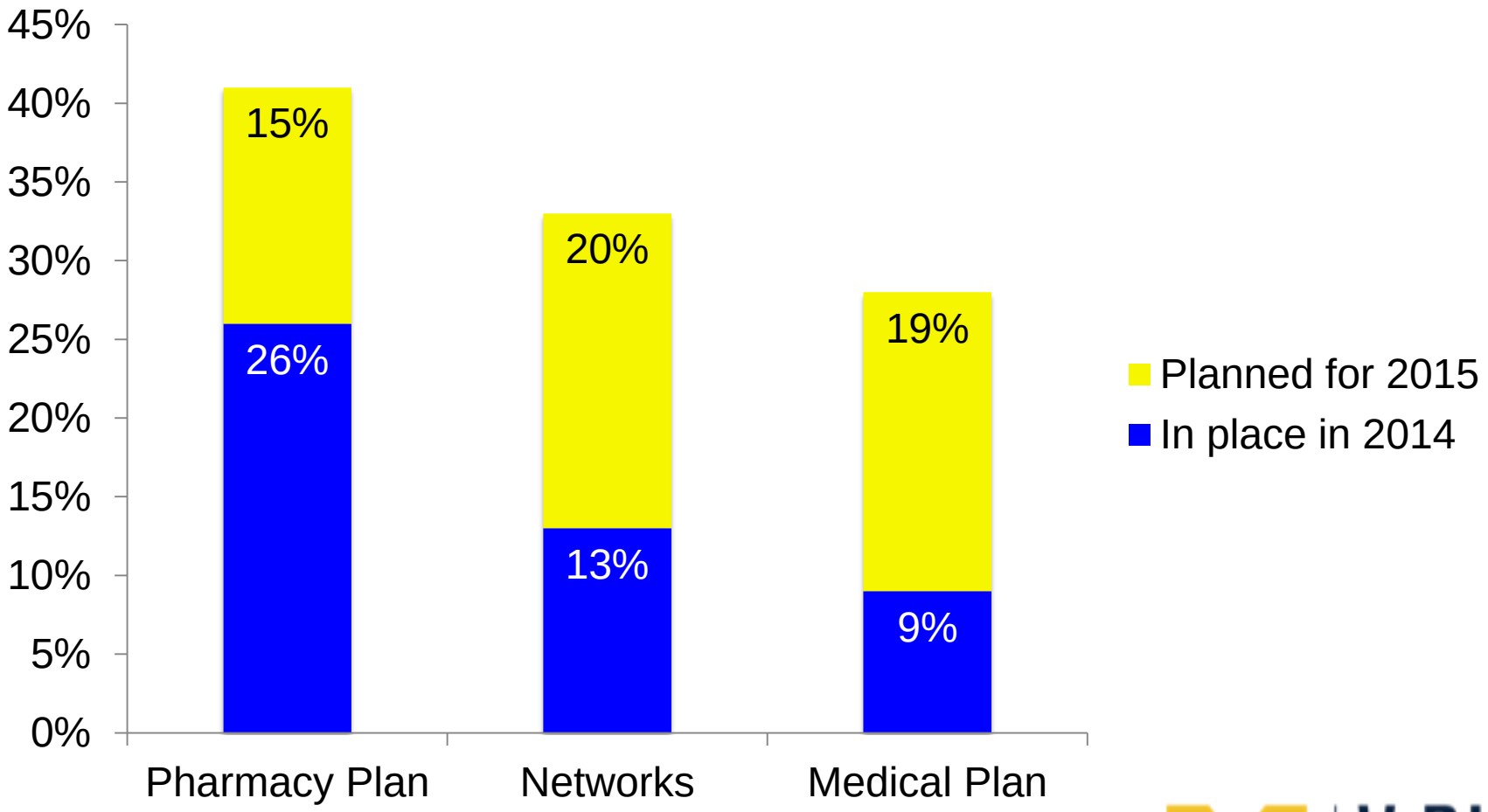
FOLLOW THE MONEY

From 'One Size Fits All' To Tailored Co-Payments

June 16, 2004

University of Michigan researchers say a patient
drug should depend on how much he or she will
a move that would likely lower c

V-BID Momentum Continues



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

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V-BID: Who Benefits and How?

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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

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

Putting Innovation into Action: Translating Research into Policy

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

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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

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- **Medicare**
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- State Health Reform

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Translating Research into Policy: Implementing V-BID in Medicare

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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.

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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

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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

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

Maximum Out-of-pocket expense 2006 to 2014

individual: $5,000 to $6,350

family: $10,000 to $12,700

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

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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

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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

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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

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

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)**
- **Medicaid – Michigan**
- **State Innovation Models – NY, PA, CT, VA**
- **State Employee Benefit Plans**

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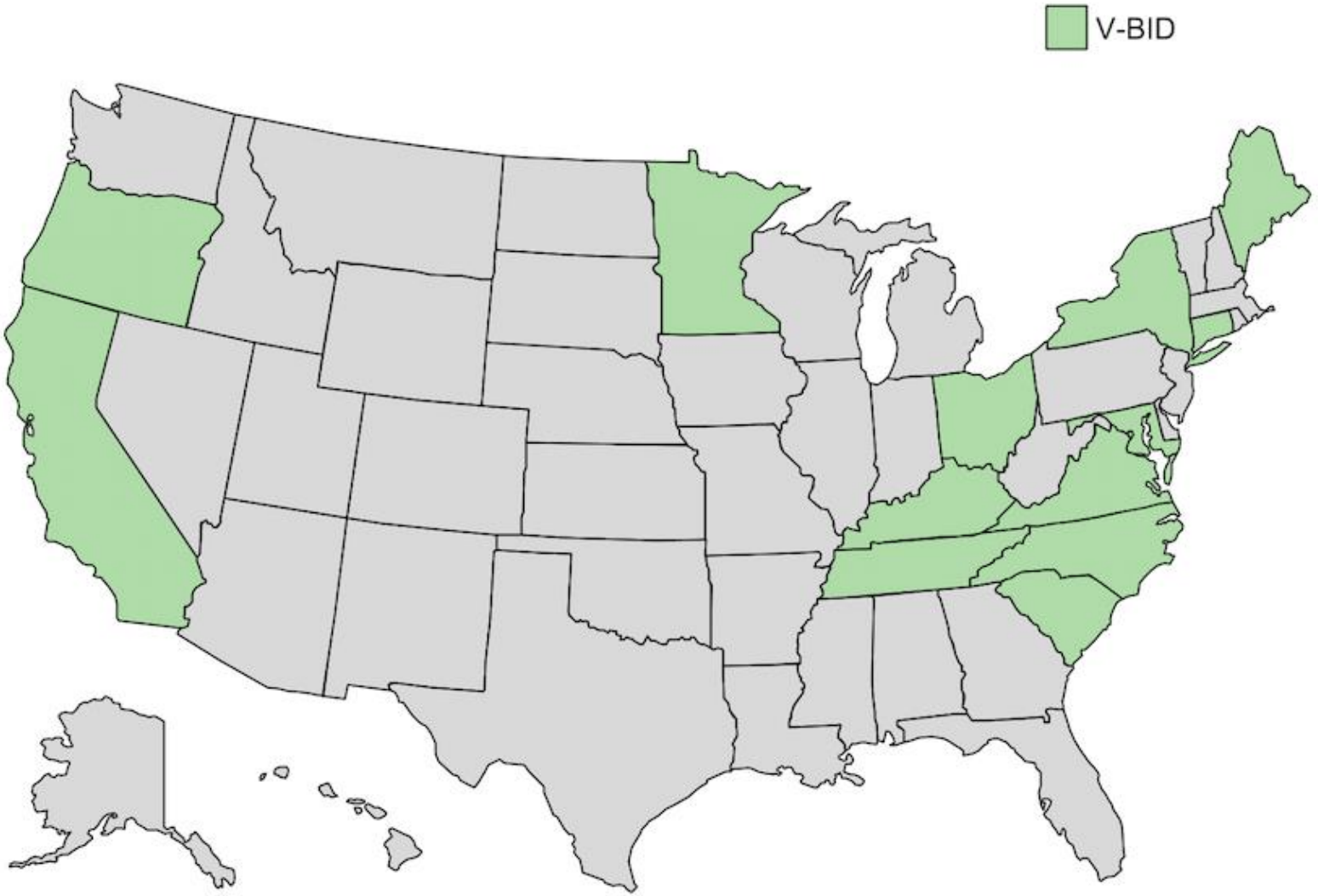
Value-Based Insurance Design
Growing Role in State Employee Plans



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**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EVIDENCE, EXAMPLES, AND INSIGHT ON VALUE-BASED INSURANCE DESIGN

V-BID in Action: A Profile of Connecticut's Health Enhanc

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 [illegible] of unions representing state [illegible] discuss a wide [illegible]

The Key Features of H

Prior to 2012, Connecti distinguish between hi determining cost-sharir

Accountability. HEP rew and dependents who co The "ask" of beneficiarie

- Obtain specified age assessments, evidenc vision examinations;
- Undergo two dental cl
- Participate in condition ment services.[b]

Specified [illegible]

Combining 'Carrots' and 'Sticks' to Enhance the Financial Impact of V-BID Programs: Identify Waste

Category	Sources	Estimate of Excess Costs	% of Waste	% of Total
Unnecessary Services	• Overuse beyond evidence-established levels • Discretionary use beyond benchmarks • Unnecessary choice of higher-cost services	$210 billion	27%	9.15%
Inefficiently Delivered Services	• 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	• Insurance paperwork costs beyond benchmarks • Insurers' administrative inefficiencies • Inefficiencies due to care documentation requirements	$190 billion	25%	8.28%
Prices that are too high	• Service prices beyond competitive benchmarks • Product prices beyond competitive benchmarks	$105 billion	14%	4.58%
Missed Prevention Opportunities	• Primary prevention • Secondary prevention • Tertiary prevention	$55 billion	7%	2.40%
Fraud	• All sources – payers, clinicians, patients	$75 billion	10%	3.27%
	Total	**$765 billion**		**33.33%**

Milliman MedInsight

SOURCE: "Best Care at Lower Cost: The Path to Continuously Learning Health Care in America." Institute of Medicine (2013)

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Identifying and Removing Waste

Category	Sources	Estimate of [illegible] Costs	% of Waste	% of Total
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Removing Waste
Health Waste Calculator

Software tool designed to identify wasteful medical spending:

- **U.S. Preventive Services Task Force**
- **Choosing Wisely**

Underlying algorithms process claims, billing or EMR data to identify waste

Defines services with a degree of appropriateness of care

- **Necessary**
- **Likely to be wasteful**
- **Wasteful**

Milliman MedInsight

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Removing Waste
Health Waste Calculator – Sample Results Large Payer

20% of members exposed to 1+ wasteful service

36% of services were wasteful

2.4% or $11.94 PMPM in claims wasted

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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 or advanced non-invasive imaging in the initial evaluation of patients w/o symptoms	54,702	$185,997,938.76
Annual electrocardiograms (EKGs) or 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

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Identifying and Removing Waste
Levers to Create Change

- Education & Promotion
- Analytics & Reporting
- Provider Networks
- Pay for Performance Programs
- Medical Management
- Purchasing Criteria
- Benefit Design

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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**

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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"

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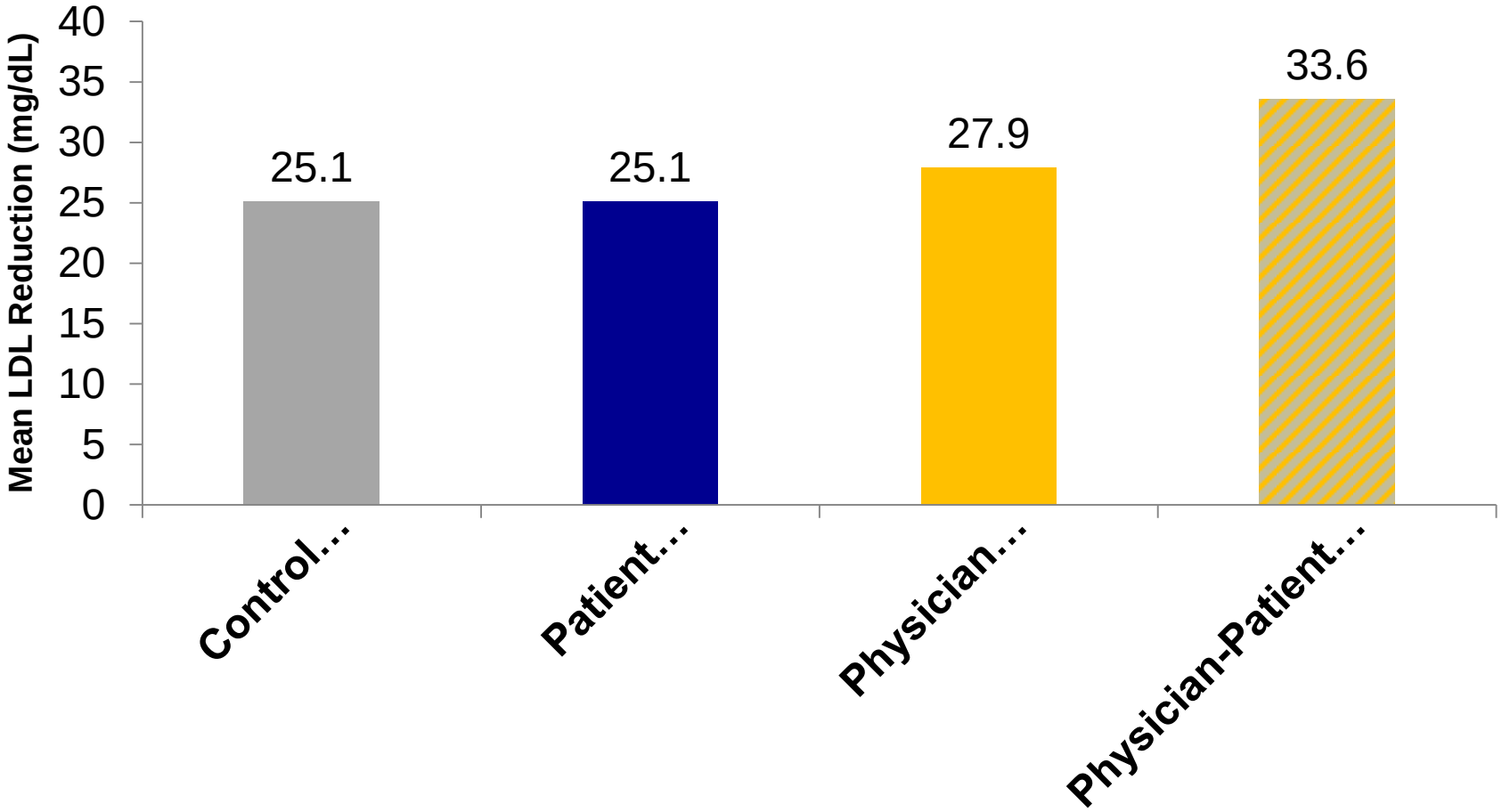
Impact of Aligning Physicians and Patients: Financial Incentives to Lower Cholesterol



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

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Aligning Payer and Consumer Incentives: CO-OPs Must Lead the Way to PB & J

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

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Discussion

www.vbidcenter.org

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