



SCHOOL OF PUBLIC HEALTH

CENTER FOR VALUE-BASED INSURANCE DESIGN

UNIVERSITY OF MICHIGAN

# **Enhancing Value in the Military Health System: Using 'Clinical Nuance' to Align Provider and Consumer Incentives**

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**[www.vbidcenter.org](http://www.vbidcenter.org)**

**[@um\\_vbid](#)**



**Table 1: Risk factors for nodding off at lectures**

Factor	Odds ratio (and 95% CI)
<b>Environmental</b>	
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)
<b>Audiovisual</b>	
Poor slides	1.8 (1.3–2.0)
Failure to speak into microphone	1.7 (1.3–2.1)
<b>Circadian</b>	
Early morning	1.3 (0.9–1.8)
Post prandial	1.7 (0.9–2.3)
<b>Speaker-related</b>	
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.

# **Enhancing Value in the Military Health System: Overview**

- **Using Incentives to Enhance Quality of Care and Health of Beneficiaries**
- **New Approach: “Clinical Nuance”**
- **Value-Based Insurance Design**
- **Putting Innovation into Action**
- **Identifying and Removing Waste**
- **Synergies with Alternative Payment Models**

# **Enhancing Value in the Military Health System: Shifting the discussion from “How much” to “How well”**

- **Innovations to prevent and treat disease have led to dramatic improvements in readiness and impressive reductions in morbidity and mortality**

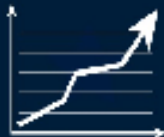
# Enhancing Value in the Military Health System: Shifting the discussion from “How much” to “How well”

- **Regardless of these advances, the amount of health care spending is the main focus of reform discussions**

## TRICARE COSTS ARE ON THE RISE



**Innovative Therapies**



**Increased Prices**



**Enhanced Utilization**

# Enhancing Value in the Military Health System: Changes are Needed to Enhance Efficiency

- **Aligning incentives for providers and beneficiaries is necessary to improve quality, enhance consumer experience and control spending**

# **Enhancing Value in the Military Health System: Align Provider Incentives with Quality and Health**

- **For the most part, current MHS payments are not directly tied to quality of care**

# Enhancing Value in the Military Health System: Align Provider Incentives with Quality and Health

- **Value-based incentive programs are included in 2015 NDAA (Sec. 726)**

## **SEC. 726. PILOT PROGRAM ON INCENTIVE PROGRAMS TO IMPROVE HEALTH CARE PROVIDED UNDER THE TRICARE PROGRAM.**

(a) **PILOT PROGRAM.**—Not later than 180 days after the date of the enactment of this Act, the Secretary of Defense shall commence the conduct of a pilot program under section 1092 of title 10, United States Code, to assess whether a reduction in the rate of increase in health care spending by the Department of Defense and an enhancement of the operation of the military health system may be achieved by developing and implementing value-based incentive programs to encourage health care providers under the TRICARE program (including physicians, hospitals, and others involved in providing health care to patients) to improve the following:

- (1) The quality of health care provided to covered beneficiaries under the TRICARE program.
- (2) The experience of covered beneficiaries in receiving health care under the TRICARE program.
- (3) The health of covered beneficiaries.

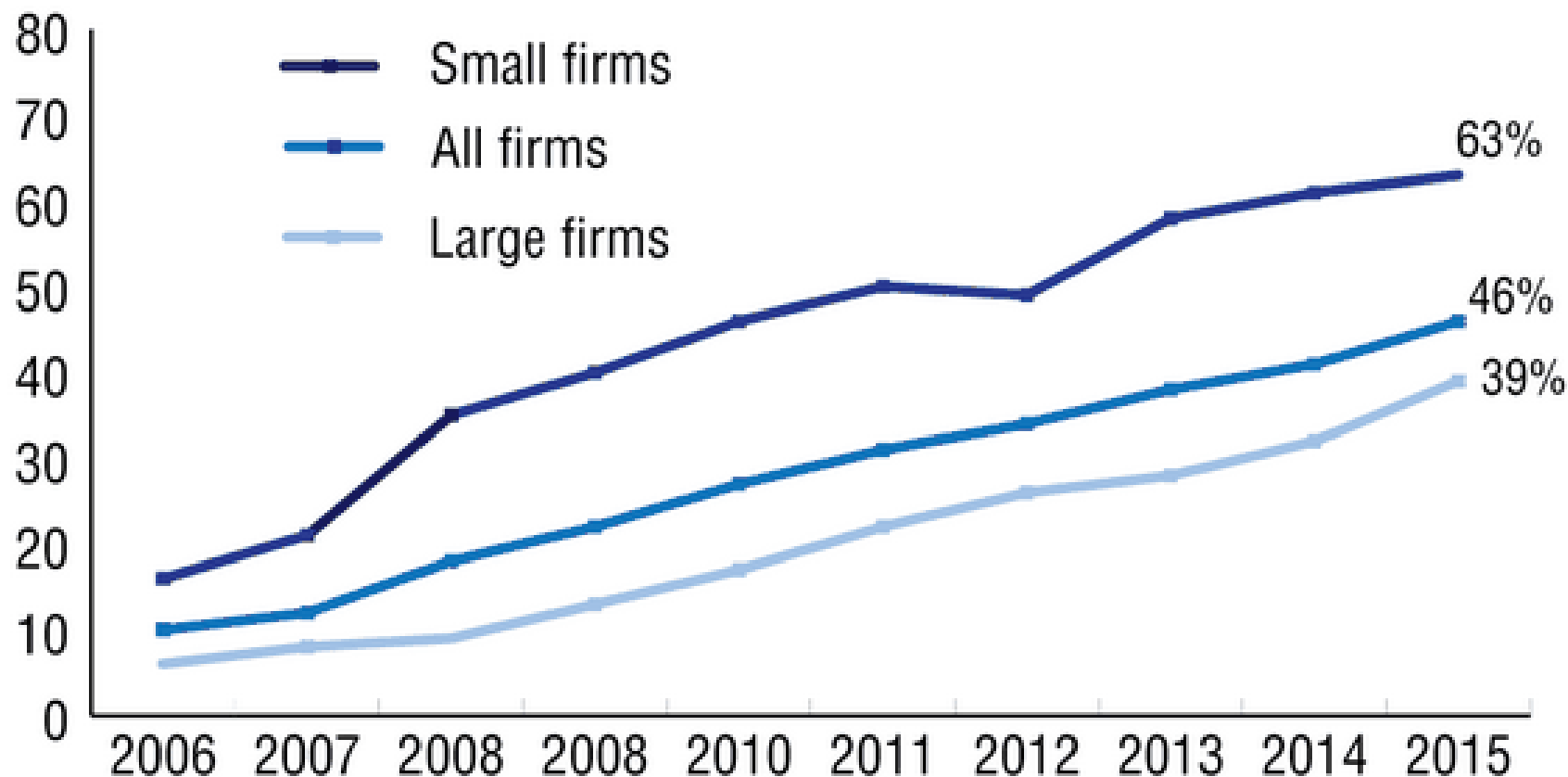


# **Enhancing Value in the Military Health System: Align Consumer Incentives with Quality and Health**

- **Consumer behavior is a critical element in the decision to receive medical care**
- **Consumer cost-sharing has important impact on care-seeking and satisfaction**

# 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.

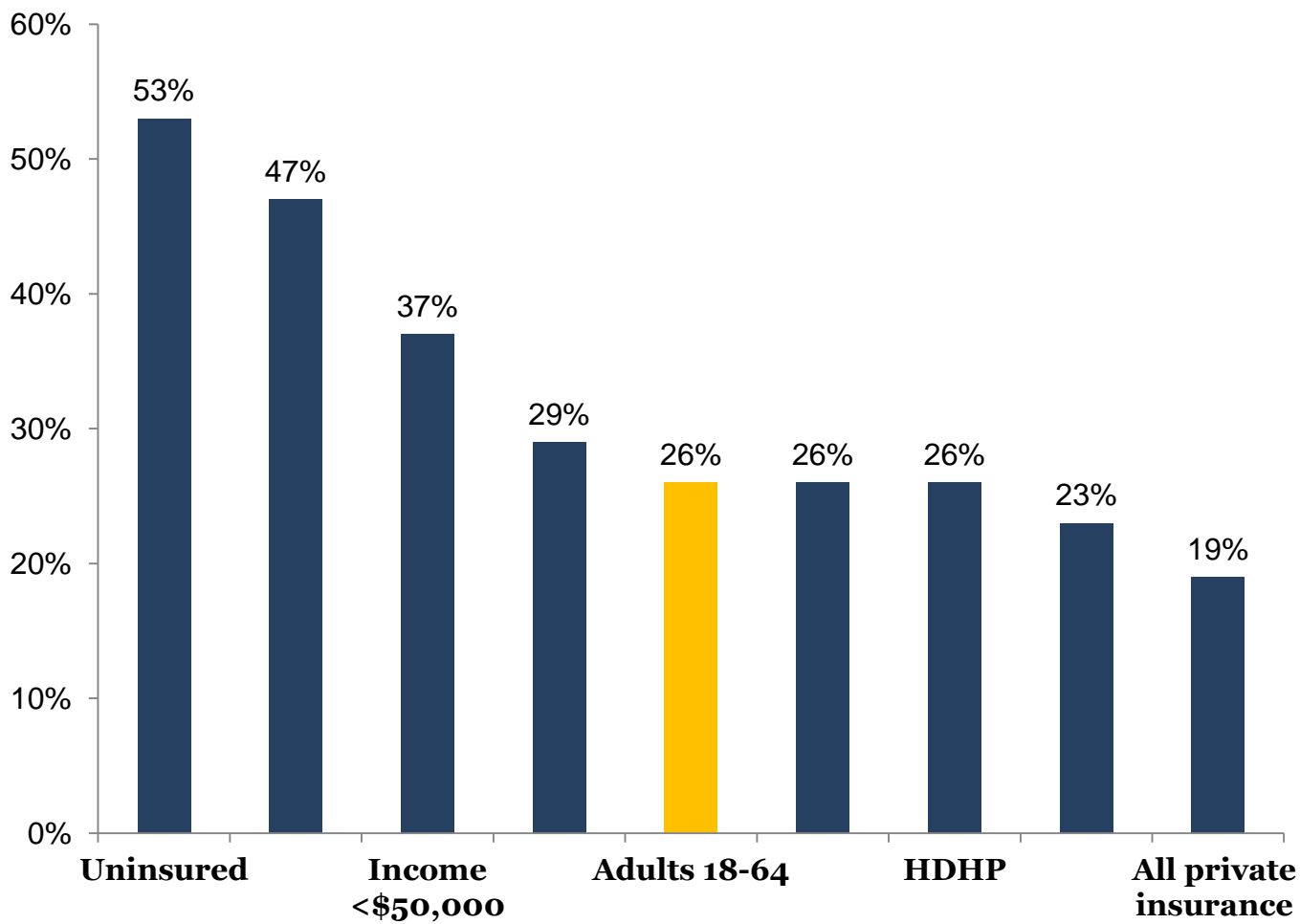
What is a surprise is that amid these complex issues, one policy sidesteps these trade-offs.

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

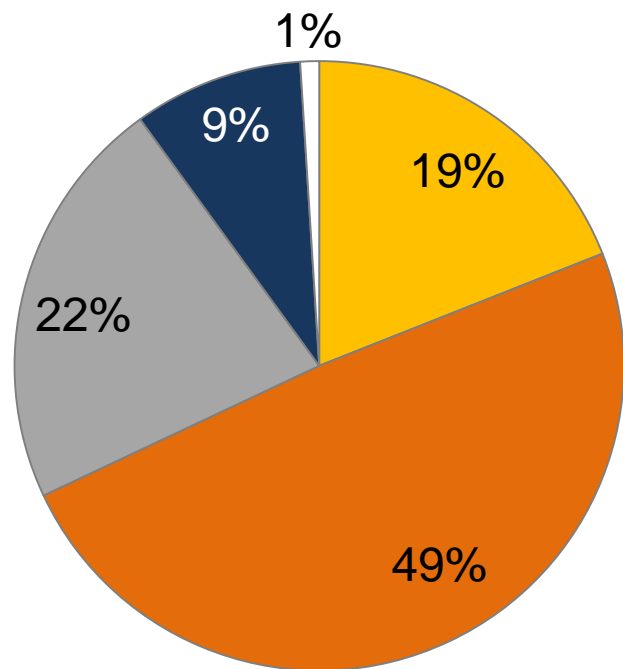


Source: Kaiser Family Foundation/New York Times Medical Bills Survey

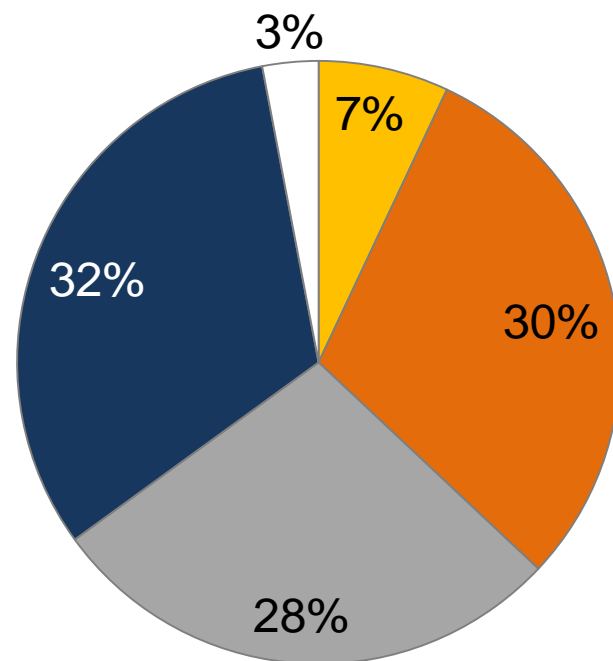


# Impact of Consumer Cost-Sharing on Plan Satisfaction

## Lower-Deductible Health Plans



## High-Deductible Health Plans



- Excellent Value
- Good Value
- Only a Fair Value
- Poor Value

Source: Kaiser Family Foundation

# **Enhancing Value in the Military Health System: Align Consumer Incentives with Quality and Health**

- **While important, the provision of price and quality information does not address appropriateness of care nor substantially impact provider and consumer behavior**
- **Health expenditures should be allocated based on the clinical benefit – not only the price – of services provided**

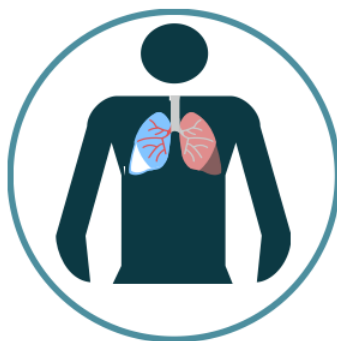
# Understanding CLINICAL NUANCE

#1

Clinical Services Differ  
in the Benefit Produced



Office  
Visits



Diagnostic  
Tests



Prescription  
Drugs



#2

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



**Who**  
receives it



**Who**  
provides it



**Where**  
it's provided

# Clinical benefit depends on **who** receives it

## Screening for Colorectal Cancer



### Screening Recipients

First-degree  
relative of colon  
cancer sufferer



**Exceptional  
Value**

Average risk  
50 year old



**High  
Value**

30 year old with  
no family history  
of colon cancer



**Low  
Value**

who provides it...



**High  
Performance**



**Poor  
Performance**



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



## Ambulatory Care Center



\$

## Hospital



\$\$\$

# 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**



**FOLLOW THE MONEY**

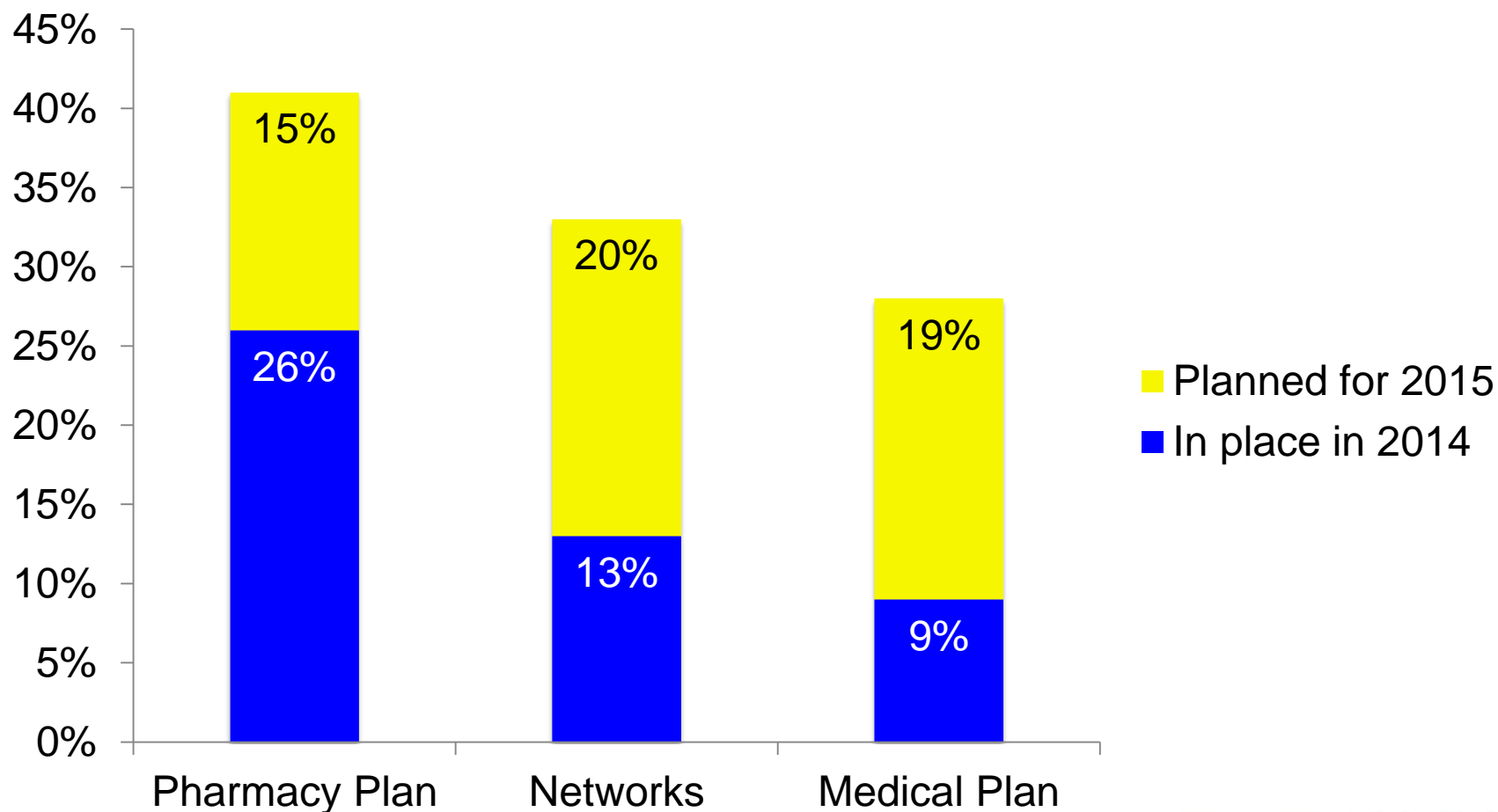
### **From 'One Size Fits All' To Tailored Co-Payments**

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



# 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
- State Health Reform
- Removing Waste



## 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; over 76 million have accessed preventive services without cost-sharing**

# Putting Innovation into Action: Translating Research into Policy

- Patient Protection and Affordable Care Act
- **Medicare**
- State Health Reform
- Removing Waste



# 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

114<sup>TH</sup> CONGRESS  
1<sup>ST</sup> 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
- **State Health Reform**
- Removing Waste



# **Getting to Health Care Value - What's Your State's Path?**

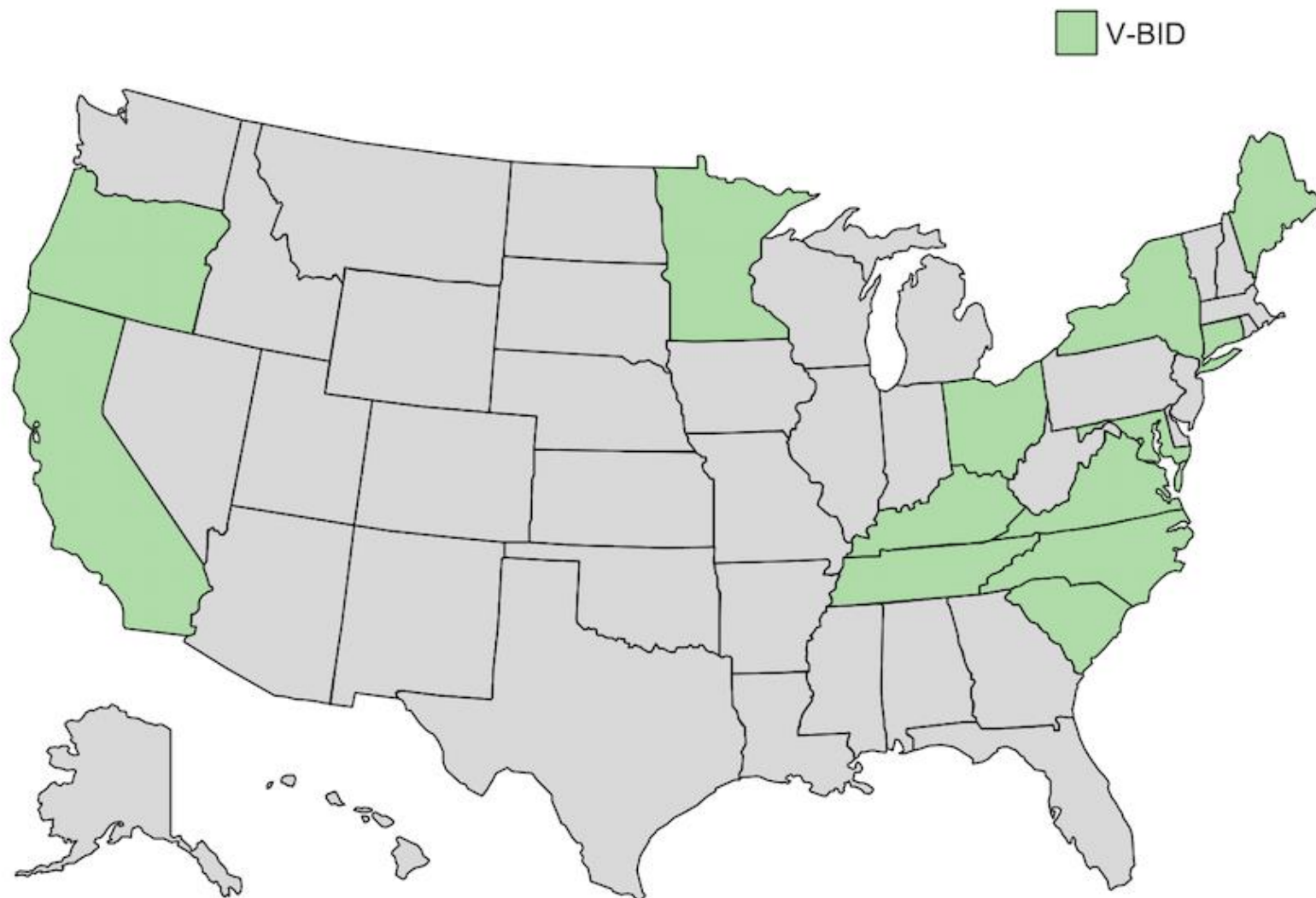
## **V-BID Role in State Health Reform**

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





# Value-Based Insurance Design Growing Role in State Employee Plans



ENGAGING PATIENTS ON PRICE & QUALITY

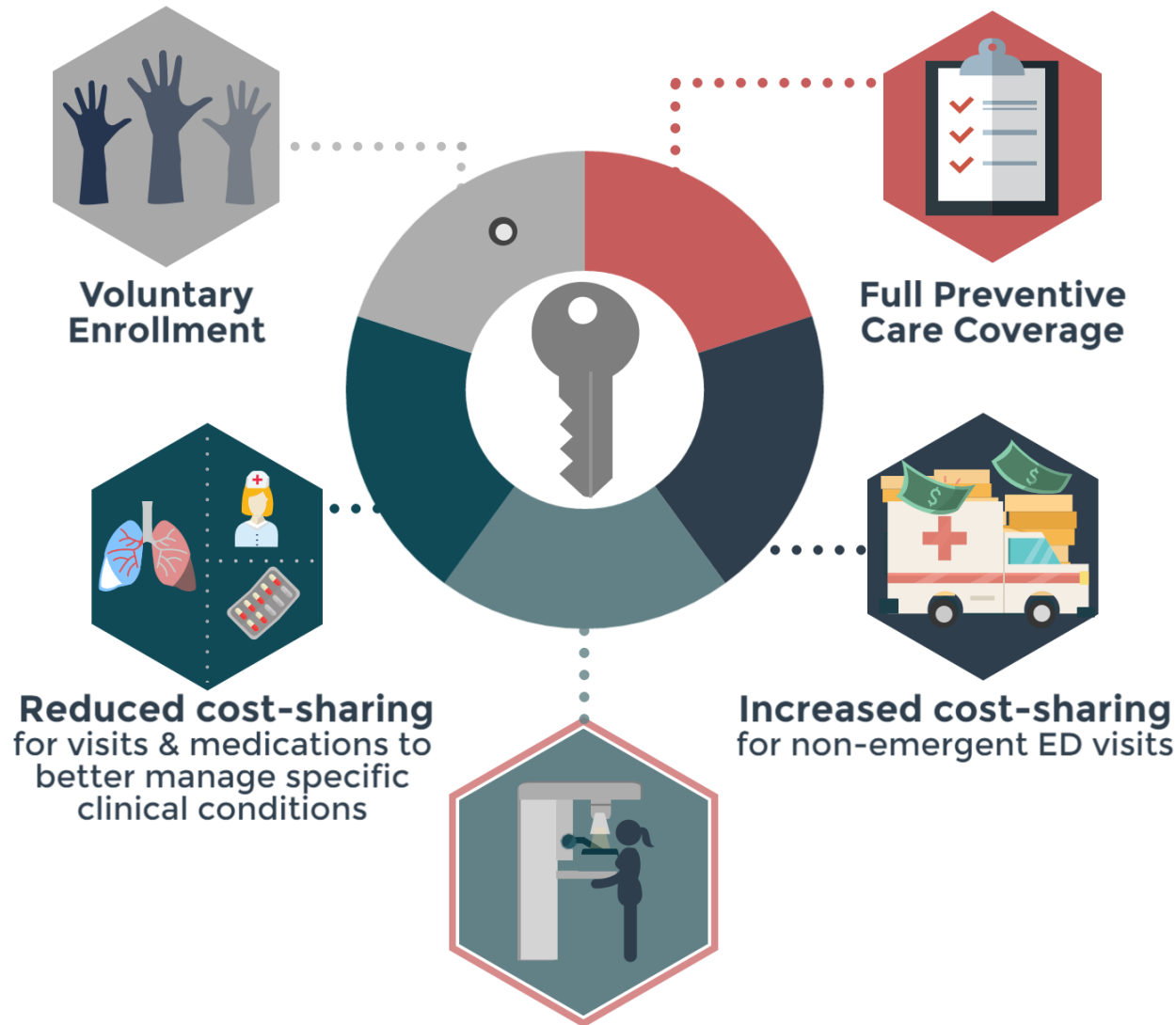
By Richard A. Hirth, Elizabeth Q. Cliff, Teresa B. Gibson, M. Richard McKellar, and A. Mark Fendrick

# **Connecticut's Value-Based Insurance Plan Increased The Use Of Targeted Services And Medication Adherence**



# Key Features of the HEP

Align out-of-pocket costs with healthy behaviors

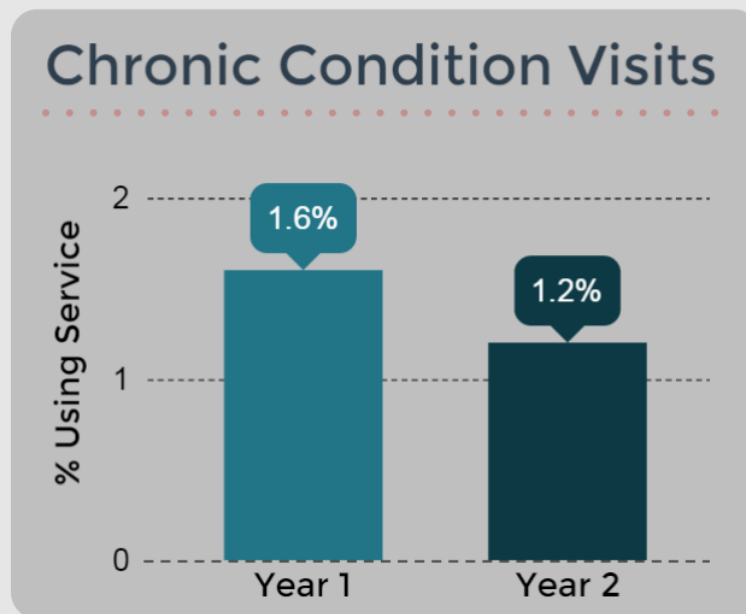
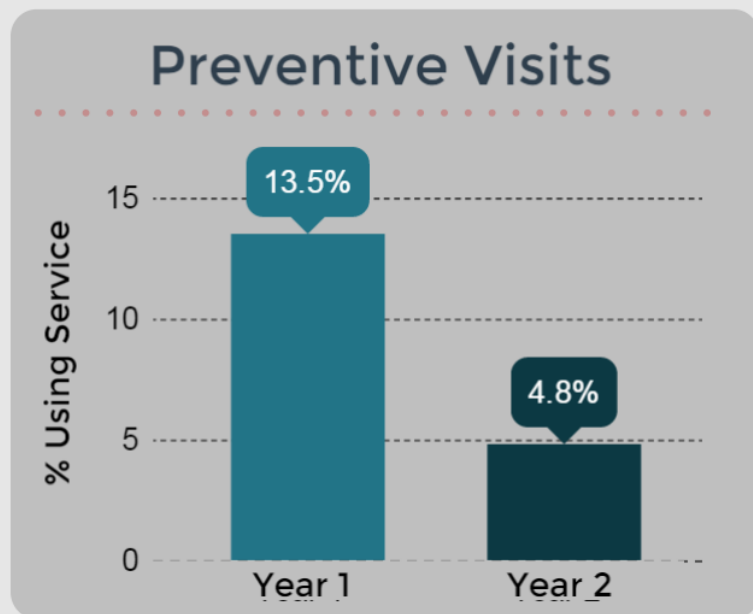


## **Participatory Requirement:**

to maintain enrollment, members must complete age-appropriate preventive care & recommended chronic disease services

# HEP Impact: 2 Year Results

## [1] Office Visit Increases

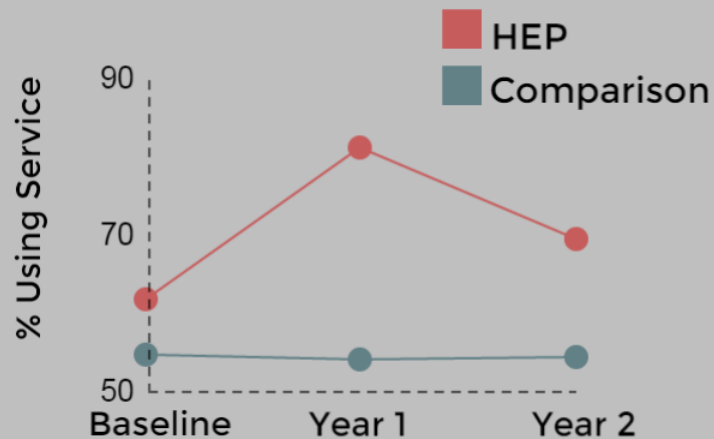


Relative change for HEP members compared to enrollees in control states

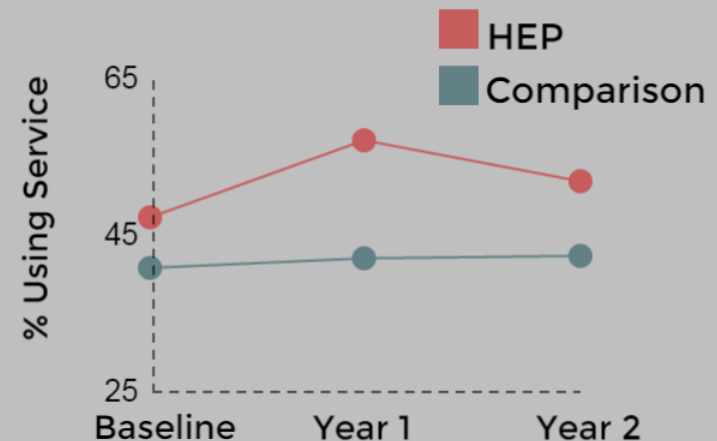
# HEP Impact: 2 Year Results

## [2] Preventive Care Utilization

### Lipid Screening

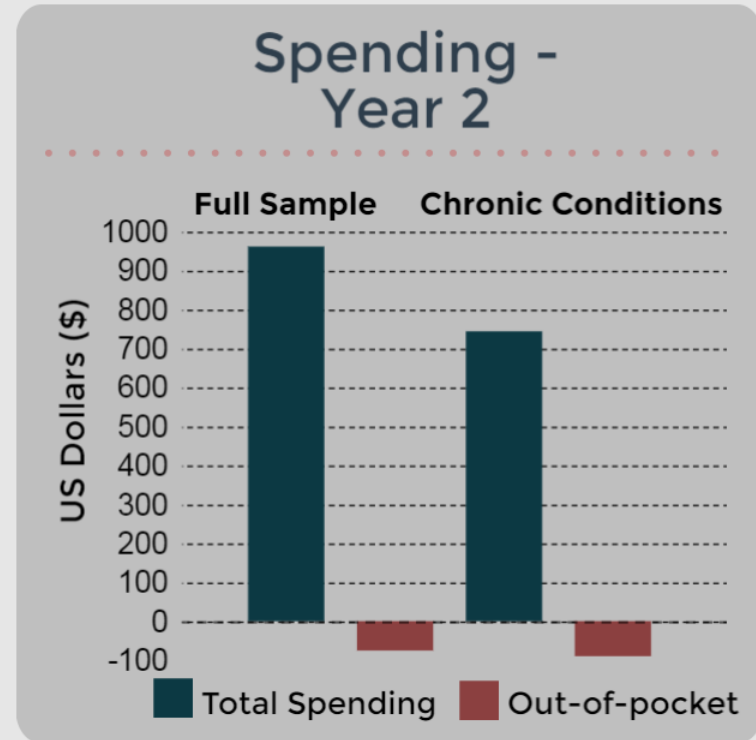
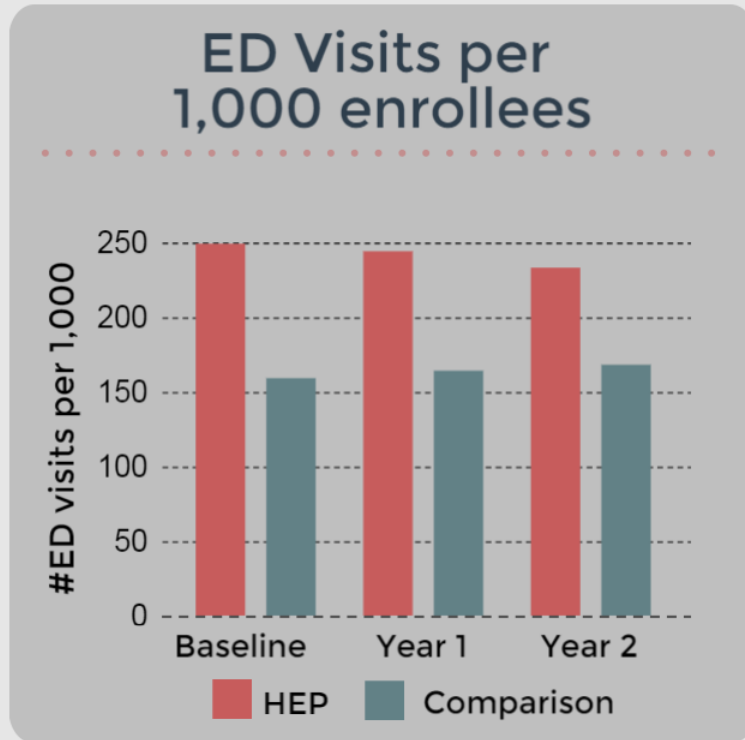


### Mammography



# HEP Impact: 2 Year Results

## [3] Resource Use



Health Affairs. 2016;35(4):637-46.

# Putting Innovation into Action

## V-BID for NYC Municipal Workers



### **City overhauls health plans for municipal workers in shift toward preventive care**

Changes to employees' co-pays will make primary care cheaper while ER visits and urgent care will be pricier

**“These changes will not only secure the promised health savings, but will also promote better utilization of health care resources and improved health outcomes for City employees”**





# Putting Innovation into Action: Translating Research into Policy

- Patient Protection and Affordable Care Act
- Medicare
- State Health Reform
- **Removing Waste**





# Identifying and Removing Waste

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

# 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**

# 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

# Top 5 Measures by Cost Overall- 2014

Measure	Total Services Measured	Waste Index (%)	Unnecessary Services (#)	Unnecessary Spending (\$)
Baseline laboratory studies in patients without systemic disease undergoing low-risk surgery	571,600	79%	453,447	\$184,781,018
Stress cardiac or advanced non-invasive imaging in the initial evaluation of patients w/o symptoms	219,878	13%	27,817	\$185,997,938
Annual electrocardiograms (EKGs) or other cardiac screening for low-risk patients without symptoms.	2,268,194	6%	147,423	\$60,499,385
Routine annual cervical cytology screening (Pap tests) in women 21–65 years of age	199,865	81%	161,539	\$37,558,706
PSA-based screening for prostate cancer in all men regardless of age.	313,011	42%	132,793	\$31,501,675

*Certain measure had a waste index of 100%*

# 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**



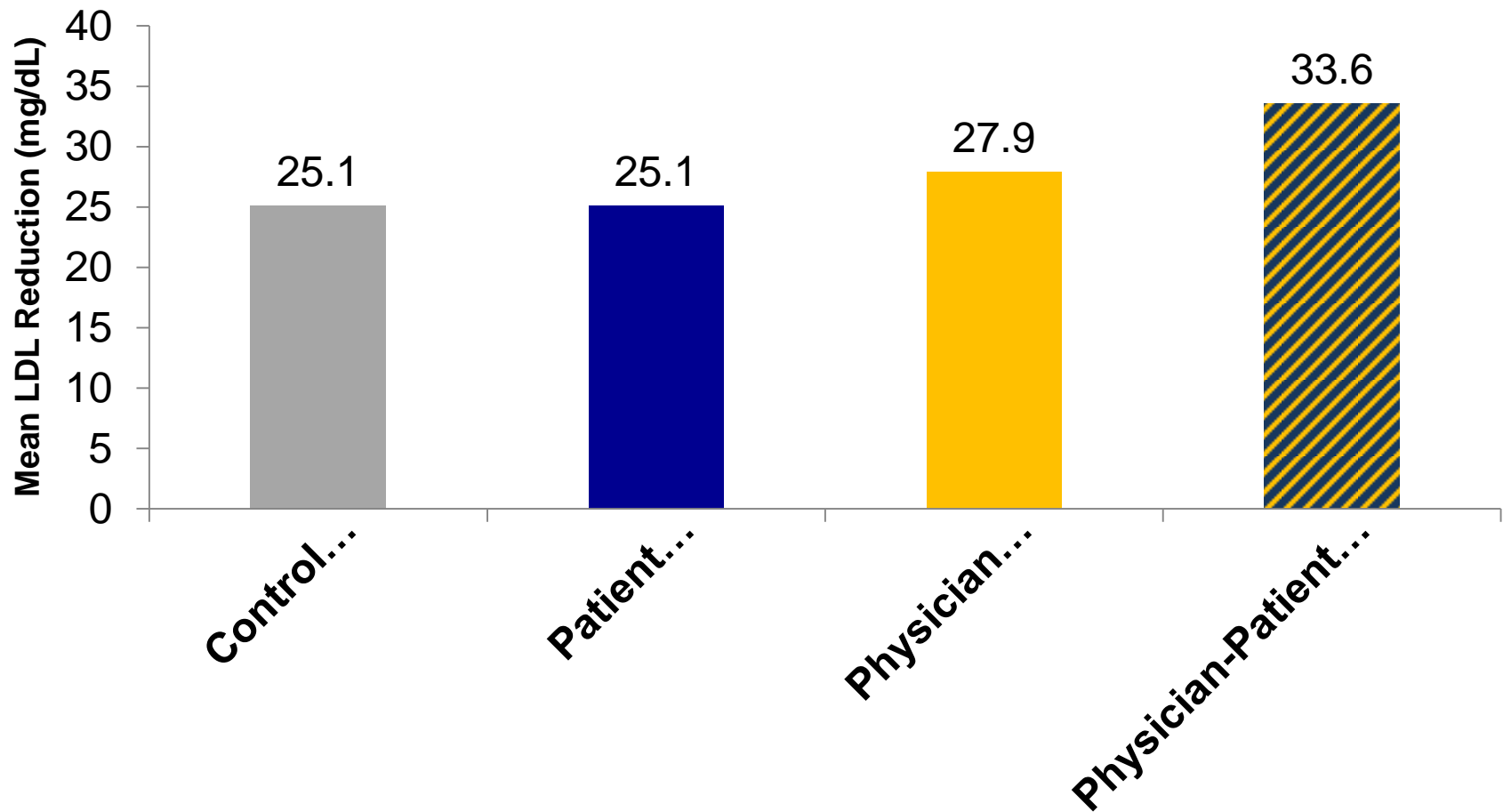
# Aligning Payer and Consumer Incentives: As Easy as Peanut Butter and Jelly

**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



# Enhancing Value in the Military Health System: Using 'Clinical Nuance' to Align Incentives

**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**



# V-BID Impact

- 
- **Bipartisan political support**
  - **Multi-stakeholder endorsement**
  - **Implemented by hundreds of public and private organizations**
  - **Enhances access to preventive care for 137 million Americans**
  - **CMS implements MA V-BID model test in 7 states**



# Implementing V-BID in TRICARE

## TRICARE plans...

Increase out-of-pocket costs

Offer one-size-fits-all  
cost-sharing

Limit provider access

Misalign consumer and  
provider incentives

## V-BID plans...

Promote efficient expenditures

Increase use of high-value  
services and providers

Enhance clinical outcomes

Align with provider initiatives

# Enhancing Value in the Military Health System: Using 'Clinical Nuance' to Align Incentives

## Discussion

Slides and additional resources may be accessed  
at: [www.vbidcenter.org](http://www.vbidcenter.org)

