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

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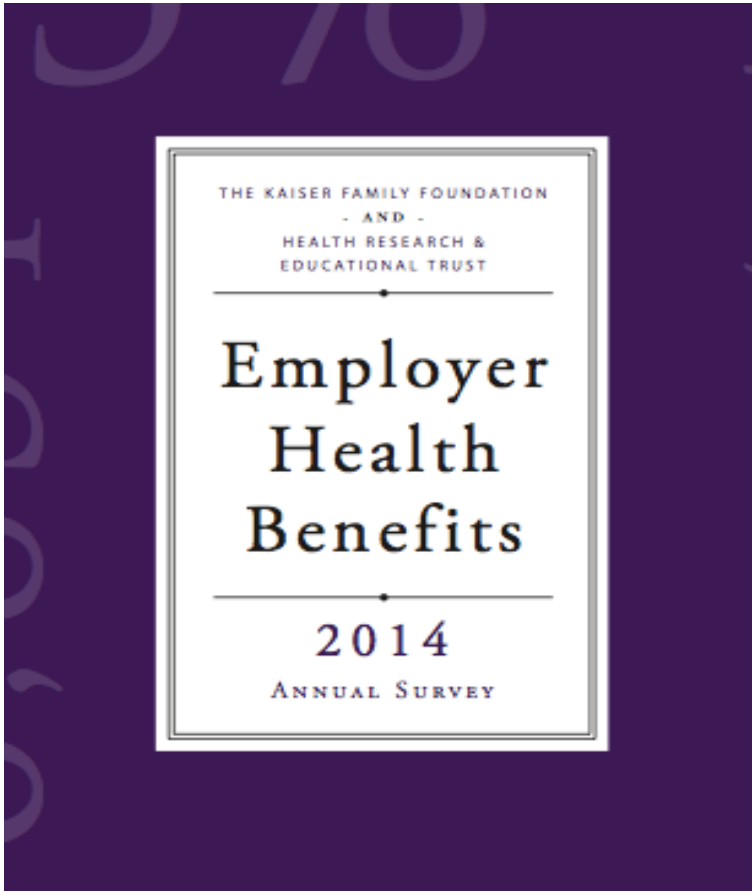
Getting to Health Care Value
Role of Consumer Cost-Sharing in Clinical Decisions

- **For today's discussion, the focus is on costs paid by the consumer, not the employer or third party administrator**
- **Consumer cost-sharing is rising rapidly**



Health Affairs 2014. doi: 10.1377/hlthaff.2014.0792

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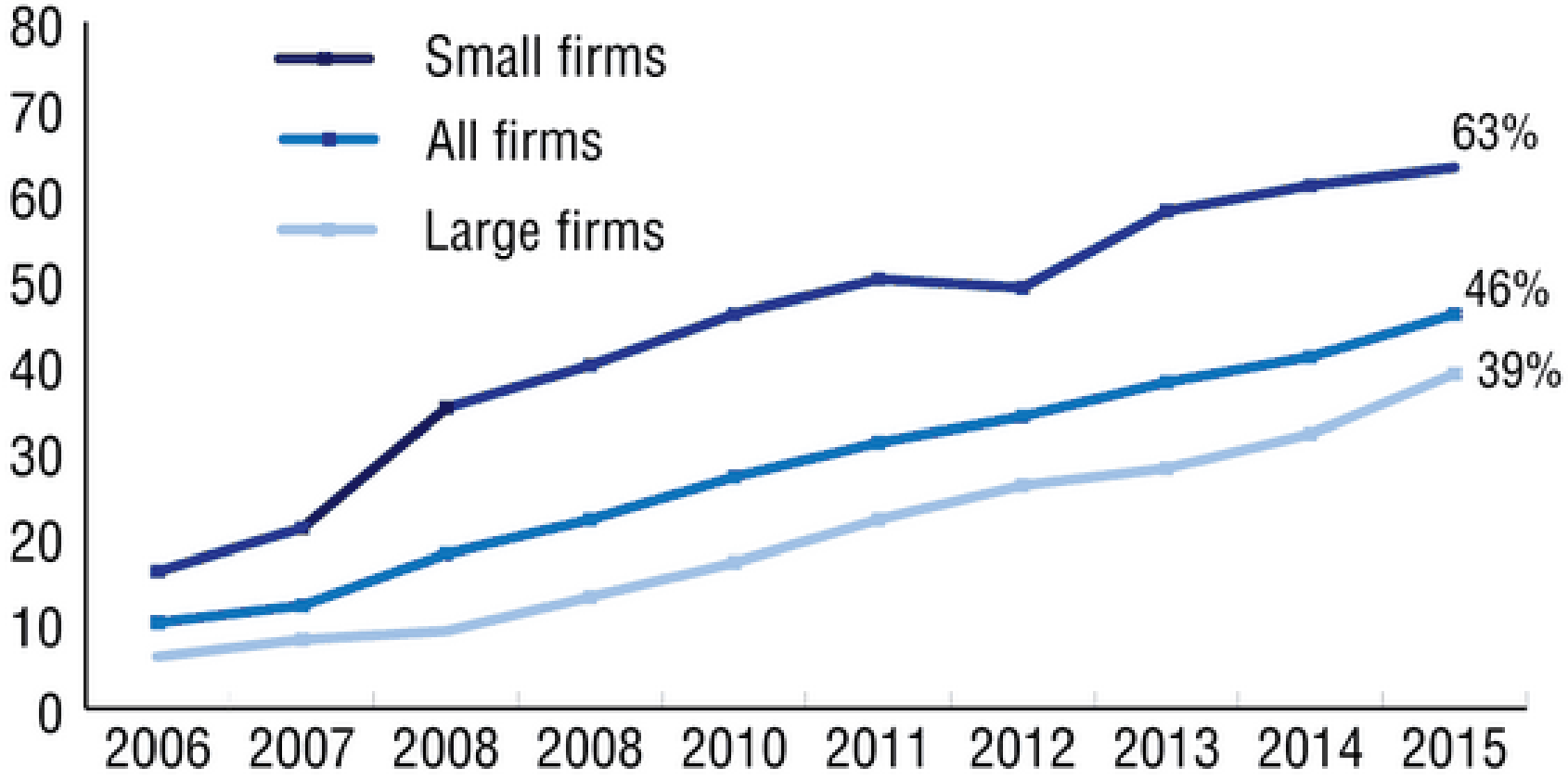
Pathway to Better Health and Lower Costs
Inspiration

"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)

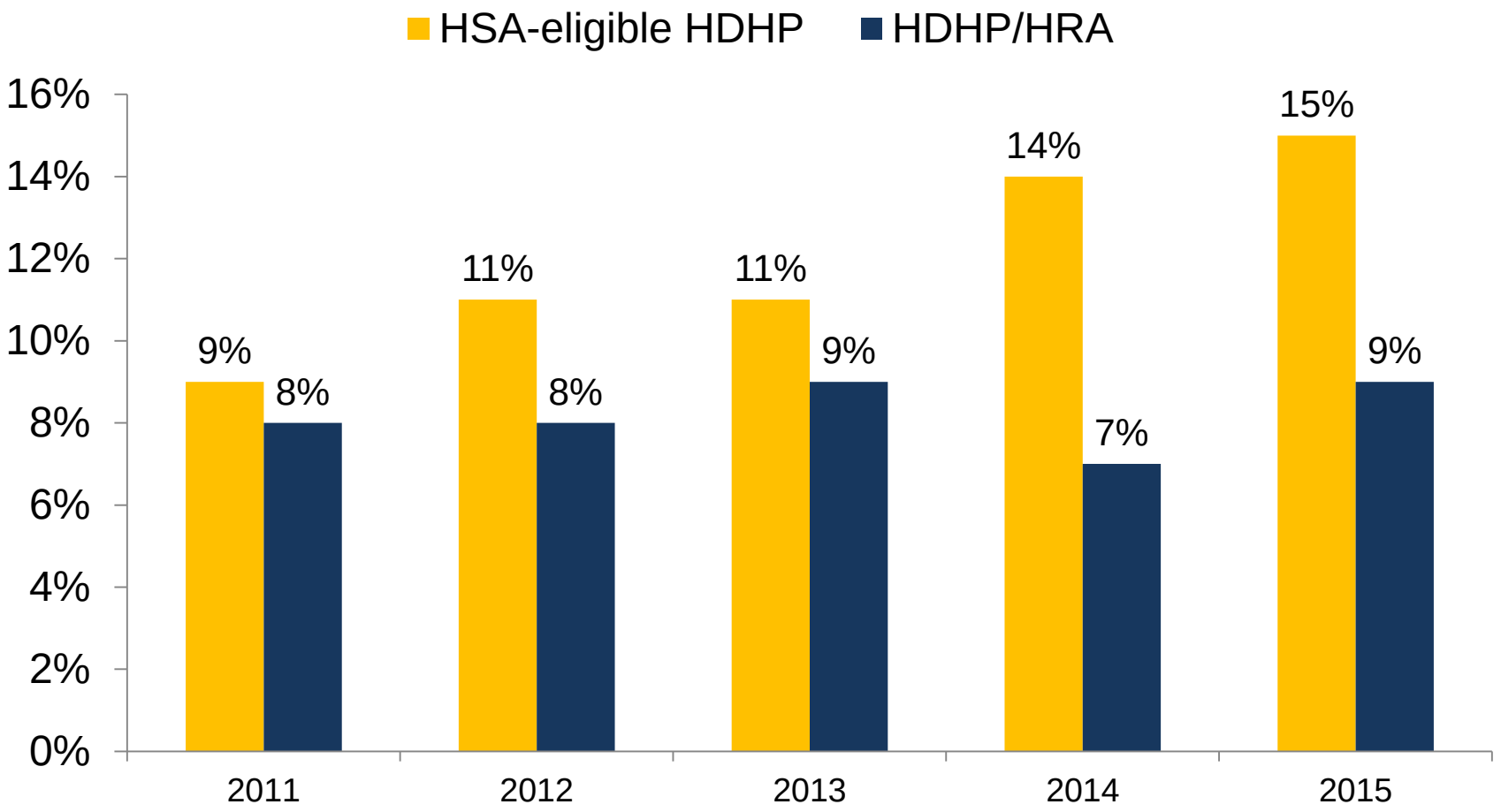
Deductibles on the rise

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

Percentage of Workers Enrolled in HDHPs



Source: Kaiser/HRET Survey of Employer Sponsored Health Benefits

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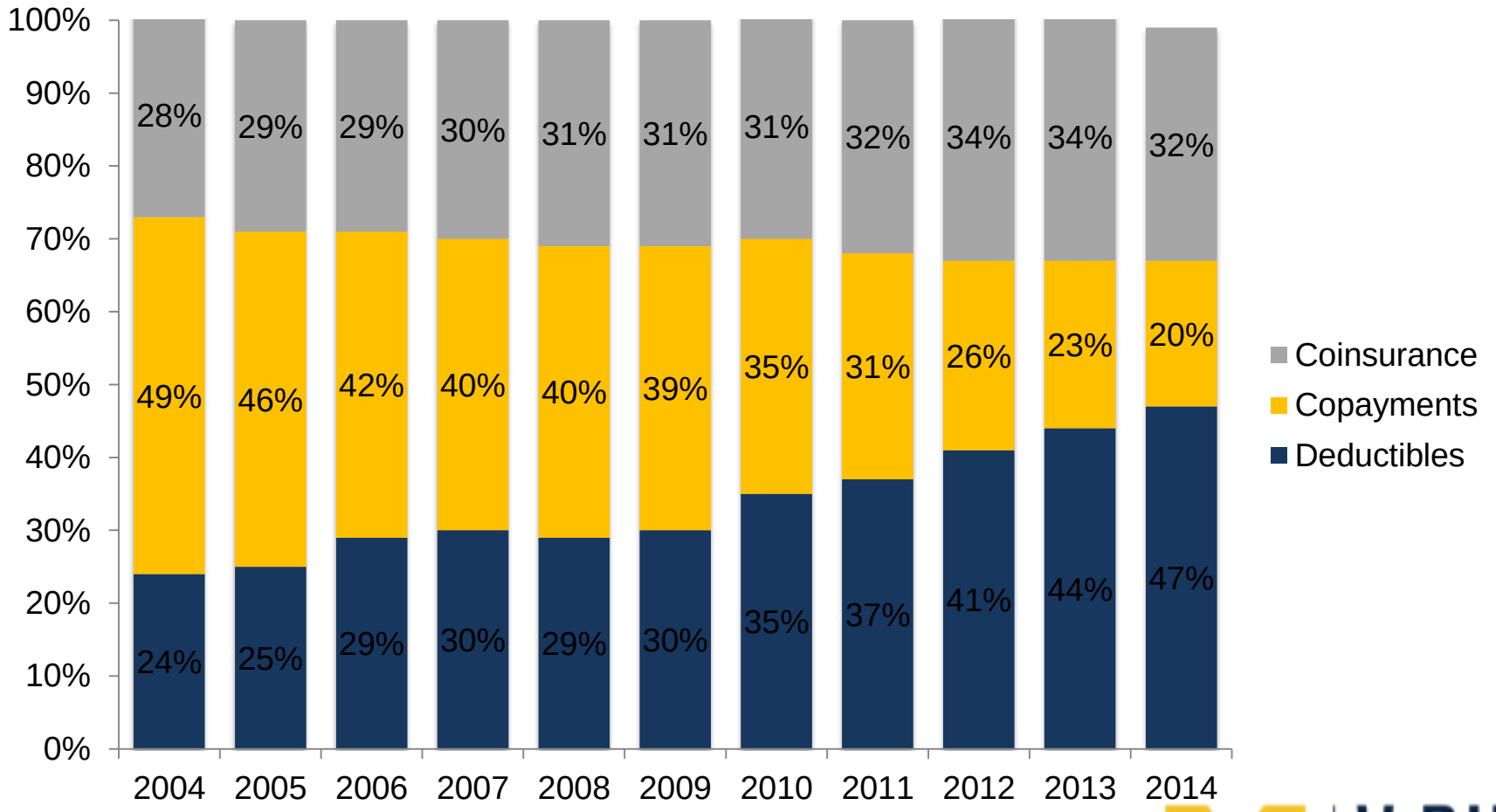
Distribution of Cost-Sharing Payments by Type (2004-2014)



Source: Kaiser Family Foundation

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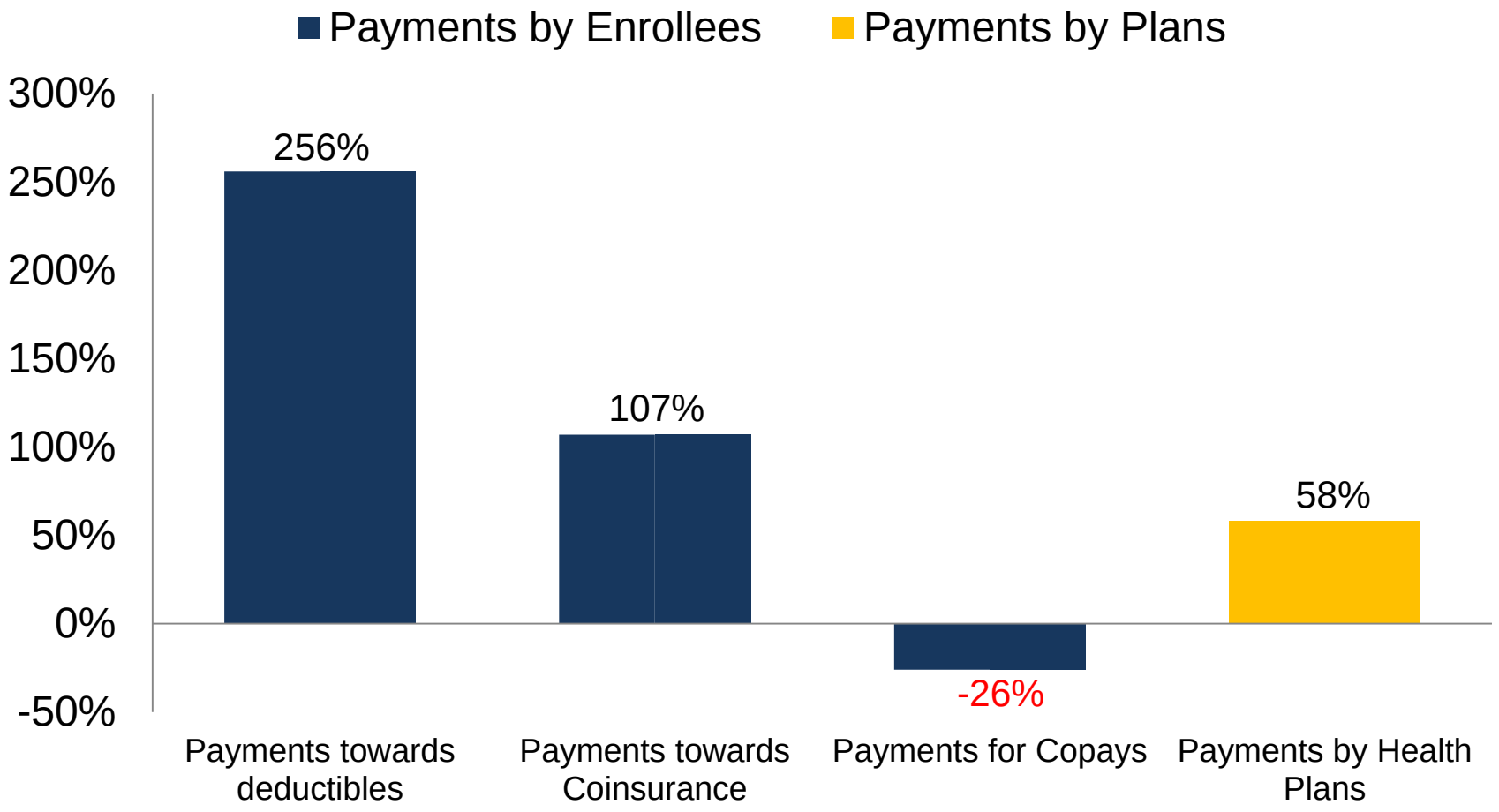
Enrollee Cost Sharing & Health Plan Payments for Individuals with Large Employer Health Plans



Source: Kaiser Family Foundation

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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

WORLD | U.S. | N.Y. / REGION | BUSINESS | TECHNOLOGY | SCIENCE | HEALTH | SPORTS | OPIN

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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.

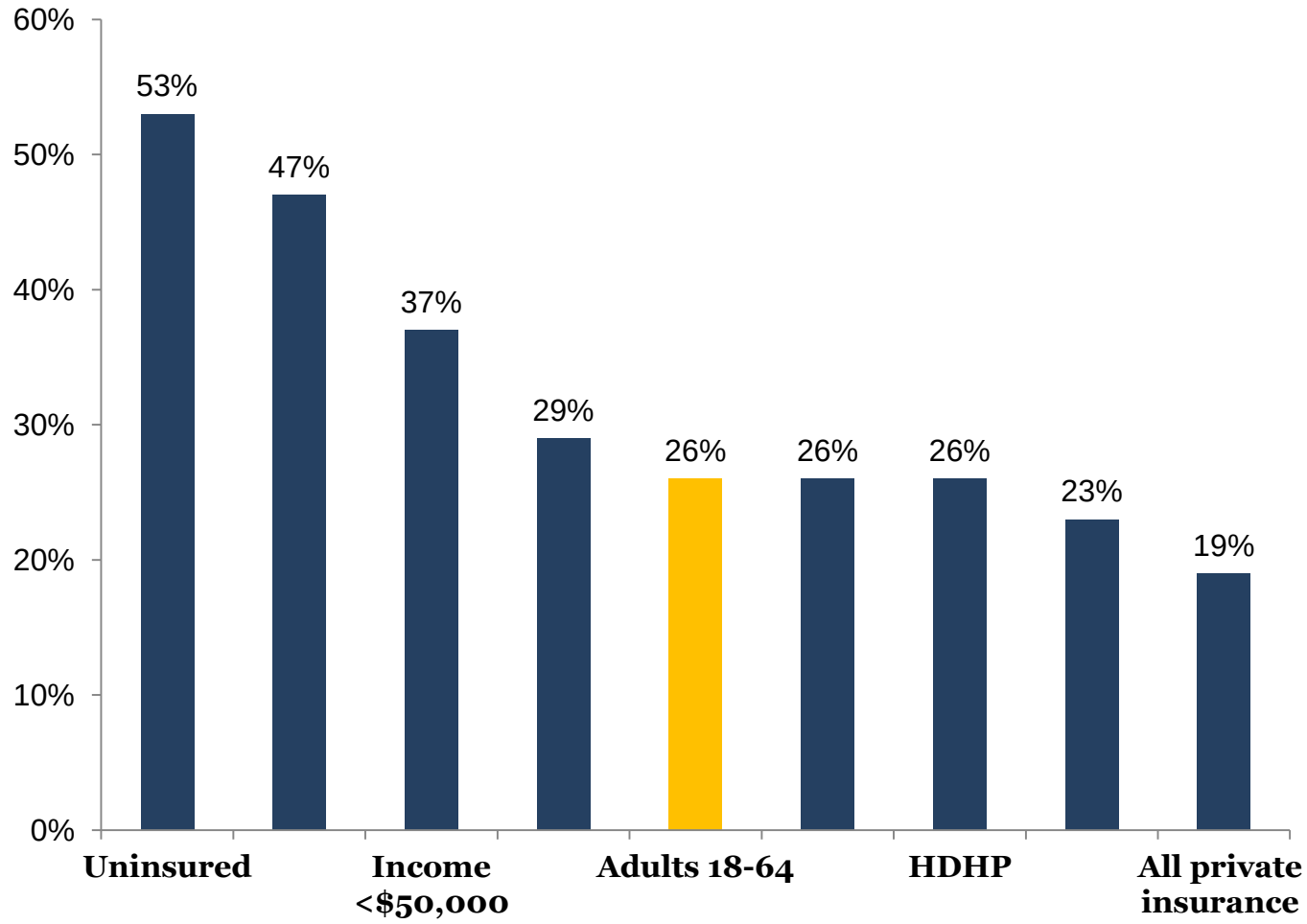
The debate centers on how to make these trade-offs, and who gets to make them. The stakes are high, and the choices are at times unseemly. No matter how necessary, putting human suffering into dollars and cents is not attractive work. It's no surprise, then, that the conversation is so heated.

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

FACEBOOK
TWITTER
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

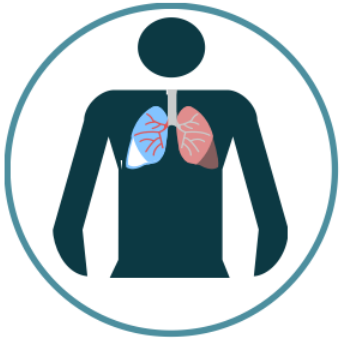
Getting to Health Care Value
Consumer Solutions Needed to Enhance Efficiency

- **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

#1 Clinical Services Differ in the Benefit Produced

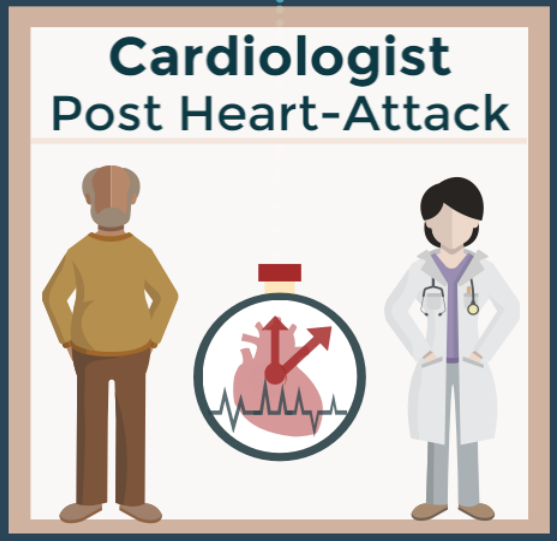
Office Visits



Diagnostic Tests

Prescription Drugs

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...

High Performance

Poor Performance

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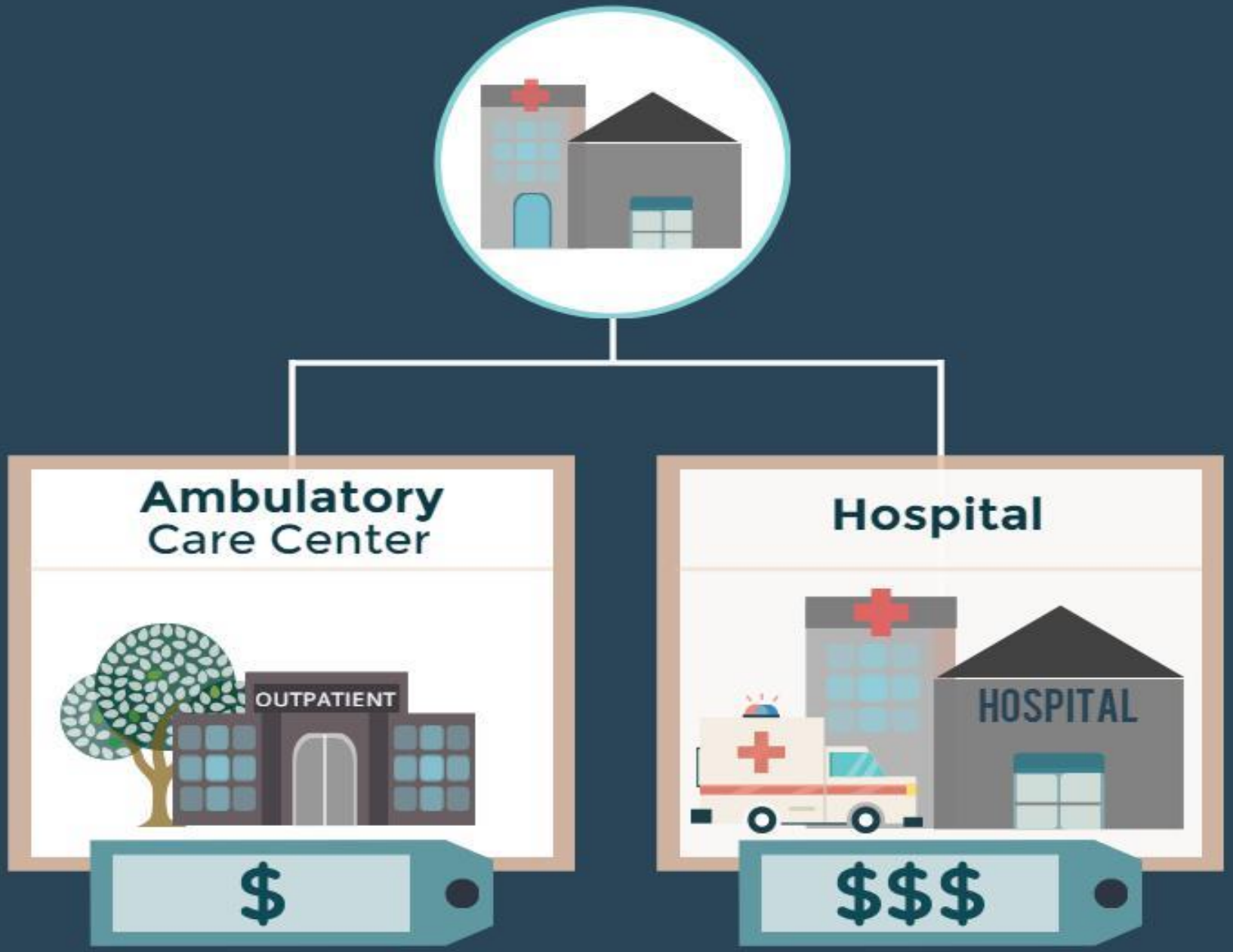
Clinical benefit depends on **where** care is provided



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

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

WSJ.com THE WALL STREET JOUR
ONLINE

June 16, 2004

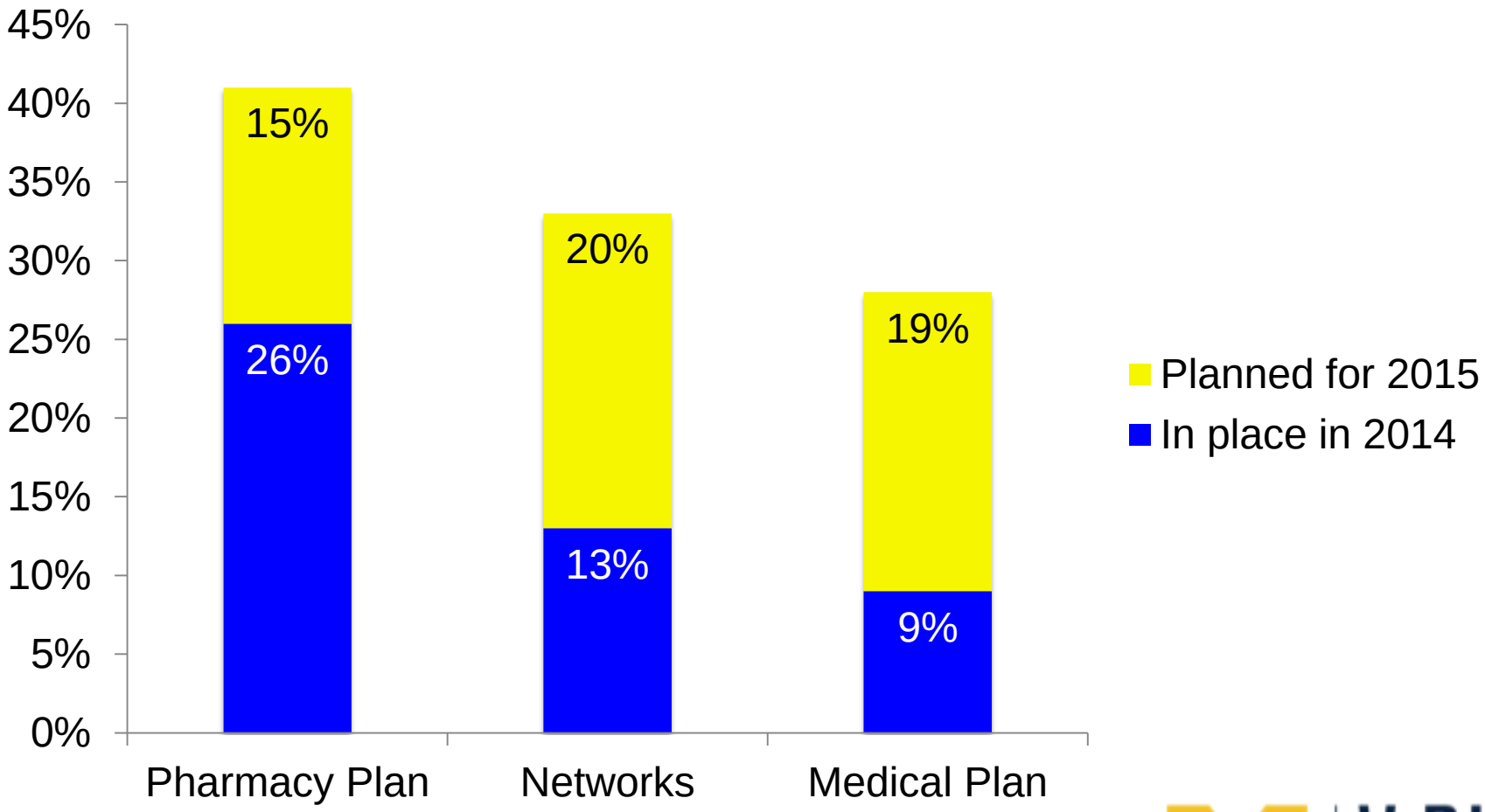
FOLLOW THE MONEY

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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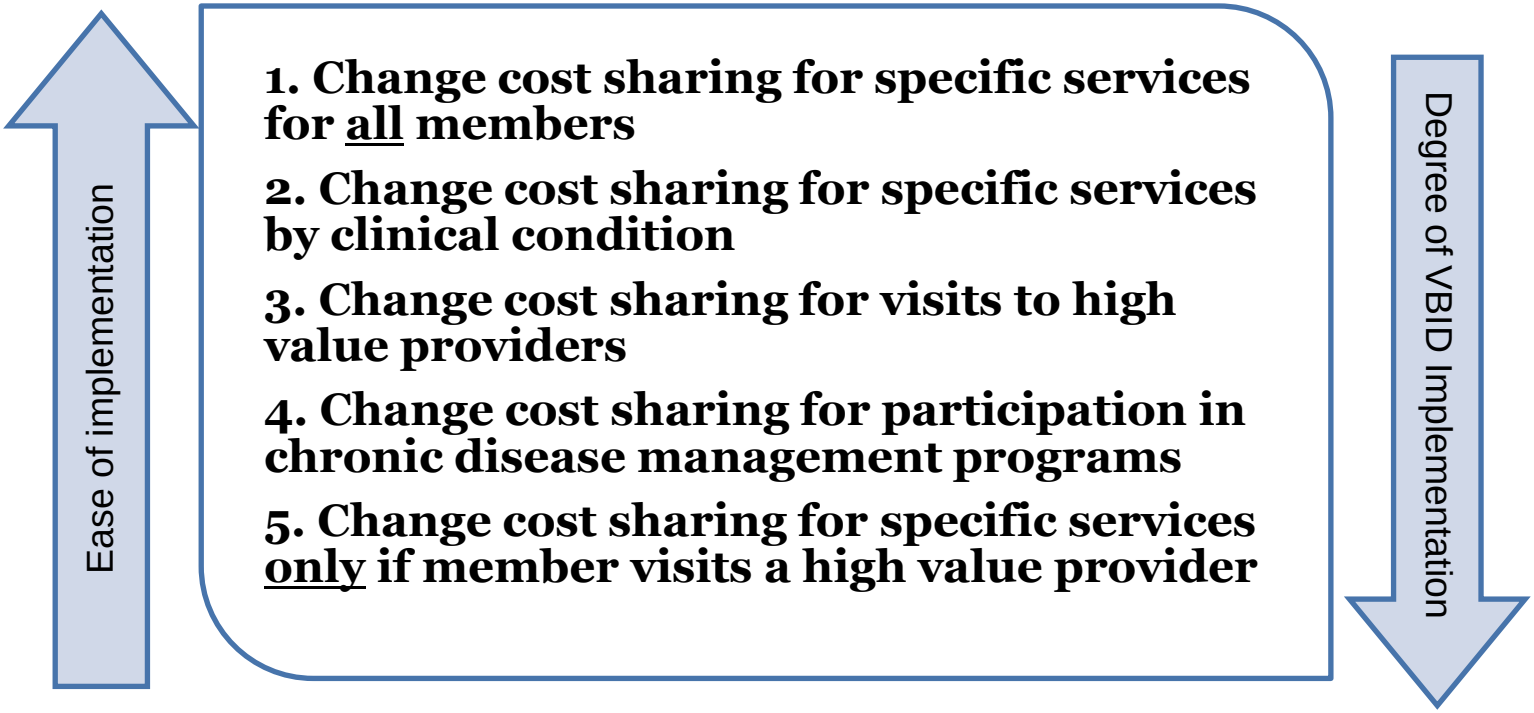
V-BID Intervention Types



Other Intervention Options

- Enhanced coverage of supplemental benefits
- Increased cost-sharing for low-value services

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

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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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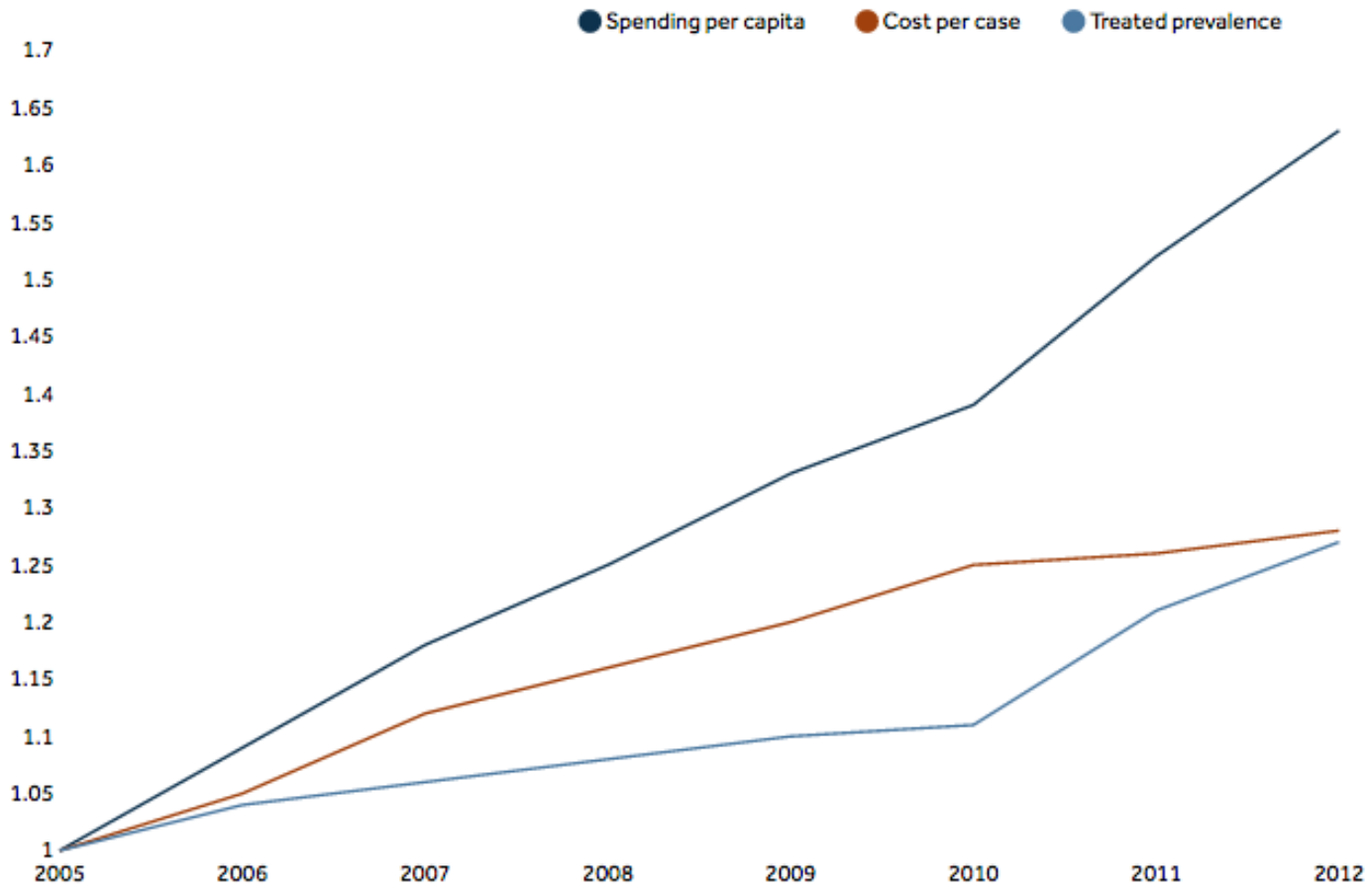
ACA Sec 2713: Selected Preventive Services be Provided without Cost-Sharing

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

A sharp uptick in use of preventive care coincided with the Affordable Care Act's preventive services provision

U.S. per capita disease-based health spending, cost per case, and treated prevalence indexes for CCS Condition Category, Exam or Evaluation, 2005 - 2012



Source: Kaiser Family Foundation and Bureau of Economic Analysis (BEA) analysis of BEA's Health Care Satellite Account (Blended Account), which combines data from the Medical Expenditure Panel Survey and large claims databases. Notes: Beginning in September 2010, the ACA mandated that most insurers cover certain recommended preventive services. Many of these services are included in the "exam or evaluation" category shown in this chart. The requirement that most plans cover contraceptives went into effect in August 2012. Contraceptives are not included in this chart.

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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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

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

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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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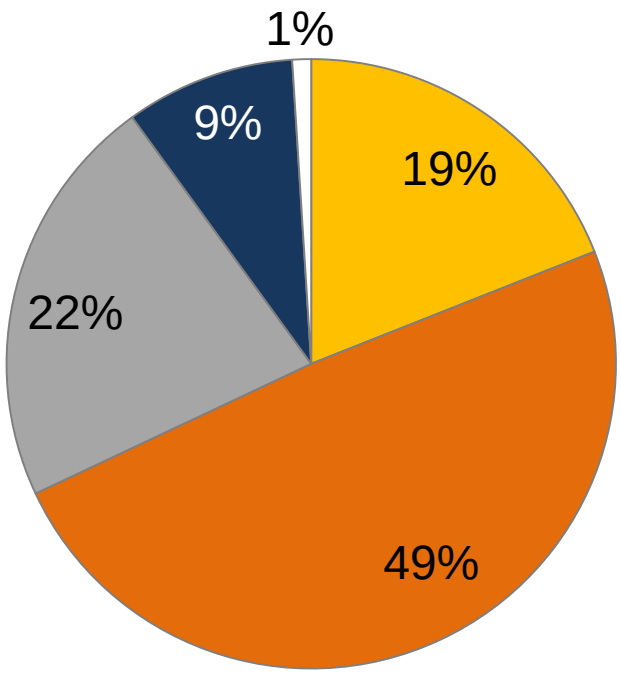
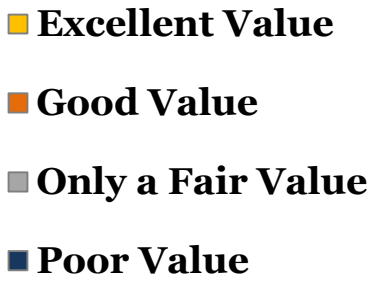
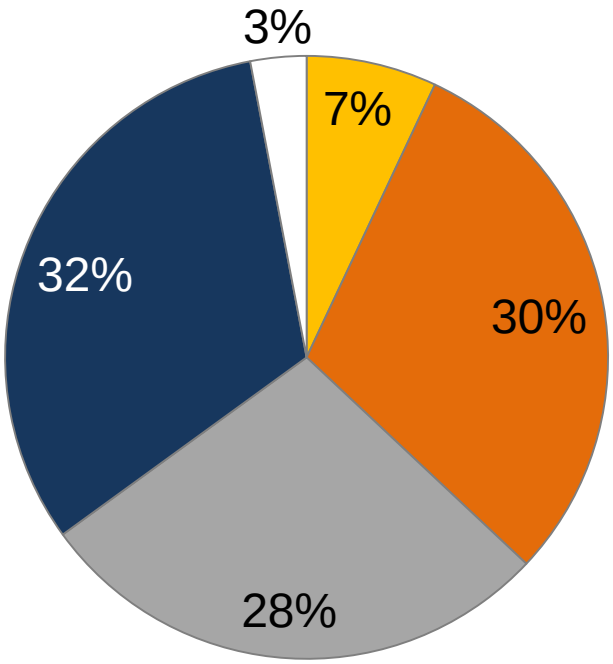
How Enrollees Judge the Value of Their Health Plans

Lower-Deductible Health Plans





High-Deductible Health Plans



Source: Kaiser Family Foundation

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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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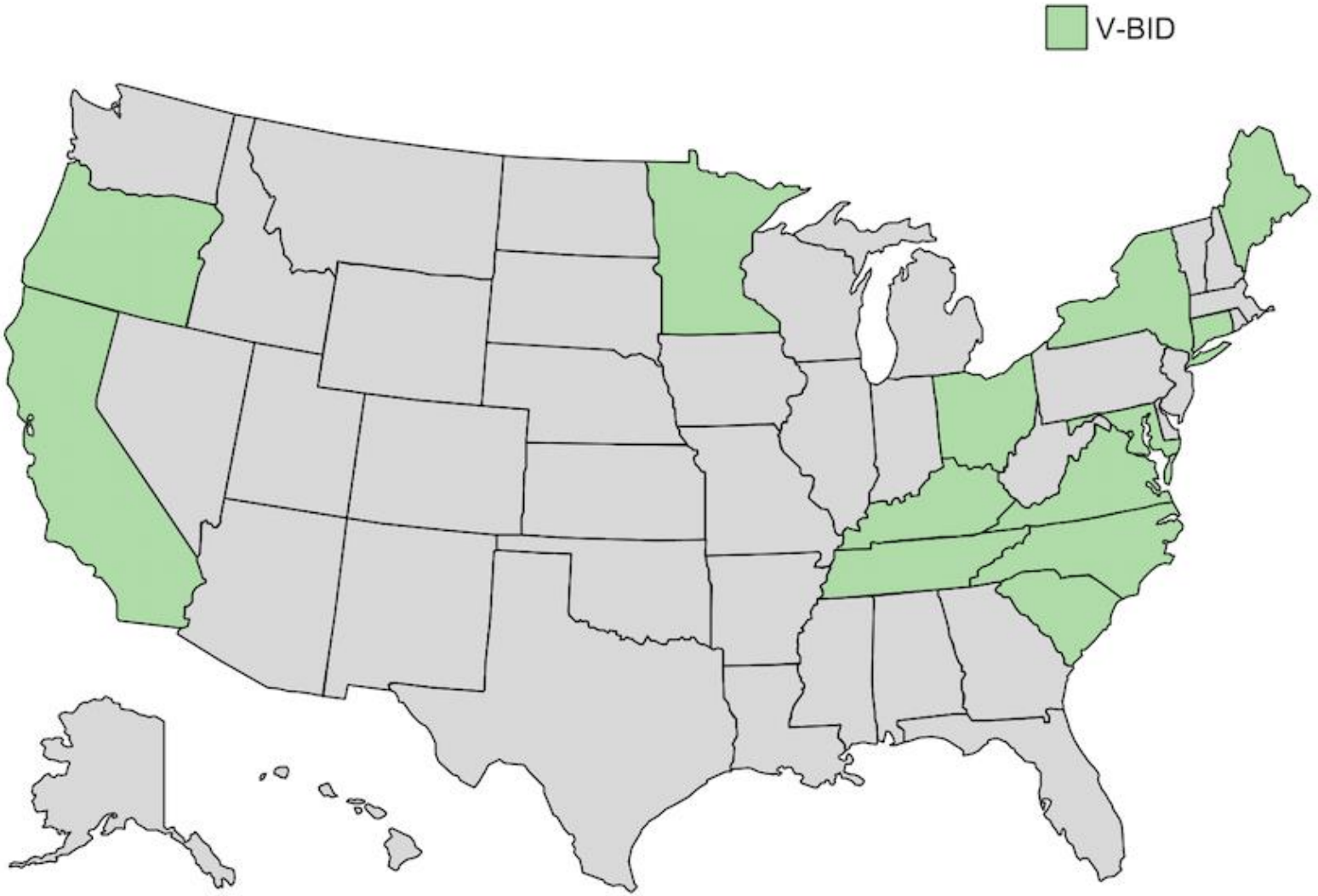
Value-Based Insurance Design
Growing Role in State Employee Plans



HealthAffairs

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

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Value-Based Insurance Design

V-BID sets cost-sharing to encourage use of high-value services and providers and discourage use of low-value care

Current Plans	VS	V-BID Plans
Increase out-of-pocket costs		Lower cost-sharing for high-value services and providers
Offer one-size-fits-all cost-sharing		Enhance patient-centered outcomes
Misalign consumer and provider incentives		Align with provider intiatives

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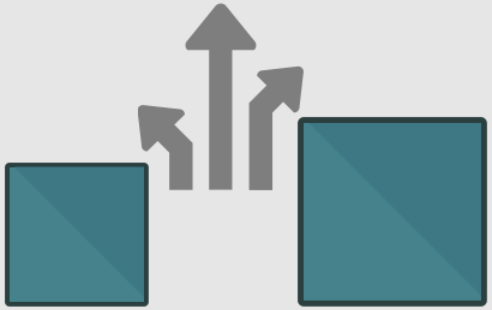
Motivation for Benefit Design Change

Address state budget deficits



Reduce disparities and quality gaps

Encourage employee engagement

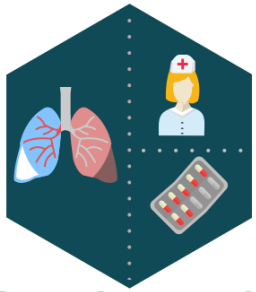
Improve individual and population health

Key Features of the HEP

Align out-of-pocket costs with healthy behaviors

Voluntary Enrollment

Full Preventive Care Coverage



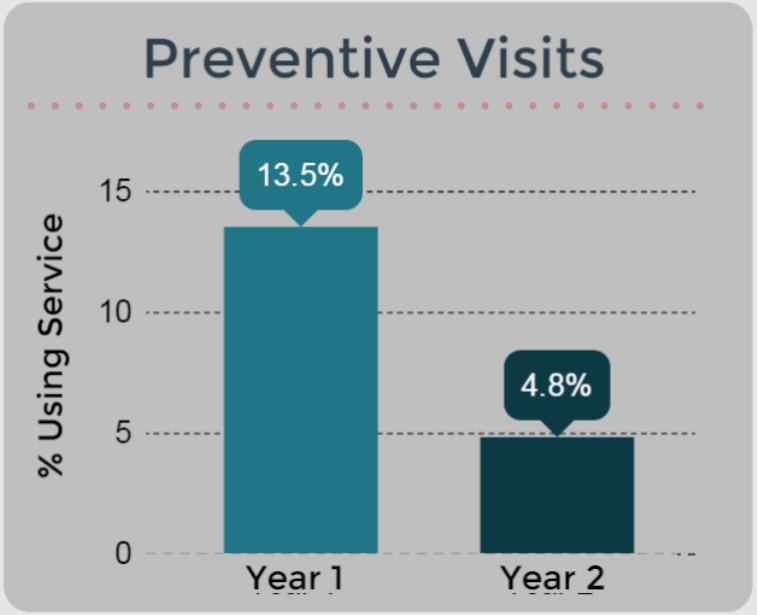
Reduced cost-sharing
for visits & medications to better manage specific clinical conditions

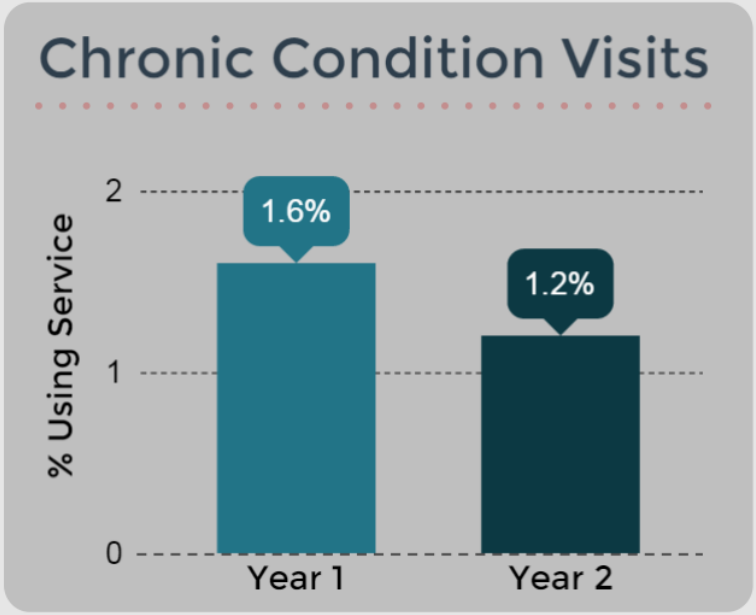
Increased cost-sharing
for non-emergent ED visits

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



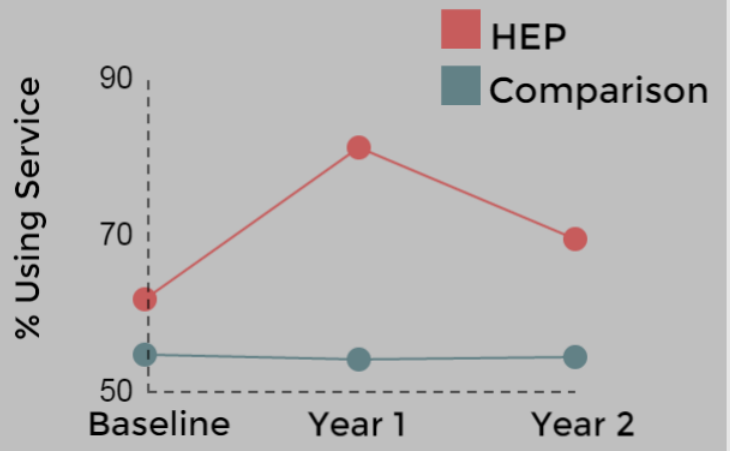


Relative change for HEP members compared to enrollees in control states

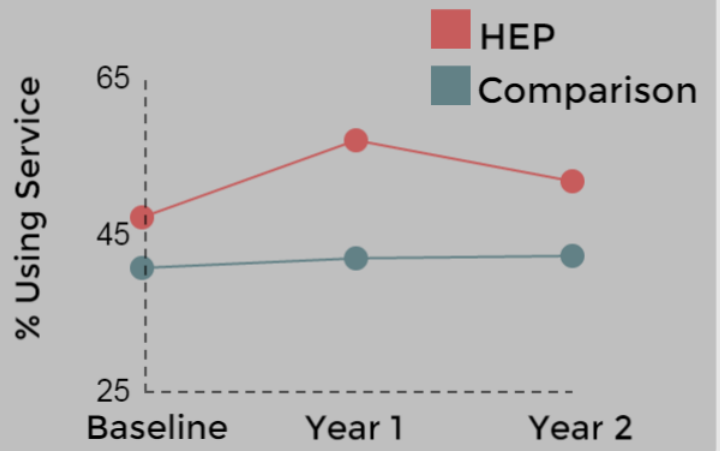
HEP Impact: 2 Year Results

[2] Preventive Care Utilization

Lipid Screening



Mammography



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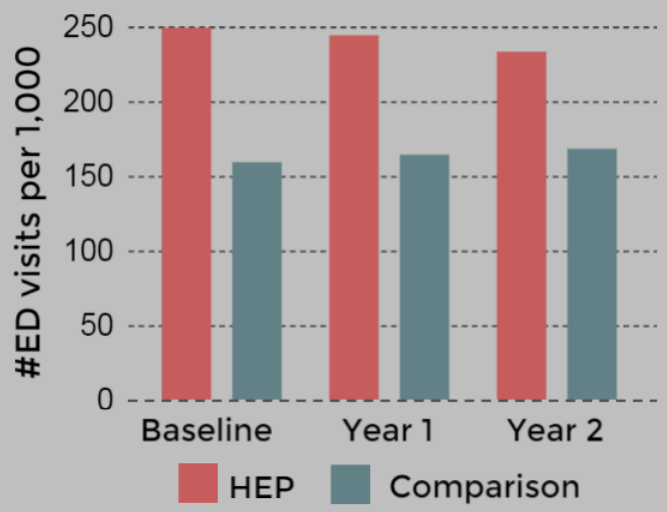
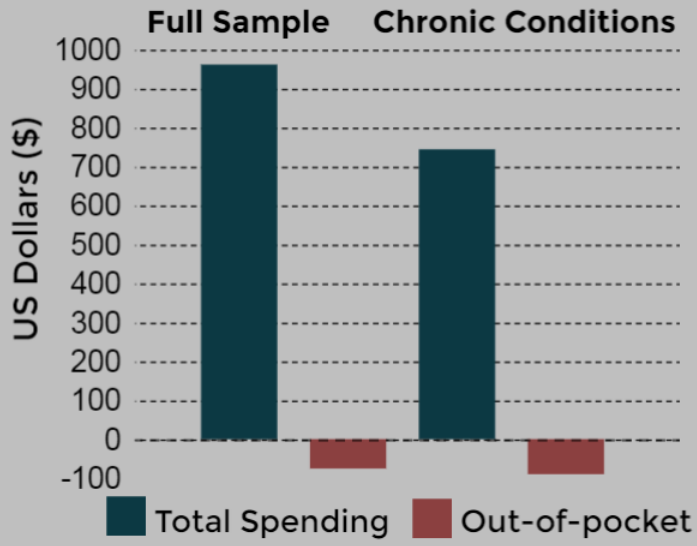
HEP Impact: 2 Year Results

[3] Resource Use

ED Visits per 1,000 enrollees



Spending - Year 2



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

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Putting Innovation into Action
V-BID for NYC Municipal Workers

CRAIN'S
NEW YORK BUSINESS

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

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Putting Innovation into Action
V-BID for NYC Municipal Workers

CRAIN'S
NEW YORK BUSINESS

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"

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Putting Innovation into Action
Selected Elements of NYC Plan Changes

GHI CBP plan

- **ER copayment - Increased**
- **PCP and Mental Health Copayment – Unchanged**
  - **–Lowered to $0 for preferred provider network**
- **Preventive Care Visits and Services - $0 (ACA)**
- **Urgent Care copayment – set between PCP and ER**
- **High cost imaging – Increased**
- **Diagnostic testing and physical therapy – Increased**

HMO plan

- **Increase copayment for non-preferred PCP**

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Selected Elements of NYC Plan Changes
Opportunities for "Clinical Nuance"

GHI CBP plan

- **ER copayment**
- **PCP and Mental Health copayment – Unchanged**
  –Lowered to $0 for preferred provider network
- **Preventive Care Visits and Services - $0 (ACA)**
- **Urgent Care copayment – set between PCP and ER**
- **High cost imaging**
- **Diagnostic testing and physical therapy**
- **Identifying and removing waste**

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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)

VBIDHEALTH

Identifying and Removing Waste

Category	Sources	Estimate of [illegible] 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	• [illegible] • Care fragmentation • Unnecessary use of higher-cost providers • Operational inefficiencies at care delivery sites	$130 billion	17%	5.66%
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SOURCE: "Best Care at Lower Cost: The Path to Continuously Learning Health Care in America." Institute of Medicine (2013)

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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**

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VBID Health/Milliman "Health Waste Calculator"
45 Measures in Place Today; 400+ Planned

ID #	Waste Headline	Waste Mnemonic
1	Antibiotics for Acute Rhinosinusitis	AI01b
2	Coronary Artery Calcium Scoring for known CAD	SCCT01
3	Headache Image	ACR01
4	Immunoglobulin G/ immunoglobulin E Testing	AI02
5	Lower Back Pain Image	AFP02
6	PSA	URG01
7	Radiographic Imaging for Uncomplicated Acute Rhinosinusitis	AOHN04
8	Routine Annual Stress Testing	NMMI02
9	* Sinus CT	AI01a
10	Stress Cardiac Imaging or Advanced Non-Invasive Imaging	AC01
11	AnnualEKGs or Cardiac Screening	AFP05
12	Antibiotics for Adenoviral Conjunctivitis	AO03
13	Colonoscopy	GE01
14	CT Head/Brain for Sudden Hearing Loss	AOHN01
15	CT Scans for Pediatric Headache	AAP06

ID #	Waste Headline	Waste Mnemonic
16	Dexa	AFP03
17	Diagnostics Chronic Urticaria	AI03
18	Echocardiography as Routine Follow-Up	AC02
19	ED CT Scans For Dizziness	JH001
20	Electroencephalography (EEG) for Headaches	AN01
21	Exercise Electrocadiogram	ACPY02
22	Imaging of the Carotid Arteries for Simple Syncope	AN02
23	Neuroimaging in a Child with Simple Febrile Seizure	AP04
24	NSAIDs for Hypertension, Heart Failure, or CKD	SNP04
25	Oral Antibiotics for Uncomplicated Acute External Otitis	AOHN03
26	Pap Smear Hysterectomy	AFP04
27	Pap Smear Under 21	AFP01
28	Radionuclide Imaging	SNC01
29	Routine Pap in Women 30–65 Years of Age	COGY02
30	Syncope Image	ACPY01

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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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%

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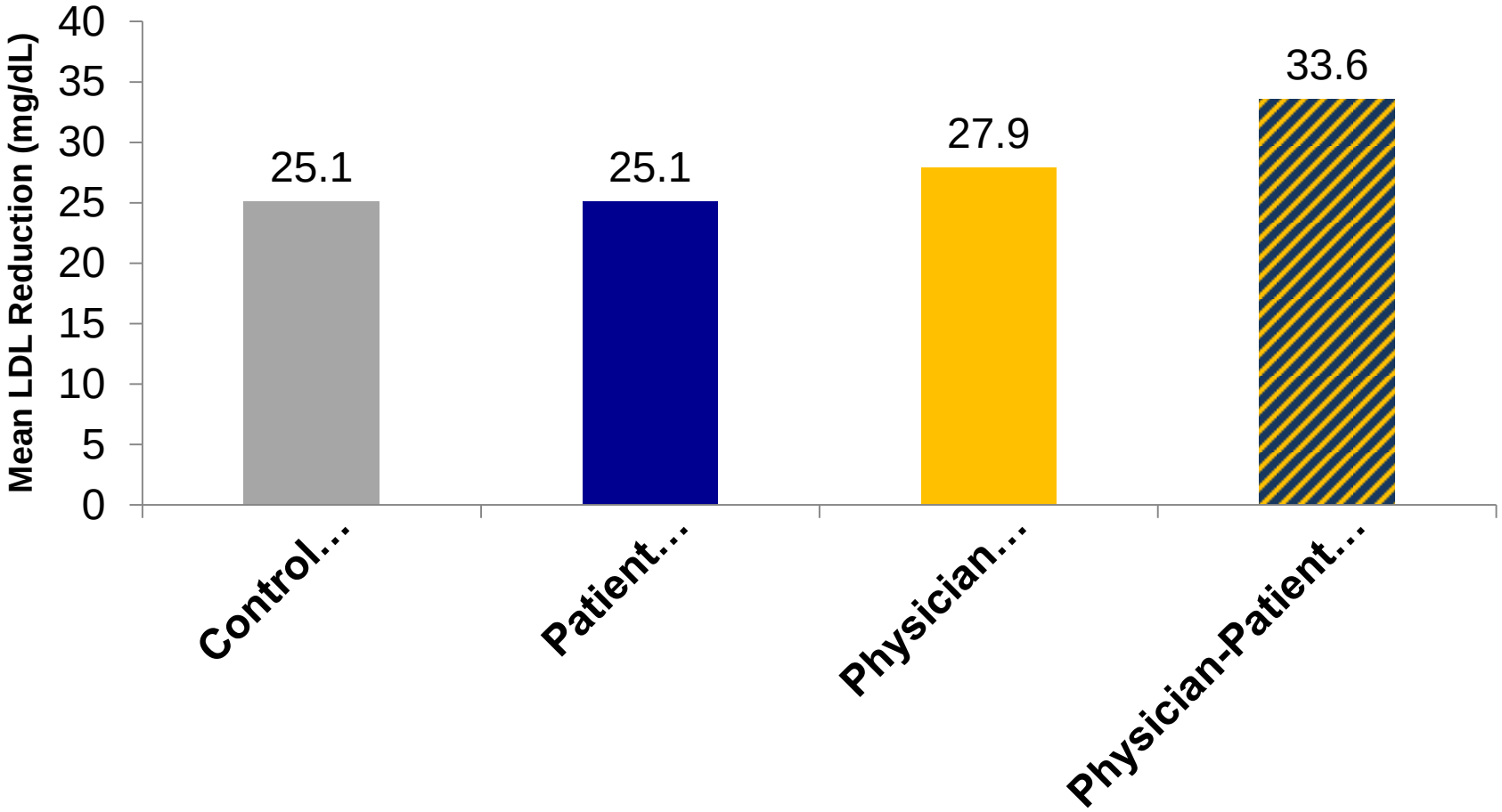
Impact of Aligning Physicians and Patients: Financial Incentives to Lower Cholesterol



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

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Aligning Payer and Consumer Incentives: As Easy as 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

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