Value-Based Insurance Design: Enhancing Access and Affordability to Essential Clinical Services

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.

Health Care Costs Are a Top Issue For Purchasers and Policymakers: Solutions must protect consumers, reward providers and preserve innovation

1. Innovations to prevent and treat disease have led to impressive reductions in morbidity and mortality
2. Irrespective of remarkable clinical advances, cutting health care spending is the main focus of reform discussions
3. Underutilization of high-value persists across the entire spectrum of clinical care leading to poor health outcomes
4. Our ability to deliver high-quality health care lags behind the rapid pace of scientific innovation

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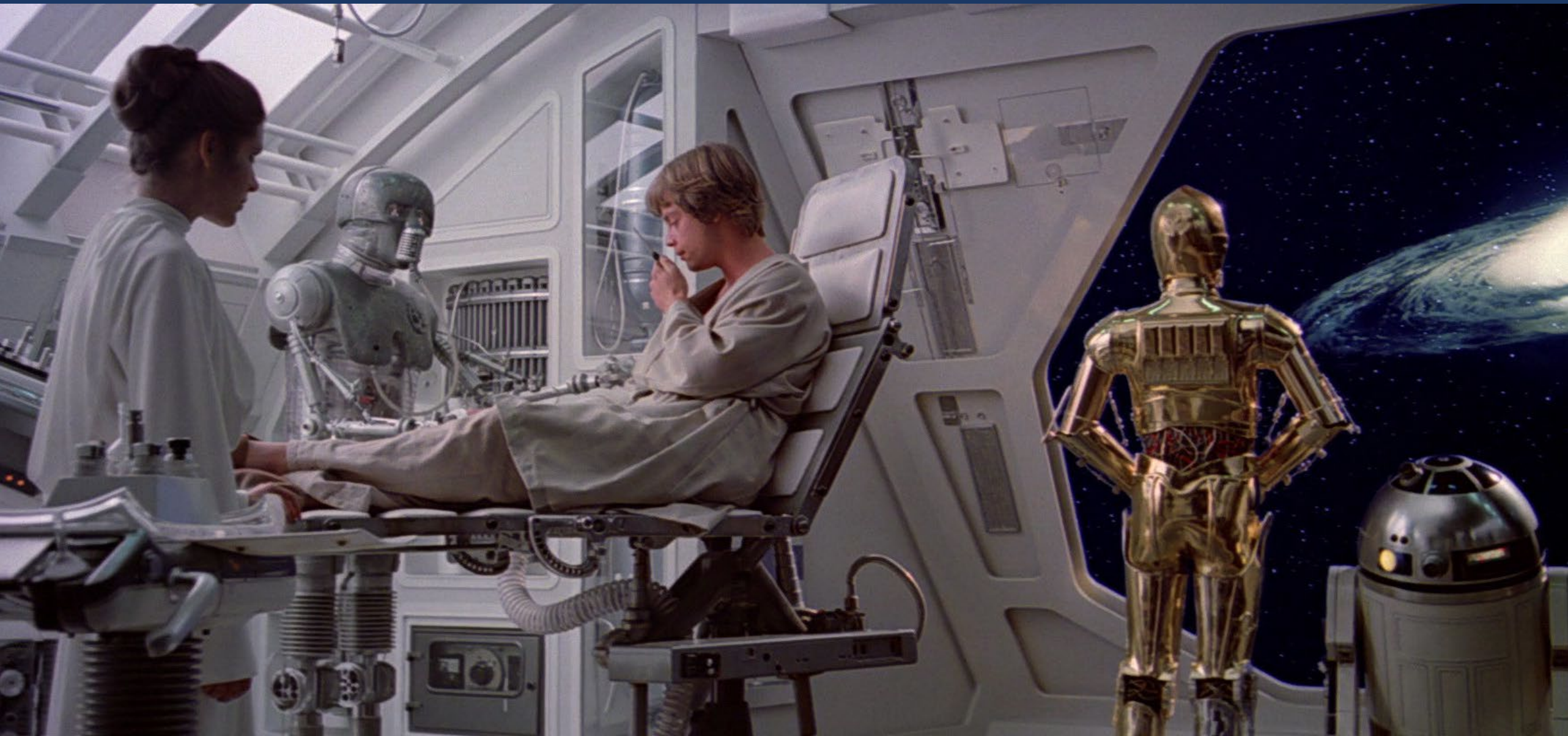
Star Wars Science



Flintstones Delivery

Outline

- Value-Based Insurance Design
- Low Value Care
- Policy Goals
- Translating Research into Policy
- V-BID X

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Moving from the Stone Age to the Space Age: Change the health care cost discussion from “How much” to “How well”

- Everyone (almost) agrees there is enough money in the US health care system; we just spend it on the wrong services
- Policy deliberations focus primarily on alternative payment and pricing models
- Moving from a volume-driven to value-based system requires a change in both how we pay for care and how we engage consumers to seek care
- Consumer cost-sharing is a common policy lever

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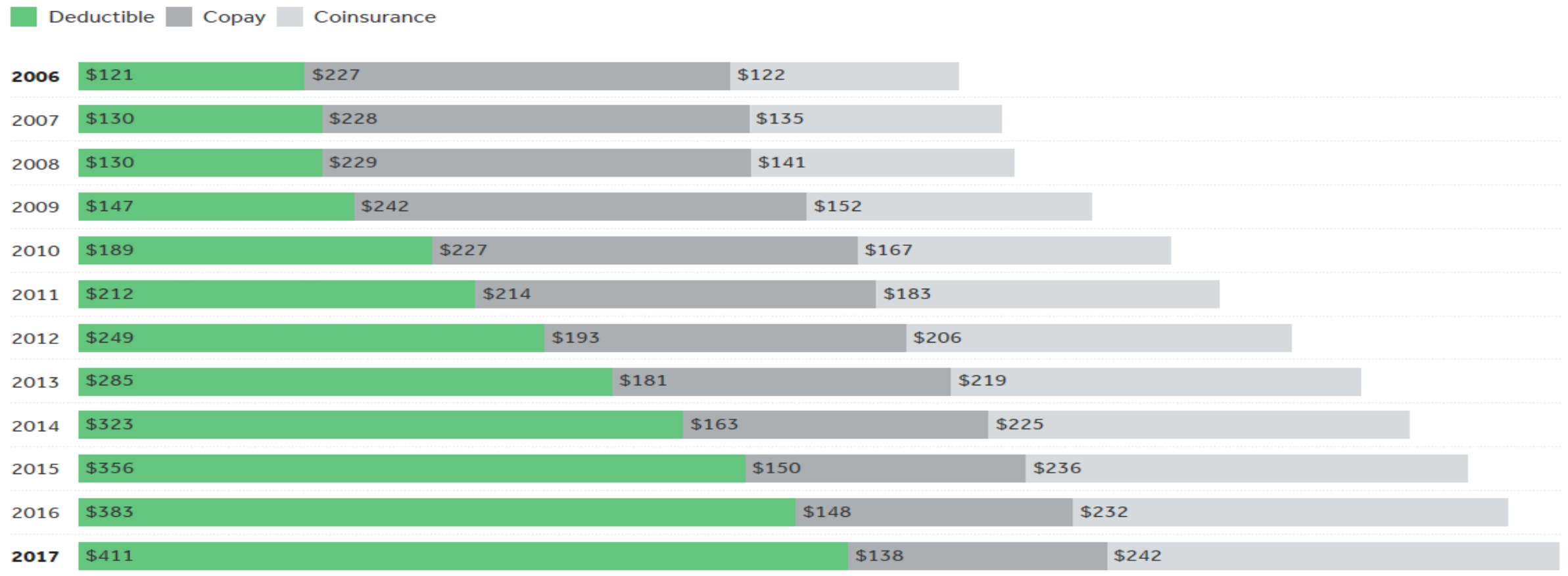
Out-of-pocket spending among people with large employer coverage, Paying More for ALL Care Regardless of Value



Source: KFF analysis of data from IBM MarketScan Database and the KFF Employer Health Benefit Survey

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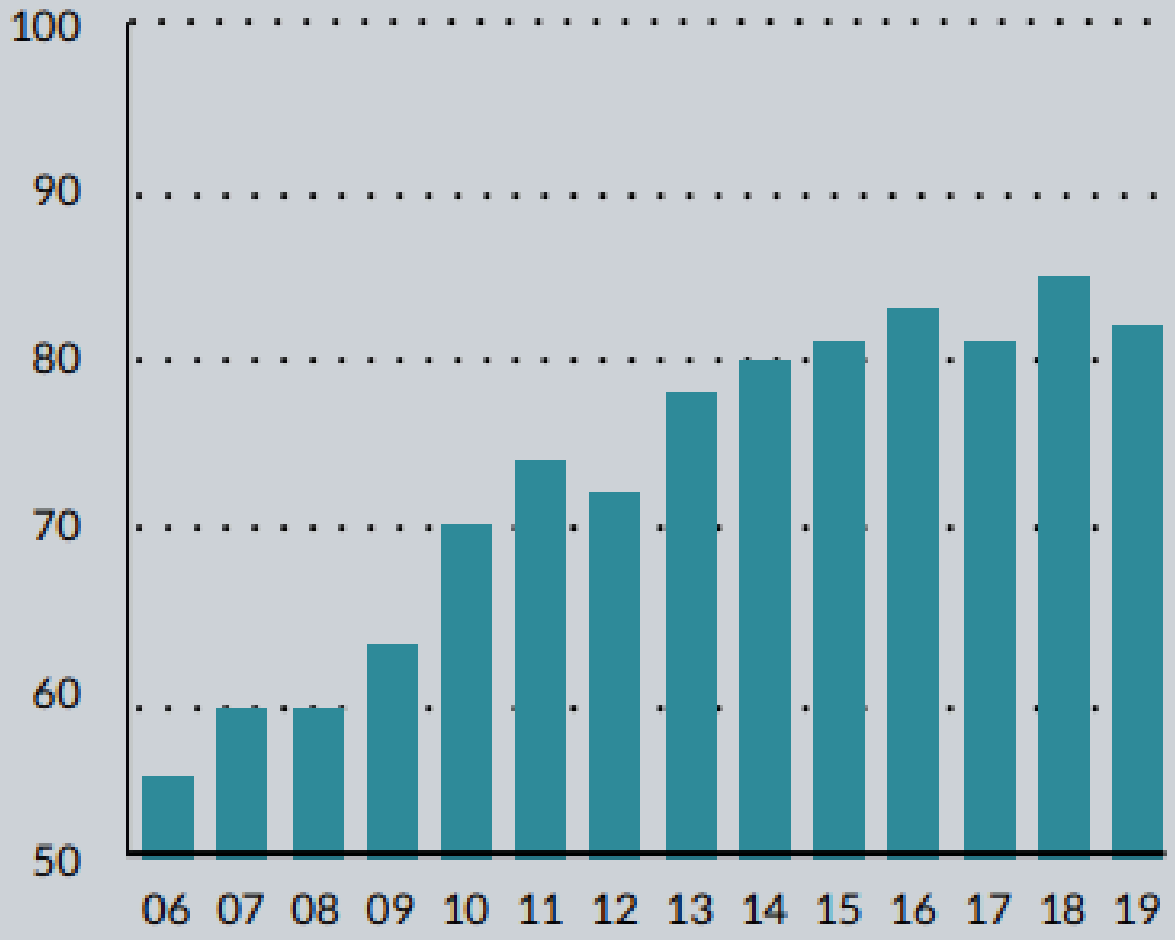
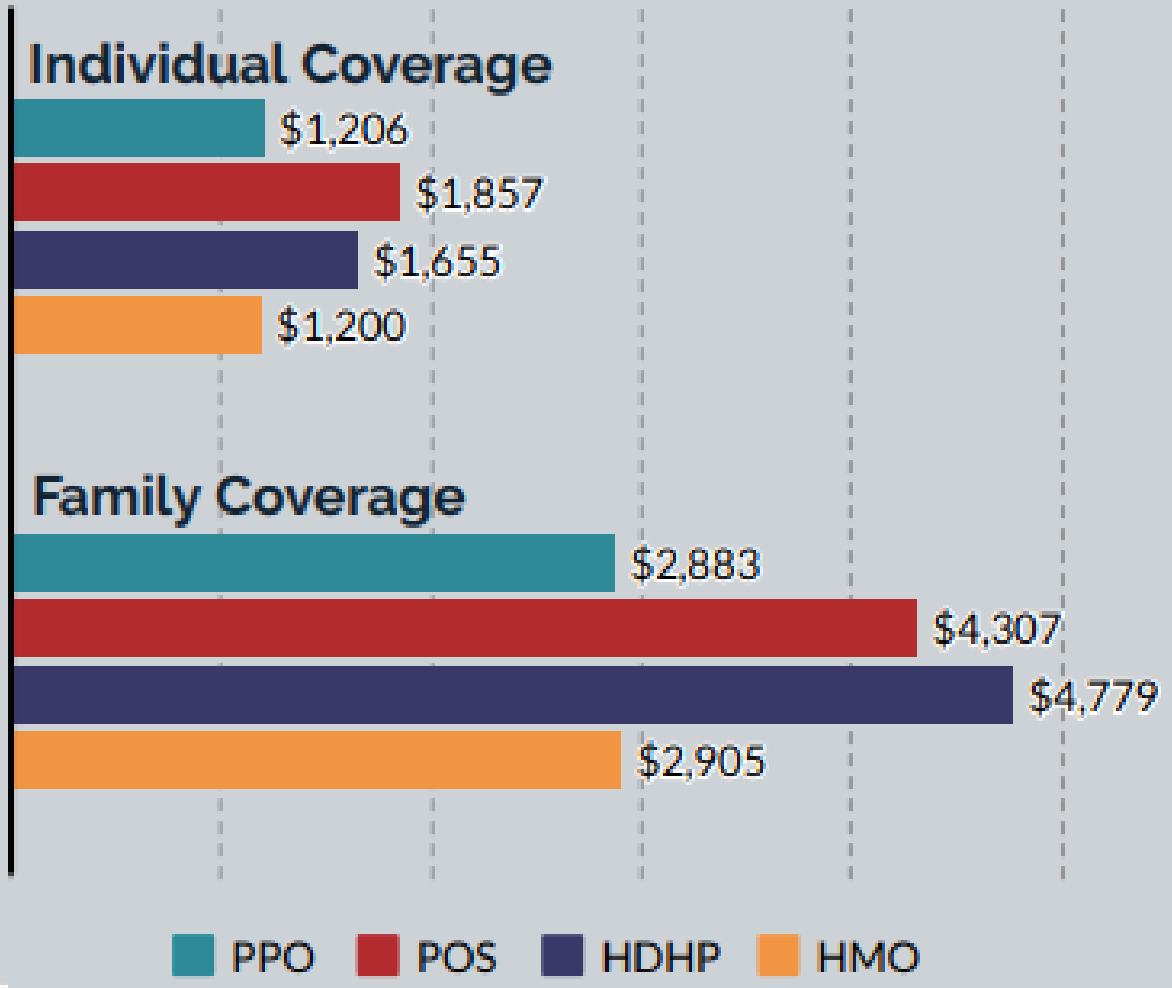
Growth of Deductibles as a Cost Sharing Strategy

Percent of Americans With a Deductible

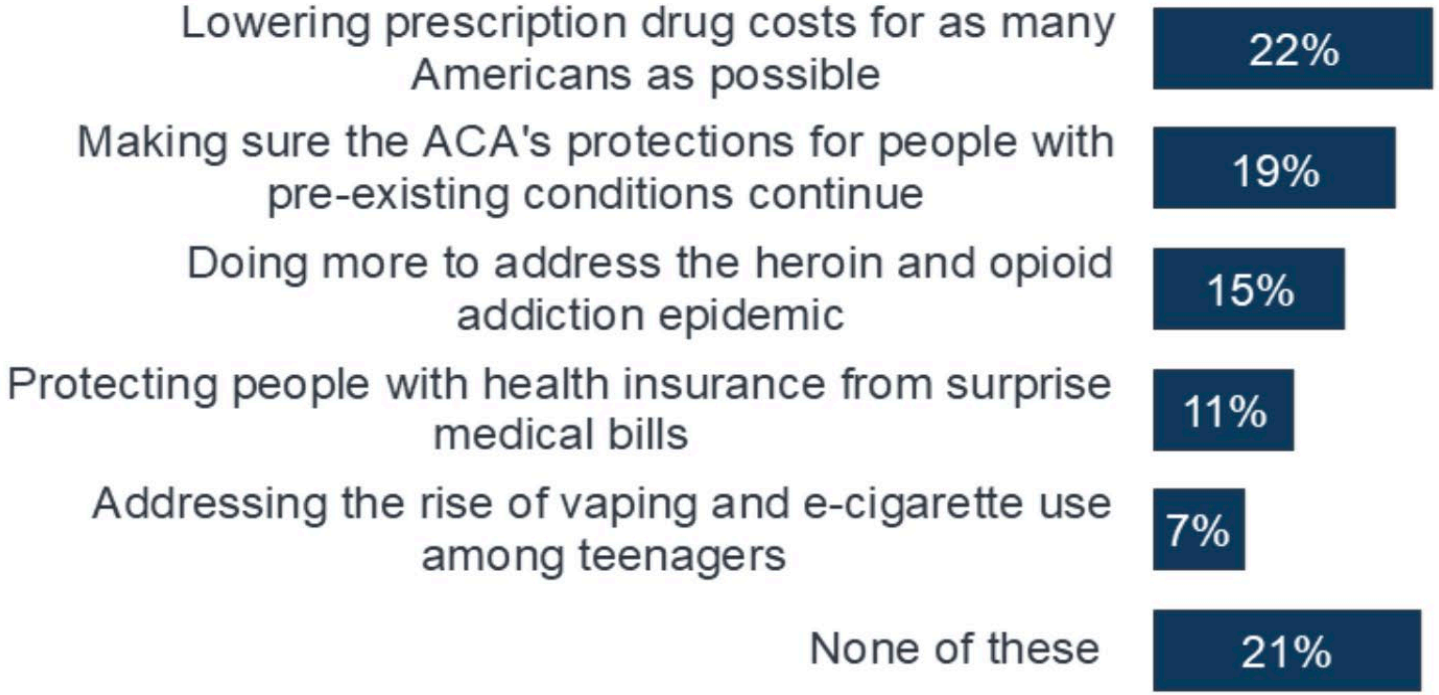


Average Deductible by Plan Type in 2019



Prescription Drug Costs And Continuing Protections For People With Pre-existing Conditions Top Health Priorities For Congress

Percent who say each of the following is the **top health priority** for Congress to work on:



SOURCE: KFF Health Tracking Poll (conducted January 16-22, 2020). See topline for full question wording and response options.

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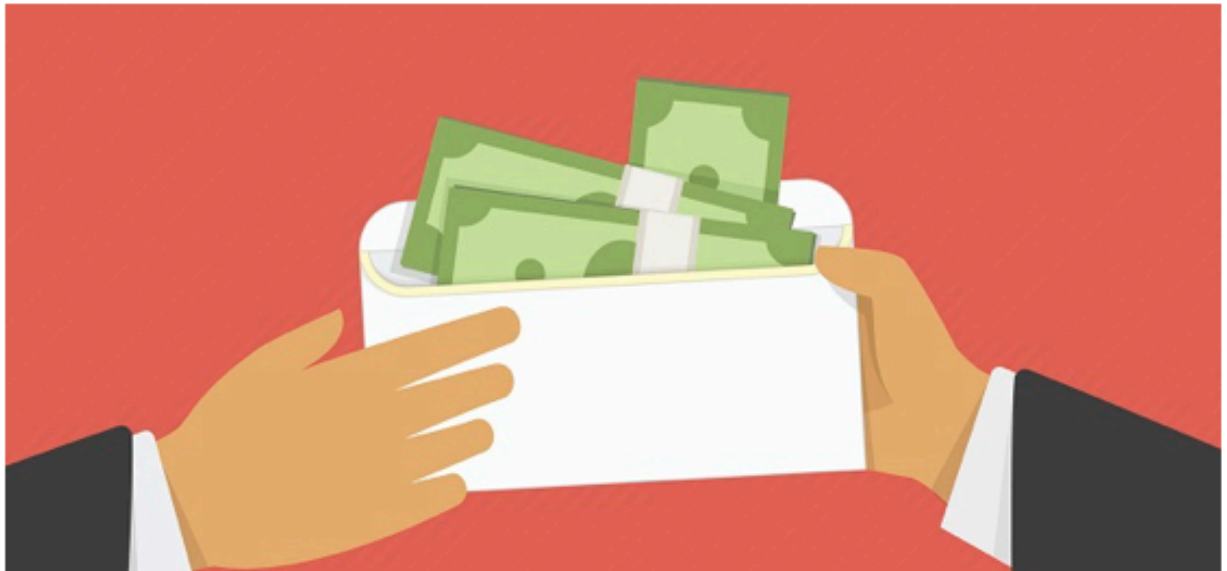
Americans Do Not Care About Health Care Costs; They Care About What It Costs Them

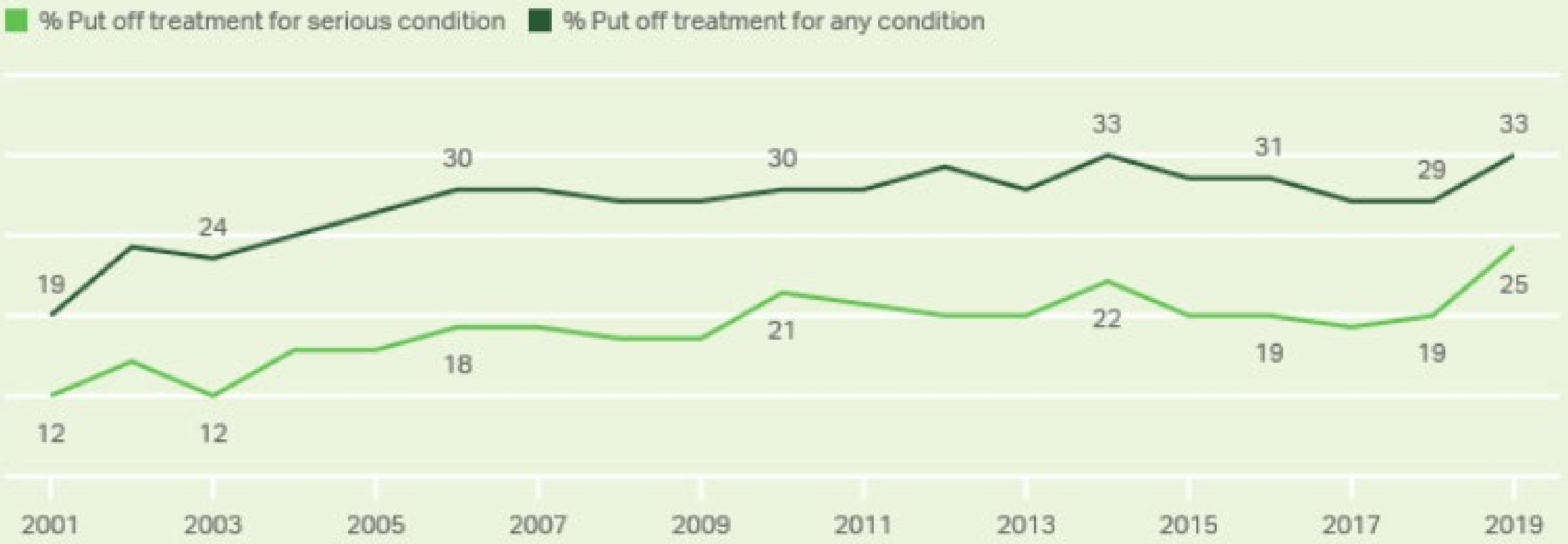
Patient Worry About Out-of-Pocket Healthcare Costs at All-Time High

A report from the Commonwealth Fund noted that patients are not confident they can afford high out-of-pocket healthcare costs.



Americans' Reports of Postponing Medical Care Due to Costs, 2001-2019

Within the last twelve months, have you or a member of your family put off any sort of medical treatment because of the cost you would have to pay? (If yes) When you put off this medical treatment, was it for a condition or illness that was very serious, somewhat serious, not very serious, or not at all serious?



Inspiration (Still)

“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)

The New York Times

THE NEW HEALTH CARE

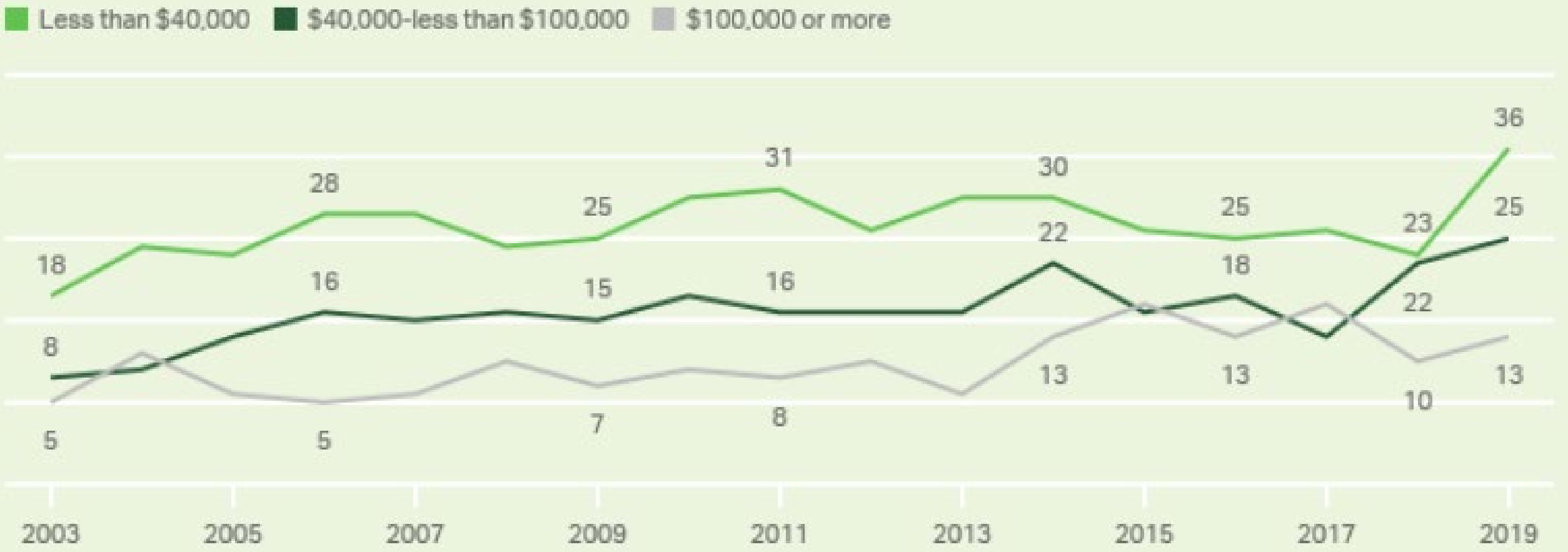
Even a Modest Co-Payment Can Cause People to Skip Drug Doses

By Aaron E. Carroll

Nov. 11, 2019

Delayed Care for Serious Medical Condition Due to Costs, by Household Income

% Self or family member put off care in past 12 months for a very serious or somewhat serious condition



2001-2002 trends not available for these income categories

GALLUP

Impact of Cost-Sharing on Health Care Disparities

Effects of Increased Patient Cost Sharing on Socioeconomic Disparities in Health Care

Michael Chernew, PhD[1] Teresa B. Gibson, PhD[2] Kristina Yu-Isenberg, PhD, RPh[3]
Michael C. Sokol, MD, MS[4] Allison B. Rosen, MD, ScD[5], and A. Mark Fendrick, MD[5]

[1]Department of Health Care Policy, Harvard Medical School, Boston, MA, USA; [2]Thomson Healthcare, Ann Arbor, MI, USA; [3]Managed Markets Division, GlaxoSmithKline, Research Triangle Park, NC, USA; [4]Managed Markets Division, GlaxoSmithKline, Montvale, NJ, USA; [5]Departments of Internal Medicine and Health Management and Policy, Schools of Medicine and Public Health, University of Michigan, Ann Arbor, MI, USA.

- **Rising copayments worsen disparities and adversely affect health, particularly among economically vulnerable individuals and those with chronic conditions**

Chernew M. *J Gen Intern Med* 23(8):1131–6.

Next Generation Plan Option: “Clinically Nuanced” Cost-Sharing

A “smarter” cost-sharing approach that encourages consumers to use more high value services and providers, but discourages the use of low value ones

An Alternative to 'Blunt' Cost-Sharing: Clinical Nuance

- A clinical service is never always high or low value
- The clinical value of a specific clinical service depends on:
  - –Who receives it
  - –When in the course of disease
  - –Who provides it
  - –Where it is provided

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Clinical Nuance: Key Takeaway

Alternative to "Blunt" Consumer Cost Sharing: Value-Based Insurance Design (V-BID)

- **Sets consumer cost-sharing on clinical benefit – not price**
- **Little or no out-of-pocket cost for high value care; high cost share for low value care**
- **Successfully implemented by hundreds of public and private payers**

V-BID: Rare Bipartisan Political and Broad Multi-Stakeholder Support

- HHS
- CBO
- SEIU
- MedPAC
- Brookings Institution
- Commonwealth Fund
- NBCH
- American Fed Teachers
- Families USA
- AHIP
- AARP
- DOD
- BCBSA
- National Governor's Assoc.
- US Chamber of Commerce
- Bipartisan Policy Center
- Kaiser Family Foundation
- American Benefits Council
- National Coalition on Health Care
- Urban Institute
- RWJF
- IOM
- Smarter Health Care Coalition
- PhRMA
- EBRI
- AMA

Putting Innovation into Action: Translating Research into Policy

Translating Research into Policy

THE PATIENT PROTECTION AND AFFORDABLE CARE ACT

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

U.S. Preventive Services Task Force Recommends Expanding Use Of PrEP In High Risk People To Prevent Infection

In an effort to eliminate nearly 40,000 new HIV infections in the U.S. each year, the U.S. Preventive Services Task Force recommended Truvada, which can reduce the risk of infection by 92% when taken daily, should be offered to more patients. High cost has been a barrier, and so far fewer than 10% of high-risk people take the medication.

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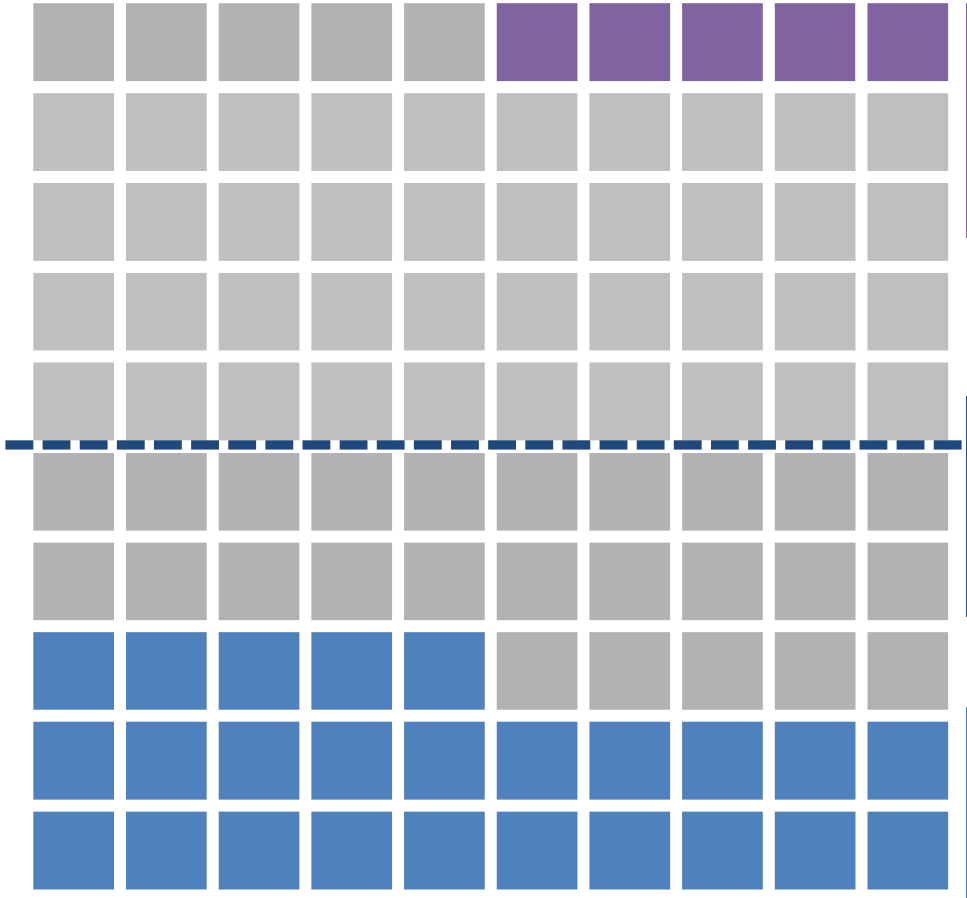
Putting Innovation into Action: Translating Research into Policy

Medicare

Half of Medicare Beneficiaries Live on Incomes at or Below $24,150 per person



5% had incomes above $93,000

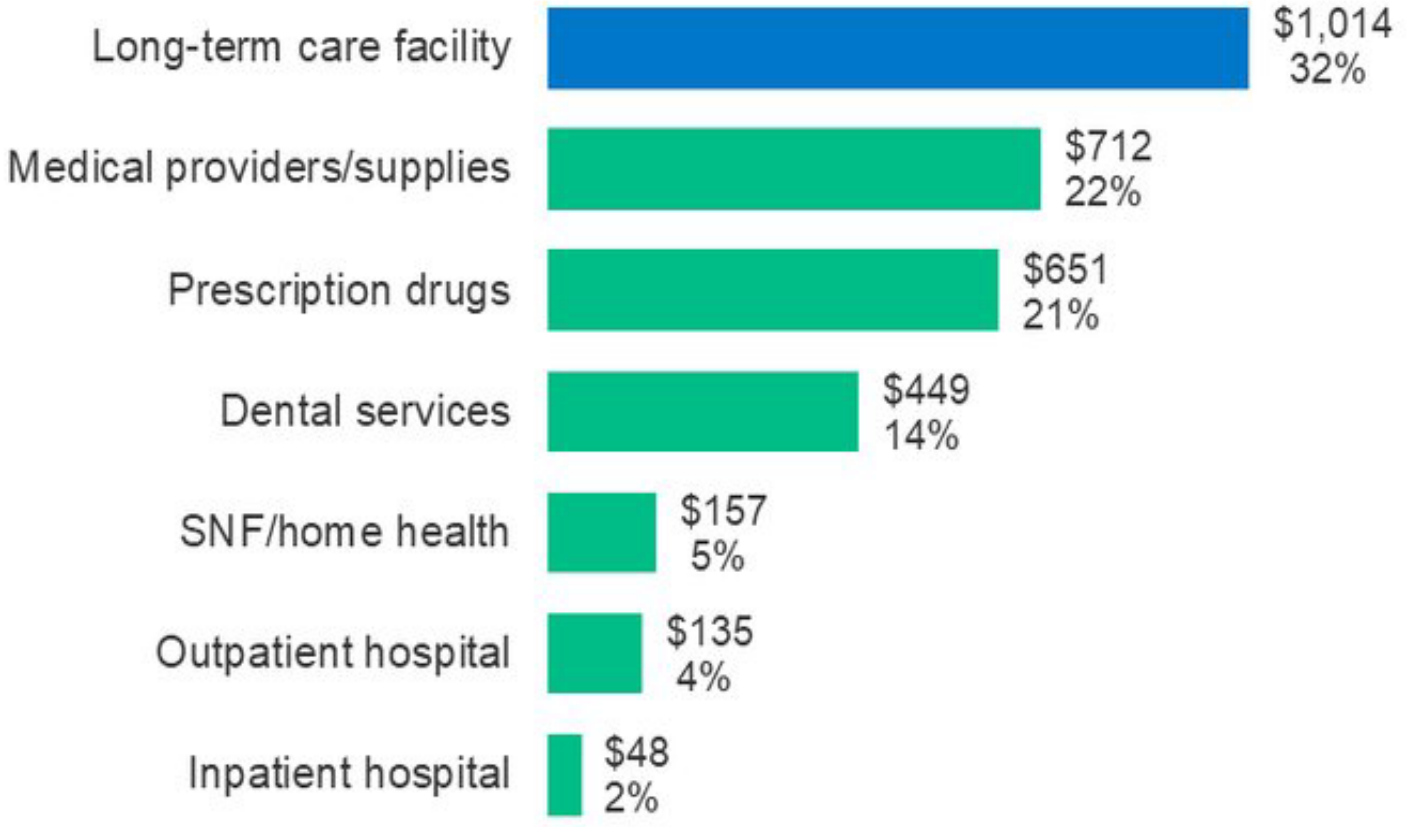
50% had incomes below $24,150

25% had incomes below $14,350

SOURCE: Urban Institute / Kaiser Family Foundation analysis of DYNASIM data, 2015.

The $5,460 in average annual out-of-pocket spending by Medicare enrollees includes just over $1k for long-term care facility services

Distribution of Spending on Services by Type of Service:



NOTES: 2016 data. SNF is skilled nursing facility. Analysis excludes beneficiaries with Part A only or Part B only for most of the year or Medicare as a Secondary Payer, and beneficiaries in Medicare Advantage.
SOURCE: KFF analysis of Centers for Medicare & Medicaid Services 2016 Medicare Current Beneficiary Survey.

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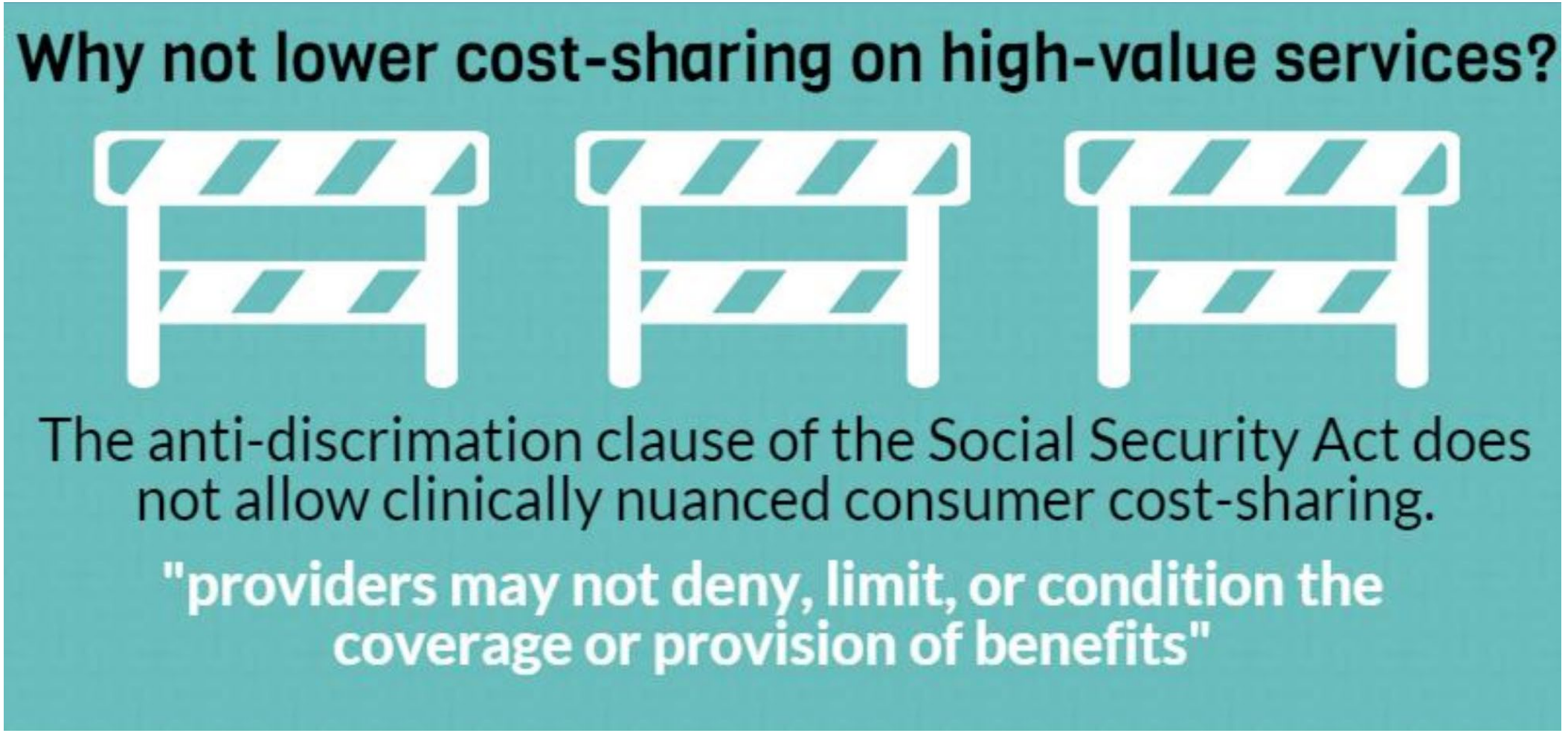
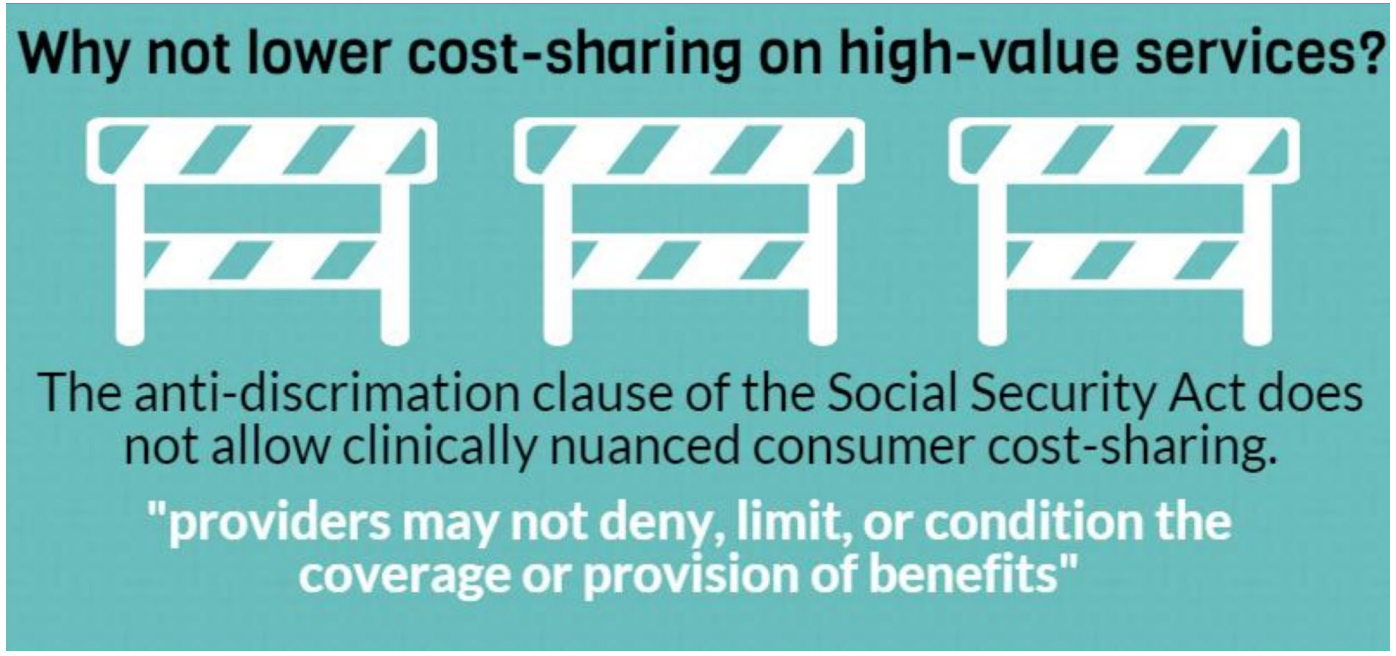
Implementing V-BID in Medicare



Implementing V-BID in Medicare



“Implementing V-BID in Medicare will take an act of Congress”

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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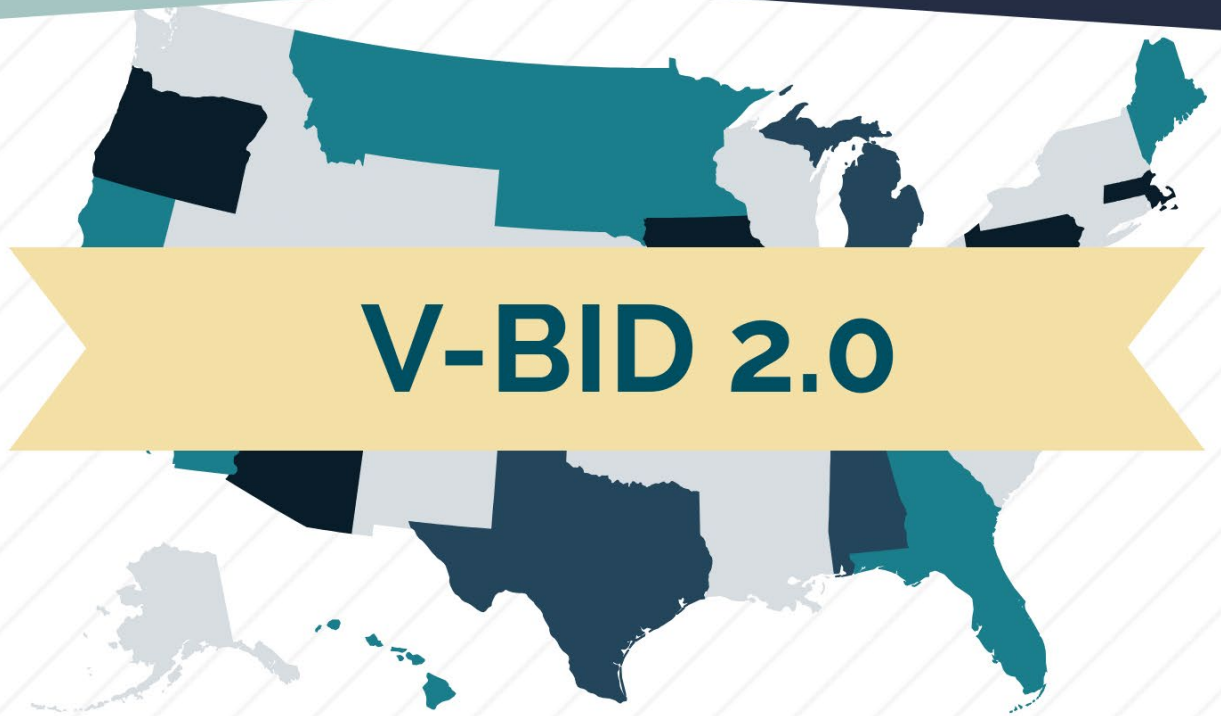
THE EXPANDED ROLE OF V-BID IN MEDICARE ADVANTAGE



CMS announced transformative updates to the **Medicare Advantage Value-Based Insurance Design model**, including its expansion to all 50 states

Medicare Advantage V-BID Model Test: Expanded Opportunities

Permissible interventions:

Reduced cost-sharing for

- high-value services
- high-value providers
- enrollees participating in disease management or related programs
- additional supplemental benefits (non-health related)

Wellness and Health Care Planning
Advanced care planning
Incentivize better health behaviors

Rewards and Incentives
$600 annual limit
Increase participation
Available for Part D

Targeting Socioeconomic Status
Low-income subsidy
Improve quality, decrease costs

Telehealth
Service delivery innovations
Augment existing provider networks

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Putting Innovation into Action: Translating Research into Policy

TRICARE®

Value-based insurance coming to millions of people in Tricare

- **2017 NDAA: Obama Administration - reduce or eliminate co-pays and other cost sharing for certain high services and providers**
- **2018 NDAA: Trump Administration – reduce cost sharing for high value drugs on the uniform formulary**

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HSA-HDHP Reform

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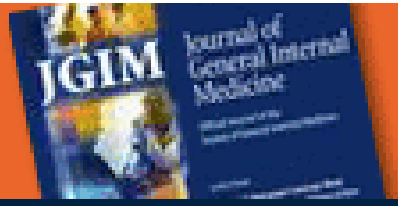
IRS Rules Prohibit Coverage of Chronic Disease Care Until HSA-HDHP Deductible is Met

PREVENTIVE CARE COVERED
Dollar one

CHRONIC DISEASE CARE
NOT covered until deductible is met

Springer



Journal of General Internal Medicine

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J Gen Intern Med. 2007 Jun; 22(6): 890–891.

PMCID: PMC2071958

Published online 2007 Apr 6. doi: 10.1007/s11606-007-0188-2

PMID: 17415618

Value-Based Insurance Design: A "Clinically Sensitive, Fiscally Responsible" Approach to Mitigate The Adverse Clinical Effects of High-Deductible Consumer-Directed Health Plans

A. Mark Fendrick, MD[1] and Michael E. Chernew, PhD[2]

U.S. DEPARTMENT OF THE TREASURY

PRESS RELEASES

Treasury Expands Health Savings Account Benefits for Individuals Suffering from Chronic Conditions

List of services and drugs for certain chronic conditions that will be classified as preventive care under Notice 2019-45

Preventive Care for Specified Conditions	For Individuals Diagnosed with
Angiotensin Converting Enzyme (ACE) inhibitors	Congestive heart failure, diabetes, and/or coronary artery disease
Anti-resorptive therapy	Osteoporosis and/or osteopenia
Beta-blockers	Congestive heart failure and/or coronary artery disease
Blood pressure monitor	Hypertension
Inhaled corticosteroids	Asthma
Insulin and other glucose lowering agents	Diabetes
Retinopathy screening	Diabetes
Peak flow meter	Asthma
Glucometer	Diabetes
Hemoglobin A1c testing	Diabetes
International Normalized Ratio (INR) testing	Liver disease and/or bleeding disorders
Low-density Lipoprotein (LDL) testing	Heart disease
Selective Serotonin Reuptake Inhibitors (SSRIs)	Depression
Statins	Heart disease and/or diabetes

AJMC
THE AMERICAN JOURNAL OF MANAGED CARE®

Expand Predeductible Coverage Without Increasing Premiums or Deductibles

A. Mark Fendrick, MD

> **"WITH EXPANSION OF PREDEDUCTIBLE COVERAGE, NO INSURED AMERICAN WITH CHRONIC CONDITIONS SHOULD EVER HAVE TO PAY FULL PRICE FOR LIFESAVING MEDICAL SERVICES."**

Chronic Disease Management of 2020

116th Congress
2D Session

2020

S.3200

To amend the Internal Revenue Code of 1986 to permit high deductible health plans to provide chronic disease prevention services to plan enrollees prior to satisfying their plan deductible.

Promoting Value. Inspiring Innovation.

ENTERTAINMENT

MoviePass owner collapses into bankruptcy, leaders quit

NEWSLETTERS

Hedge funds led by women and people of color outperform those run by white men

COMMENTARY • MEDICAL COSTS

If you have insurance, you shouldn't be paying full price for insulin

BY **MARK FENDRICK** AND **DAVID A. RICKS**

January 29, 2020 4:06 PM EST

UTERS

o offer diabetes drugs at no out-of-pocket costs for PBM members

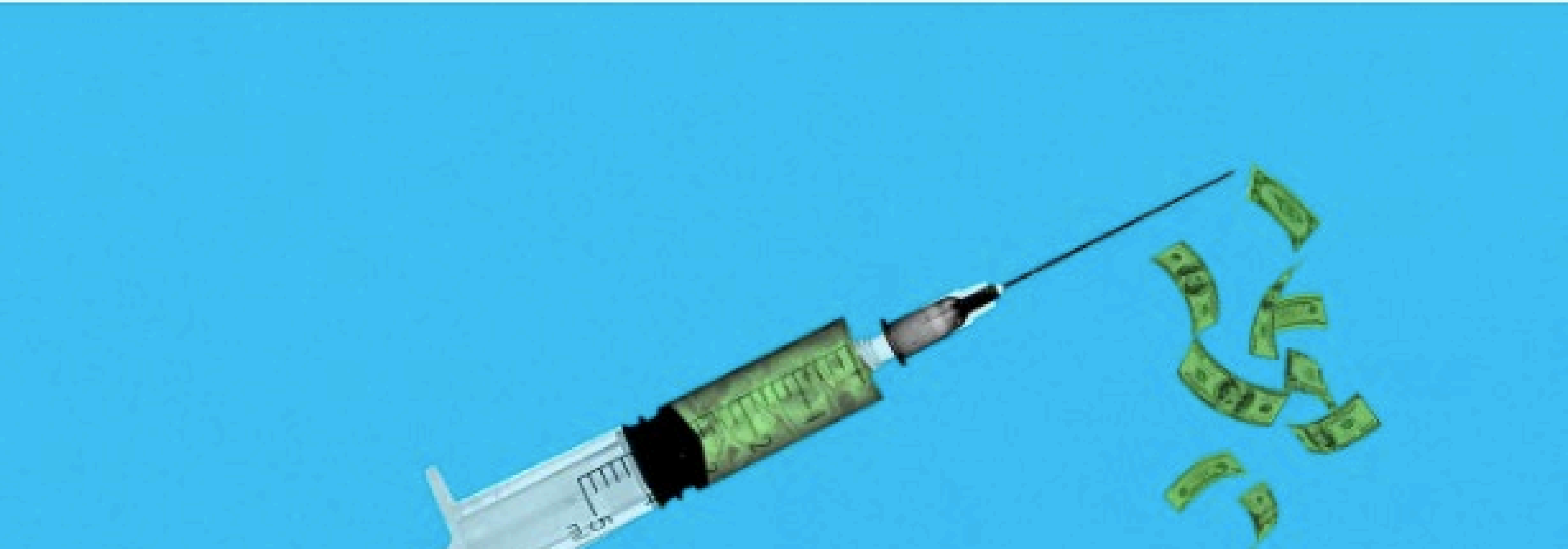
) - CVS Health Corp said on Wednesday its pharmacy benefit management
nit is launching a new program, under which employers and insurers will be
ffer diabetes drugs, including insulin, at no out-of-pocket costs to their
.

pany said the program would not raise costs for health insurers and
s, and eliminating out-of-pocket costs would ensure better adherence by
patients to their drug regimens.

as middlemen in the drug supply chain who negotiate prices for employers
h insurers.

Caitlin Owens, Jonathan Swan Jan 27, 2020

Trump administration wants to lower seniors' insulin costs



Where does the money come from to provide better coverage for high value care?

- **Raise Premiums**

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Where does the money come from to provide better coverage for high value care?

- ~~Raise Premiums~~
- Increase Deductibles, Copayments and Coinsurance

V-BID

Where does the money come from to provide better coverage for high value care?

- ~~Raise Premiums~~
- ~~Increase Deductibles, Copayments and Coinsurance~~
- Reduce Spending on Low Value Care

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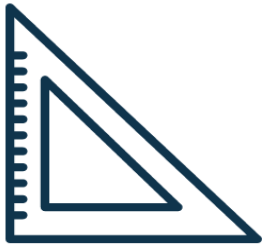
REDUCING
LOW-VALUE CARE

IDENTIFY.



MEASURE.

REPORT.

REDUCE.

Reducing Low Value Care: Identify

Choose services:

- Easily identified in administrative systems
- Mostly low value
- Reduction in their use would be barely noticed

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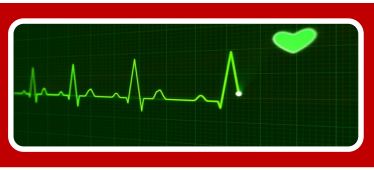
Multi-Stakeholder Task Force on Low Value Care Identifies 5 Commonly Overused Services Ready for Action



1. Diagnostic Testing and Imaging Prior to Low Risk Surgery

2. Vitamin D Screening

3. PSA Screening in Men 70+

4. Imaging in First 6 Weeks of Acute Low Back Pain

5. Branded Drugs When Identical Generics Are Available

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Impact of reducing Vitamin D testing in the general population

Cost 1 Vitamin D test =

ACA Sec 4105:
Selected No-Value Preventive Services Shall Not Be Paid For

SEC. 4105. EVIDENCE-BASED COVERAGE OF PREVENTIVE SERVICES IN MEDICARE.

(a) AUTHORITY TO MODIFY OR ELIMINATE COVERAGE OF CERTAIN PREVENTIVE SERVICES.—Section 1834 of the Social Security Act (42 U.S.C. 1395m) is amended by adding at the end the following new subsection:

"(n) AUTHORITY TO MODIFY OR ELIMINATE COVERAGE OF CERTAIN PREVENTIVE SERVICES.—Notwithstanding any other provision of this title, effective beginning on January 1, 2010, if the Secretary determines appropriate, the Secretary may—

"(1) modify—

"(A) the coverage of any preventive service described in subparagraph (A) of section 1861(ddd)(3) to the extent that such modification is consistent with the recommendations of the United States Preventive Services Task Force; and

"(B) the services included in the initial preventive physical examination described in subparagraph (B) of such section; and

"(2) provide that no payment shall be made under this title for a preventive service described in subparagraph (A) of such section that has not received a grade of A, B, C, or I by such Task Force.".

(b) CONSTRUCTION.—Nothing in the amendment made by paragraph (1) shall be construed to affect the coverage of diagnostic or treatment services under title XVIII of the Social Security Act.

HHS granted authority to not pay for USPSTF 'D' Rated Services

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V-BID X:
Better Coverage, Same Premiums and Deductibles

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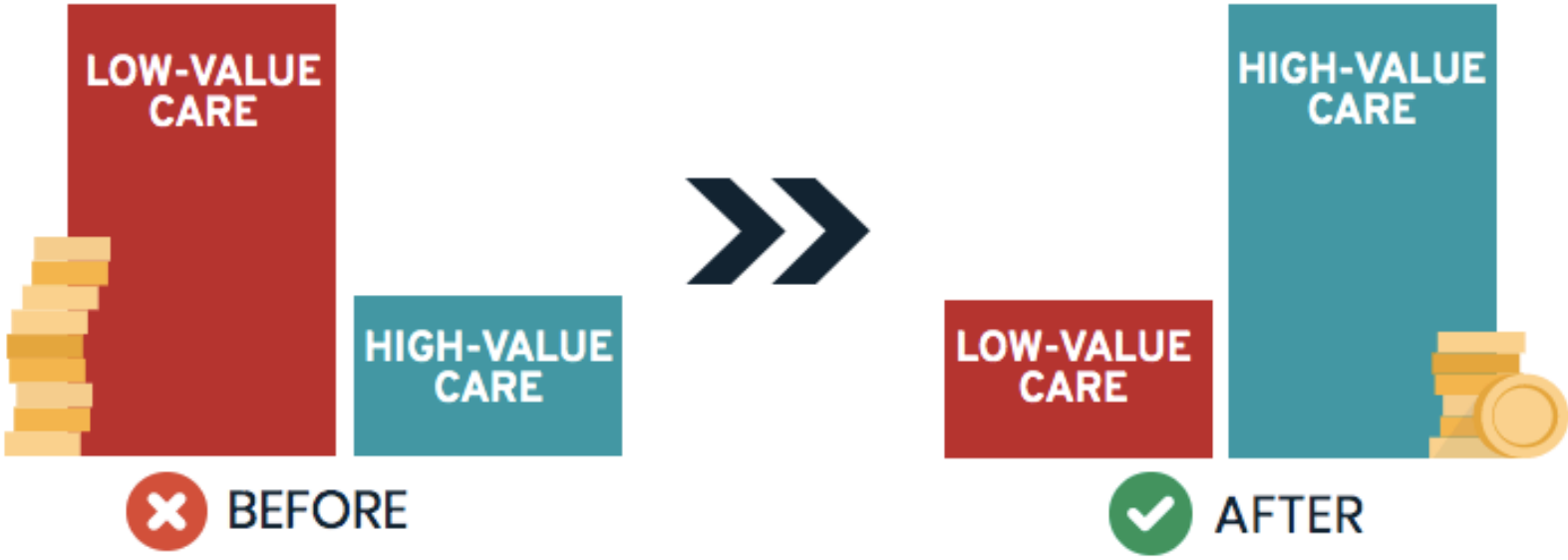
Clinically driven plan designs, like *V-BID X*, reduce spending on low-value care



...creating headroom to reallocate spending to high-value services without increasing premiums or deductibles

High-Value Services and Drugs with Highly Reduced or Eliminated Cost-Sharing	
Glucometers and testing strips	Anti-thrombotic/anticoagulants
LDL testing (hyperlipidemia)	Anti-depressants
Hemoglobin A1C testing (diabetes)	Statins
Cardiac rehabilitation	Antipsychotics
INR testing (hypercoagulability)	ACE inhibitors and ARBs
Pulmonary rehabilitation	Beta blockers
Peak flow meters (asthma)	Buprenorphine-naloxone
Blood pressure monitors (hypertension)	Anti-resorptive therapy
Glucose lowering agents	Tobacco cessation treatments
Rheumatoid arthritis medications	Naloxone
Inhaled Corticosteroids	Thyroid-related
Antiretrovirals	

High-Value Branded Drug Classes with Reduced Cost-Sharing
Pre-exposure prophylaxis for HIV
Hepatitis C directing-acting combination
Anti-TNF

Low-Value Services with No Coverage
Spinal fusions
Vertebroplasty and kyphoplasty
Vitamin D testing
Proton beam therapy for prostate cancer

Commonly Used Services with Limited Value and Increased Cost-Sharing	
Outpatient specialist services	X-rays and other diagnostic imaging
Outpatient labs	Outpatient surgical procedures
High-cost imaging	Non-preferred branded drugs

V-BID X: Plan Flexibility

The list of services and service categories used in this first iteration of V-BID X represents just one version of what such a plan design could look like.

Payers have significant flexibility regarding how to design a version of V-BID X. Key parameters include:

- **Selection of high-value services for reduced cost-sharing**
- **Level of cost-sharing reduction for high-value services**
- **Selection of low-value services for increased cost sharing**
- **Level of cost-sharing increase for low-value services**
- **Determination of the actuarial value of the plan**

V-BID X: Key Takeaways

- **Cost neutral V-BID designs are feasible. Coverage can be enhanced for targeted high-value services, without raising premiums and deductibles**

- **There are a large number of plausible combinations of services or cost-sharing changes that could fit different needs and goals, depending on the carrier and market**

HEALTH AFFAIRS BLOG FOLLOWING THE ACA

RELATED TOPICS:
COST SHARING | PAYMENT | PROGRAM ELIGIBILITY | HEALTH INSURANCE BENEFIT DESIGN | HEALTHCARE.GOV | MEDICARE ELIGIBILITY | REGULATION

The 2021 Proposed Payment Notice, Part 2: Exchange Provisions

Katie Keith

FEBRUARY 1, 2020

10.1377/hblog20200201.566219

Value-Based Insurance Design

CMS continues to emphasize the need for a consumer-driven health care system and reports that the agency is working to assist insurers in developing and offering value-based insurance designs (VBID) that empower consumers. CMS is not proposing new regulatory requirements at this time and instead describes a new "value-based model QHP" that it encourages insurers to consider. Although plans that incorporate VBID plans will not receive preferential display on HealthCare.gov, CMS is considering other ways to allow consumers to identify a value-based QHP through HealthCare.gov (such as including "value-based" in the plan name or ways for HHS to designate a plan as "value-based").

Much of CMS's framework—including a list of high-value services that insurers could cover with little no impact on premiums but better care incentives—comes from the University of Michigan's Center for Value-Based Insurance Design. The list includes a number of the same preventive care benefits that can be newly provided by a high-deductible health plan paired with a health savings account on a pre-deductible basis under Treasury guidance from July 2019. CMS also notes that PrEP, an HIV prevention medication, must soon be covered without cost-sharing by all non-grandfathered private health plans (including individual, small group, large group, and self-insured plans).

Policy ‘Asks’:
2020 Reform Goals

- **Expand pre-deductible coverage/reduce cost sharing on high value clinical services**
- **Identify, measure and reduce low value care to pay for more generous coverage of high value care**
- **Implement clinically-driven plan designs that increase use of high value services and deter the use of low value ones**

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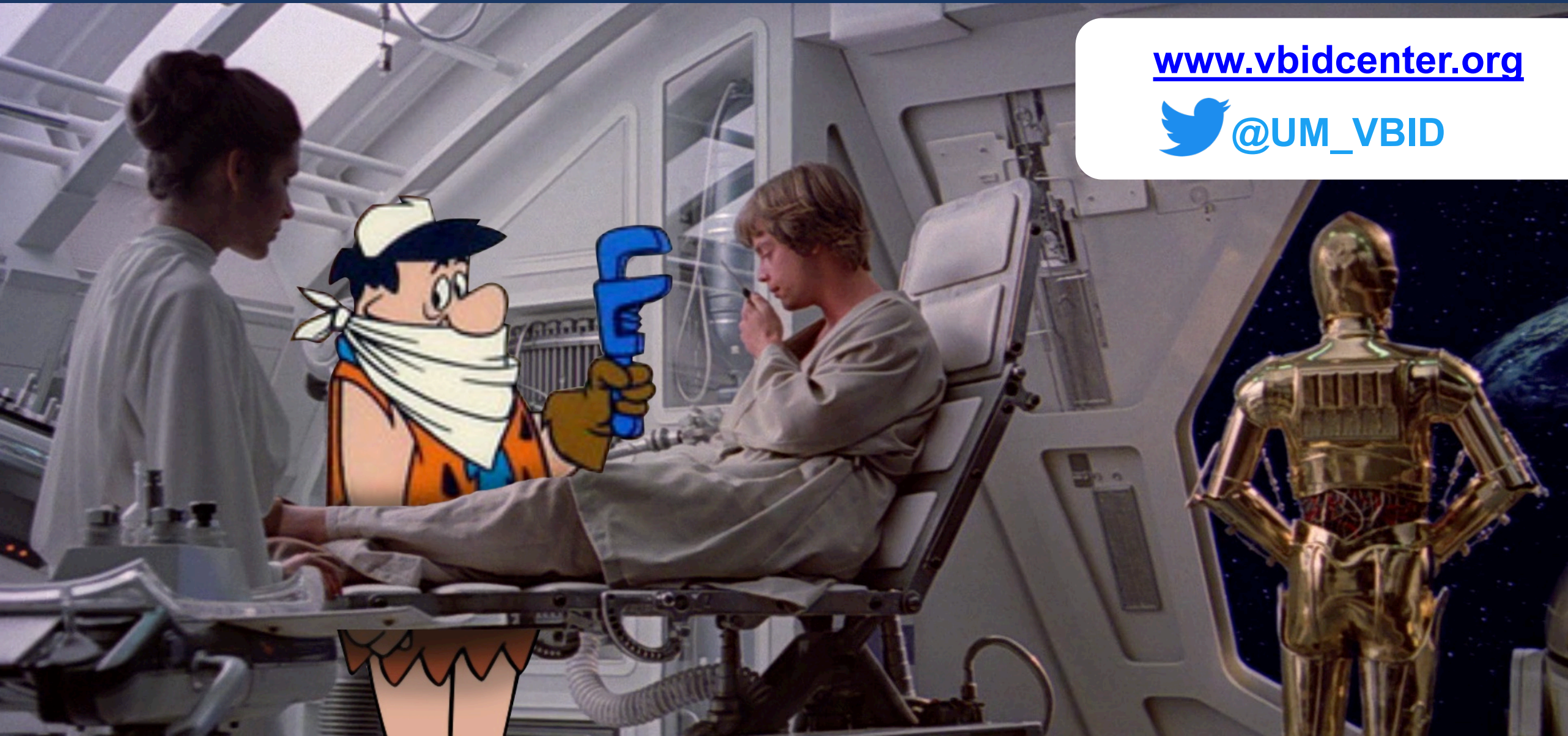
“If we don’t succeed then we will fail.”

Dan Quayle

Questions?



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