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

U.S. Department of Health and Human Services
HRSA
Health Resources and Services Administration

V-BID

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

- Irrespective of remarkable clinical advances, cutting health care spending is the main focus of reform discussions
- 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
- Americans do not care about health care costs; they care about what it costs them

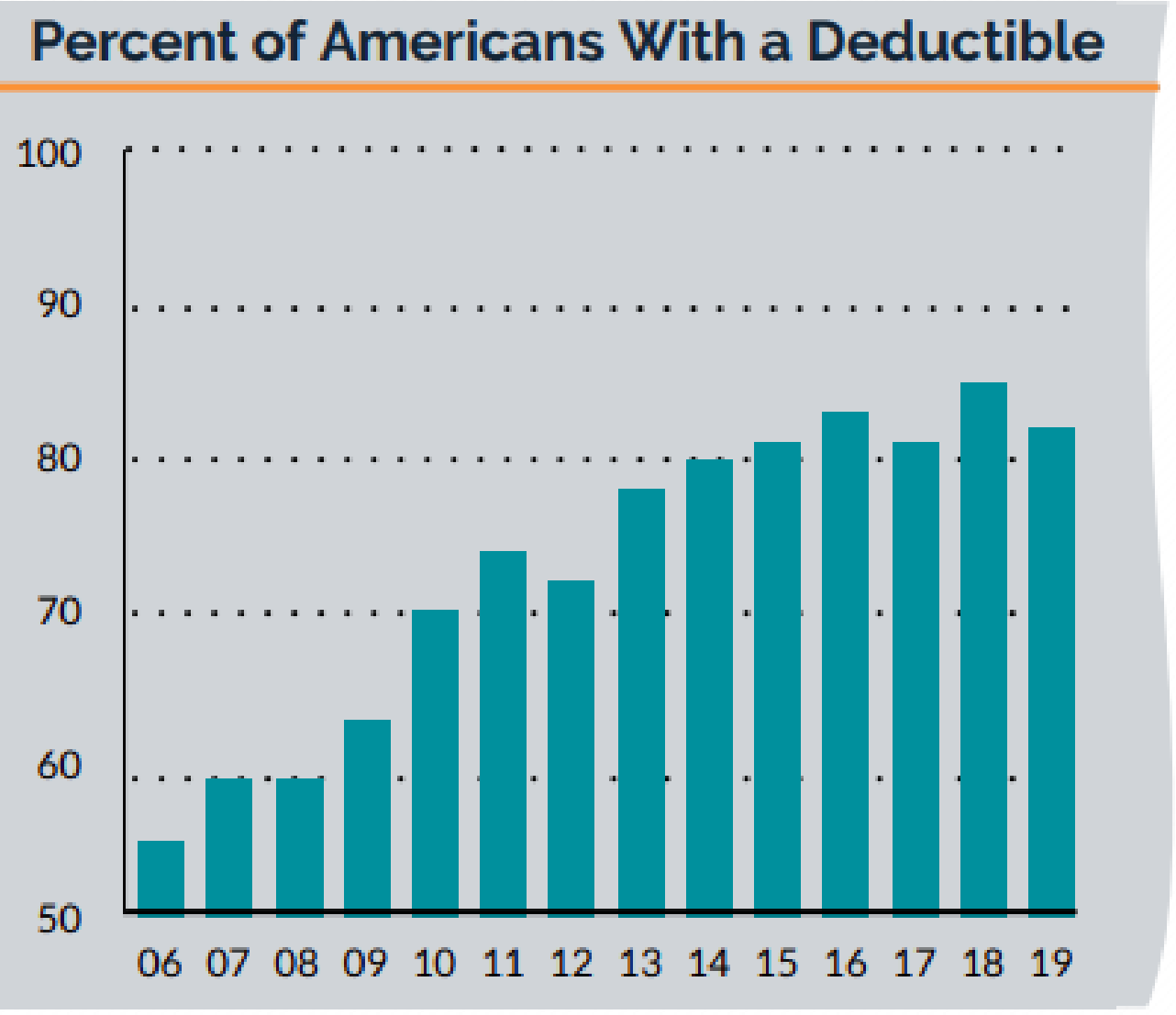
M | V-BID

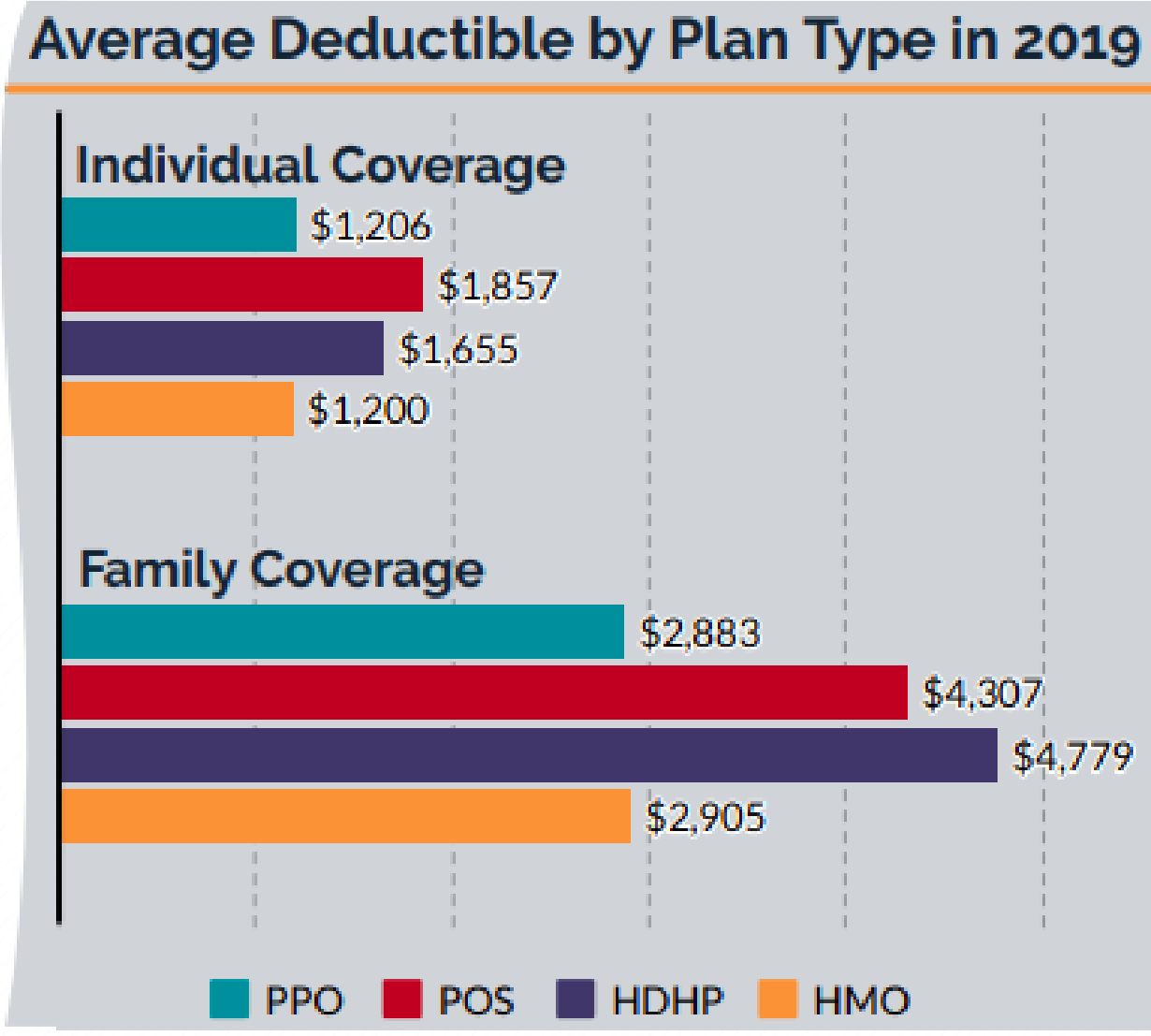
Outline

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

M | V-BID

Growth of Deductibles as a Cost Sharing Strategy





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

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.

Alternative to “Blunt” Consumer Cost Sharing: A Clinically Driven Approach

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

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**

The Upshot

Health Plans That Nudge Patients to Do the Right Thing

Austin Frakt
THE NEW HEALTH CARE JULY 10, 2017

RELATED COVERAGE

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)**

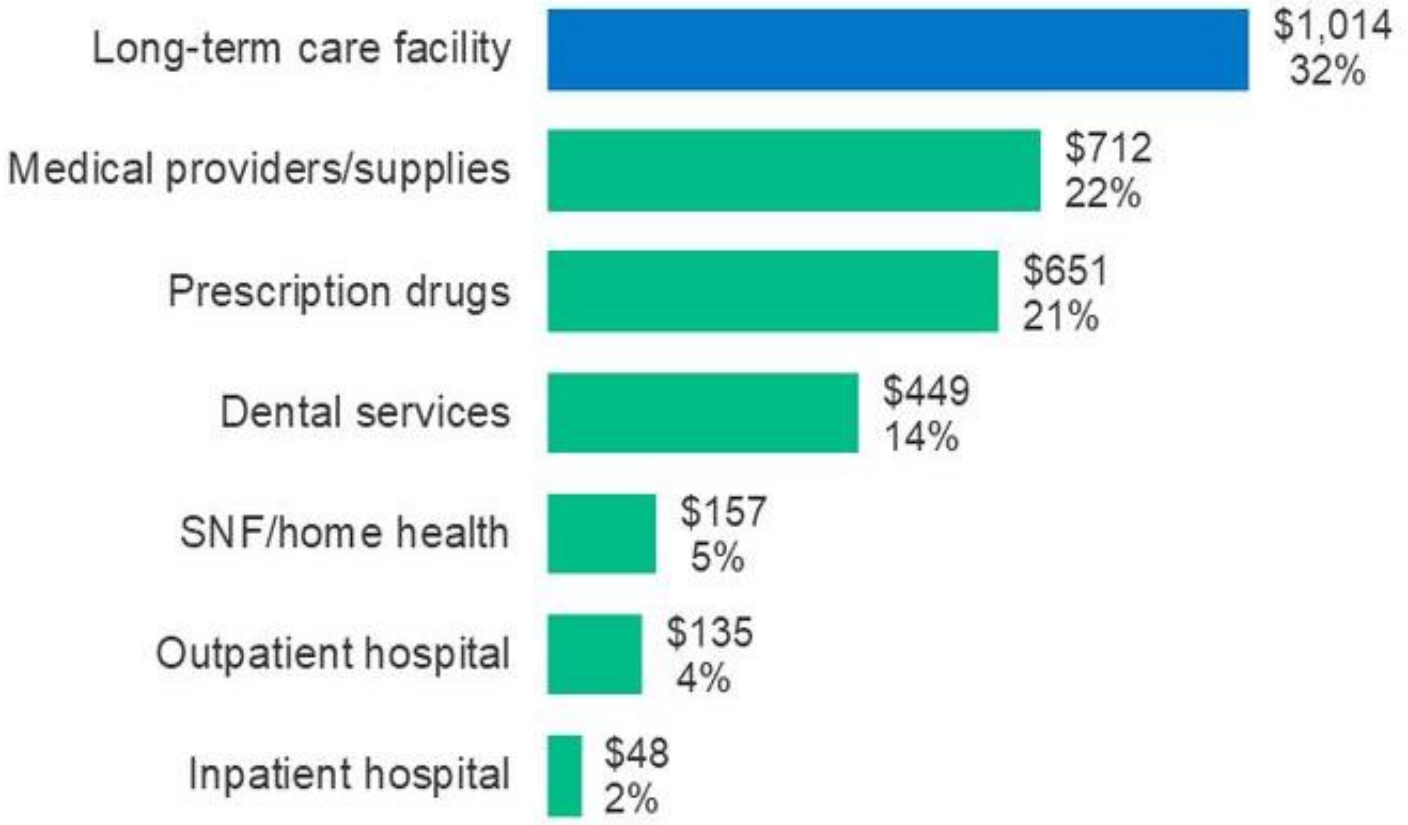
Over 137 million Americans have received expanded coverage of preventive services

Putting Innovation into Action: Translating Research into Policy

Medicare

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

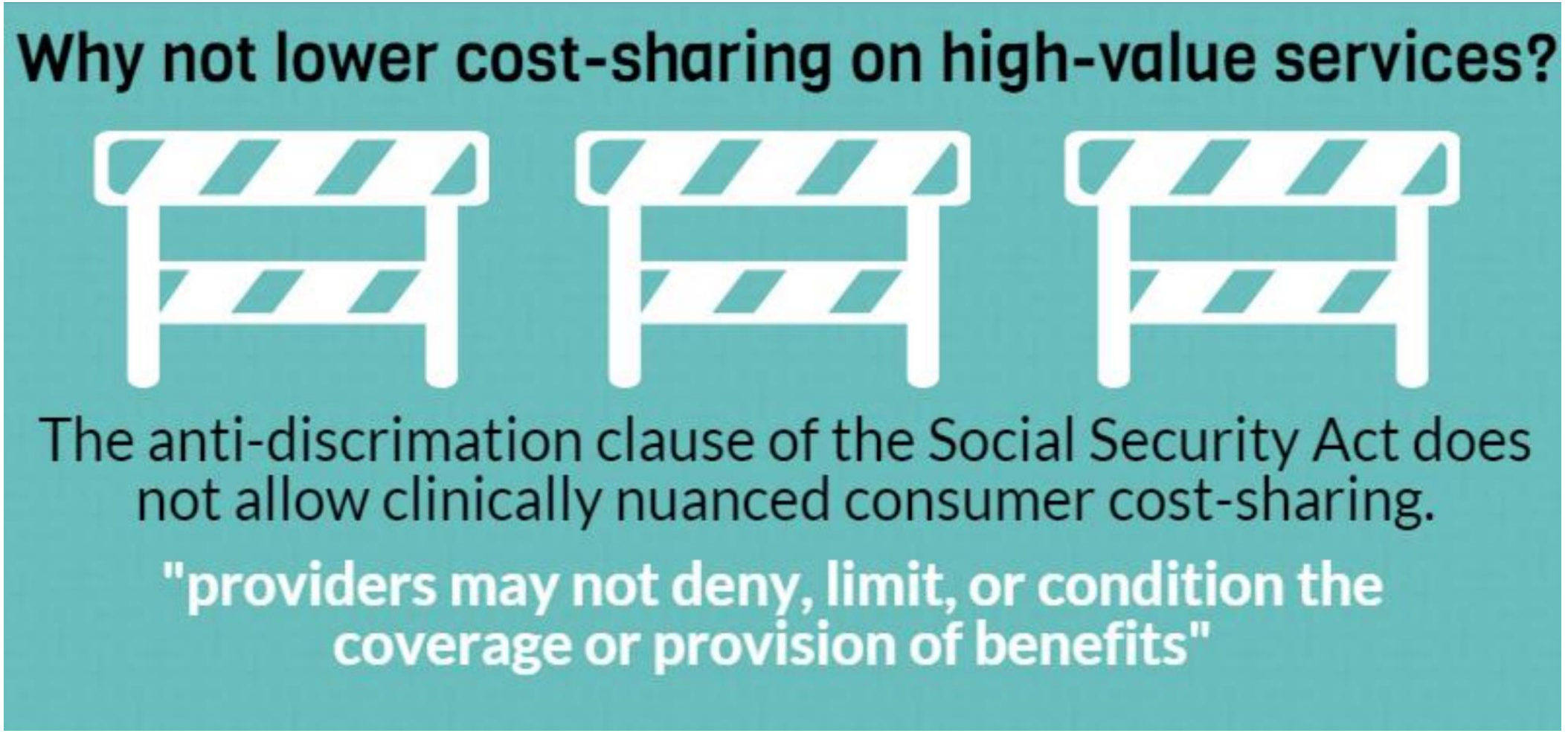
Distribution of Spending on Services by Type of Service:



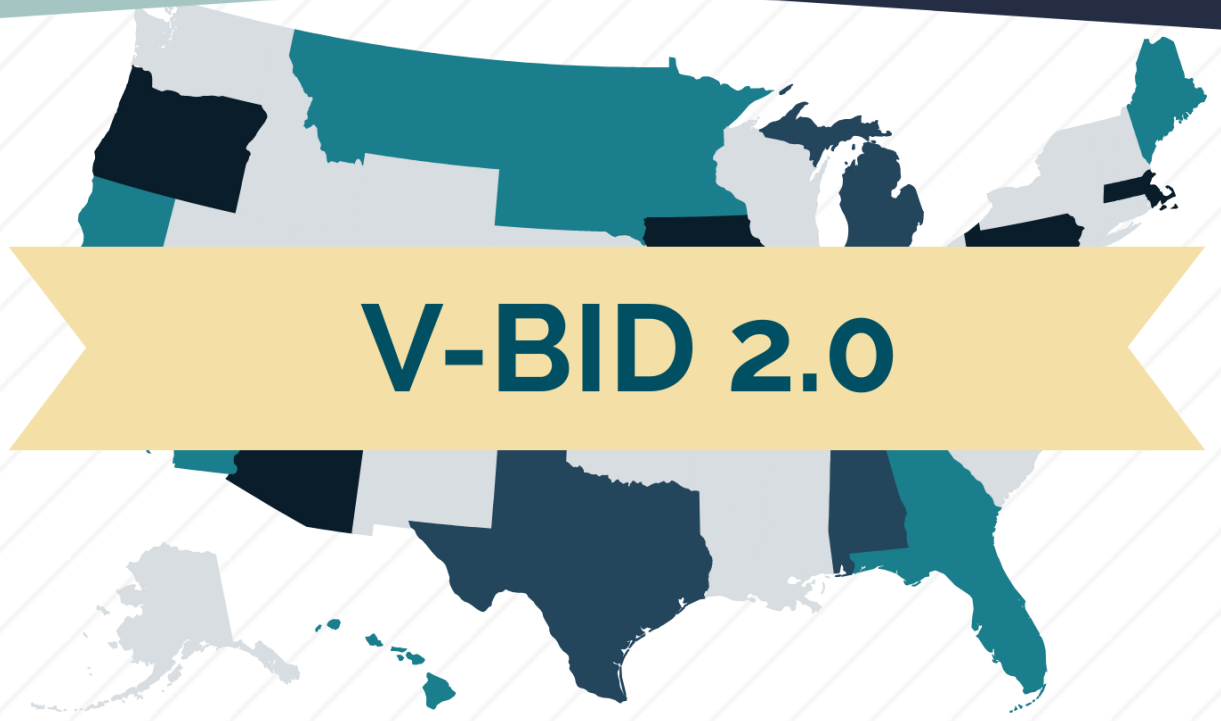
NOTES: 2016 data. SNF is skilled nursing facility. Analysis excludes beneficiaries with Part A only or Part B only for most of the year or Medicare as a Secondary Payer, and beneficiaries in Medicare Advantage.
SOURCE: KFF analysis of Centers for Medicare & Medicaid Services 2016 Medicare Current Beneficiary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

KFF
HENRY J KAISER FAMILY FOUNDATION

Implementing V-BID in Medicare



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

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

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

Telehealth
Service delivery innovations
Augment existing provider networks

M | V-BID

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**

V-BID

HSA-HDHP Reform

V-BID

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

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.

M | V-BID

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

REUTERS

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

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

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

PBMs act as middlemen in the drug supply chain who negotiate prices for employers and health insurers.

Caitlin Owens, Jonathan Swan Jan 27, 2020

Trump administration wants to lower seniors' insulin costs

Paying for More Generous Coverage of High Value Care: Reduce Spending on Low Value Care

- **Increase premiums – politically not feasible**
- **Raise deductibles and copayments – ‘tax on the sick’**
- **Reduce spending on low value care**

$345 BILLION

Examples include:

Vitamin D screening tests

Diagnostic tests before low-risk surgery

PSA screening for men 70 and older

Branded drugs when identical generics are available

Low-back pain imaging within 6 weeks of onset

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

M | V-BID

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

V-BID

V-BID X: Expanding Coverage of Essential Clinical Care Without Increasing Premiums or Deductibles

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

V-BID

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	

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

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

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").

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**
- **Unfortunately, certain “demand-side” programs – especially blunt consumer cost sharing – discourage appropriate patient decision-making**
- **The alignment of clinically-driven, provider-facing and consumer engagement initiatives is a critical transformation component**

M | V-BID

2020 Reform Goals

- **Expand pre-deductible coverage/reduce consumer 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 (e.g. V-BID X) that increase use of high-value services and deter low value ones**
- **Align provider-facing and consumer engagement incentives around the use of care that improves patient-centered outcomes**

M | V-BID

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

Dan Quayle

U.S. Department of Health and Human Services
HRSA
Health Resources and Services Administration

www.vbidcenter.org

@UM_VBID