

Value-Based Insurance Design:
Enhancing Access and Affordability to Essential
Clinical Services during COVID-19 and Beyond

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@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.

Table 1: Risk factors for nodding off at lectures

	Odds ratio
Today's Research Question: Is watching Grand Rounds virtually a risk factor for nodding off?	
Tweed jacket	2.1 (1.7–3.0)
Losing place in lecture	2.0 (1.5–2.6)

Note: CI = confidence interval.

Today's Research Question:
Is watching Grand Rounds
virtually a risk factor for nodding
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Poor slides

Failure to speak in

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Monotonous tone

Tweed jacket

Losing place in lecture

6.8 (5.4–8.0)

2.1 (1.7–3.0)

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Hail to the Frontline

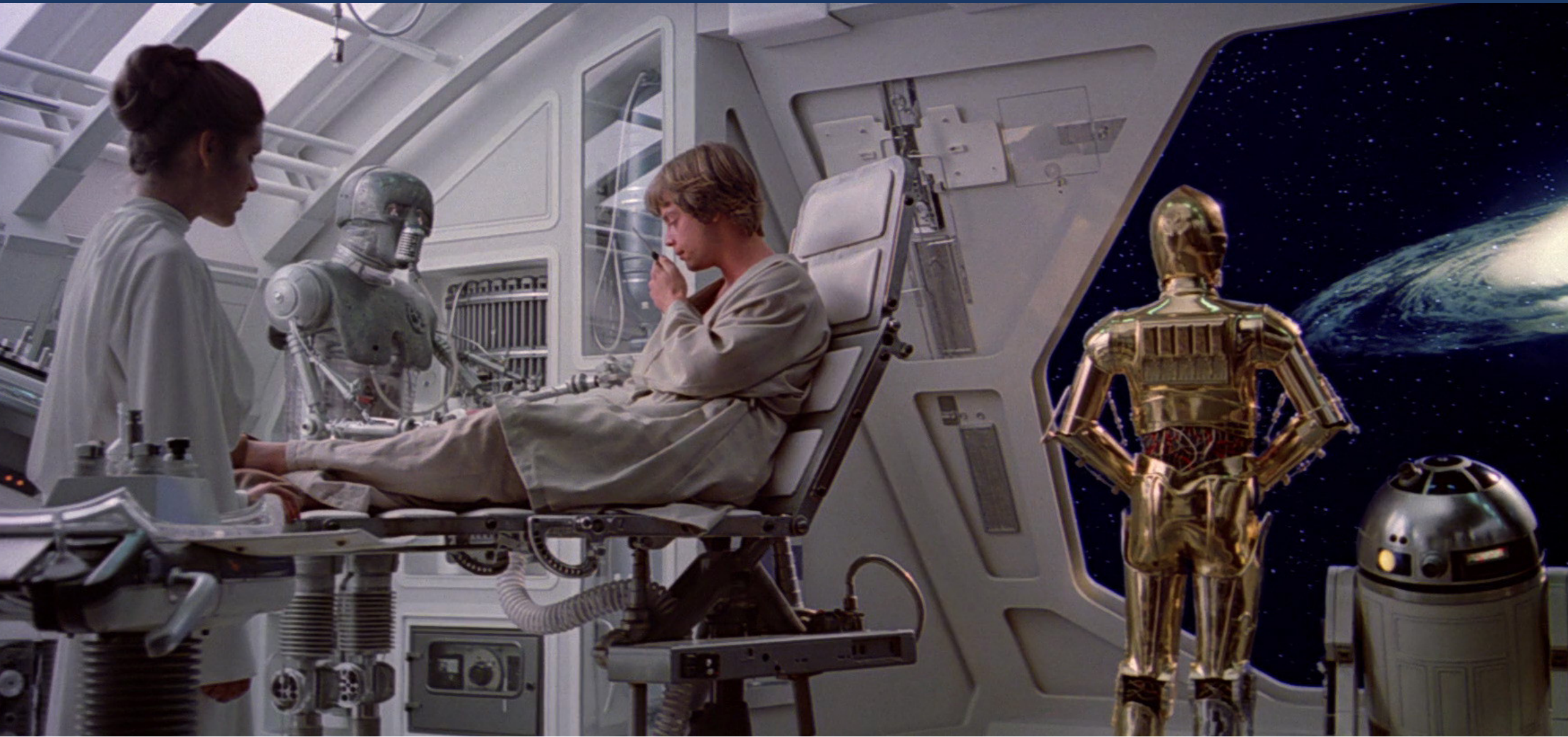
So many selfless people are doing truly wonderful things to successfully defeat this pandemic. Thank you.



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

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

Star Wars Science



Flintstones Delivery



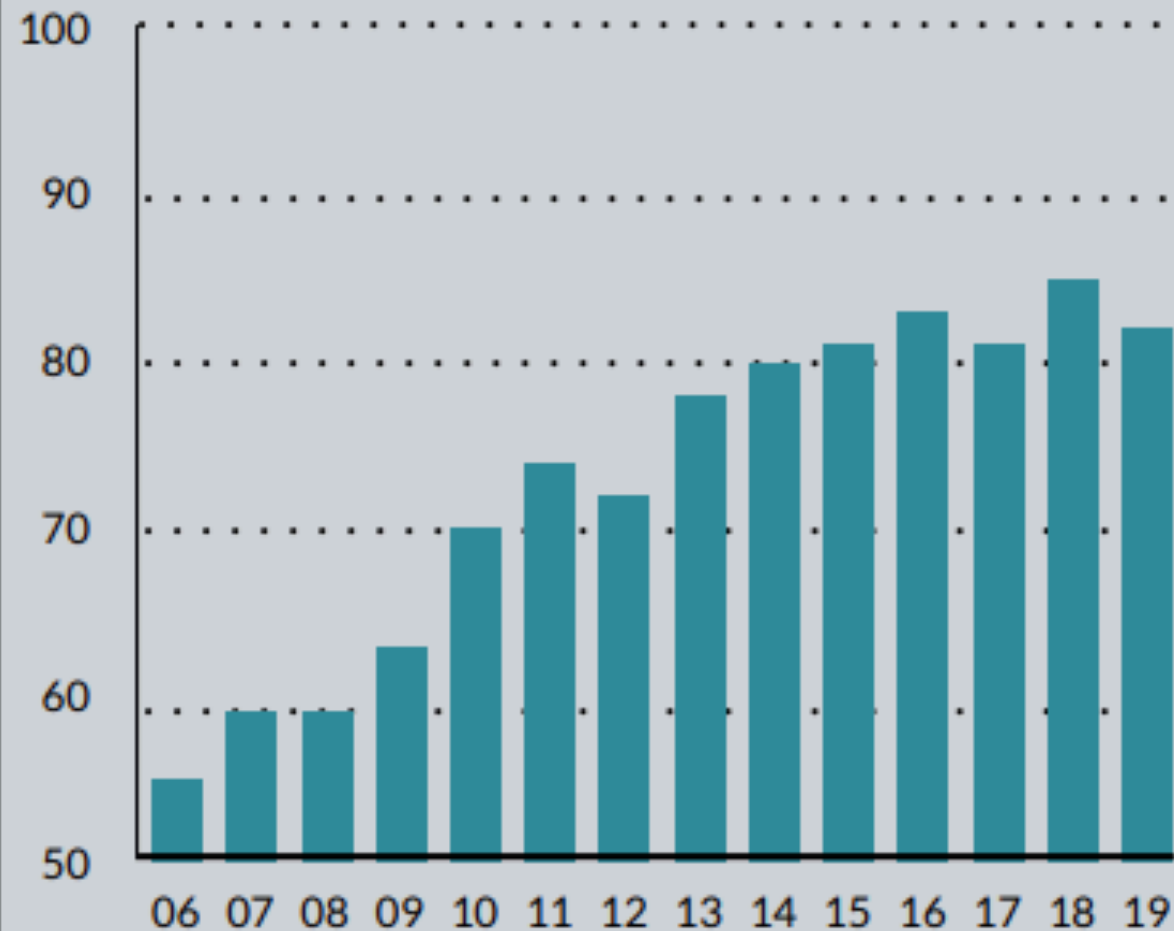
Moving from the Stone Age to the Space Age

Change the health care cost discussion from “How much” to “How well”

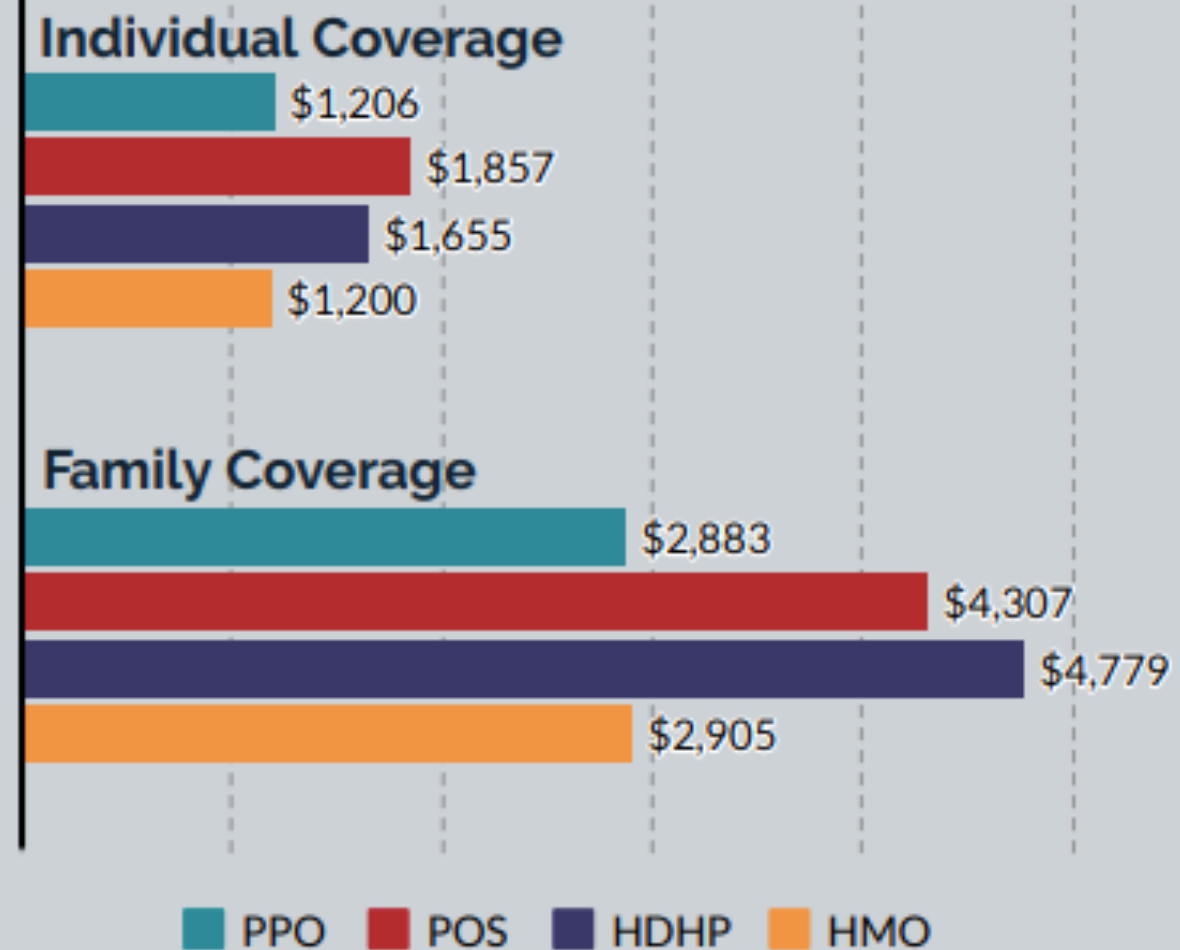
- Everyone (almost) agrees there is enough money in the US health care system; we just spend it on the wrong services and in the wrong places
- Policy deliberations focus primarily on alternative payment and pricing models
- Moving from a volume-driven to value-based system requires a change in both how we pay for care and how we engage consumers to seek care
- The most common patient-facing strategy - consumer cost-sharing – is a ‘blunt’ instrument, in that **patients pay more out of pocket for ALL care regardless of clinical value**

Health Plan Deductibles have grown more than ten times faster than inflation over the last decade

Percent of Americans With a Deductible



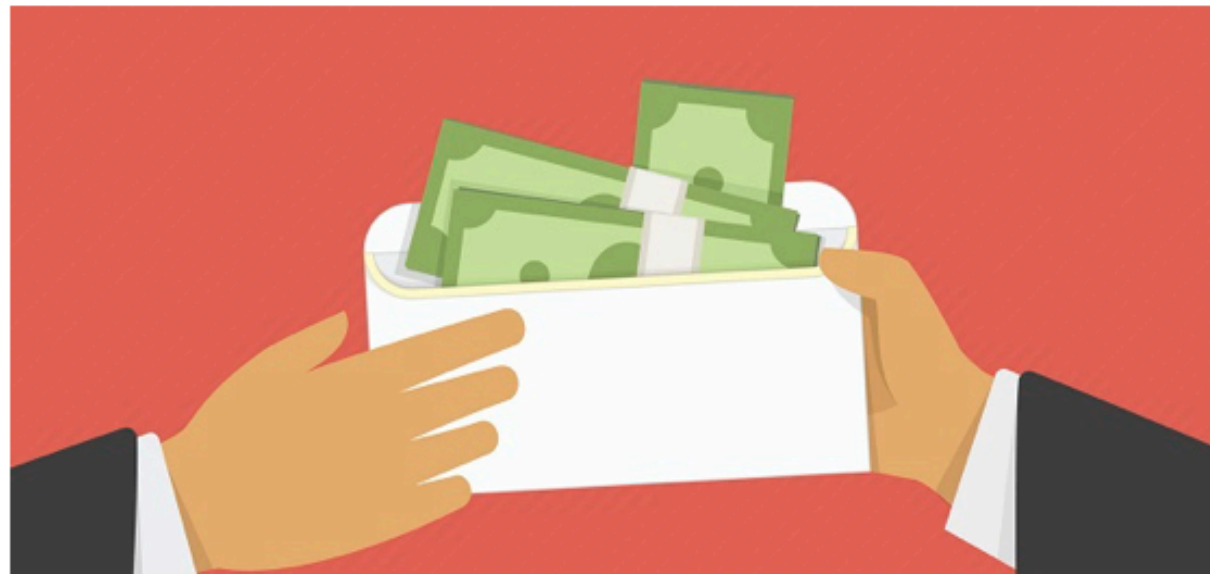
Average Deductible by Plan Type in 2019



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.



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)

“Blunt” Cost-Sharing Worsens Health Care Disparities

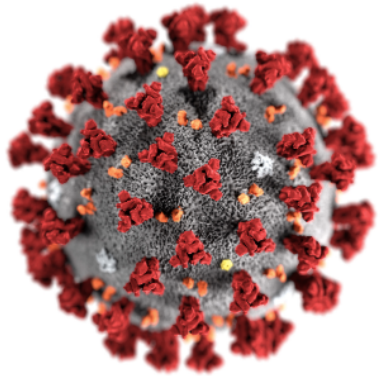
Effects of Increased Patient Cost Sharing on Socioeconomic Disparities in Health Care

*Michael Chernew, PhD¹ Teresa B. Gibson, PhD² Kristina Yu-Isenberg, PhD, RPh³
Michael C. Sokol, MD, MS⁴ Allison B. Rosen, MD, ScD⁵, and A. Mark Fendrick, MD⁵*

- Cost-sharing worsens disparities and adversely affect health, particularly among economically vulnerable individuals and those with chronic conditions

A Second Health Care Pandemic will Follow COVID-19

We Need to Plan Accordingly



**NEARLY THREE IN FOUR AMERICANS
SAY THEIR INCOMES HAVE ALREADY
TAKEN A HIT FROM THE PANDEMIC**

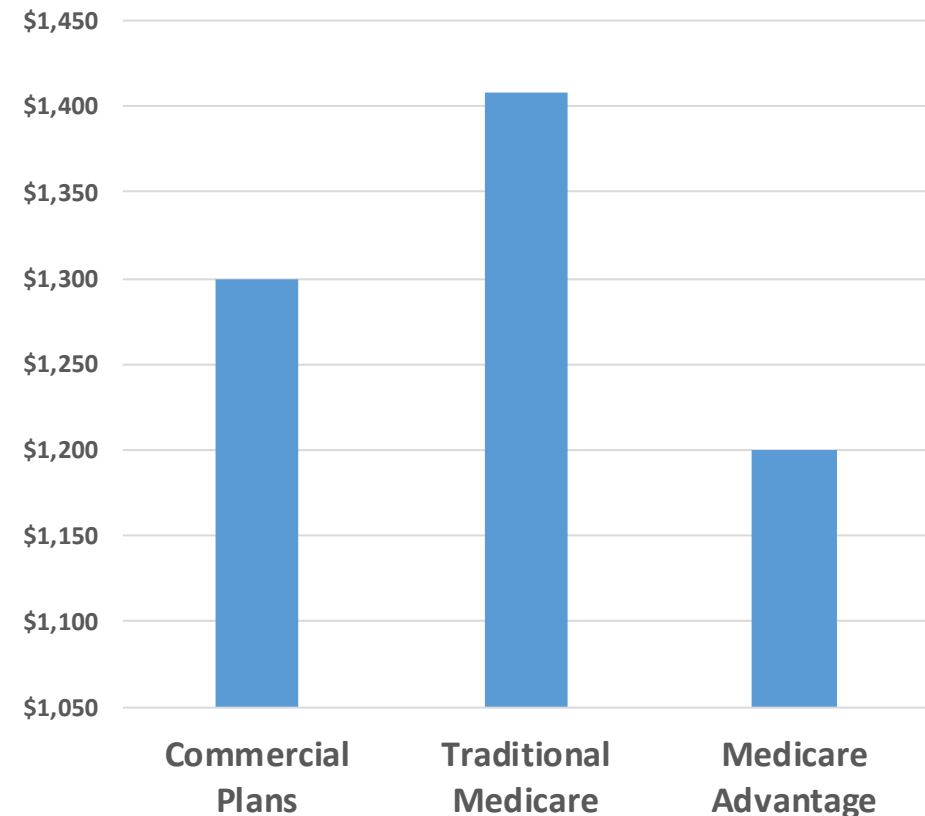
Concerns Regarding COVID-19 Out of Pocket Costs

68% of adults report out-of-pocket costs would be very or somewhat important in their decision to get care if they had coronavirus symptoms

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- Insured patients are responsible for over \$1,000 for a COVID-19 hospitalization

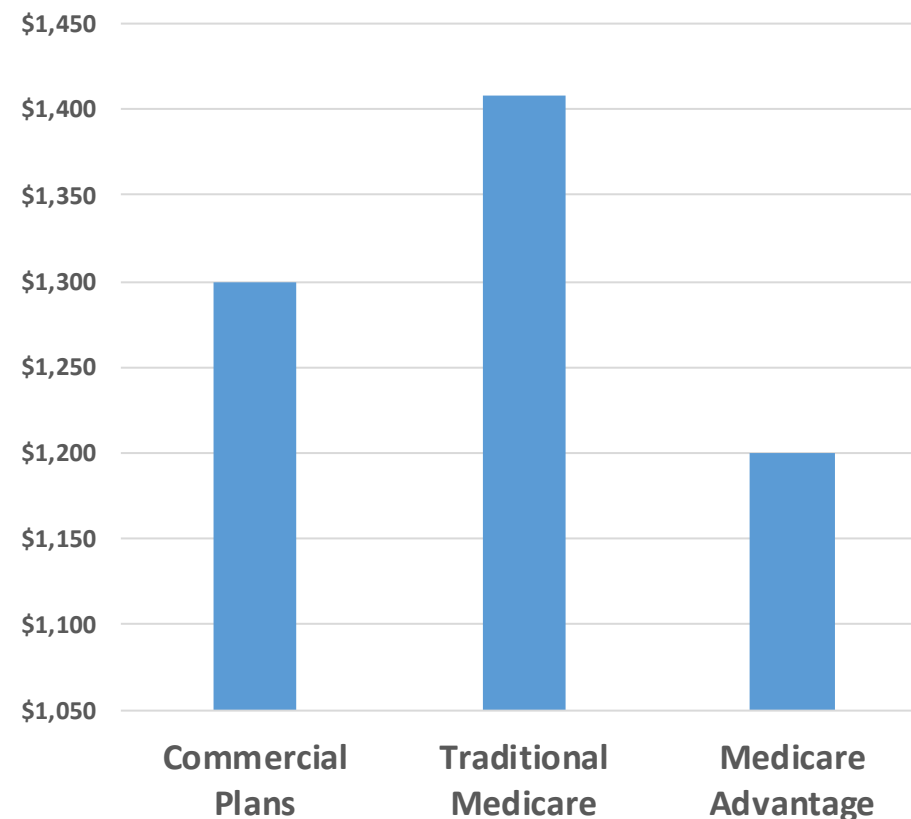
Patient Cost for COVID-19 Hospitalization



Concerns Regarding Coronavirus Out of Pocket Costs: Americans Cannot Afford a COVID-19 Deductible

- 68% of adults report out-of-pocket costs would be very or somewhat important in their decision to get care if they had coronavirus symptoms
- Insured patients are responsible for over \$1,000 for a COVID-19 hospitalization
- 40% of Americans do not have \$400 for an expected expense

Patient Cost for COVID-19 Hospitalization



A Second Health Care Pandemic will Follow COVID-19
We Need to Prepare for is What to Come

COVID-19 Projected to Drive Increased Costs for Consumers, Employers

COVID-19 costs could lead to significant increases in premiums

COVID-19 Recession to Increase Uninsurance Rates, Test Medicaid

COVID-19 will lead to increased unemployment and pose serious challenges to Medicaid and coverage for uninsured individuals.

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



- ▶ Listen to [TRADEOFFS podcast](https://tradeoffs.org/2019/12/11/season-1-ep-5/) to learn how two friends—a doctor and an economist—spent more than 20 years trying to redesign insurance around one simple but elusive goal: make the good stuff more accessible than the bad stuff.

<https://tradeoffs.org/2019/12/11/season-1-ep-5/>

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

TheUpshot

Health Plans That Nudge Patients to Do the Right Thing



Austin Frakt

THE NEW HEALTH CARE JULY 10, 2017



RELATED COVERAGE



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A HEALTHY
How I
Better

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



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

USPSTF: Preventive Services A or B Rates Services Provided without Cost-Sharing, 2019-2020

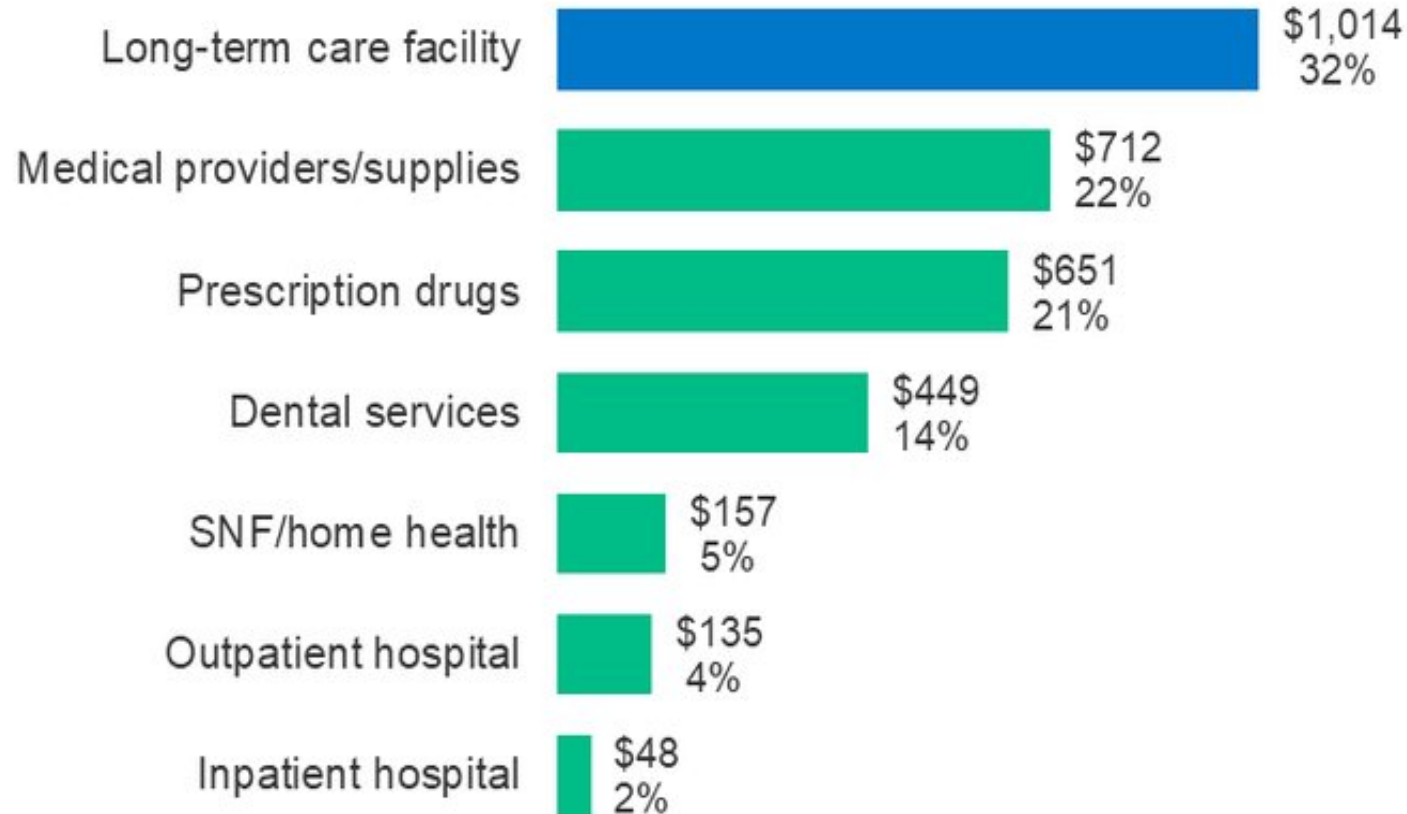
- HIV screening for adolescents, pregnant women, and adults 15 to 65 years
- HIV pre-exposure prophylaxis
- Hepatitis B and bacteriuria screening for pregnant women
- BRCA risk assessment, and genetic counseling/testing for those with a family history
- Breast cancer preventive medication for women at increased risk
- Abdominal aortic aneurysm screening for men aged 65-75 who have ever smoked
- Hepatitis C virus infection screening for adults aged 18 to 79 years

Putting Innovation into Action: Translating Research into Policy



Average annual Medicare out-of-pocket spending exceeds \$5,000

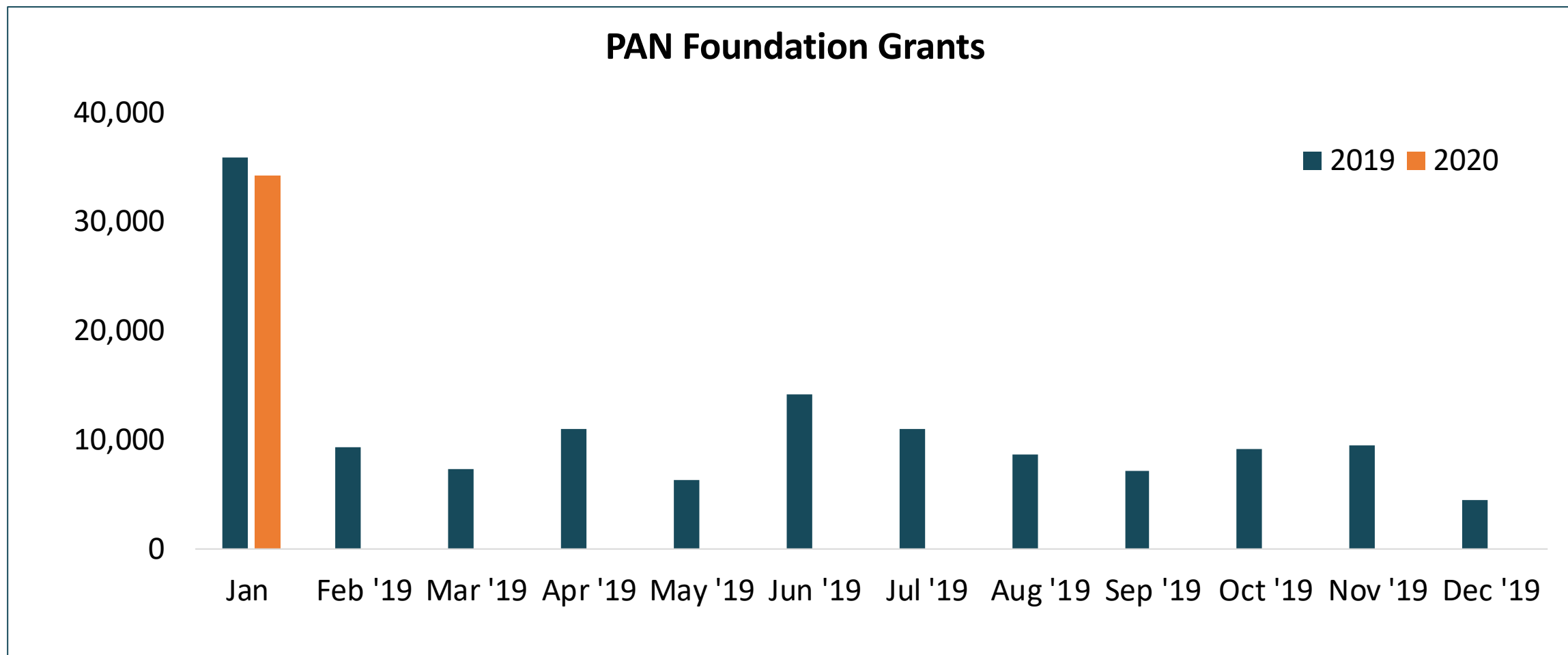
Distribution of Spending on Services by Type of Service:



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.

The 'January Effect' for Medicare Part D Beneficiaries



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"

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

Why not lower cost-sharing on high-value services?



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"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

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.



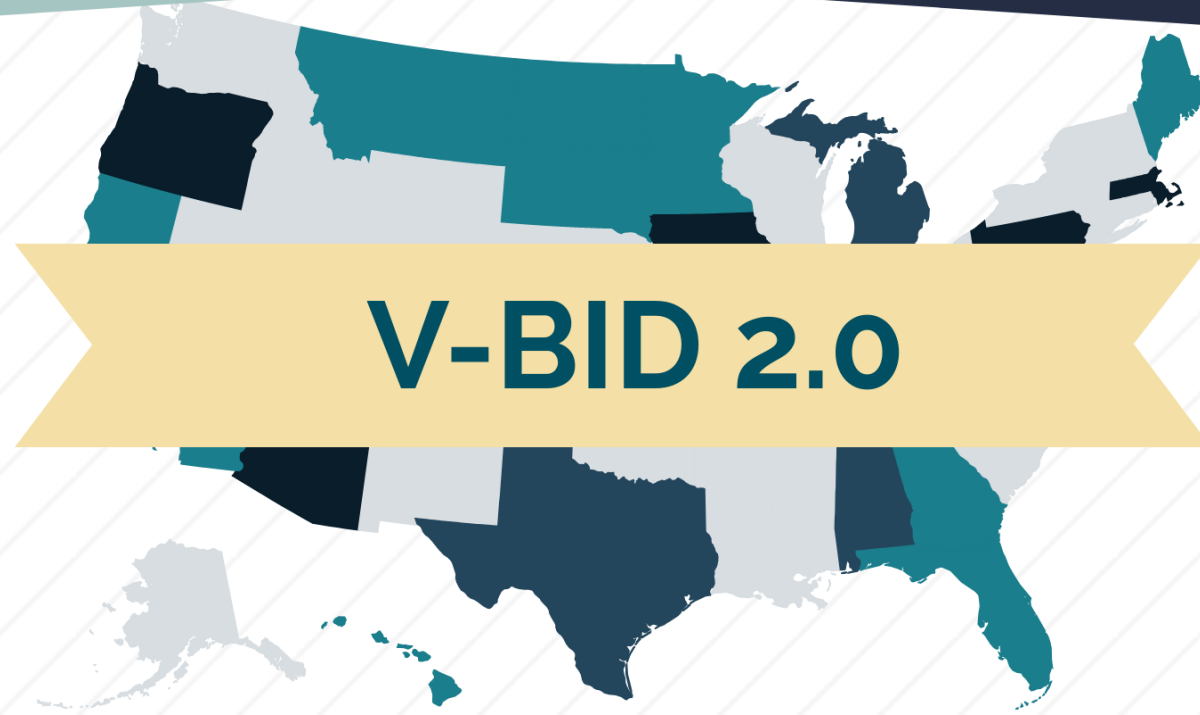
CMS Announces Medicare Advantage Value-Based Insurance Design Model Test

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

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

Reduced cost-sharing permissible for:

- High-value services
- High-value providers
- Participation 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

Transportation, nutrition support

Telehealth

Service delivery innovations

Augment existing provider networks

Press release

CMS Launches Groundbreaking Model to Lower Out of Pocket Expenses for Insulin

Mar 11, 2020 | Coverage, Innovation models, Medicare Part D, Prescription drugs, Quality

Share



Putting Innovation into Action: Translating Research into Policy



Value-based insurance coming to millions of people in Tricare



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

HSA-HDHP Reform



2004 IRS Code - High deductible health plans could not cover clinical services used to treat 'existing illness, injury or conditions' until the plan deductible was

PREVENTIVE CARE COVERED

Dollar one



CHRONIC DISEASE CARE

NOT covered until deductible is met



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

PMCID: PMC2071958

Published online 2007 Apr 6. doi: [10.1007/s11606-007-0188-2](https://doi.org/10.1007/s11606-007-0188-2)

PMID: [17415618](https://pubmed.ncbi.nlm.nih.gov/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

2019 – IRS Notice 2019-45: Specific services and drugs used to treat certain chronic conditions can be covered before the plan 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

Notice 2019-45 is voluntary for HDHPs

Preventive Care for Specified Conditions

For Individuals Diagnosed with

A

A

B

B

Ir

Ir

R

P

G

H

Ir

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

Low-density Lipoprotein (LDL) testing	Heart disease
Selective Serotonin Reuptake Inhibitors (SSRIs)	Depression
Statins	Heart disease and/or diabetes

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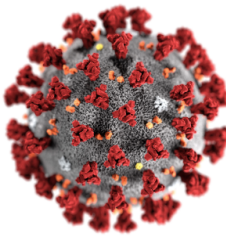
Chronic Disease Management of 2020 – Bipartisan bill expands list of services that could be covered before the plan deductible is met

116th Congress
2D Session

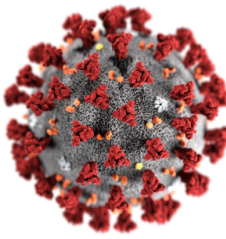


S.3200

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.

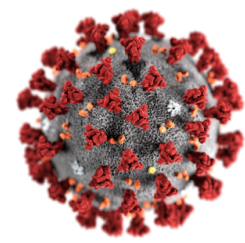


- March 11: IRS Notice 2020-15 - extended pre-deductible coverage for medical services to test for and treat the virus
- March 18: Families First Coronavirus Response Act
 - Eliminated cost-sharing for COVID-19 testing
 - Eliminated cost-sharing for any in-person or telehealth provider visit that results in a COVID-19 test



March 27 - Coronavirus Aid, Relief, and Economic Security (CARES) Act

- Allows HDHPs to cover Telehealth (not just COVID-19 related) on a pre-deductible basis
- Mandates coverage of COVID-19 diagnostic testing without cost sharing by all plans
- Amends Public Health Service Act Section 2713, requiring all plans to cover Coronavirus vaccine without consumer cost-sharing



THE CORONAVIRUS CRISIS

Some Insurers Waive Patients' Share Of Costs For COVID-19 Treatment

March 30, 2020 · 6:36 PM ET

Gov. Walz: Minnesota health plans to waive cost-sharing for COVID-19 treatment

***Trump Says Hospitals Will Be Paid for
Treating Uninsured Coronavirus Patients***

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



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

V-BID X:

Better Coverage, Same Premiums and Deductibles



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

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

The 2021 Proposed Payment Notice, Part 2: Exchange Provisions

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).

19

Enhancing Access and Affordability to Essential Clinical Services during COVID-19 and Beyond: A Role for V-BID in the 'New Normal'

“This pandemic has uncovered a flaw in current benefit designs that do not provide affordable coverage for critical services—including care to treat COVID-19–related illness. Now that COVID-19 has exposed this problem to all Americans, **the time has come for public and private health insurers to revisit their benefit designs to provide better access to essential services and deter the use of low value care.**”

Enhancing Access and Affordability to Essential Clinical Services: A Role for V-BID in the 'New Normal'

- Expand pre-deductible coverage/reduce consumer cost-sharing on high-value clinical COVID-19 related care and other essential chronic disease 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 low value care

An aerial photograph of a large, empty baseball stadium. The stadium is oval-shaped with a blue roof. The field is green with 'MICHIGAN' written in yellow letters on the grass. The seating area is divided into sections of blue and grey. The stadium is surrounded by parking lots, trees, and some buildings.

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

Dan Quayle

The Greater the Storm, the Brighter the Rainbow

Hail to the Frontline



Photo Courtesy of John Carethers MD, April 7, 2020

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