Value-Based Insurance Design:
Eliminating Low Value Care While Incentivizing High Value Care

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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

• 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.
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.
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

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

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
<table>
<thead>
<tr>
<th>V-BID: Rare Bipartisan Political and Broad Multi-Stakeholder Support</th>
</tr>
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</table>
| • 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
The ‘January Effect’ for Medicare Part D Beneficiaries

Klein and Fendrick, *Morning Consult*, 2020
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
CMS Launches Groundbreaking Model to Lower Out of Pocket Expenses for Insulin

Mar 11, 2020 | Coverage, Innovation models, Medicare Part D, Prescription drugs, Quality
Putting Innovation into Action:
Translating Research into Policy
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 met.

**PREVENTIVE CARE COVERED**

Dollar one

**CHRONIC DISEASE CARE**

NOT covered until deductible is met
2019 – IRS Notice 2019-45: Specific services and drugs used to treat certain chronic conditions can be covered before the plan deductible is met.
List of services and drugs for certain chronic conditions that will be classified as preventive care under Notice 2019-45

<table>
<thead>
<tr>
<th>Preventive Care for Specified Conditions</th>
<th>For Individuals Diagnosed with</th>
</tr>
</thead>
<tbody>
<tr>
<td>Angiotensin Converting Enzyme (ACE) inhibitors</td>
<td>Congestive heart failure, diabetes, and/or coronary artery disease</td>
</tr>
<tr>
<td>Anti-resorptive therapy</td>
<td>Osteoporosis and/or osteopenia</td>
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<tr>
<td>Beta-blockers</td>
<td>Congestive heart failure and/or coronary artery disease</td>
</tr>
<tr>
<td>Blood pressure monitor</td>
<td>Hypertension</td>
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<tr>
<td>Inhaled corticosteroids</td>
<td>Asthma</td>
</tr>
<tr>
<td>Insulin and other glucose lowering agents</td>
<td>Diabetes</td>
</tr>
<tr>
<td>Retinopathy screening</td>
<td>Diabetes</td>
</tr>
<tr>
<td>Peak flow meter</td>
<td>Asthma</td>
</tr>
<tr>
<td>Glucometer</td>
<td>Diabetes</td>
</tr>
<tr>
<td>Hemoglobin A1c testing</td>
<td>Diabetes</td>
</tr>
<tr>
<td>International Normalized Ratio (INR) testing</td>
<td>Liver disease and/or bleeding disorders</td>
</tr>
<tr>
<td>Low-density Lipoprotein (LDL) testing</td>
<td>Heart disease</td>
</tr>
<tr>
<td>Selective Serotonin Reuptake Inhibitors (SSRIs)</td>
<td>Depression</td>
</tr>
<tr>
<td>Statins</td>
<td>Heart disease and/or diabetes</td>
</tr>
</tbody>
</table>
Chronic Disease Management of 2020 – Bipartisan bill expands list of services that could be covered before the plan deductible is met

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.
A Second Health Care Pandemic will Follow COVID-19
We Need to Plan Accordingly
The number of visits to ambulatory practices declined nearly 60 percent in mid-March and has remained low through mid-April.

Note: Data are presented as percentage change in number of visits in a given week from the baseline week (March 1–7). Data for week of April 12 are through April 16.

Nearly 30 percent of all visits at these ambulatory practices are now provided via telemedicine.

Note: Data through April 16. Telemedicine includes both telephone and video visits.

Visit Drop Varies by Specialty

Percent change in visits from baseline to week of April 5

- Ophthalmology: -79%
- Otolaryngology: -75%
- Dermatology: -73%
- Surgery: -66%
- Pulmonology: -63%
- Urology: -63%
- Pediatrics: -62%
- Orthopedics: -61%
- Cardiology: -61%
- Gastroenterology: -61%
- Adult Primary Care: -61%
- Oncology: -49%
- Endocrinology: -47%
- Obstetrics/Gynecology: -46%
- Behavioral Health: -45%
- Behavioral Health: -30%
- Behavioral Health: 0%

Download data
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 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

<table>
<thead>
<tr>
<th>Plan Type</th>
<th>Cost</th>
</tr>
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<tbody>
<tr>
<td>Commercial Plans</td>
<td>$1,100</td>
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<tr>
<td>Traditional Medicare</td>
<td>$1,450</td>
</tr>
<tr>
<td>Medicare Advantage</td>
<td>$1,150</td>
</tr>
</tbody>
</table>
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.
About Half of the Public Says They Have Skipped or Postponed Medical Care because of the Coronavirus Outbreak

In the past three months, have you or a family member in your household skipped or postponed any type of medical care because of the coronavirus outbreak?

- No: 52%
- Yes: 48%
- DK/Ref.: 1%

ASKED OF THE 48% WHO SKIPPED OR POSTPONED MEDICAL CARE: Did your or your family member’s condition get worse as a result of skipping or postponing medical care?

- Yes, got worse: 11%
- No, did not get worse: 36%

NOTE: For second question, percentages based on total.
About a Third Say They Skipped or Postponed Medical Care Due to COVID-19 but Will Get Needed Care in Next Few Months

ASKED OF THE 48% WHO SKIPPED OR POSTPONED MEDICAL CARE: Thinking about the care you or your family member skipped or postponed, do you think you will eventually get this care, or not? IF YES: Will that be in the next month, within two to three months, within four months to one year, or longer than that?

- Yes, will get care in the next month: 14%
- Yes, will get care in next 2-3 months: 19%
- Yes, will get care in 4 months to 1 year: 10%
- Yes, will get care in longer than 1 year: 2%
- No, will not get care: 1%

Will get care in the next 3 months: 32%

Have not skipped or postponed medical care: 52%

NOTE: Percentages based on total.
V-BID and the COVID-19 Response

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

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

Trump Says Hospitals Will Be Paid for Treating Uninsured Coronavirus Patients
Crisis Into Opportunity: Can COVID-19 Help Set a Path to Improved Health Care Efficiency?

- **Pre-COVID-19**
  - Low-value cancer screenings (actual data)
  - Indicated cancer screenings (actual data)
  - Average rate pre-COVID-19

- **COVID-19 pandemic**
  - Low-value cancer screenings (hypothetical data)
  - Indicated cancer screenings (hypothetical data)

- **Hypothetical new normal**
  - Average rate pre-COVID-19

**Weekly Utilization per 100,000**

**Weeks in 2020**

0 4 8 12 16 20 24 28 32 36 40 44 48
DOI: 10.1377/hblog20200702.788062
Crisis Into Opportunity: Can COVID-19 Help Set a Path to Improved Health Care Efficiency?

- Build on existing alternative payment models that base reimbursement on patient-centered outcomes. Increase reimbursement for high-value services and reduce or cease payment for known low-value care.
- Leverage the widespread adoption of electronic health records (EHRs) to make it easier to order high-value care with simplified processes and discourage the use of low-value care with alerts.
- Align patient cost-sharing with the value of the underlying services; reduce out of pocket cost on high value services and increase patient cost on low value care.
Paying for More Generous Coverage of High Value Care: Reduce Spending on Low Value Care
A silver lining to COVID-19: Fewer low-value elective procedures
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

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

$345 BILLION
V-BID X:
Better Coverage, Same Premiums and 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.
<table>
<thead>
<tr>
<th>High-Value Services and Drugs with Highly Reduced or Eliminated Cost-Sharing</th>
</tr>
</thead>
<tbody>
<tr>
<td>Glucometers and testing strips</td>
</tr>
<tr>
<td>LDL testing (hyperlipidemia)</td>
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<tr>
<td>Hemoglobin A1C testing (diabetes)</td>
</tr>
<tr>
<td>Cardiac rehabilitation</td>
</tr>
<tr>
<td>INR testing (hypercoagulability)</td>
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<tr>
<td>Pulmonary rehabilitation</td>
</tr>
<tr>
<td>Peak flow meters (asthma)</td>
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<tr>
<td>Blood pressure monitors (hypertension)</td>
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<tr>
<td>Glucose lowering agents</td>
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<tr>
<td>Rheumatoid arthritis medications</td>
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<tr>
<td>Inhaled Corticosteroids</td>
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<tr>
<td>Antiretrovirals</td>
</tr>
<tr>
<td>High-Value Branded Drug Classes with Reduced Cost-Sharing</td>
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<tr>
<td>Pre-exposure prophylaxis for HIV</td>
</tr>
<tr>
<td>Hepatitis C directing-acting combination</td>
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<tr>
<td>Anti-TNF</td>
</tr>
<tr>
<td>Low-Value Services with No Coverage</td>
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<tr>
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</tr>
<tr>
<td>Spinal fusions</td>
</tr>
<tr>
<td>Vertebroplasty and kyphoplasty</td>
</tr>
<tr>
<td>Vitamin D testing</td>
</tr>
<tr>
<td>Proton beam therapy for prostate cancer</td>
</tr>
<tr>
<td>Commonly Used Services with Limited Value and Increased Cost-Sharing</td>
</tr>
<tr>
<td>---------------------------------------------------------------</td>
</tr>
<tr>
<td>Outpatient specialist services</td>
</tr>
<tr>
<td>Outpatient labs</td>
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<tr>
<td>High-cost imaging</td>
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</tbody>
</table>
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.
Provide free or low-cost prescription prescription drugs proven effective in treating for chronic illness (i.e., adopt a “Value-Based Insurance Design” benefit)

Redesign the Medicare V-BID benefit to provide free or low-cost Rx drugs of proven benefit for chronic illness
Confronting the ‘New Normal’

• Less $ for everything
  • Everyone looking to reduce spend
  • Increased scrutiny on low value care

• Changes in care delivery patterns
  • While popular quality and cost impact of telemedicine uncertain
  • Shift to evidence based services
Issues for Payers in the ‘New Normal’

• New costs
  • COVID-19 care
  • Copay waivers for COVID-19 care and telemedicine
  • Out of network issues
• How much volume returns?
• Lower spend?
• Lower premiums?
• Cost of coronavirus vaccine
“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 payment reform, technologies and benefit designs that increase use of high-value services and deter low value care
“If we don’t succeed then we will fail.”

Dan Quayle