

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

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Value-Based Insurance Design

[www.vbidcenter.org](http://www.vbidcenter.org)



@um\_vbid

# 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
- Employers are leading the effort to move from a volume-driven to a value-based health care delivery system
- Value-based care requires new thinking in both how we pay for care (i.e. alternative payment models) and how we engage consumers to seek care (i.e. benefit design)

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

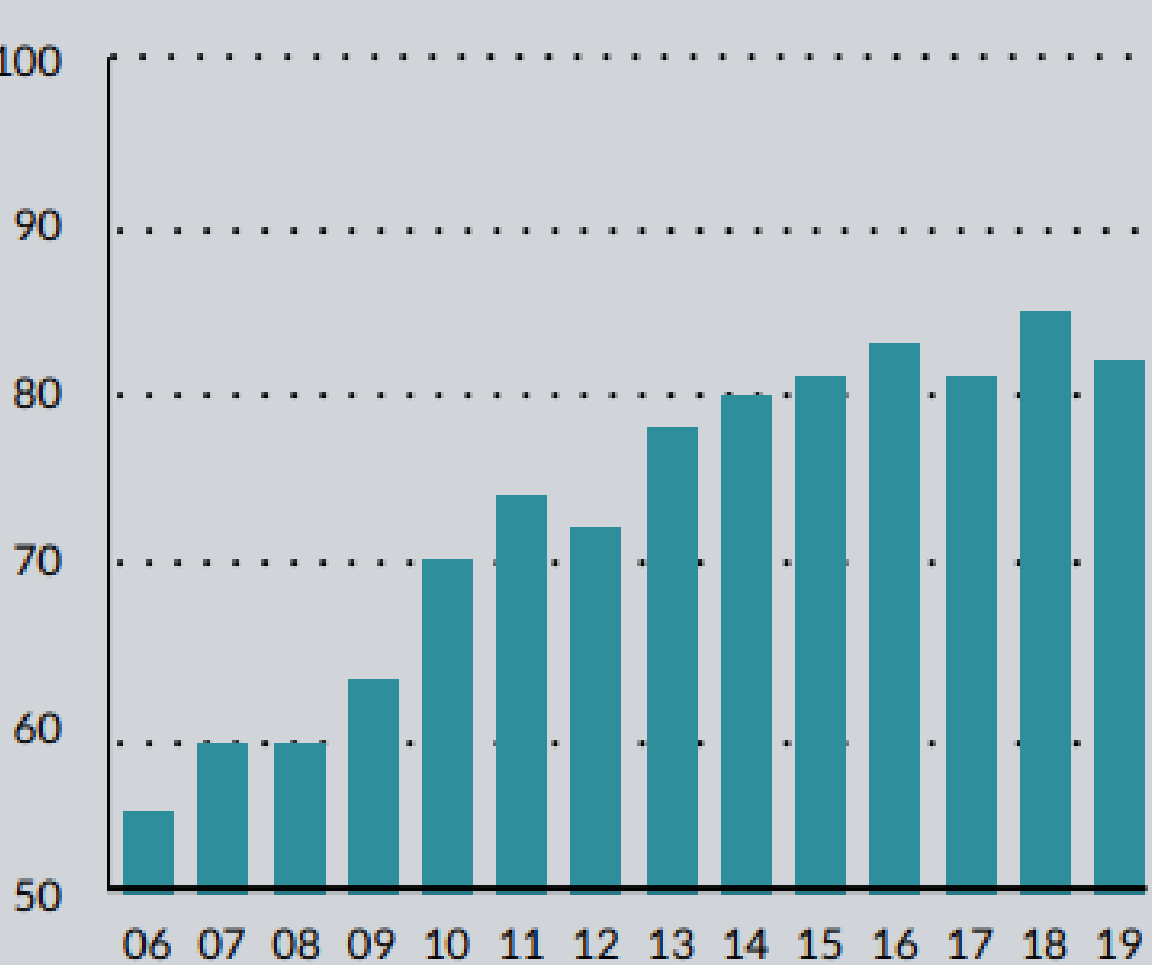
## Patient Worry About Out-of-Pocket Healthcare Costs at All-Time High

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

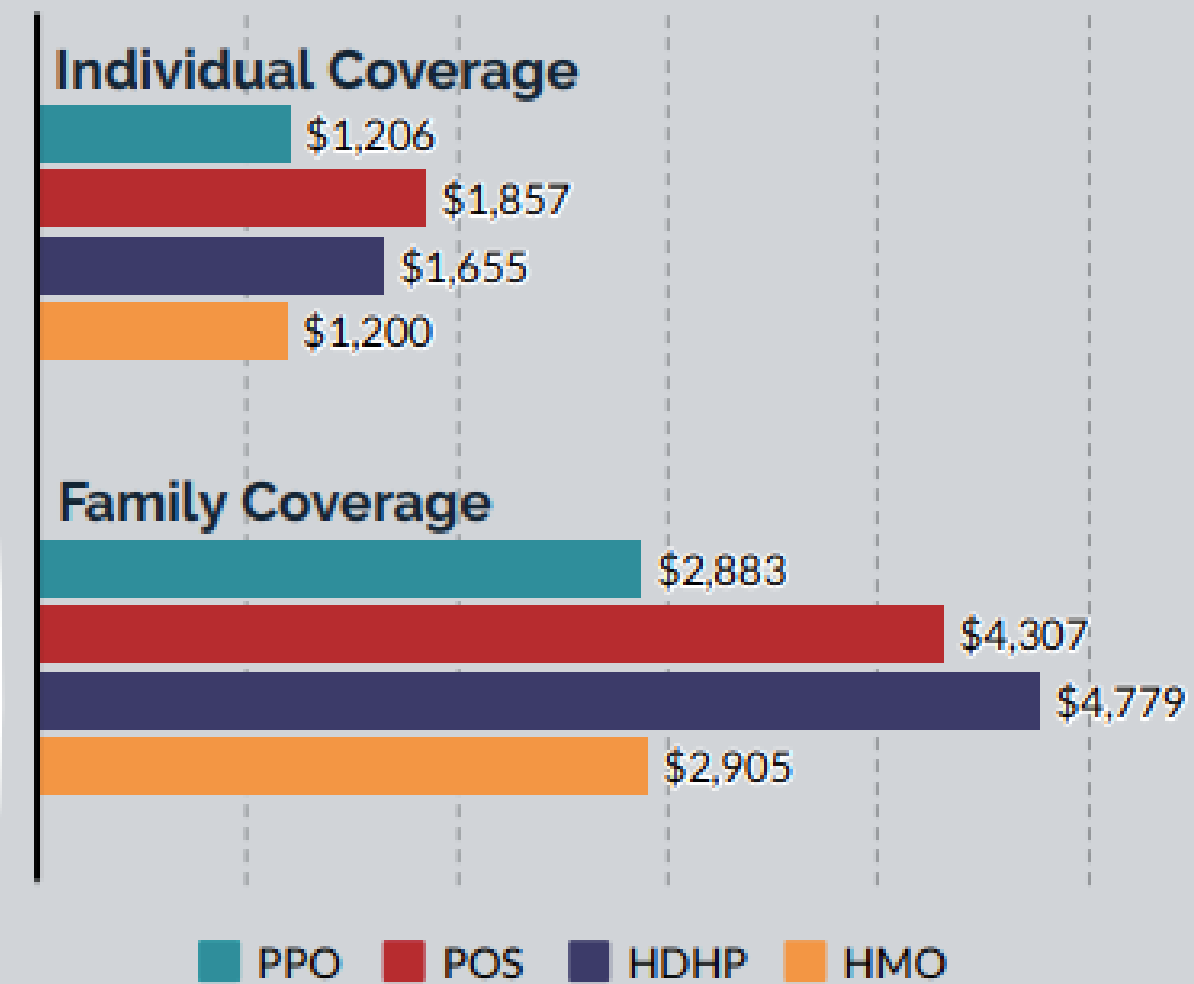


Health Plan Deductibles have grown more than ten times faster than inflation over the last decade

### Percent of Americans With a Deductible



### Average Deductible by Plan Type in 2019



# 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)



# 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

**TheUpshot**

## Health Plans That Nudge Patients to Do the Right Thing

 **Austin Frakt**  
THE NEW HEALTH CARE JULY 10, 2017



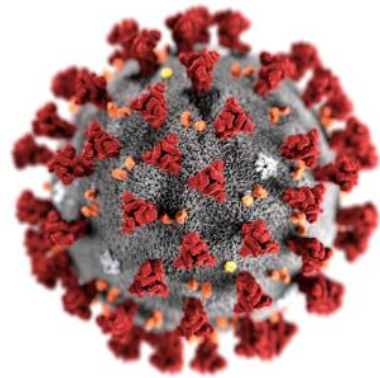
The illustration depicts a variety of medical supplies including pills, capsules, a syringe, a first aid kit, and a pill bottle. Interspersed among these items are several stacks of gold coins. In the foreground, there are three stylized human figures with faces; one has a sad expression, while the other two have neutral or slightly happy expressions. The overall theme suggests the connection between healthcare costs and patient outcomes.

**RELATED COVERAGE**

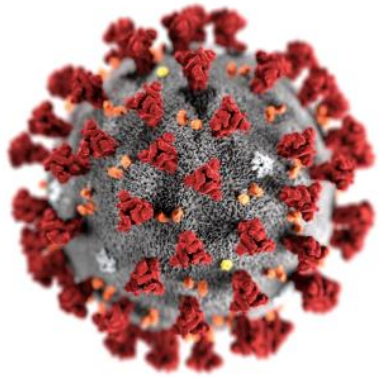
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Then Came Coronavirus...



# A Second Health Care Pandemic will Follow COVID-19 We Need to Plan Accordingly



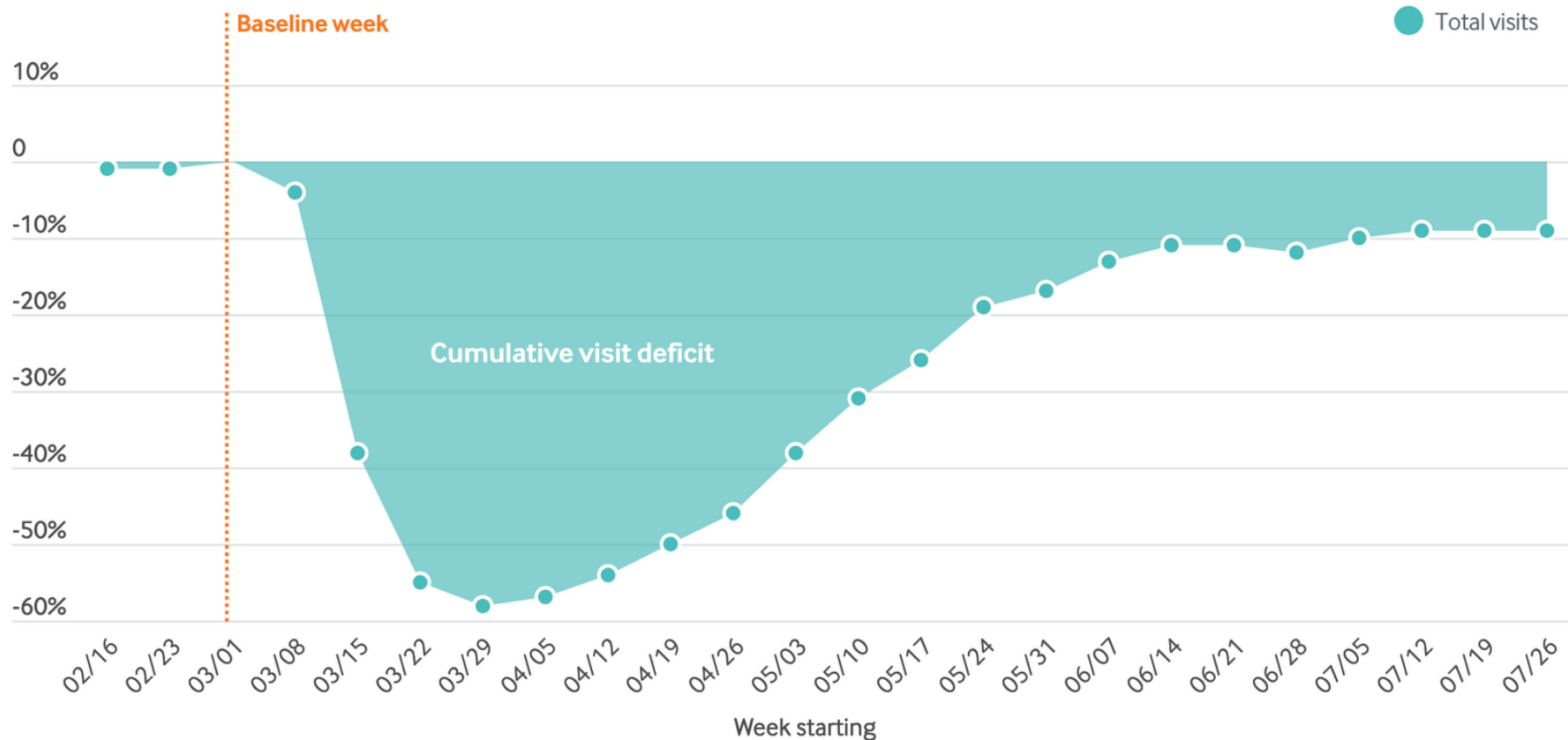
**NEARLY THREE IN FOUR AMERICANS  
SAY THEIR INCOMES HAVE ALREADY  
TAKEN A HIT FROM THE PANDEMIC**

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

- About Half of the Public Says They Have Skipped or Postponed Medical Care because of the Coronavirus Outbreak
- 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
- Impact on both high and low value services

# Physician Visits have Recovered but not to Baseline

Percent change in visits from baseline

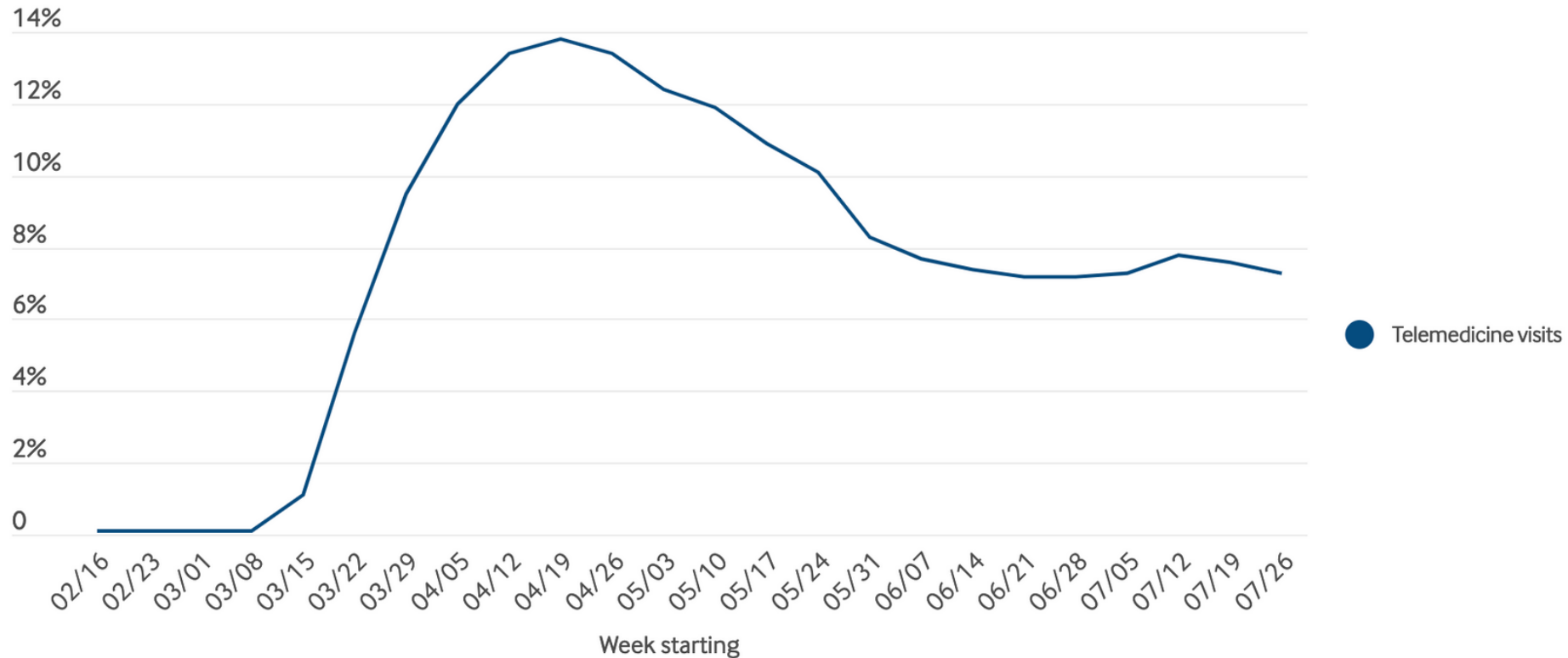


Note: Data are presented as a percentage change in the number of visits in a given week from the baseline week (March 1–7).

Source: Ateev Mehrotra et al., [The Impact of the COVID-19 Pandemic on Outpatient Visits: Changing Patterns of Care in the Newest COVID-19 Hot Spots](https://doi.org/10.26099/yaq-q550) (Commonwealth Fund, Aug. 2020). <https://doi.org/10.26099/yaq-q550>

# Telehealth Visits Grew Dramatically, but have Since Declined

Number of telemedicine visits in a given week as a percent of baseline total visits

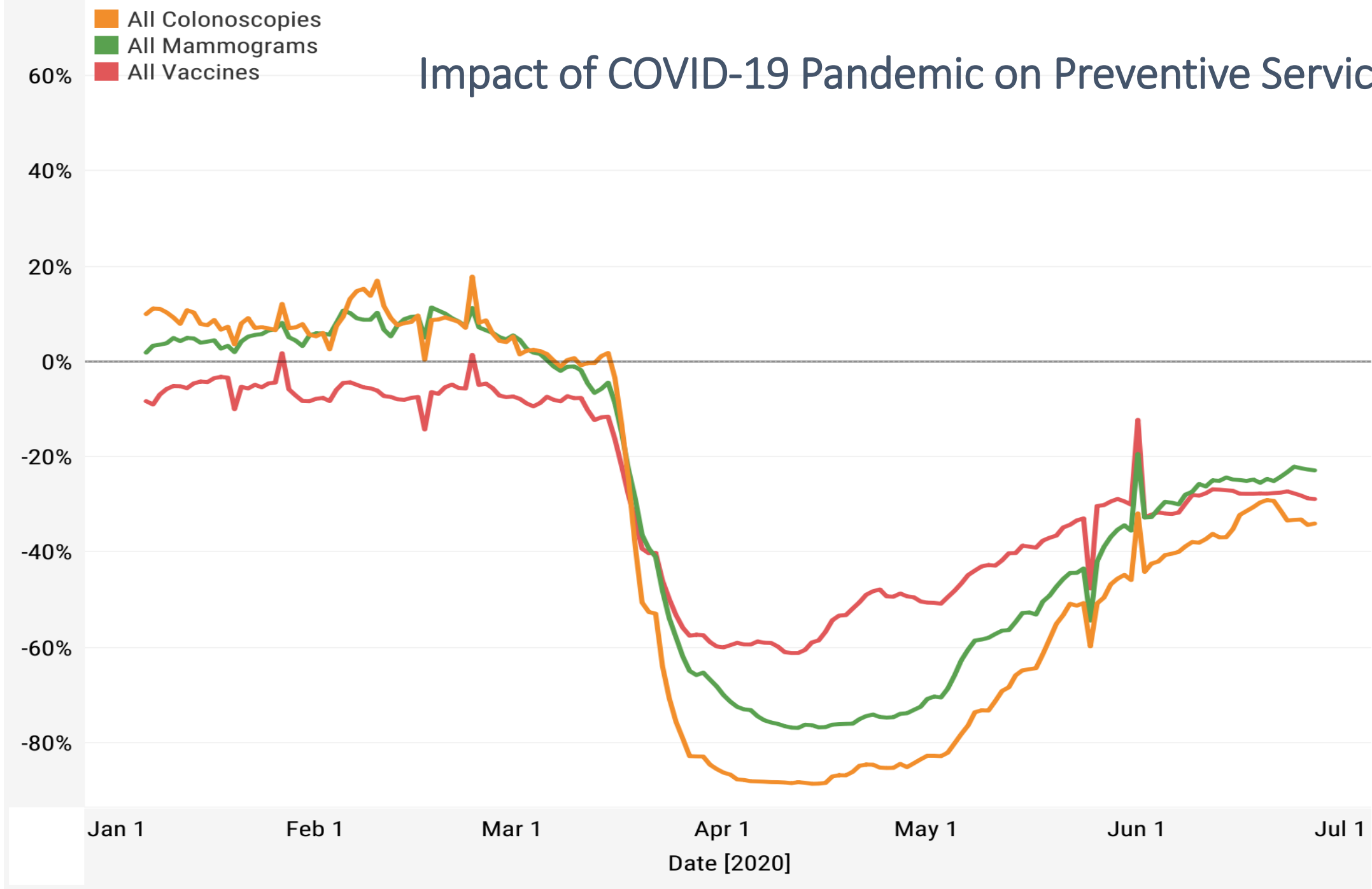


Data are presented as a percentage, with the numerator being the number of telemedicine visits in a given week and the denominator being the number of visits in the baseline week (March 1–7). Telemedicine includes both telephone and video visits.

Source: Ateev Mehrotra et al., [The Impact of the COVID-19 Pandemic on Outpatient Visits: Changing Patterns of Care in the Newest COVID-19 Hot Spots](https://doi.org/10.26099/yaqe-q550) (Commonwealth Fund, Aug. 2020). <https://doi.org/10.26099/yaqe-q550>



# Impact of COVID-19 Pandemic on Preventive Services



LOW-VALUE CARE

# **A silver lining to COVID-19: Fewer low-value elective procedures**



The Onion 

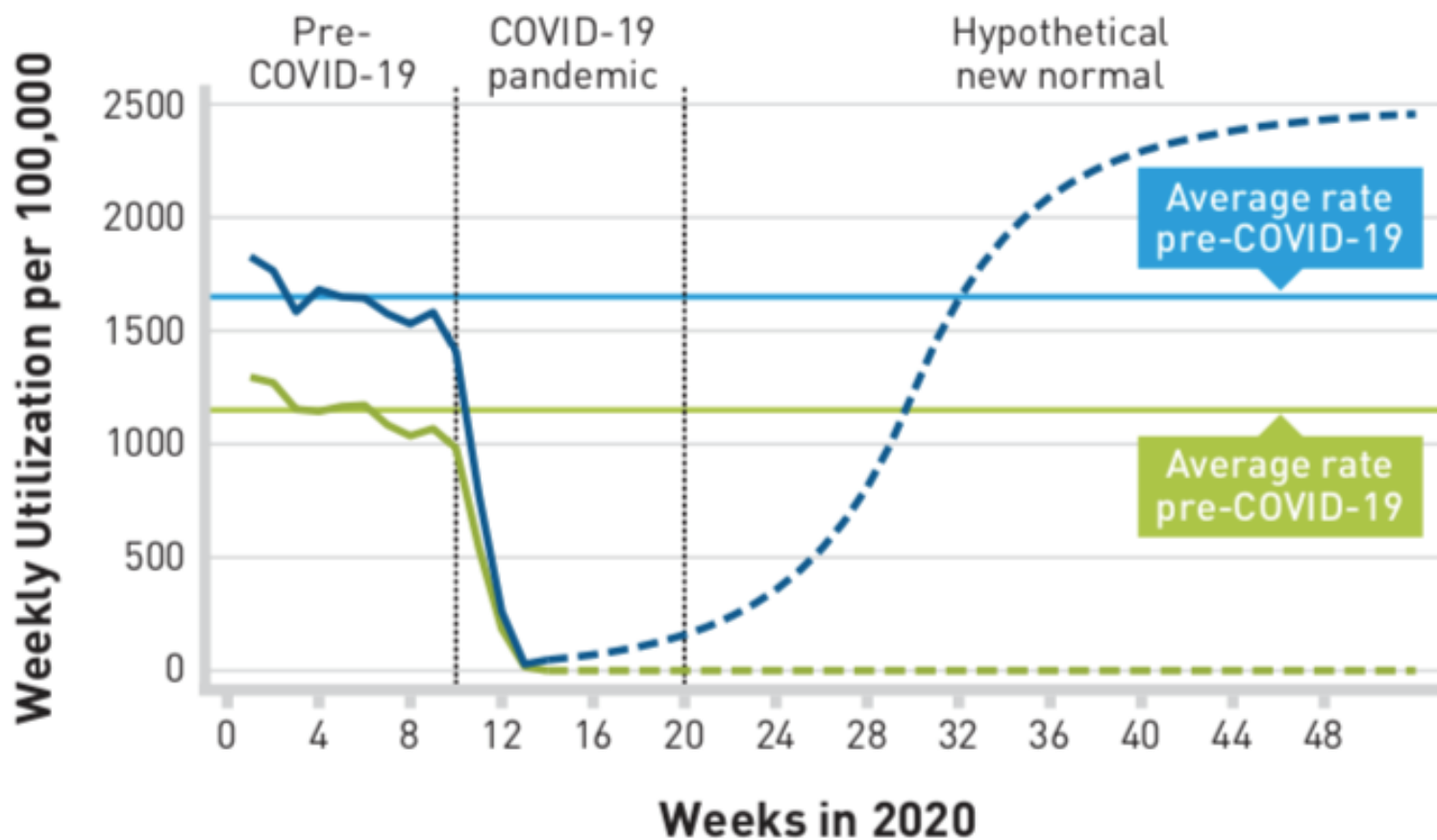
@TheOnion



Patient Rushed Into Unnecessary Surgery To Save Cash-Strapped Hospital [bit.ly/314r3zN](https://bit.ly/314r3zN)



# Crisis Into Opportunity: Can COVID-19 Help Set a Path to Improved Health Care Efficiency?



— Low-value cancer screenings (actual data)

— Indicated cancer screenings (actual data)

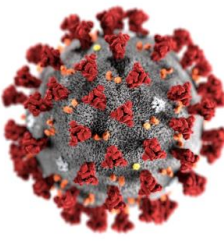
- - - Low-value cancer screenings (hypothetical data)

- - - Indicated cancer screenings (hypothetical data)

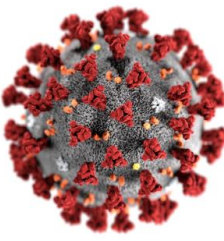
# Crisis Into Opportunity: Can COVID-19 Help Set a Path to Improved Health Care Efficiency?

- 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





- 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

# Putting Innovation into Action: Translating Research into Policy



# 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

# Medicare Advantage V-BID Model Test: Marked Expansion in 2021

- For the 2021 plan year, 19 Medicare Advantage Organizations with 4.6 million projected enrollees will provide tailored V-BID benefits and rewards and incentives to over 1.6 million projected enrollees in 45 states, the District of Columbia and Puerto Rico
- Out of the 19 Organizations, nine are participating in the Hospice Benefit Component



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



# 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 we 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

<b>Preventive Care for Specified Conditions</b>	<b>For Individuals Diagnosed with</b>
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



# 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.

# 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**

# Multi-Stakeholder Task Force Identifies 5 Commonly Overused Services Ready for Action



1. Diagnostic Testing and Imaging Prior to Surgery



2. Vitamin D Screening



3. PSA Screening in Men 75+



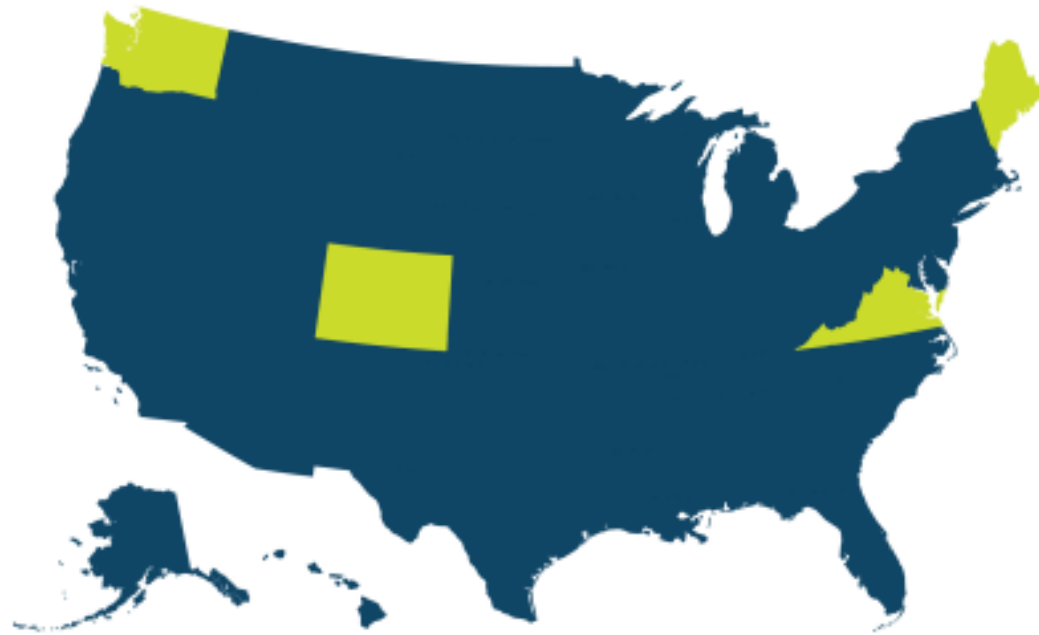
4. Imaging in First 6 Weeks of Low Back Pain



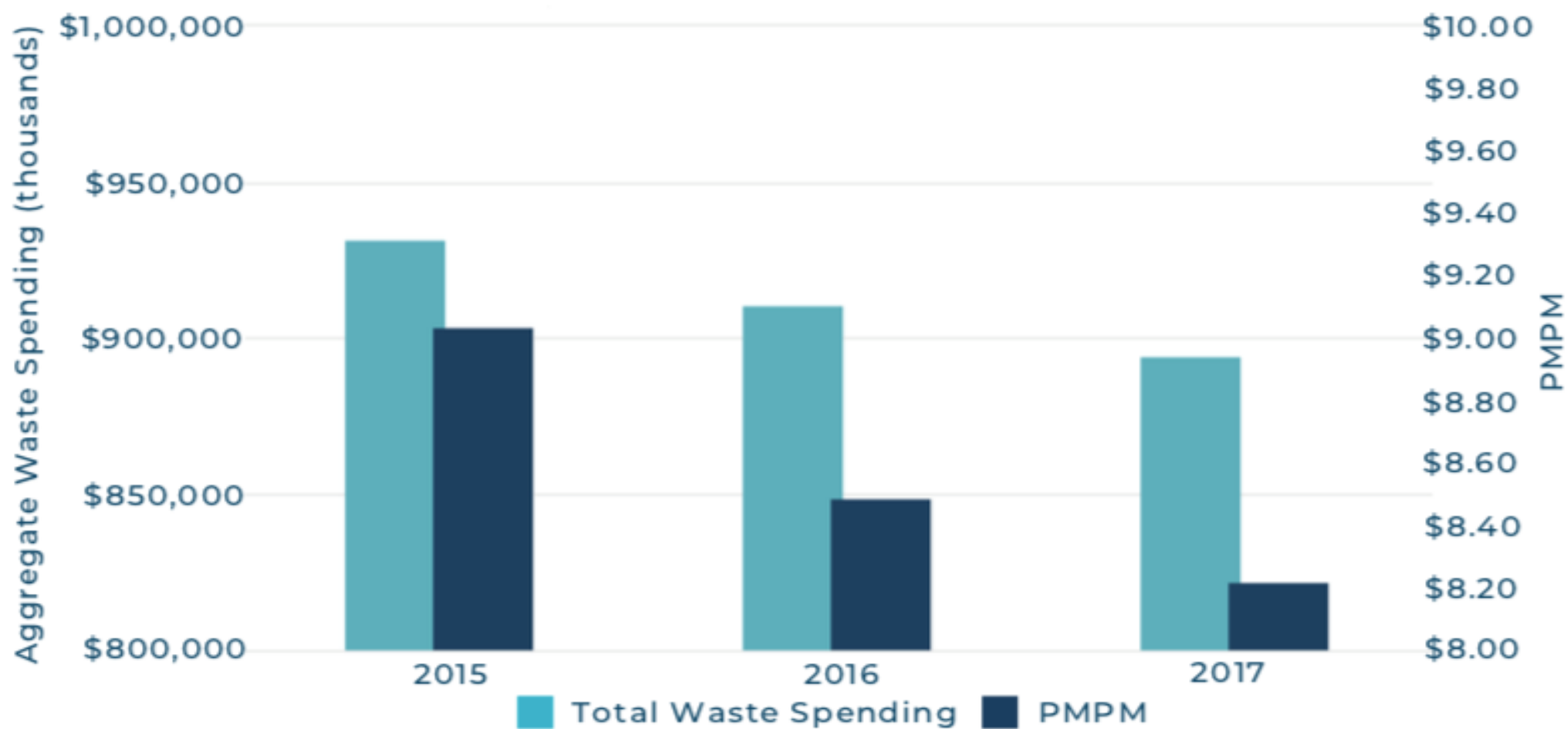
5. Branded Drugs When Identical Generics Are Available

# Utilization and Spending on Low-Value Medical Care Across Four States

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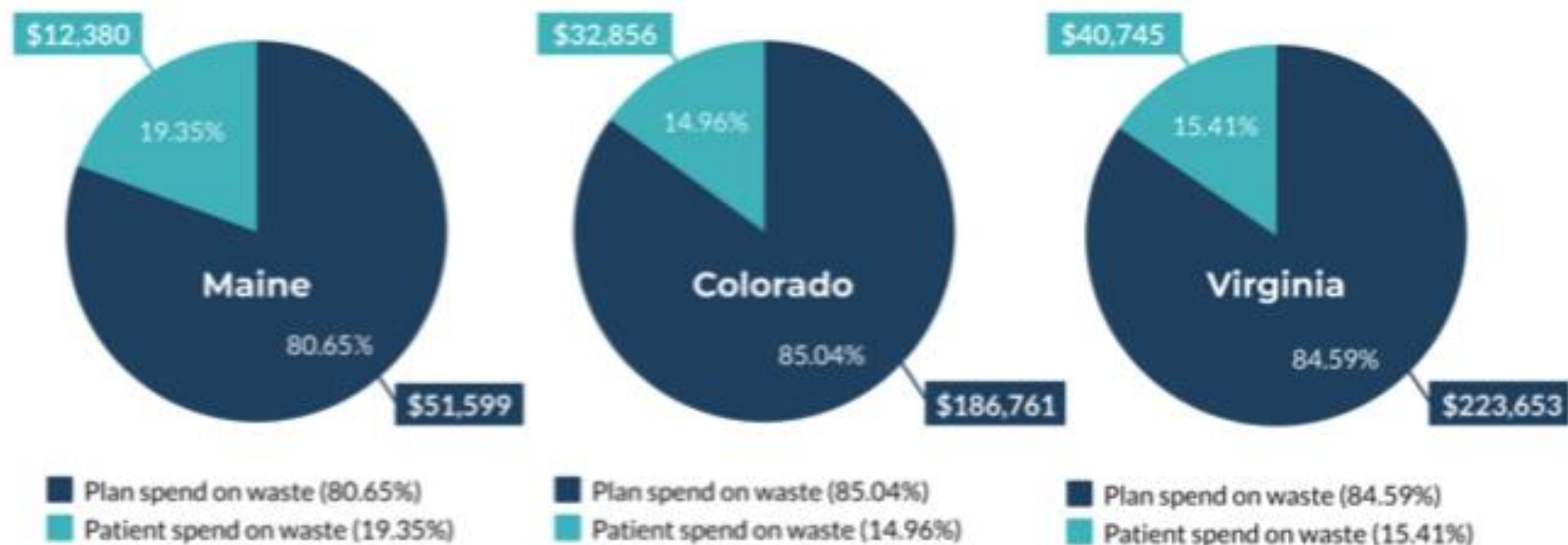
## Total Spending on 47 Low-Value Services by Four States in Medicaid and Commercial Plans, 2015-2017



Notes: this figure shows total spending (sum of plan and patient spending) on the 47 low-value services for commercial and Medicaid only, across three years for all four states: Colorado, Maine, Virginia, Washington.



## Spending on 47 Low-Value Services in Medicaid and Commercial Plans in 2017 by Patients and Plans



Notes: spending in thousands \$. These figures only represent Maine, Colorado, and Virginia. Washington did not separately report patient and plan spending, estimated allowed spending based on standard pricing for Medicaid and commercial plans

## Spending on “Top 10” Commercial and Medicaid Low-Value Services by Volume in 2017

2017	Total Spend on "Top 10" LVC Services	PMPM	% Total Medicaid and Commercial Waste Spending
Maine	\$49,659	\$6.67	78%
Washington*	\$278,236	\$8.69	80%
Colorado	\$160,125	\$5.65	73%
Virginia	\$179,322	\$4.37	68%
Total	\$667,343	\$6.13	70%

Notes: total spending in thousands \$. PMPM = total spending on the top 10 services divided by total member months (Appendix 3) provided by the states for 2017. These data only include Medicaid and commercial spending. \*Washington does not report plan and patient spending separately.

# Cutting 'wasteful drugs' could save employers \$6 billion

A new guidebook identifies 49 drugs with less expensive alternatives that could be cut from the lists of drugs covered by employers.

By **John Tozzi** | September 16, 2020 at 10:32 AM

Examples include:

- Multi source drugs
- Fixed Dose Combinations
- Difference in absorption and speed

# Multi-stakeholder Efforts to Reduce Low Value Care: Smarter Care Virginia



<https://www.vahealthinnovation.org/scv/>

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	

## High-Value Branded Drug Classes with Reduced Cost-Sharing

Pre-exposure prophylaxis for HIV

Hepatitis C direct-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: 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**

# HHS 2021 Payment Rule Strongly Endorses V-BID X

## 6. Promoting Value-Based Insurance Design

Borrowing from work provided by the Center for Value-based Insurance Design at the University of Michigan<sup>156</sup> (the Center), Table 5 lists high value services and drugs that an issuer may want to consider offering with lower or zero cost sharing. Table 5 also includes a list of low value services that issuers should consider setting at higher consumer cost sharing. High value services are those



# 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?
- Impact of Telemedicine?
- Lower spend?
- Lower premiums?
- Cost of coronavirus vaccine

# 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

Monday, August 31, 2020

**The “Aetna Connected Plan with CVS Health” is helping deliver simple, convenient and more affordable health care.**

KANSAS CITY, MO — The Aetna Connected Plan with CVS Health, a first-of-its-kind plan offering in the Kansas City health care insurance market, is demonstrating how the company’s combined capabilities can help members access care when and where they need it — and at a more affordable price than a traditional plan.