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

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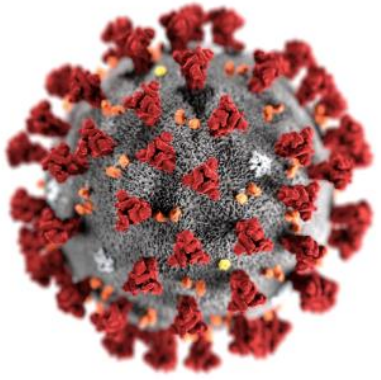
Then Came Coronavirus…



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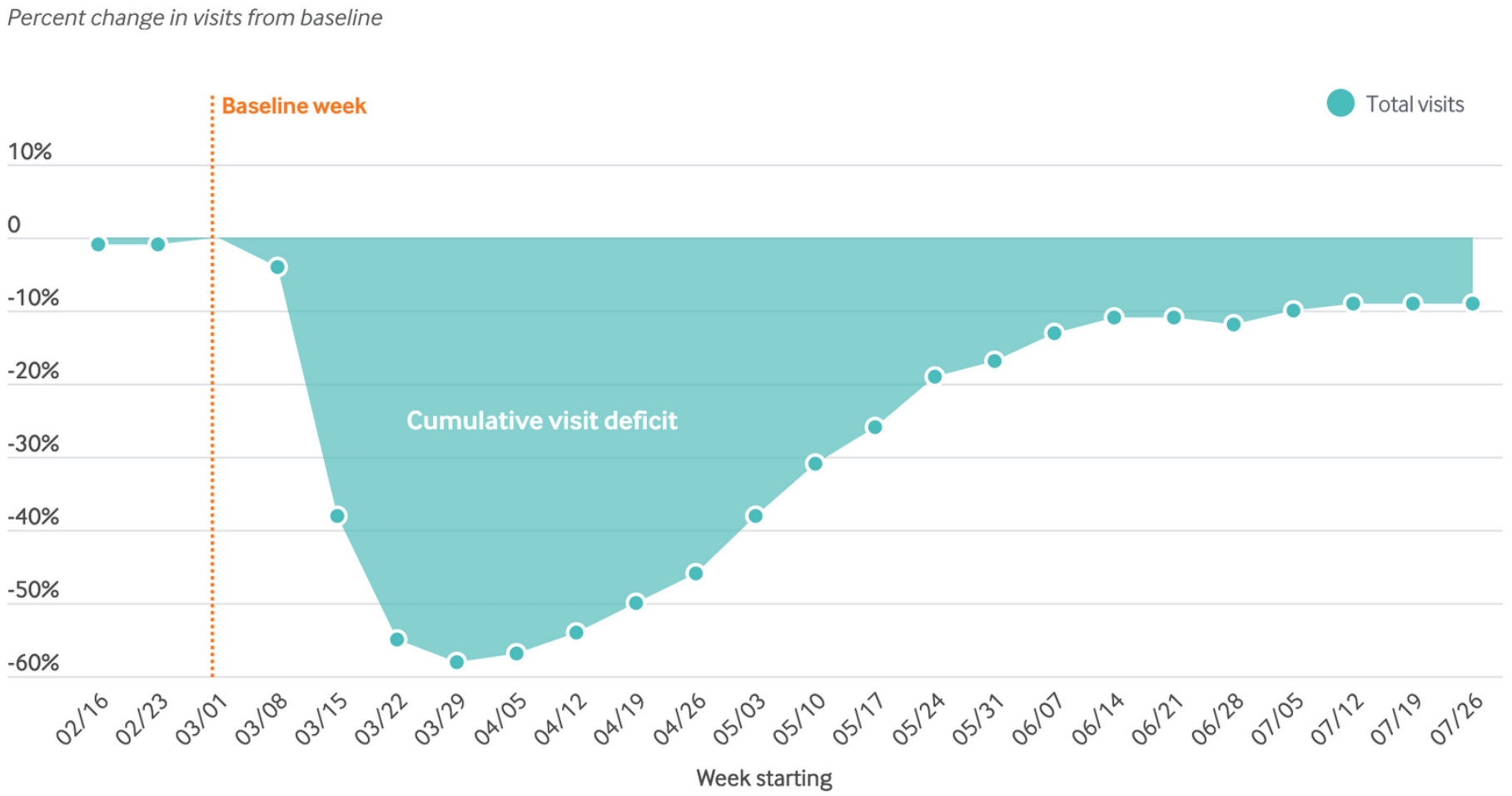
Large Drop in Physician Visits

The number of visits to ambulatory practices fell nearly 60 percent by early April before rebounding through mid-June. From then through the end of July, weekly visits plateaued at 10 percent below the pre-pandemic baseline. The cumulative number of lost visits since mid-March remains substantial and continues to grow.

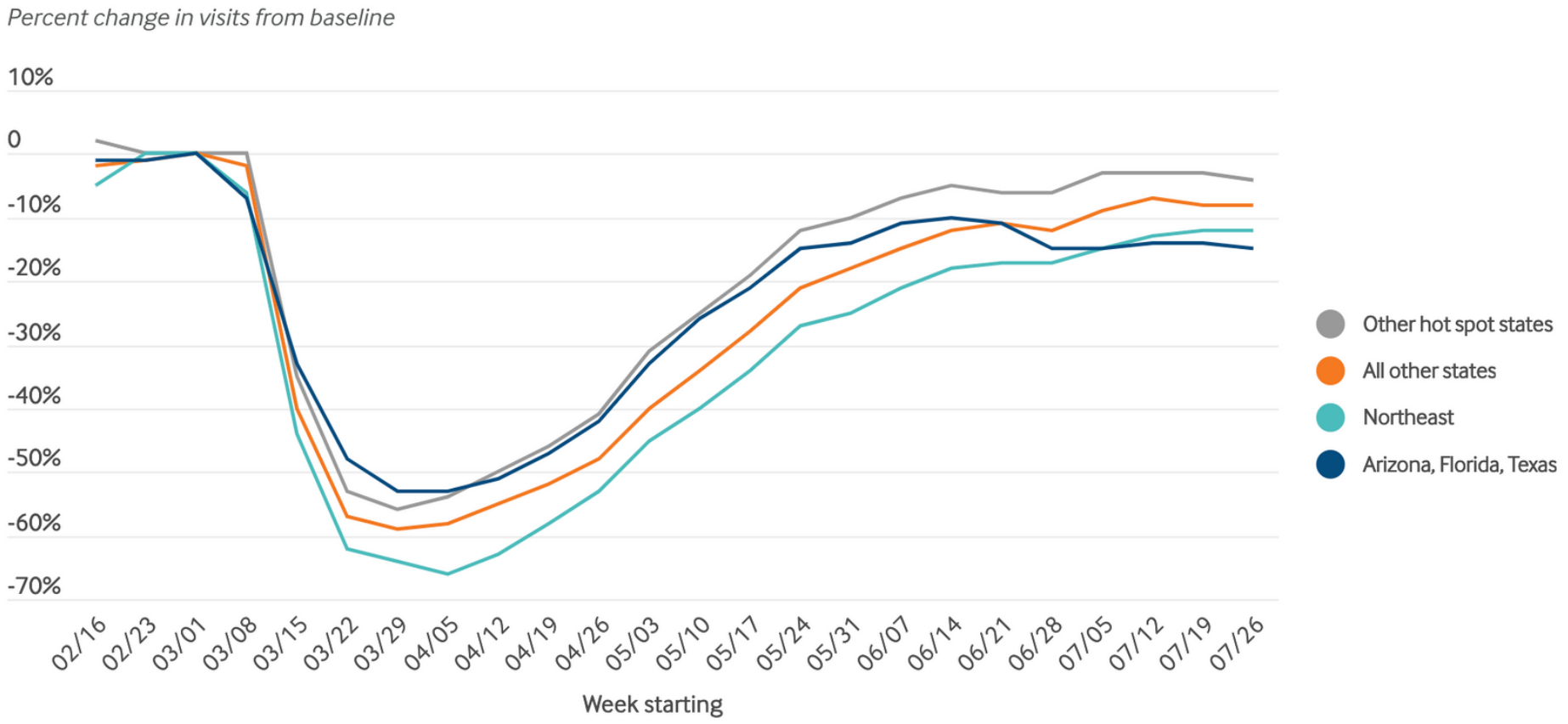


Note: Data are presented as a percentage change in the number of visits in a given week from the baseline week (March 1–7).

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 (Commonwealth Fund, Aug. 2020). https://doi.org/10.26099/yaqe-q550

All Regions are Affected

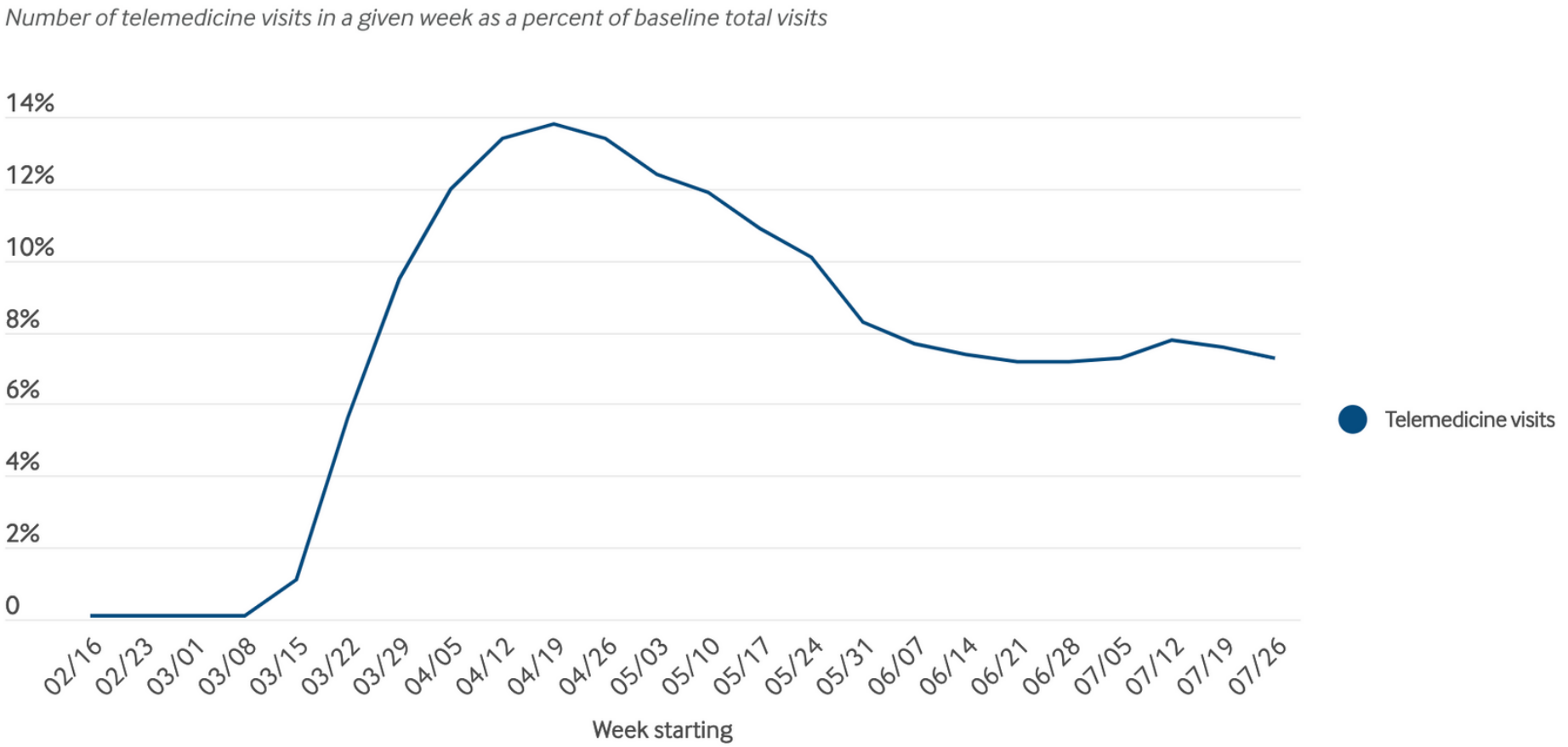
Several states with surging COVID-19 cases during June and July (Arizona, Florida, and Texas) have seen a decline in provider office visits, although it's been a small one compared to early in the pandemic. Visit volumes in other states with surging new cases have held steady. Visit rates in the Northeast continue to lag most of the nation, even with relatively low weekly new case counts.



Data are presented as a percentage change in the number of visits in a given week from the baseline week (March 1–7). Hot spot states were the top 10 states in terms of new cases per capita in the weeks of June 28th and July 4th, according to data from the New York Times. These hot spots were divided into two groups: 1) Arizona, Florida, and Texas, which clearly had a different trajectory of visits, and 2) Alabama, Georgia, Idaho, Louisiana, Nevada, and South Carolina. The Northeast includes Connecticut, Maine, Massachusetts, New Hampshire, New Jersey, New York, Pennsylvania, Rhode Island, and Vermont.

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 (Commonwealth Fund, Aug. 2020). https://doi.org/10.26099/yaqe-q550

Telehealth Visits Grew Dramatically, but have Since Declined



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 (Commonwealth Fund, Aug. 2020). https://doi.org/10.26099/yaqe-q550

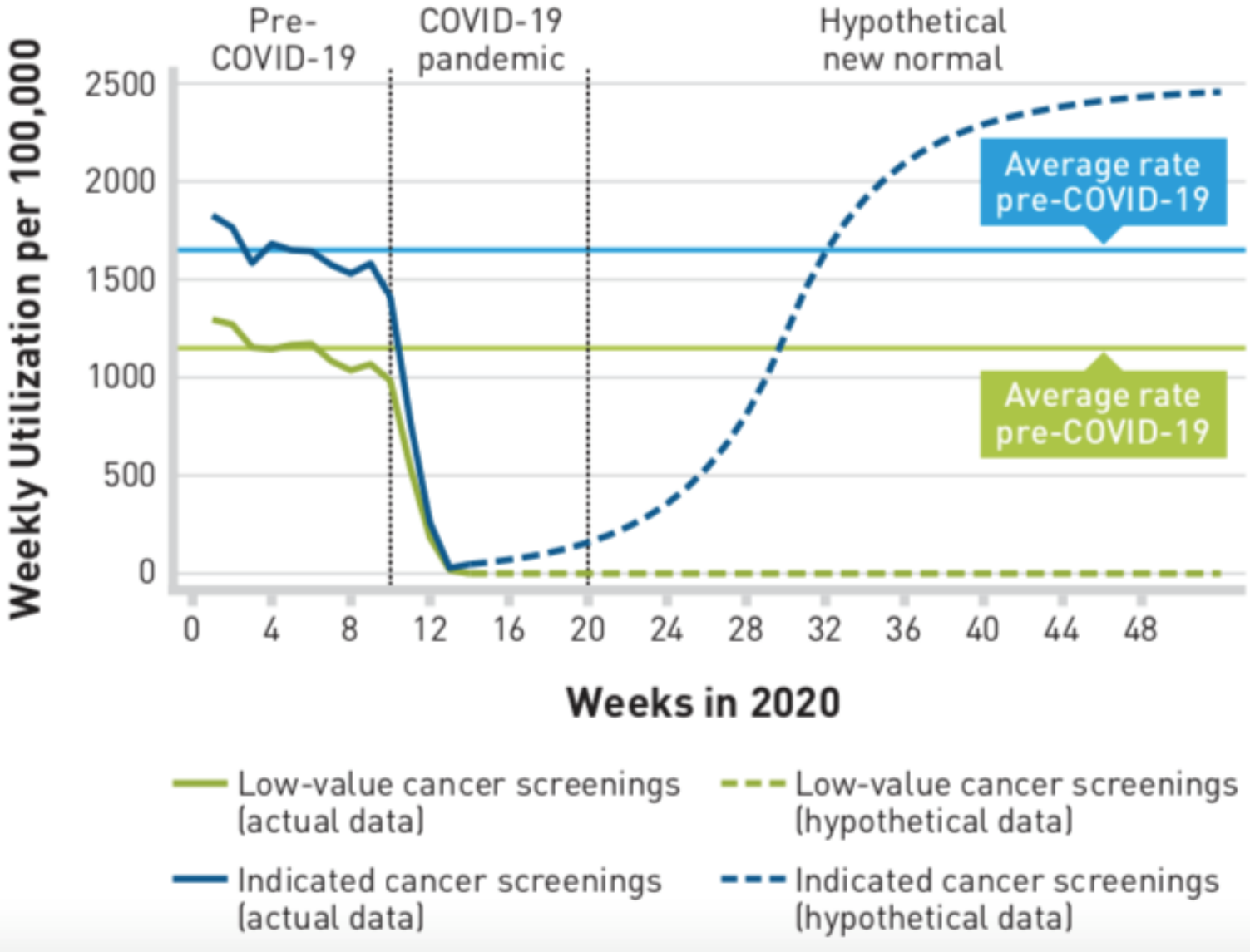
LOW-VALUE CARE

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

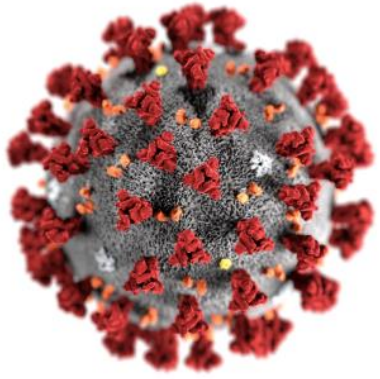
Crisis Into Opportunity: Can COVID-19 Help Set a Path to Improved Health Care Efficiency?



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

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

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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.

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 Coronovirus 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

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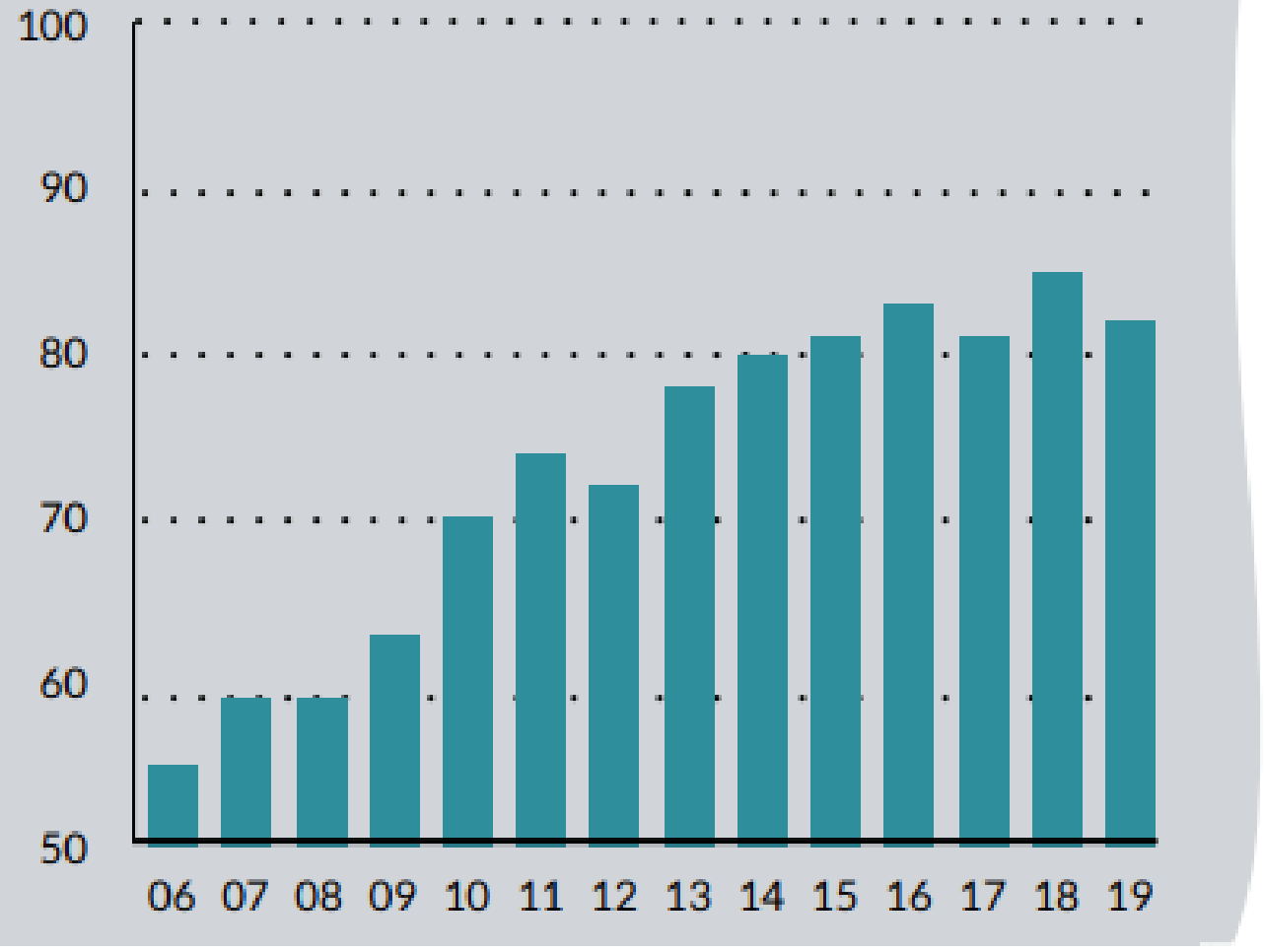
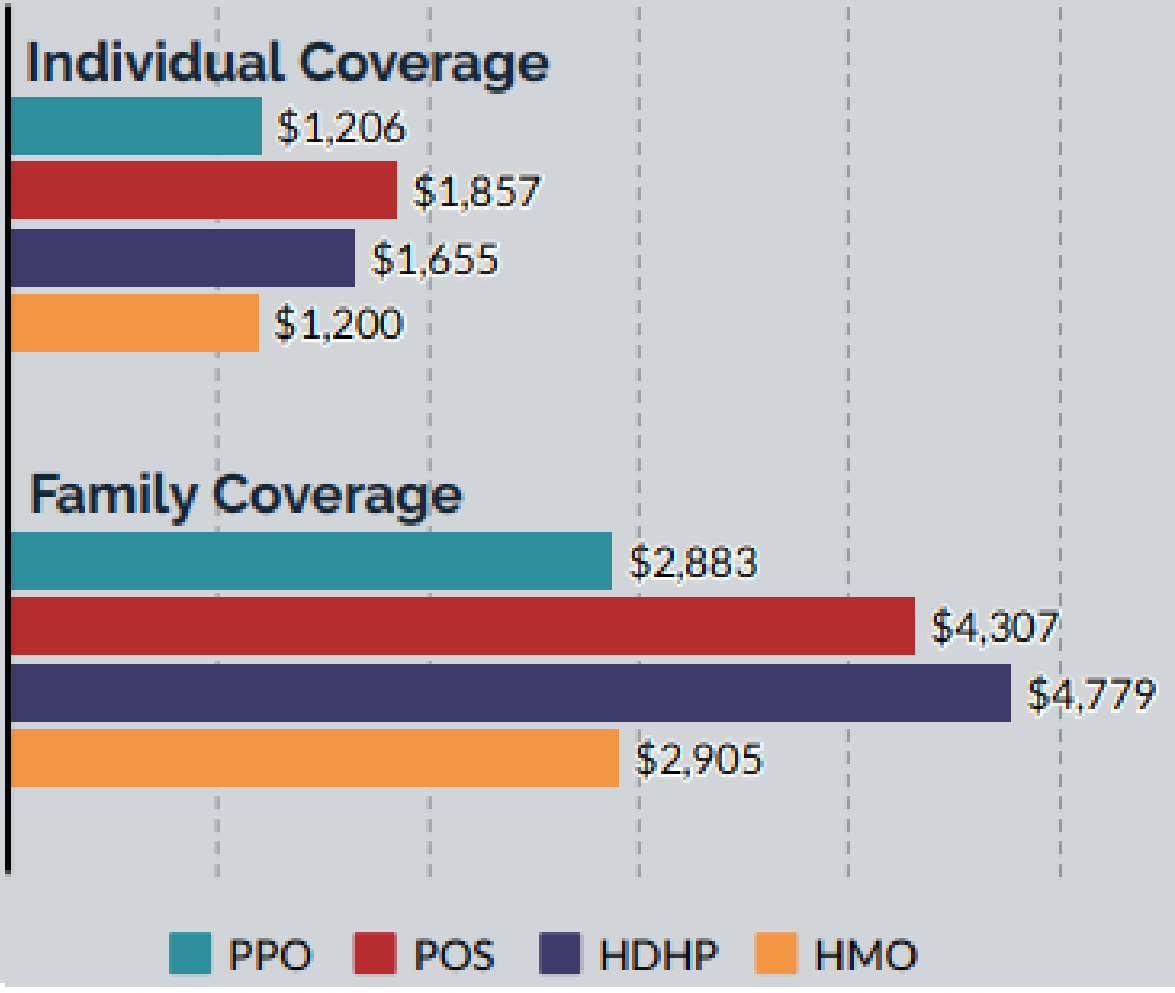
Health Plan Deductibles have grown more than ten times faster than inflation over the last decade

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)

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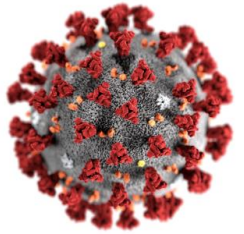
Alternative to “Blunt” Consumer Cost-Sharing: A Clinically Driven Approach

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

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

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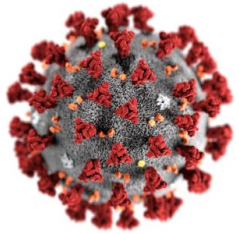
V-BID and the COVID-19 Response



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

SEC. 4203. RAPID COVERAGE OF PREVENTIVE SERVICES AND VACCINES FOR CORONAVIRUS.

(a) IN GENERAL.—Notwithstanding 2713(b) of the Public Health Service Act (42 U.S.C. 300gg–13), the Secretary of Health and Human Services, the Secretary of Labor, and the Secretary of the Treasury shall require group health plans and health insurance issuers offering group or individual health insurance to cover any qualifying coronavirus preventive service, pursuant to section 2713(a) of the Public Health Service Act (42 U.S.C. 300gg–13(a)). The requirement described in this subsection shall take effect with respect to a qualifying coronavirus prevention service on the specified date described in subsection (b)(2).

(b) DEFINITIONS.—For purposes of this section:

(1) QUALIFYING CORONAVIRUS PREVENTIVE SERVICE.—The term "qualifying coronavirus preventive service" means an item, service, or immunization that is intended to prevent or mitigate coronavirus disease 2019 and that is—

(A) an evidence-based item or service that has in effect a rating of "A" or "B" in the current recommendations of the United States Preventive Services Task Force; or

(B) an immunization that has in effect a recommendation from the Advisory Committee on Immunization Practices of the Centers for Disease Control and Prevention with respect to the individual involved.

(2) SPECIFIED DATE.—The term "specified date" means the date that is 15 business days after the date on which a recommendation is made relating to the immunization as described in such paragraph.

Putting Innovation into Action: 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

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

Targeting Socioeconomic Status
Low-income subsidy
Transportation, nutrition support

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

Telehealth
Service delivery innovations
Augment existing provider networks

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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

TRICARE®

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

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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

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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

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

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.

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

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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

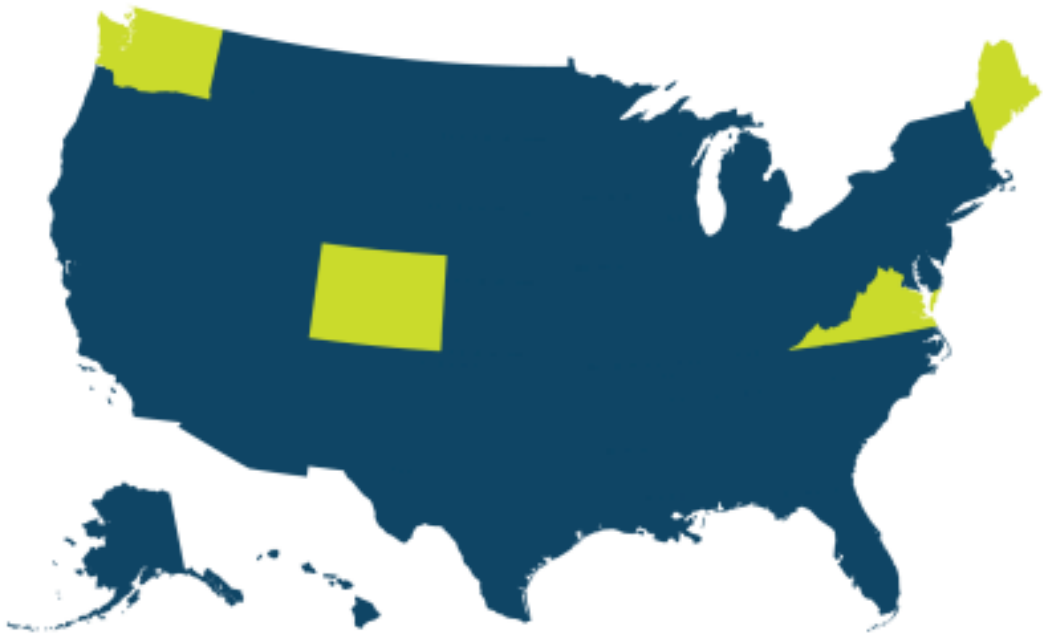
Diagnostic tests before low-risk surgery

PSA screening for men 70 and older

Branded drugs when identical generics are available

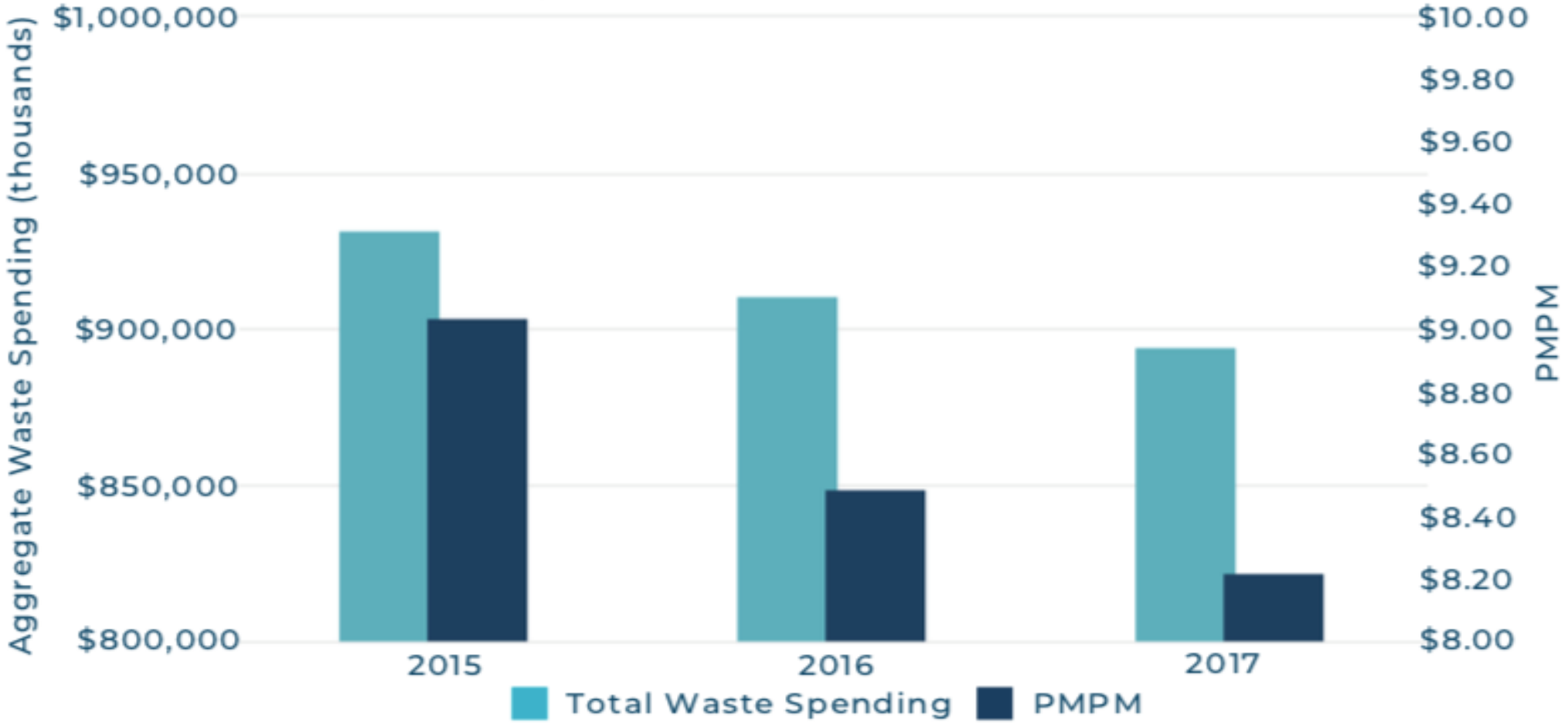
Low-back pain imaging within 6 weeks of onset

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



https://vbidhealth.com/docs/States-LVC-Paper-FINAL-Draft(1).pdf

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.*

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

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

VIRGINIA CENTER FOR HEALTH INNOVATION

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

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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

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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: 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 [156] (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

https://www.govinfo.gov/content/pkg/FR-2020-05-14/pdf/2020-10045.pdf

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

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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

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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

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