

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

A. Mark Fendrick, MD
University of Michigan Center for
Value-Based Insurance Design

www.vbidcenter.org



@um_vbid

Thank you to the selfless individuals who are putting themselves at risk
to successfully defeat this pandemic

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 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



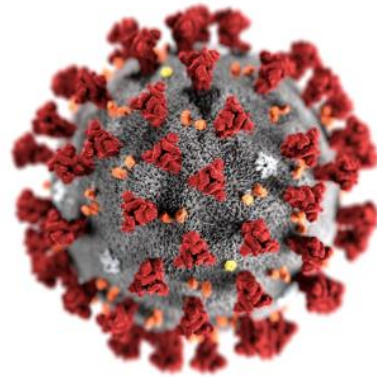
Flintstones Delivery



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

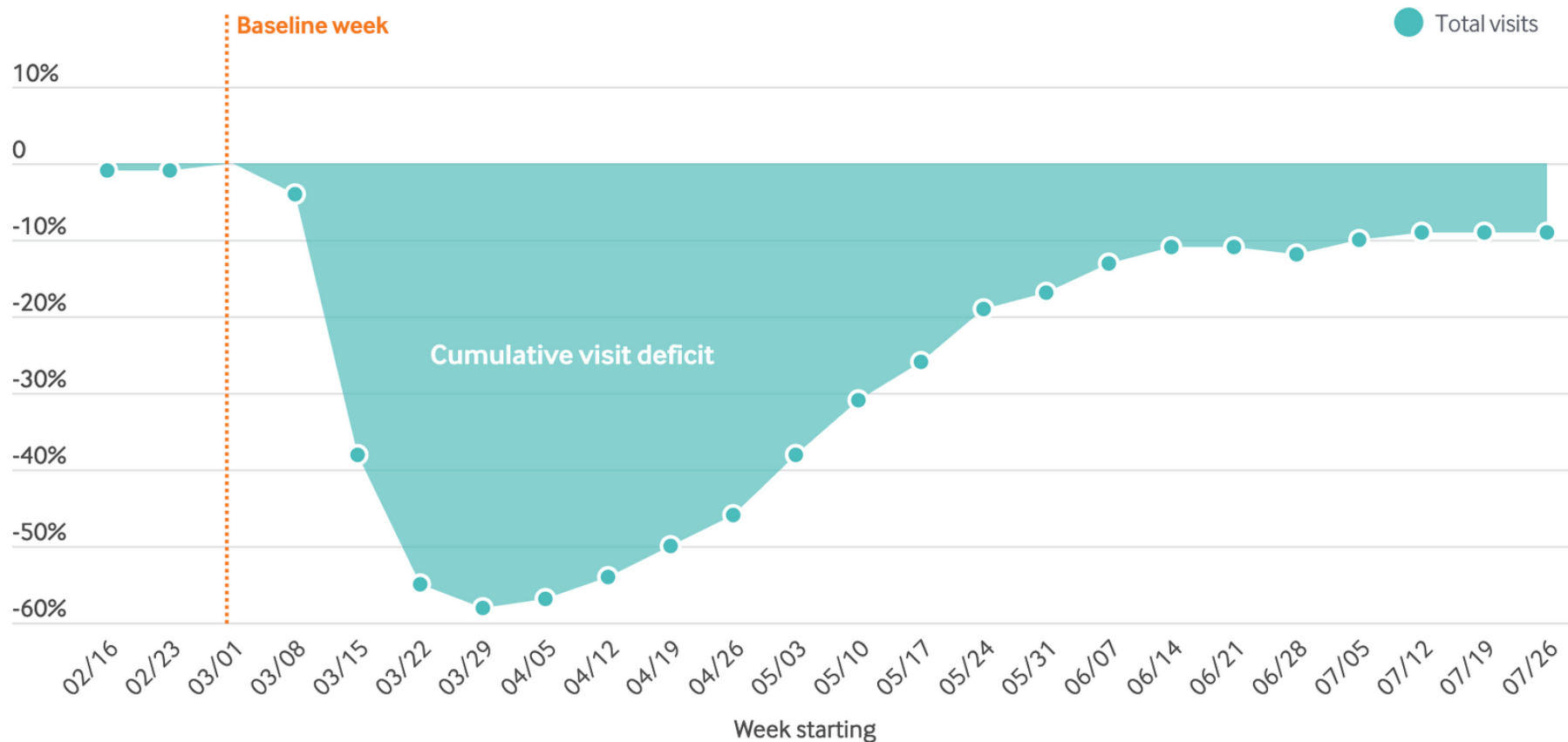
Then Came Coronavirus...



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.

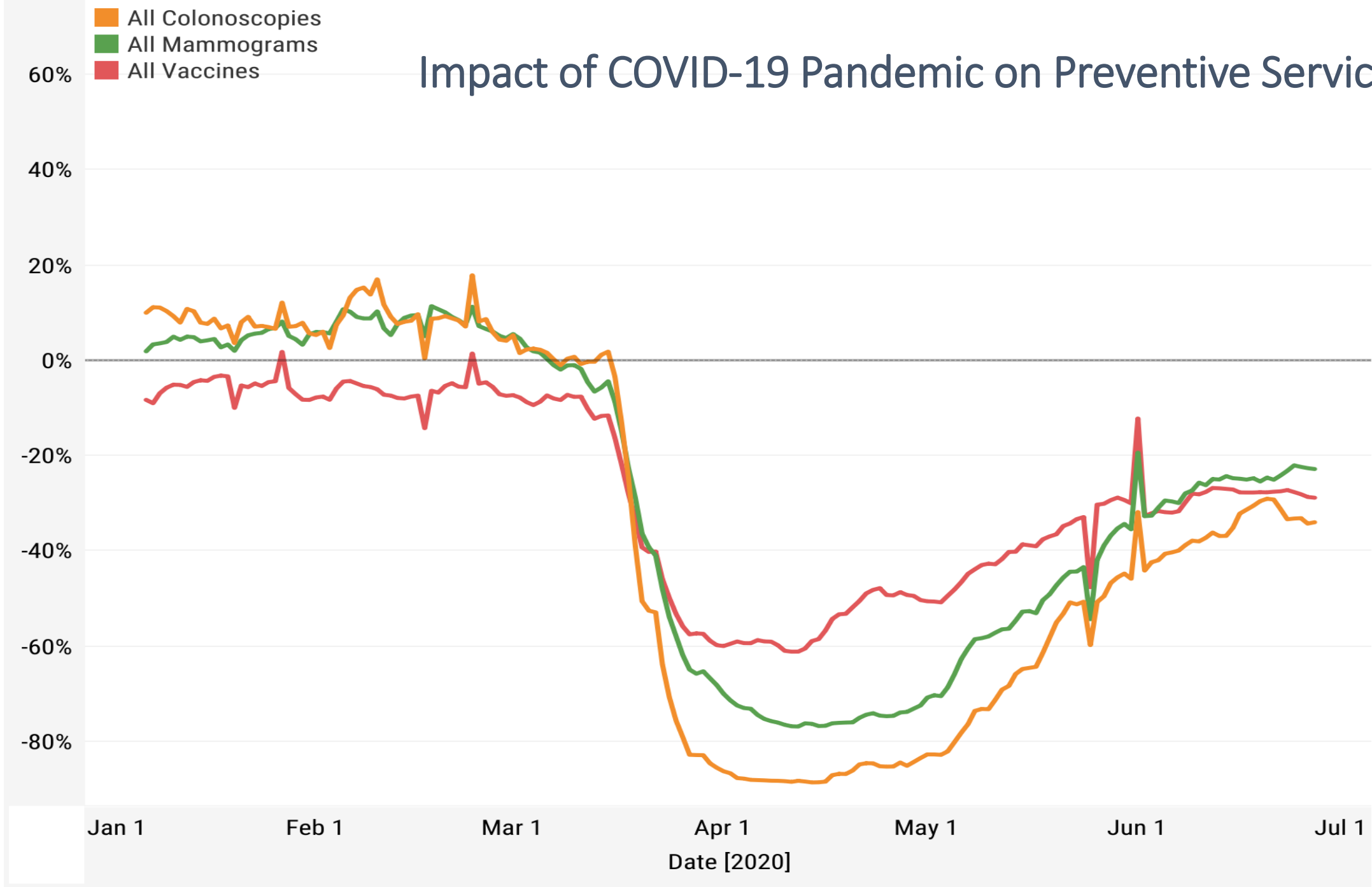
Percent change in visits from baseline



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/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



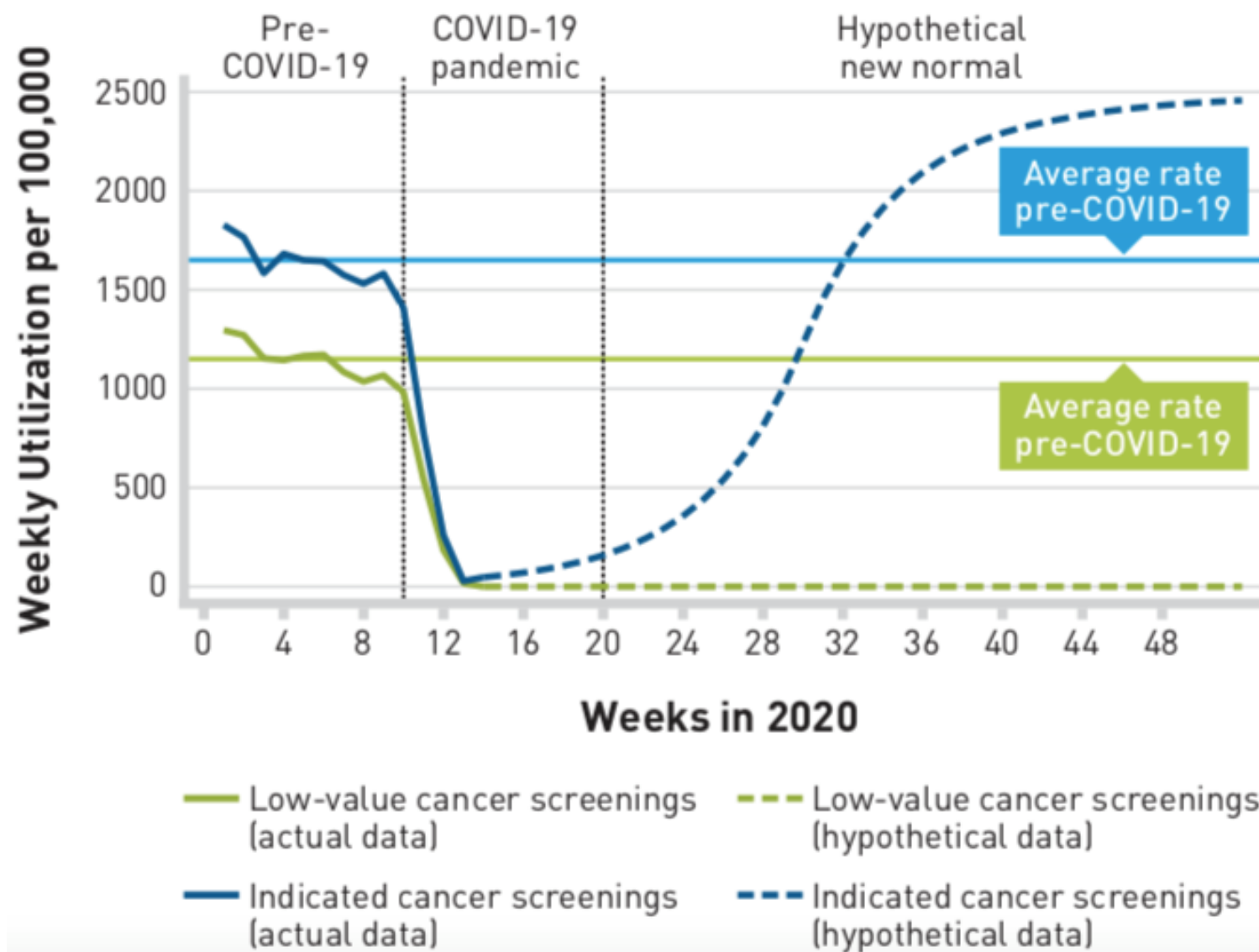
The Onion 
@TheOnion



Patient Rushed Into Unnecessary Surgery To Save Cash-Strapped Hospital bit.ly/314r3zN



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

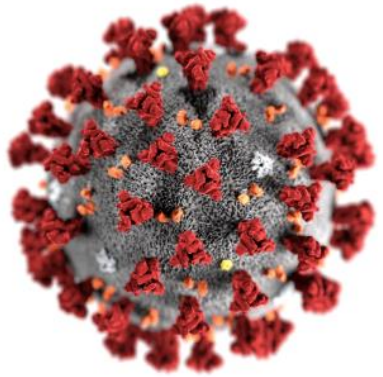


Crisis Into Opportunity: Can COVID-19 Help Set a Path to Improved Health Care Efficiency?

- 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**

Concerns Regarding Coronavirus Out of Pocket Costs:

Americans Cannot Afford a COVID-19 Deductible

- About half of the public 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

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)

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*

- Rising copayments worsen disparities and adversely affect health, particularly among economically vulnerable individuals and those with chronic conditions



[Home](#) // [Disparities Policy](#) // [Communities of Color at Higher Risk for Health and Economic Challenges due to COVID-19](#)

Communities of Color at Higher Risk for Health and Economic Challenges due to COVID-19

[Samantha Artiga](#) , [Rachel Garfield](#) , and [Kendal Orgera](#)

Published: Apr 07, 2020

OP-EDS

OPINION

Hartford Courant

America can't afford a coronavirus deductible

Newsweek

;

Tech & Science

Culture

Newsgeek

Sports

Health

The Debate

Vantage



NEWSWEEK MAGAZINE

Charging Copays and Deductibles During a
Pandemic Is Foolish—and Deadly | Opinion

Concerns Regarding Out of Pocket Costs in the COVID-19 Era: Americans Don't Care About Health Care Costs; They Care About **What It Costs Them**

- 3 in 4 Americans say their incomes have taken a hit from the pandemic
- About half of the public has 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 if hospitalized for COVID-19 related illness
- 40% of Americans do not have \$400 for an expected expense

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



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

Putting Innovation into Action: Translating Research into Policy



Medicare Advantage V-BID Model Test; Senior Savings Plan

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

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



Putting Innovation into Action: Translating Research into Policy



IRS 2019-45: Pre-deductible Coverage Allowed for Services and Drugs for Chronic Conditions

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



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

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

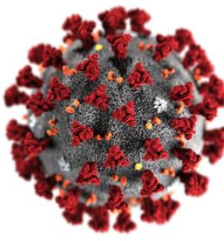
116th Congress
2D Session



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.

V-BID and the COVID-19 Response



- 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
- October 27: HHS announces that coronavirus vaccines will be covered without cost-sharing under Medicare and Medicaid

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**

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

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



1. Diagnostic Testing and Imaging Prior to Low Risk Surgery



2. Population Based Vitamin D Screening



3. PSA Screening in Men 70+



4. Imaging in First 6 Weeks of Uncomplicated Low Back Pain



5. Branded Drugs When Identical Generics Are Available

Savings from generics make spending on innovation possible, providing the headroom for investments in research

“Generic medicines, from the injectables that are essential to placing a patient on a ventilator to the steroid drugs that have reduced the risk of death in COVID patients by one-third, have proven themselves to truly be the bridge to a vaccine.”

Dan Leonard

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.

Examples include:

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

Half of PBGH members plan to alter their company's drug formularies to eliminate wasteful spending,

Applying Value-Based Insurance Design to Generic Medications and Biosimilars

- Public policy initiatives
- Educate the clinician community regarding that many biosimilars are covered via the medical, not pharmacy, benefit
- Benefit design
 - Clinically-driven step therapy – ‘Precision Benefit Design’

Precision Benefit Design

A Nuanced Approach to Consumer Cost-sharing

- ✓ Commits to established policies that encourage lower cost, first-line therapies
- ✓ Enhances access to effective therapies when clinically appropriate
- ✓ Increases access to recommended treatments by removing administrative barriers and lowering cost-sharing
- ✓ Supports precision medicine initiatives by encouraging use of targeted therapies when clinically indicated

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

CMS promotes value-based insurance design in final payment notice for 2021

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

High Value Generic Drug Classes with Zero Cost Sharing

ACE inhibitors and ARBs
Anti-depressants
Antipsychotics
Anti-resorptive therapy
Antiretrovirals
Antithrombotics/anticoagulants
Beta blockers
Buprenorphine-naloxone
Glucose lowering agents
Inhaled corticosteroids
Naloxone
Rheumatoid arthritis medications
Statins
Thyroid-related
Tobacco cessation treatments

Strategies to Enhance Value in the 'New Normal'

- Expand pre-deductible coverage/reduce consumer cost-sharing on high-value care
- Identify, measure and reduce low-value care to pay for more generous coverage of high-value care
- Implement clinically-driven payment models and plan designs that increase use of high-value services and deter low value care