Value Based Insurance Design:
Changing the Health Care Discussion from "How Much" to "How Well"

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

www.vbidcenter.org

@um_vbid

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

M | V-BID

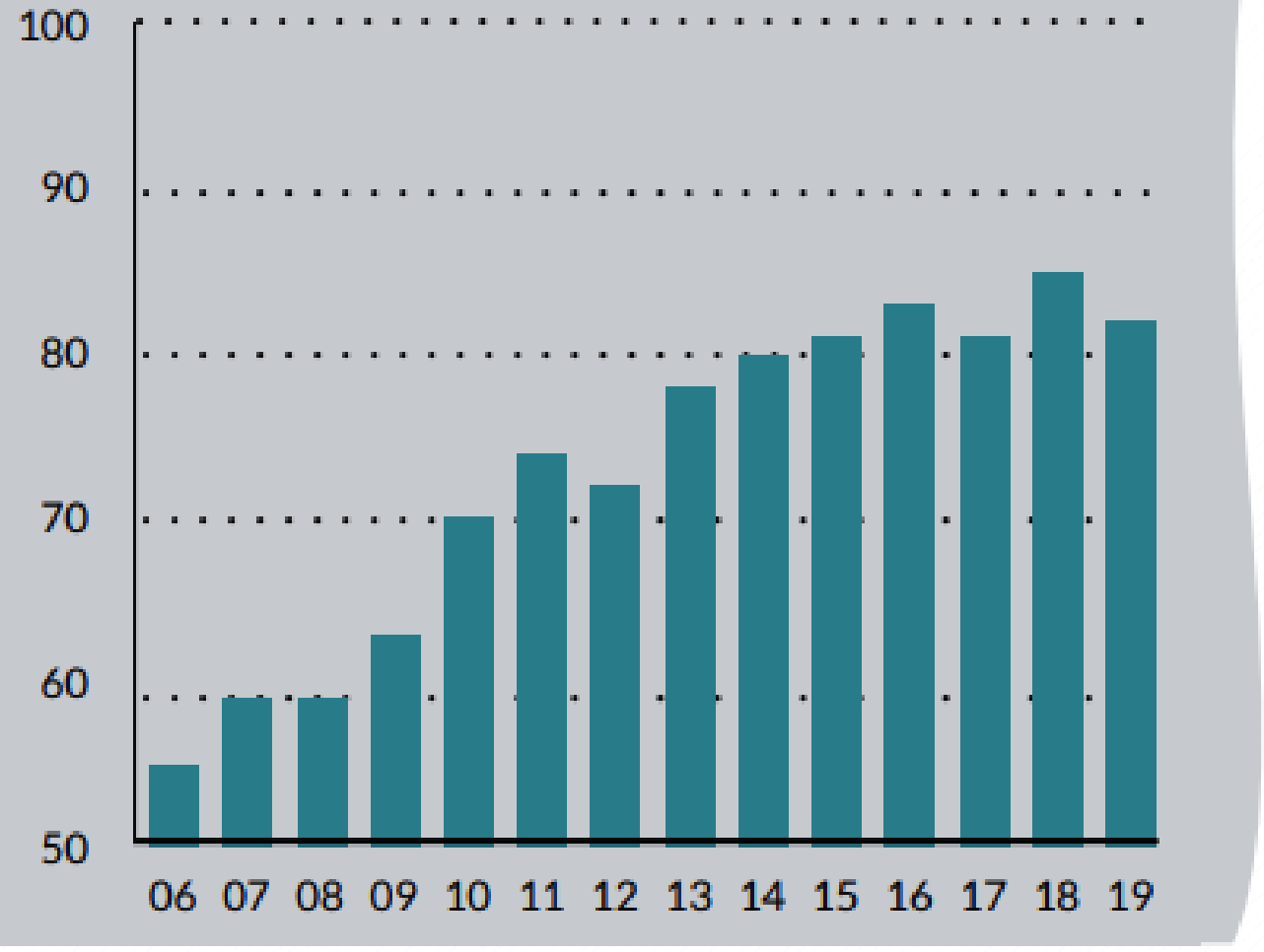
Moving from the Stone Age to the Space Age: Changing the health care cost discussion from “How much” to “How well”

- 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
- 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

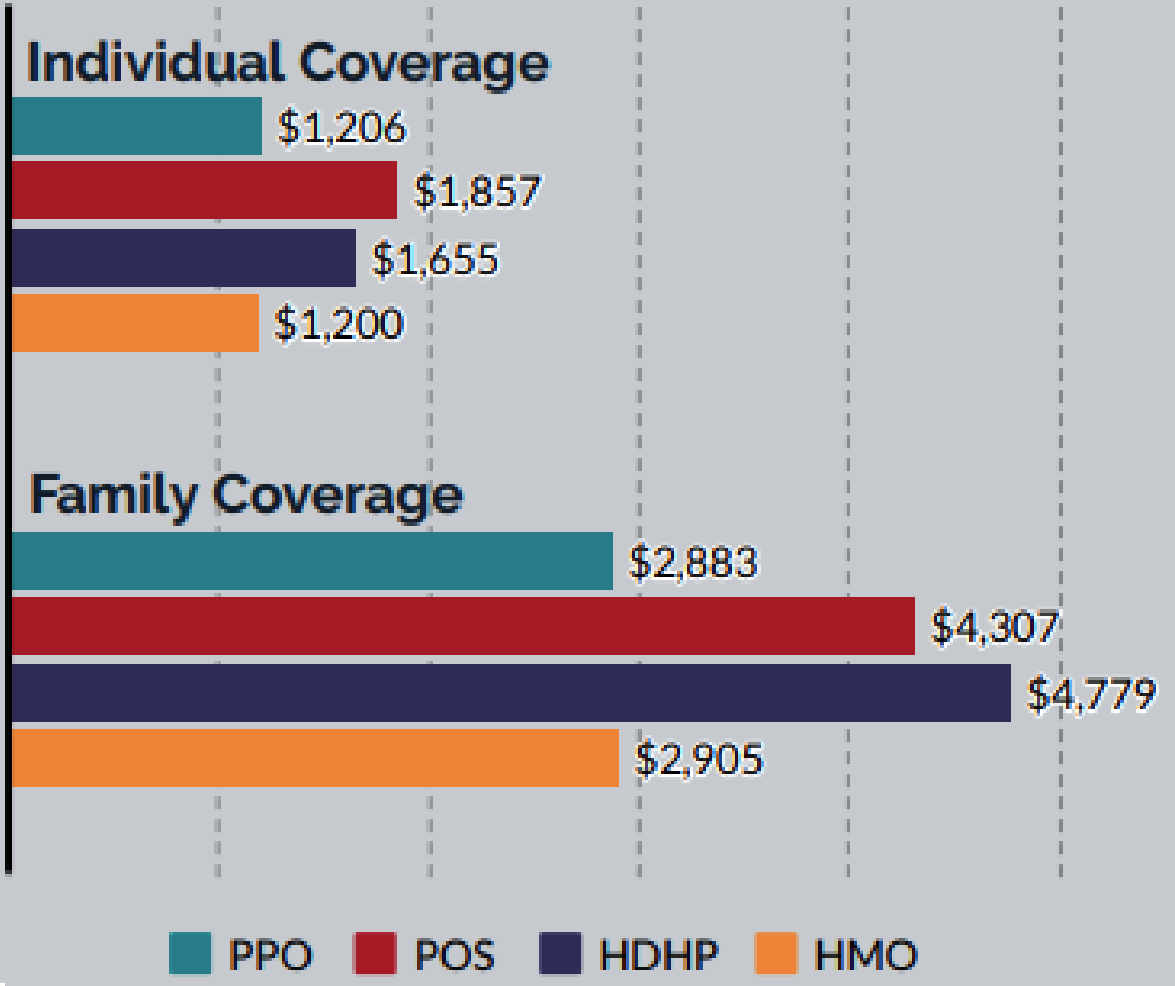
M | V-BID

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

Percent of Americans With a Deductible



Average Deductible by Plan Type in 2019



The New York Times

OPINION

GUEST ESSAY

What's Wrong With Health Insurance? Deductibles Are Ridiculous, for Starters.

July 7, 2022

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)

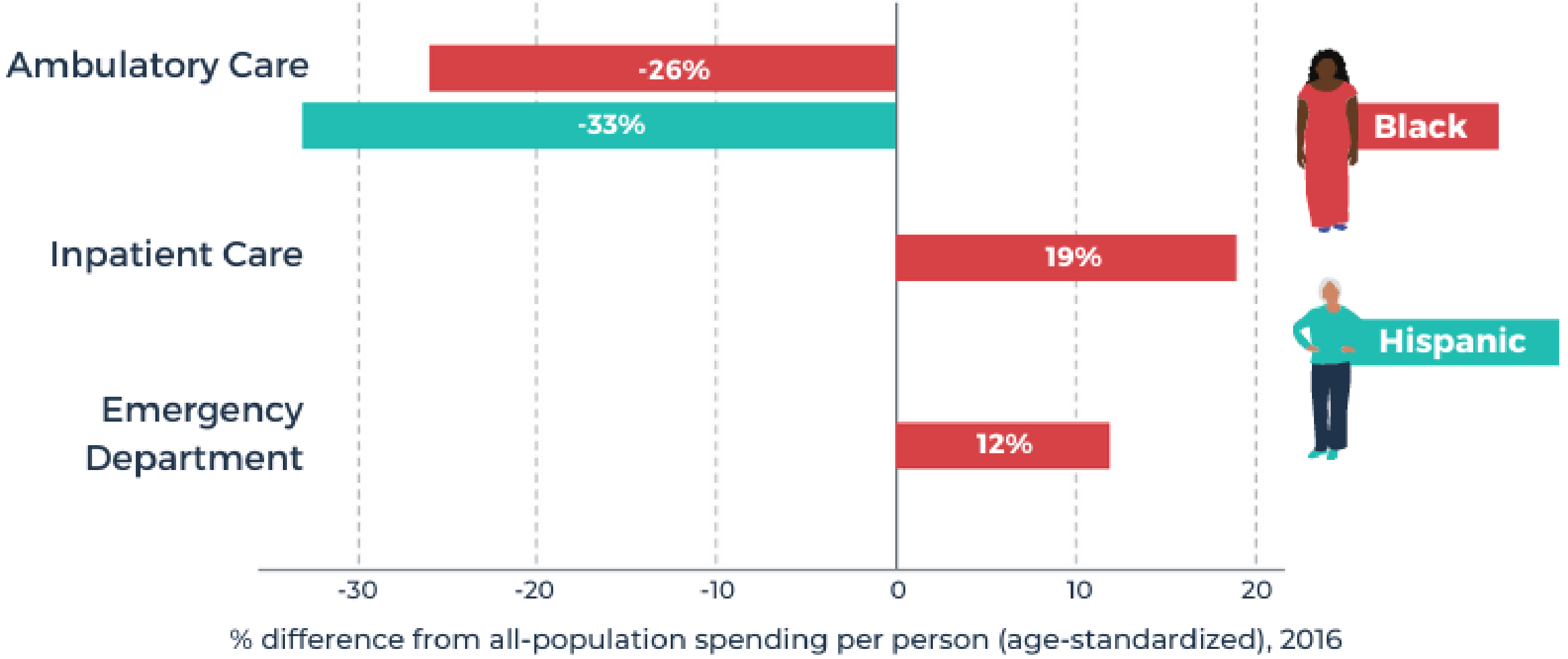
Cost-sharing worsens disparities and worsens health, particularly among people of color, economically vulnerable individuals and those with chronic conditions

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

Michael Chernew, PhD[1] Teresa B. Gibson, PhD[2] Kristina Yu-Isenberg, PhD, RPh[3]
Michael C. Sokol, MD, MS[4] Allison B. Rosen, MD, ScD[5], and A. Mark Fendrick, MD[5]

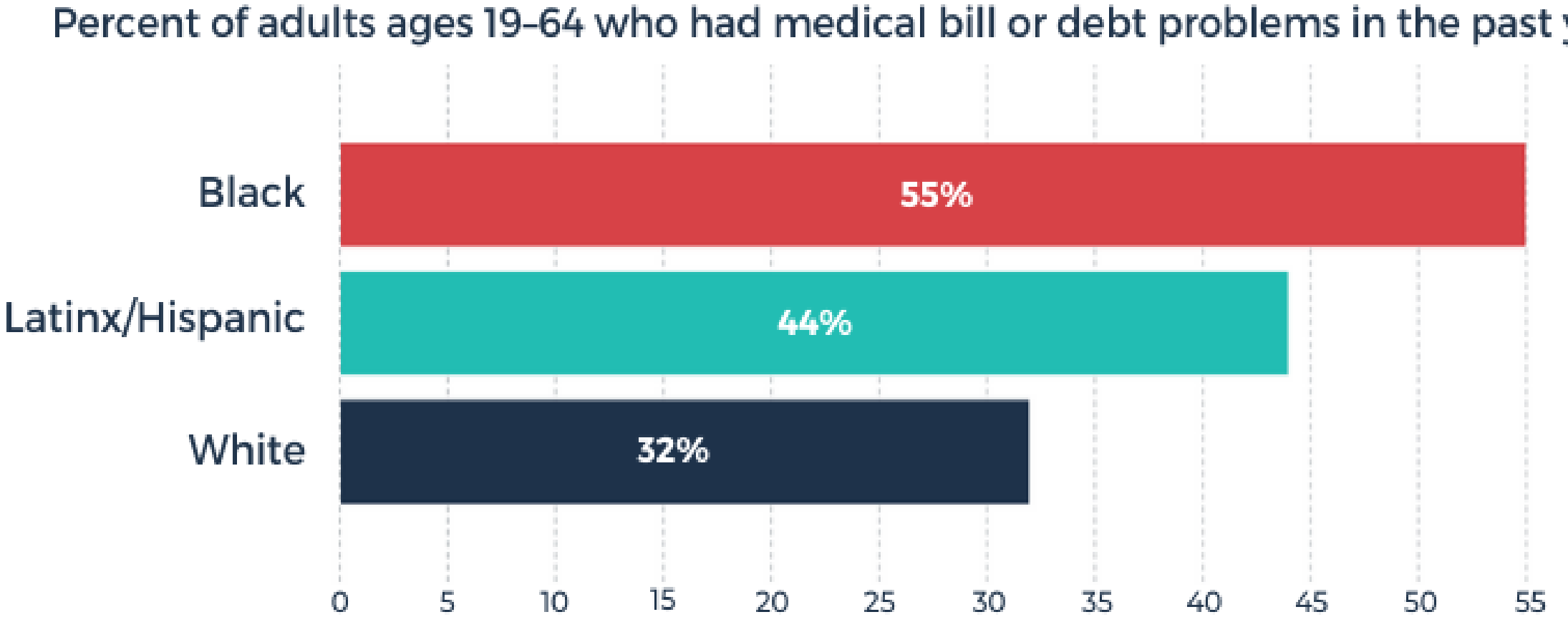
Chernew M. *J Gen Intern Med* 23(8):1131–6.

People of color lack access to ambulatory care that can play a critical role in prevention, leading to higher spending on inpatient and emergency department care.



Dieleman JL, Chen C, Crosby SW, et al. US Health Care Spending by Race and Ethnicity, 2002-2016. JAMA. 2021;326(7):649–659. doi:10.1001/jama.2021.9937

Even when stratified by income level, Black and Hispanic adults report medical bill and debt problems at the highest rates.



Source: Sara R. Collins, Gabriella N. Aboulafia, and Munira Z. Gunja, As the Pandemic Eases, What Is the State of Health Care Coverage and Affordability in the U.S.? Findings from the Commonwealth Fund Health Care Coverage and COVID-19 Survey, March–June 2021 (Commonwealth Fund, July 2021).

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; higher cost share for low value care
- Successfully implemented by hundreds of public and private payers
- Bipartisan political support
- Enhances equity

DISPARITIES

By Niteesh K. Choudhry, Katsiaryna Bykov, William H. Shrank, Michele Toscano, Wayne S. Rawlins, Lonny Reisman, Troyen A. Brennan, and Jessica M. Franklin

Eliminating Medication Copayments Reduces Disparities In Cardiovascular Care

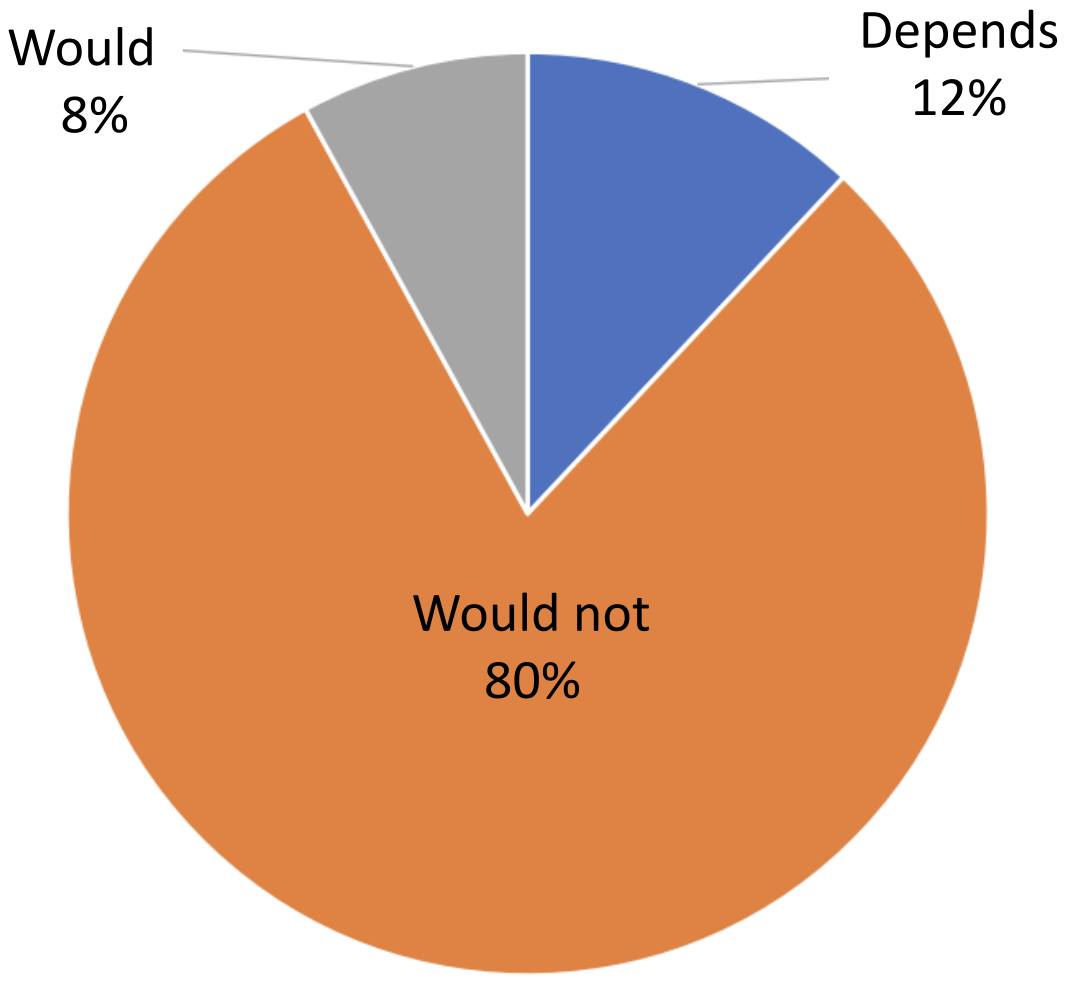
ACA Sec 2713: Selected Preventive Services be Provided without Cost-Sharing

- 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)

Texas Judge Finds ACA Requirement for Preventive Services Without Cost Sharing Invalid

- Several outstanding questions remain, but it is possible that this ruling will mean that employers will no longer have to provide first-dollar coverage for the 52 services that have received an “A” or “B” rating from the U.S. Preventive Services Task Force
- This requirement benefitted almost 152 million people in 2020 and led to increases in cancer screening and vaccinations, improved access to contraceptives, and earlier detection and treatment of chronic health conditions, including hypertension, depression, high cholesterol and diabetes.

Percentage of Employers That Would Impose Cost Sharing for Preventive Services if Allowed by Law



Source: Employee Benefit Research Institute (EBRI) Pulse Survey of Health Benefits Decision Makers, n=25, representing over 600,000 employees.

V-BID

Medicare Advantage V-BID Model Test

Reduced cost-sharing permissible for:

- high-value services
- high-value providers
- enrollees participating 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
Improve quality, decrease costs

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

Telehealth
Service delivery innovations
Augment existing provider networks

In 2021, 415 plans covering approximately 4.2 million beneficiaries were available in 47 states and Puerto Rico

M | V-BID

Inflation Reduction Act of 2022 Includes Several V-BID Elements

- Caps Medicare patients' out-of-pocket costs at $2,000 per year, with the option to break that amount into affordable monthly payments
- Covers adult vaccines recommended by the Advisory Committee on Immunization Practices under Medicare Part D without cost-sharing
- Amends the Internal Revenue Code to create a safe-harbor allowing Health Savings Account-eligible plans to cover insulin prior to meeting the plan deductible
- Caps Medicare patients' out-of-pocket costs for insulin at $35 per month

HSA-HDHP Reform

PREVENTIVE CARE COVERED
Dollar one

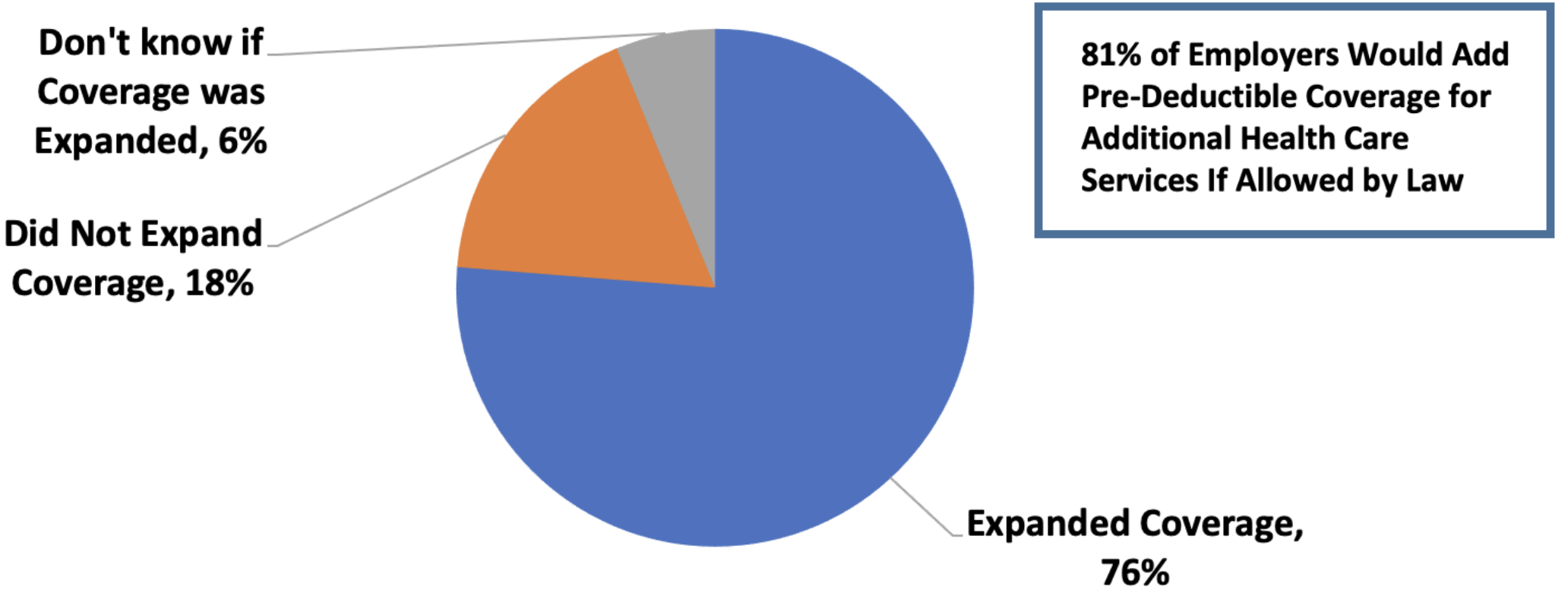
CHRONIC DISEASE CARE
NOT covered until deductible is met

M | V-BID

Treasury Expands Services and Drugs for Certain Chronic Conditions Classified as Preventive Care Under IRS 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

Percentage of Employers Who Expanded Pre-Deductible Coverage in HSA-Eligible Health Plan for Preventive Services Allowed Under IRS Rule 2019-45



SOURCE: Fronstin, Paul, and A. Mark Fendrick, "Employer Uptake of Pre-Deductible Coverage for Preventive Services in HSA-Eligible Health Plans," EBRI Issue Brief, no. 542 (October 14, 2021).

V-BID

Chronic Disease Management Act of 2021: Expands Services and Drugs for Chronic Conditions Classified as Preventive Care

117TH CONGRESS
1ST SESSION

S. 1424

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.

IN THE SENATE OF THE UNITED STATES

APRIL 28, 2021

Mr. THUNE (for himself and Mr. CARPER) introduced the following bill; which was read twice and referred to the Committee on Finance

---

A BILL

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.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

M | V-BID

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

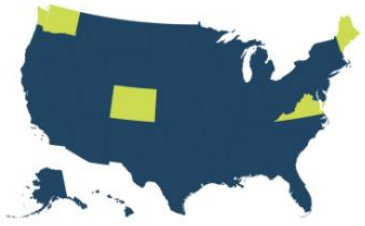
Low-value care mitigation represents an opportunity to improve health care quality and further health equity, while reducing total health care spending

- The provision of low-value care is associated with emotional, physical, and financial harm, which can disproportionately affect people of color.
- “Double jeopardy:” minority patients may receive less effective care and more low value care.
- Annual spending on health care waste is estimated in the hundreds of billions of dollars

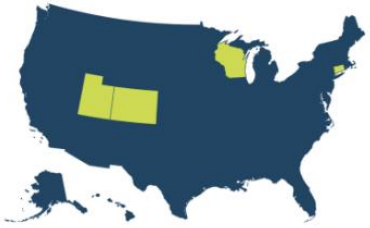
For Selected Services, Blacks And Hispanics More Likely To Receive Low-Value Care Than Whites | Health Affairs

Utilization and Spending on Low-Value Medical Care

State APCD Reports



VOL 1: CO, ME, VA, WA



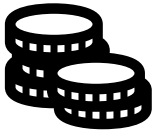
VOL 2: CO, CT, UT, WI

Janssen supports this work and and the creation of a national low value care report in collaboration with the Health Care Cost Institute

Measuring Utilization and Spending on Low-Value Care
"Rob Low-Care Peter to Pay High Value Care Paul"

Tools are available to measure utilization of, and spending on, low value care.

Billions $ are spent annually on high volume services that are frequently used in low value clinical settings



Patients paid a substantial amount out of pocket on low value services.

Reducing unnecessary expenditures can fund promising interventions to expand coverage, enhance equity, and improve health

Policy Options to Reduce Low Value Care: Implement ACA Sec 4105

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

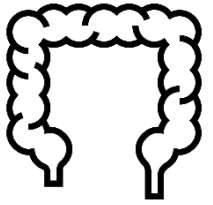
M | V-BID

Policy Options to Reduce Low Value Care: Implement ACA Section 4105 which grants HHS authority to not pay for USPSTF 'D' Rated Services

Examples

Prostate cancer screening ≥ 70 years

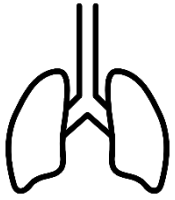
Cervical cancer screening > 65 years



Colon cancer screening >85 years

Cardiovascular screening in low risk patients

Asymptomatic bacteriuria screening



COPD screening

Total Annual Count:

31 million

Total Annual Costs:

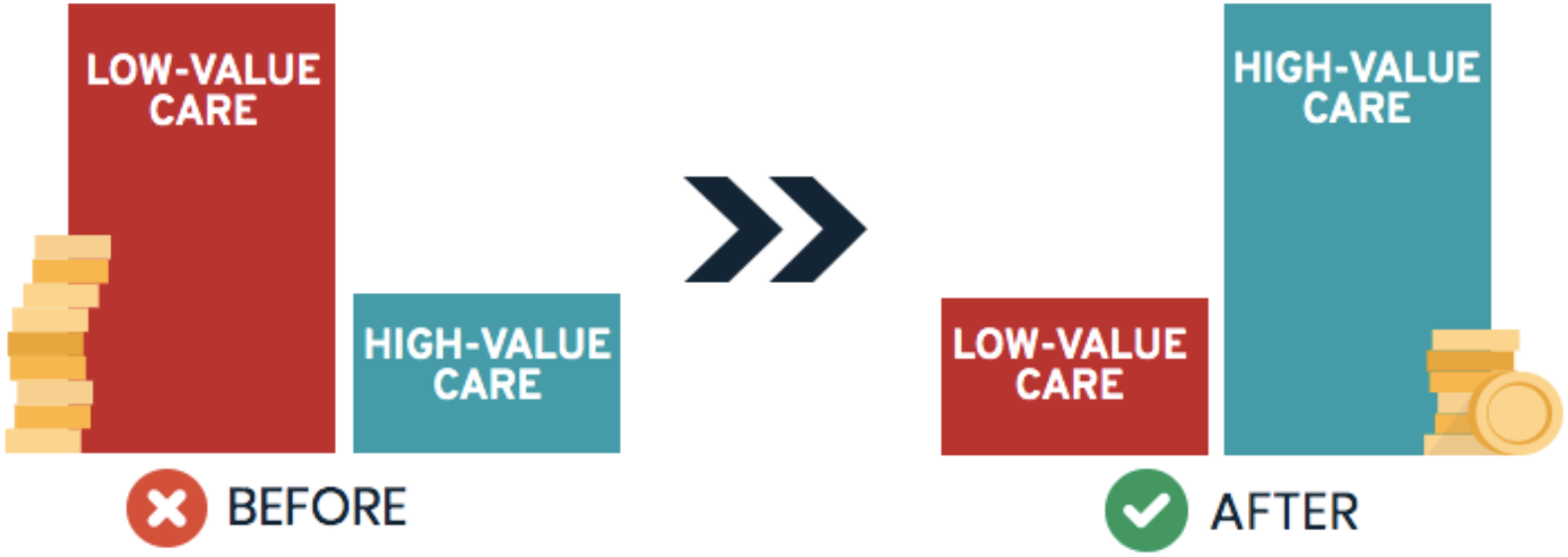
$478 million

Oronce CIA, Fendrick AM, Ladapo J, Sarkisian C, Mafi JN. *JGIM 2021.*

V-BID

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

M | V-BID

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

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).

HEALTH AFFAIRS FOREFRONT

RELATED TOPICS:
PRIOR AUTHORIZATION | MEDICARE ADVANTAGE | MEDICARE SAVINGS PROGRAMS | PHARMACEUTICALS | HEALTH INSURANCE BENEFIT DESIGN | FEE-FOR-SERVICE | ACCESS TO CARE | TECHNOLOGY | SYSTEMS OF CARE

Reframe The Role Of Prior Authorization To Reduce Low-Value Care

A. Mark Fendrick

JULY 11, 2022

10.1377/forefront.20220708.54139

Exchanges Using V-BID X Principles to Enhance Equity

- California
- Colorado
- Maryland
- Massachusetts
- District of Columbia

Diabetes - 01/01/23
Pediatric mental and behavioral health - 01/01/24

M | V-BID

Using V-BID to Enhance Access to Essential Clinical Services, Reduce Low Value Care and Enhance Equity

- Expand pre-deductible coverage/reduce consumer cost-sharing on essential services
- Identify, measure and reduce low-value care to pay for more generous coverage of high-value care
    - Start with USPSTF D Rated Services
- Implement clinically-driven plan payment reform, technologies and benefit designs (i.e., V-BID X) that increase use of high-value services and deter low value care

M | V-BID

Thank you

Discussion

janssen

www.vbidcenter.org

@UM_VBID