Value-Based Insurance Design:
Changing the Discussion from "How Much” to "How Well” We Spend our Health Care Dollars

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I PUBLISHED BUT STILL PERISHED
• 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 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
The Tension Between Cost Containment and the Underutilization of Effective Health Services

Bernard S. Bloom (a1) and A. Mark Fendrick (a2)
Moving from the Stone Age to the Space Age:
Change 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
Americans Do Not Care About Health Care Costs; They Care About **What It Costs Them**

**Percent of Americans With a Deductible**

<table>
<thead>
<tr>
<th>Year</th>
<th>06</th>
<th>07</th>
<th>08</th>
<th>09</th>
<th>10</th>
<th>11</th>
<th>12</th>
<th>13</th>
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<th>16</th>
<th>17</th>
<th>18</th>
<th>19</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value</td>
<td>50</td>
<td>60</td>
<td>70</td>
<td>80</td>
<td>90</td>
<td>100</td>
<td>80</td>
<td>90</td>
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**Average Deductible by Plan Type in 2019**

- **Individual Coverage**
  - PPO: $1,206
  - POS: $1,857
  - HDHP: $1,655
  - HMO: $1,200

- **Family Coverage**
  - PPO: $2,883
  - POS: $4,307
  - HDHP: $2,905
  - HMO: $4,779
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

Michael Chernew, PhD¹ Teresa B. Gibson, PhD² Kristina Yu-Ilsenberg, PhD, RPh³
Michael C. Sokol, MD, MS⁴ Allison B. Rosen, MD, ScD⁵, and A. Mark Fendrick, MD⁵

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

Record High in U.S. Putting Off Medical Treatment Due to Cost, 2001-2022

Within the last 12 months, have you or a member of your family put off any sort of medical treatment because of the cost you would have to pay?
What Americans say government efforts should prioritize when it comes to U.S. public health

Survey of 1,213 U.S. adults conducted Feb. 17–21, 2023

Lowering costs for health care and prescription drugs
50%

Reducing gun deaths
14

Research into cures and treatment for major diseases
14

Ensuring the safety of existing health practices and medications
7

Preventing deaths from overdoses and accidents
7

Something else
6

Data: Axios-Ipsos poll; Chart: Simran Parwani/Axios
A “smarter” cost-sharing approach that encourages consumers to use more high value services and providers, but discourages the use of low value ones.
A Clinically Nuanced Alternative to “Blunt” Consumer Cost-sharing:
Value-Based Insurance Design - More of the Good Stuff and Less of the Bad Stuff

• Sets consumer cost-sharing on clinical benefit – not price
• Little or no out-of-pocket cost for high-value care; higher cost-sharing for low-value care
• Implemented by hundreds of public and private payers
• Bipartisan political support
• Enhances equity
The clinical benefit derived from a specific service depends on the consumer using it, as well as when, where, and by whom, the service is provided.
V-BID:
Rare Bipartisan Political and Broad Multi-Stakeholder Support

• 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)
COVID-19 Testing and Vaccines Provided without Cost-sharing

March 27, 2020: Coronavirus Aid, Relief, and Economic Security Act (CARES)
- Mandates coverage of COVID-19 testing by all plans without cost-sharing
- Allows HSA-HDHPs to cover telehealth services - including care not associated with COVID-19 - on a pre-deductible basis
- Requires first dollar coverage of a COVID-19 vaccine in all plans by amending Public Health Service Act Section 2713
Access to Preventive Services without Cost-Sharing: Evidence from the Affordable Care Act

- Over 230 million Americans have enhanced access to preventive services
  - 150 million with private insurance – including 58 M women and 37 M children
  - 61 million Medicare beneficiaries
  - Approximately 20 million Medicaid adult expansion enrollees
- Increases in use of fully covered services
- Substantial increases in utilization of preventive services in financially vulnerable patients, suggesting that the policy reduced disparities
Texas Judge Finds ACA Requirement for Preventive Services Without Cost Sharing Invalid
High Out of Pocket Costs are Common and Impactful For Medicare Beneficiaries

34% of seniors on Medicare with high out-of-pocket costs reduced other spending in order to afford their prescription drugs.

- Reduced spending on non-essential activities: 56%
- Reduced spending on every-day purchases: 49%
- Accrued credit card debt: 31%
For first time, reduced cost-sharing is permissible for:
• high-value services
• high-value providers
• enrollees participating in disease management or related programs
• additional supplemental benefits (non-health related)

<table>
<thead>
<tr>
<th>Wellness and Health Care Planning</th>
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<tbody>
<tr>
<td>Advanced care planning</td>
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<tr>
<td>Incentivize better health behaviors</td>
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<table>
<thead>
<tr>
<th>Rewards and Incentives</th>
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<tbody>
<tr>
<td>$600 annual limit</td>
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<tr>
<td>Increase participation</td>
</tr>
<tr>
<td>Available for Part D</td>
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<tr>
<th>Targeting Socioeconomic Status</th>
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<tbody>
<tr>
<td>Low-income subsidy</td>
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<tr>
<td>Improve quality, decrease costs</td>
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<thead>
<tr>
<th>Telehealth</th>
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<tbody>
<tr>
<td>Service delivery innovations</td>
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<tr>
<td>Augment existing provider networks</td>
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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

The Inflation Reduction Act’s redesign of Medicare Part D will reduce enrollee out-of-pocket spending by about $7.4 billion annually among more than 18.7 million enrollees (36 percent of Part D enrollees) in 2025 — nearly $400 per person among enrollees who have savings in out-of-pocket costs under the IRA.
Putting Innovation into Action: Translating Research into Policy
Value-based insurance coming to millions of people in Tricare

• 2017 NDAA: Obama Administration - reduce or eliminate co-pays and other cost sharing for certain high services and providers

• 2018 NDAA: Trump Administration – reduce cost sharing for high value drugs on the uniform formulary
Allowing High Deductible Health Plans the Flexibility to Cover Chronic Disease Services Before Plan Deductible is Met
What’s Wrong With Health Insurance? Deductibles Are Ridiculous, for Starters.

July 7, 2022
IRS Rules Prohibited Coverage of Chronic Disease Care Until Deductible is Met

**PREVENTIVE CARE COVERED**
Dollar one

**CHRONIC DISEASE CARE**
NOT covered until deductible is met
Treasury Expands Health Savings Account Benefits for Individuals Suffering from Chronic Conditions
<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>
</tr>
<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>
</tr>
<tr>
<td>Inhaled corticosteroids</td>
<td>Asthma</td>
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<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>
Three Quarters of Employers Expanded Coverage of Chronic Disease Services Allowed Under IRS Rule 2019-45

- Expanded Coverage, 76%
- Did Not Expand Coverage, 18%
- Don't know if Coverage was Expanded, 6%

8 in 10 Employers Would Cover Additional Chronic Disease Services if Allowed by Law

- Expanded Coverage, 76%
- Did Not Expand Coverage, 18%
- Don't know if Coverage was Expanded, 6%

81% of Employers Would Add Pre-Deductible Coverage for Additional Health Care Services If Allowed by Law

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,
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

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
The ACA grants HHS the authority to eliminate coverage for USPSTF ‘D’ Rated Services in Medicare

• 7 USPSTF D rated services are used over 30 million times a year at a cost to the Medicare program of over $500 Million annually

- Prostate cancer screening ≥ 70 years
- Colon cancer screening >85 years
- Cervical cancer screening > 65 years
- Colorectal cancer screening >85 years
- Asymptomatic bacteriuria screening
- COPD screening
- Vitamin D to prevent falls among older women
- Cardiovascular screening in low risk patients
- Prostate cancer screening >70 years
- Cervical cancer screening >65 years
- Colon cancer screening >85 years
- Asymptomatic bacteriuria screening
- COPD screening
- Vitamin D to prevent falls among older women
- Cardiovascular screening in low risk patients
Putting it all Together

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
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).
### TABLE 5 – HIGH AND LOW VALUE SERVICES AND DRUG CLASSES

<table>
<thead>
<tr>
<th>High-Value Services with Zero Cost-Sharing</th>
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<tbody>
<tr>
<td>Glucometers and testing strips</td>
</tr>
<tr>
<td>LDL testing</td>
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<tr>
<td>Hemoglobin A1C testing</td>
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<tr>
<td>Cardiac rehabilitation</td>
</tr>
<tr>
<td>INR testing</td>
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<tr>
<td>Pulmonary rehabilitation</td>
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<tr>
<td>Peak flow meters</td>
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<tr>
<td>Blood pressure monitors</td>
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V-BID X: Enhancing Access and Affordability to Essential Clinical Services in Addition to COVID-19 Related Care

<table>
<thead>
<tr>
<th>Specific Low-Value Services Considered</th>
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</thead>
<tbody>
<tr>
<td>Spinal fusions</td>
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<tr>
<td>Vertebroplasty and kyphoplasty</td>
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<tr>
<td>Vitamin D testing</td>
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<tr>
<td>Proton beam for prostate cancer</td>
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<tr>
<th>Commonly Overused Service Categories with Increased Cost-Sharing</th>
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<tbody>
<tr>
<td>Outpatient specialist services</td>
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<tr>
<td>Outpatient labs</td>
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</tbody>
</table>
State Exchanges Using V-BID X Principles to Enhance Equity

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

V-BID Elements Adopted to Achieve Equity in Health Insurance Coverage

Diabetes - 01/01/23
Pediatric mental and behavioral health - 01/01/24
Enhancing Access and Affordability to Essential Clinical Services

- Expand pre-deductible coverage/reduce consumer cost-sharing on high-value, 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 payment reform, technologies and benefit designs (i.e., V-BID X) that increase use of high-value services and deter low value care
Enhancing Access and Affordability to Essential Clinical Services

- Expand pre-deductible coverage/reduce consumer cost-sharing on high-value, essential chronic disease 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
- Never forget where you come from and to thank all those who helped you get to where you are going
Thank you