Value-Based Insurance Design:

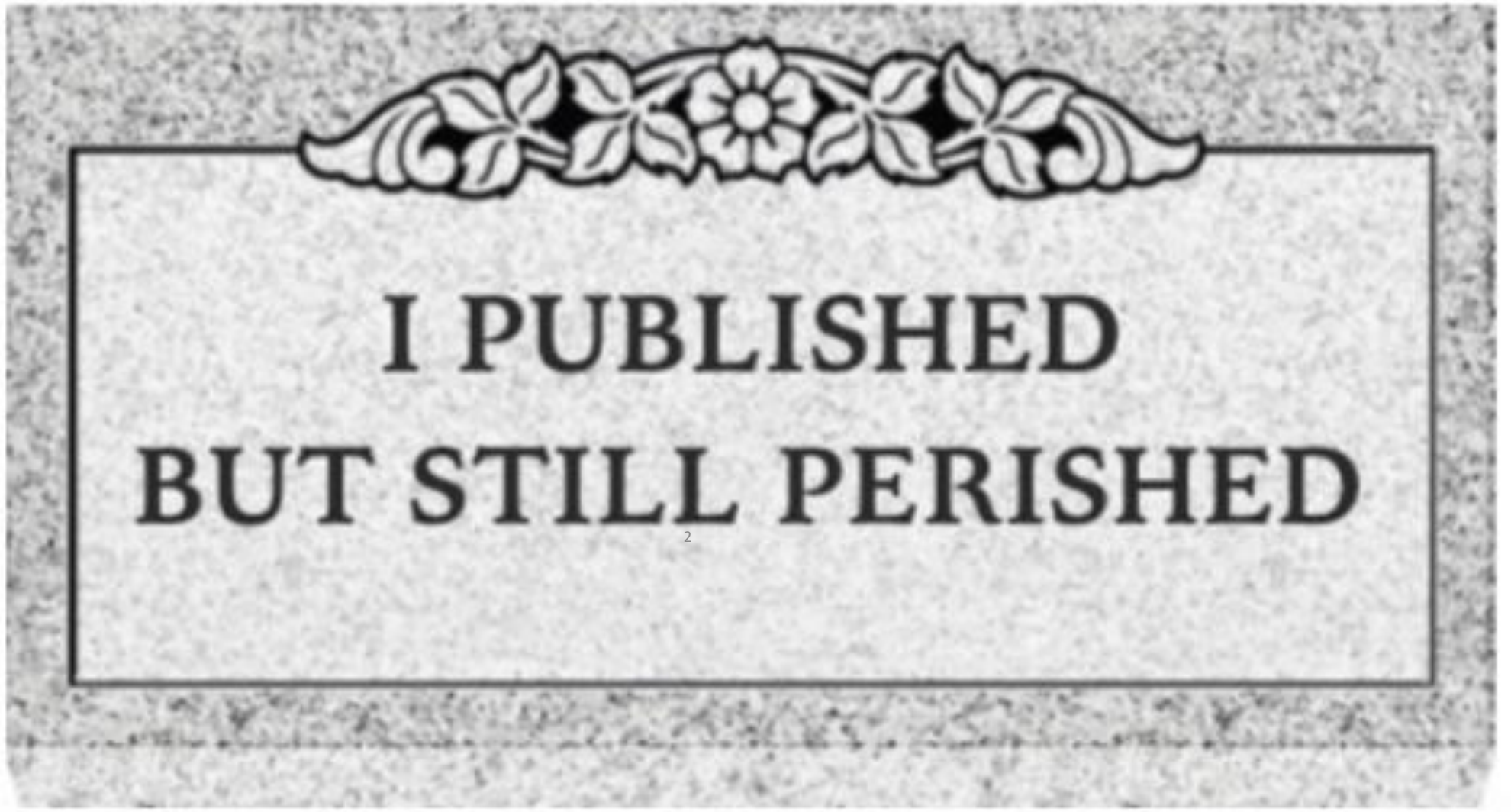
Changing the Discussion from "How Much" to "How Well" We Spend our Health Care Dollars

A. Mark Fendrick, MD

University of Michigan Center for Value-Based Insurance Design

www.vbidcenter.org

@um_vbid


I PUBLISHED
BUT STILL PERISHED

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 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

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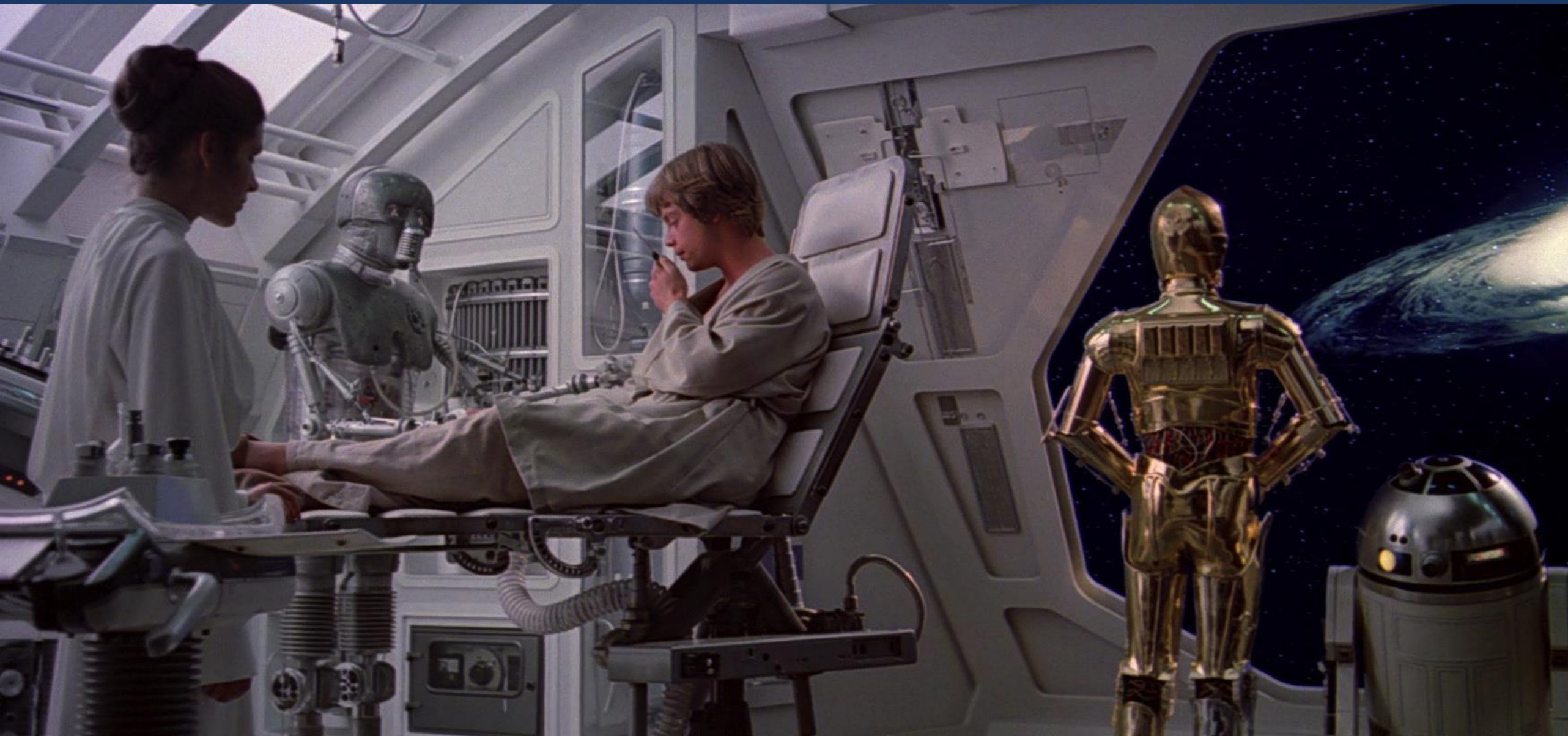
Star Wars Science



Flintstones Delivery

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

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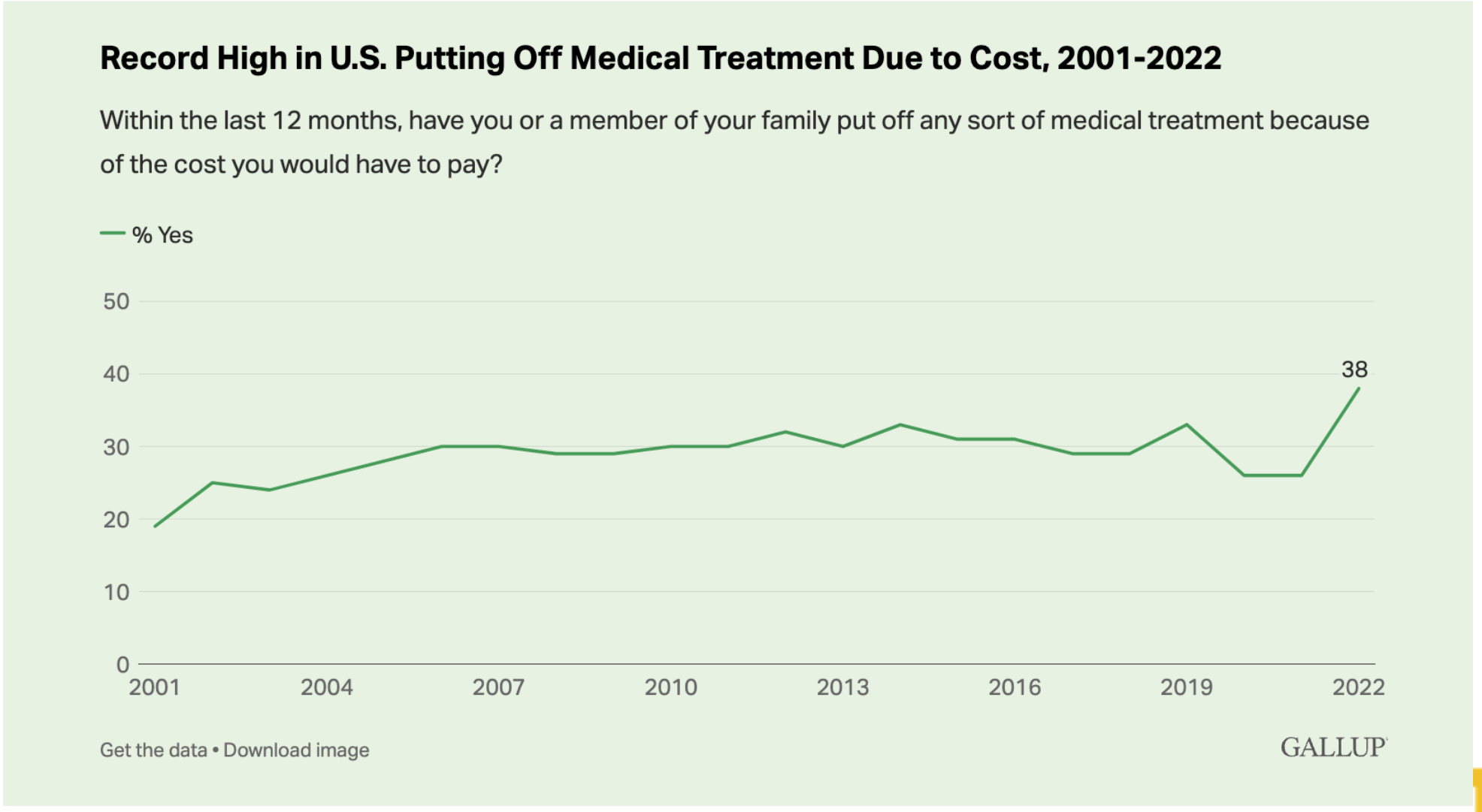
Americans Do Not Care About Health Care Costs; They Care About What It Costs Them



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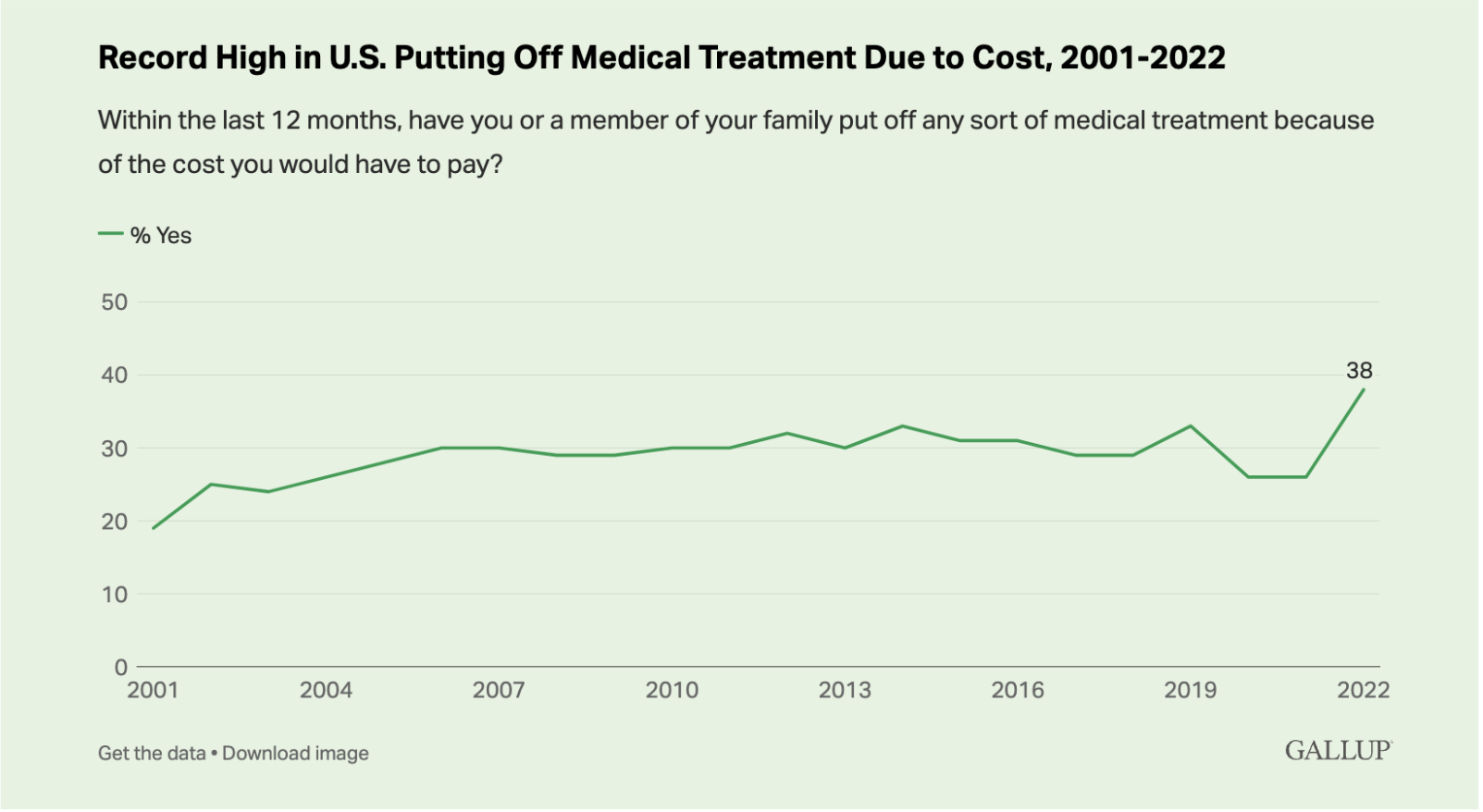
Americans Do Not Care About Health Care Costs; They Care About What It Costs Them



Health care costs are among the leading causes of:

- Personal debt
- Personal bankruptcy
- On-line fundraisers

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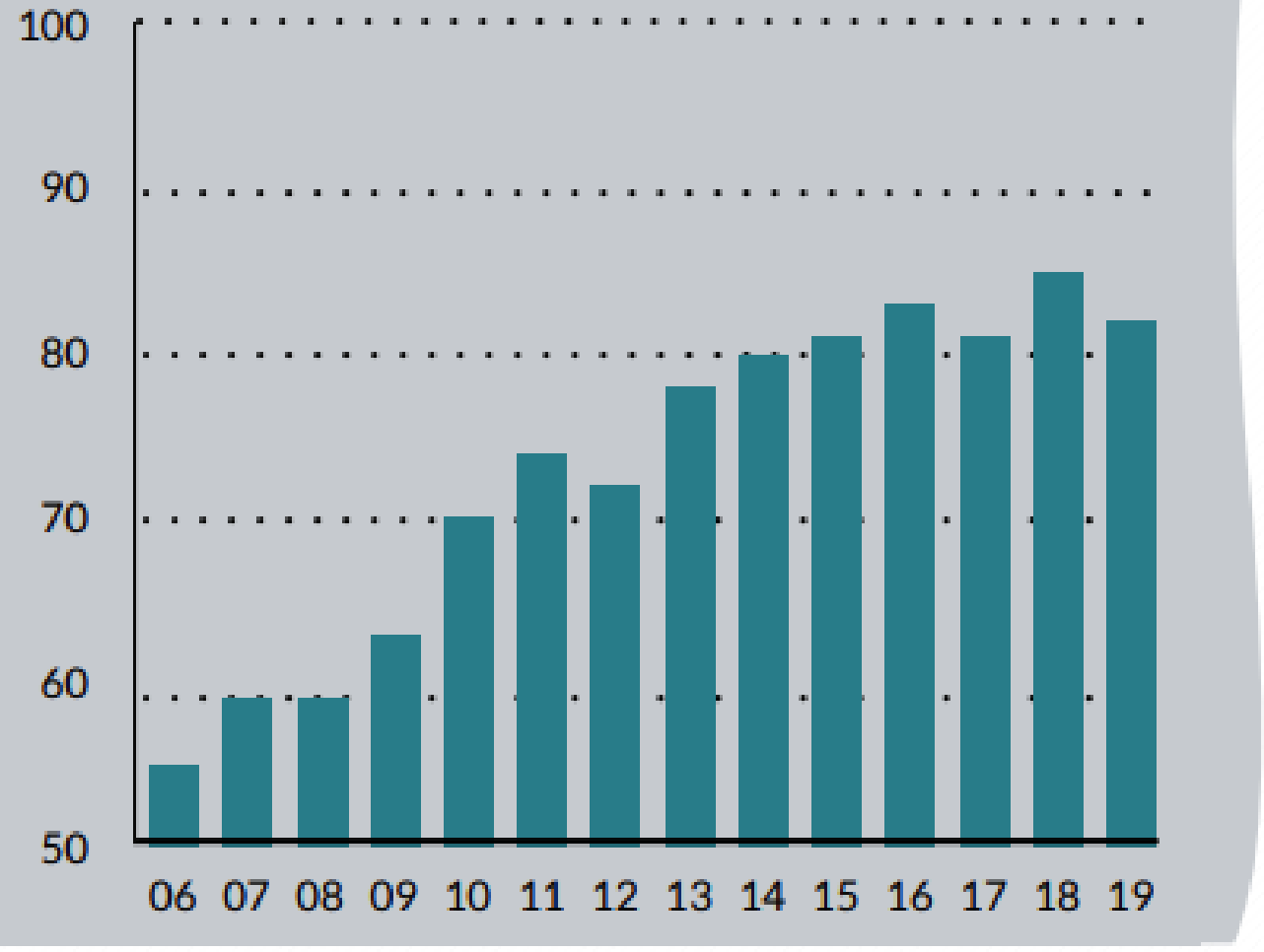
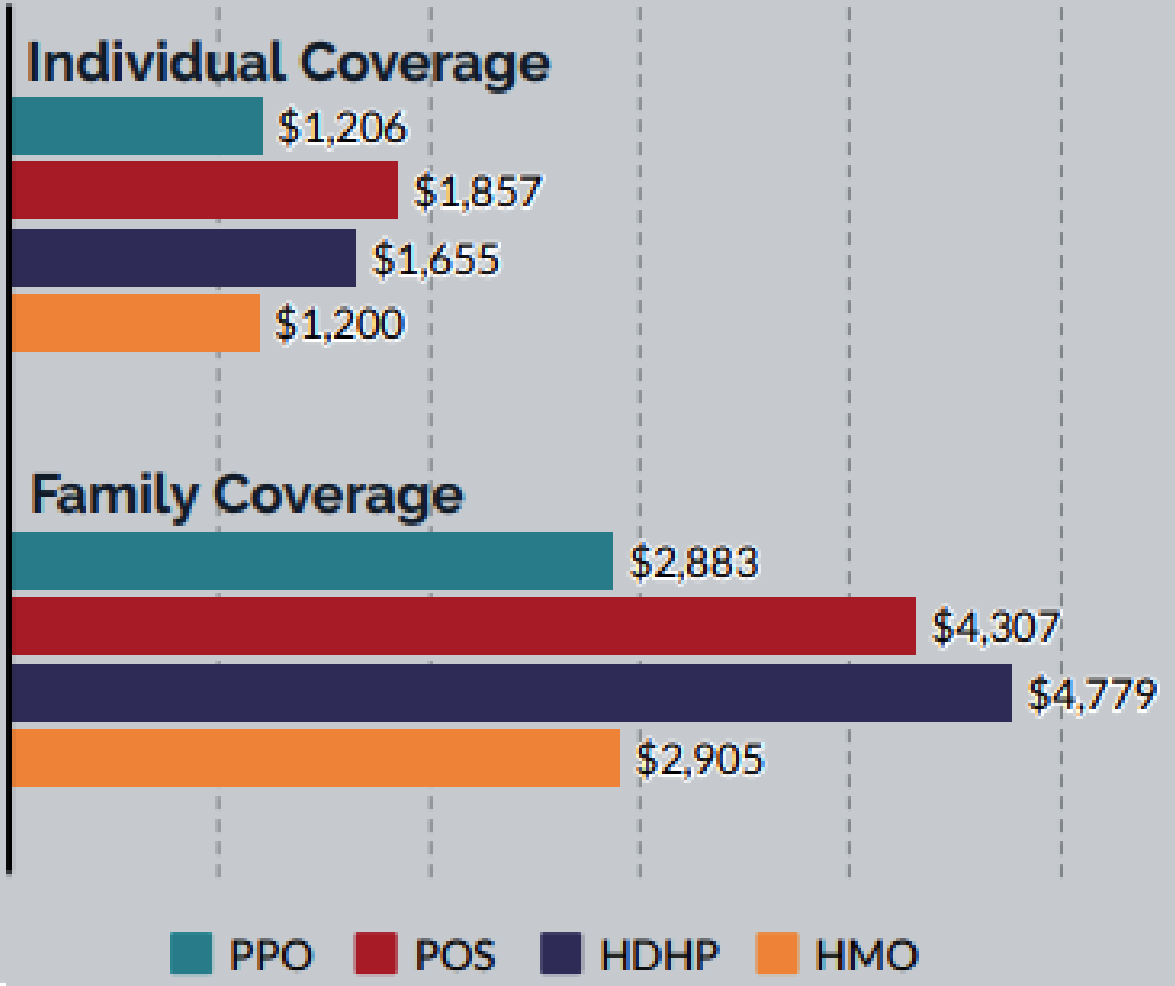
Americans Do Not Care About Health Care Costs; They Care About What It Costs Them

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, 1934-2024)

“Blunt” Cost-Sharing Worsens Health Care Disparities

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]

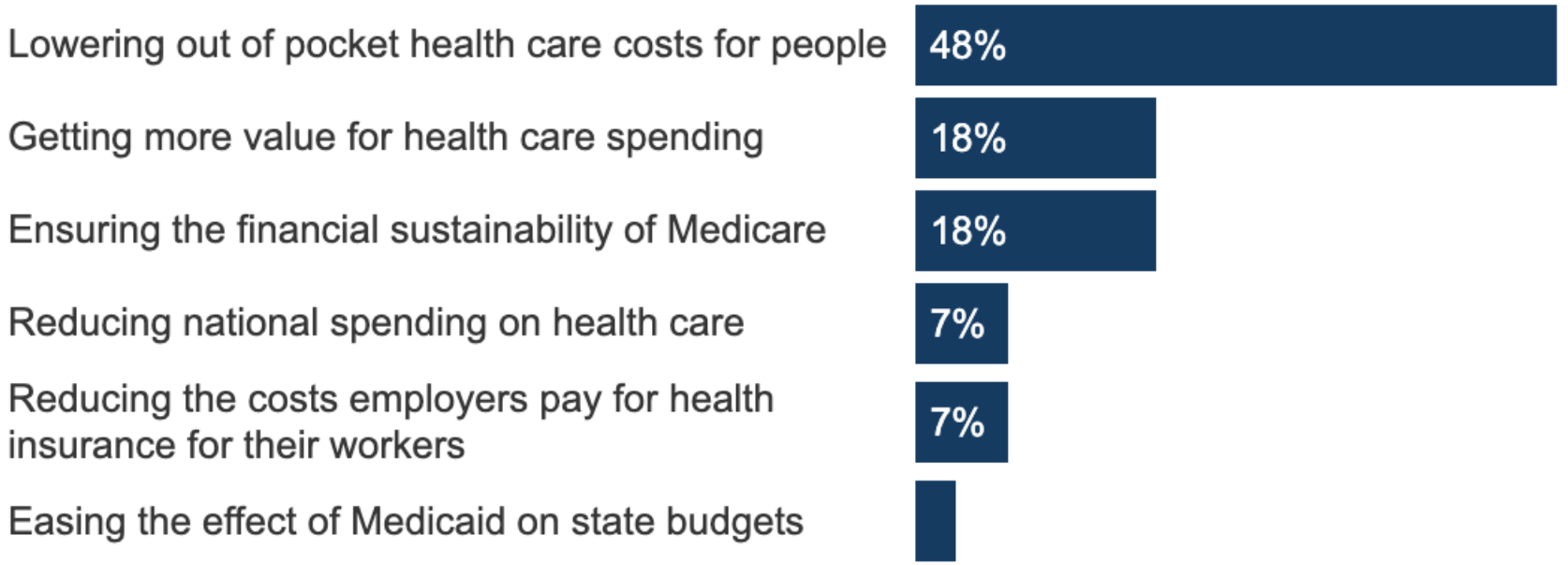
Cost-sharing worsens disparities and adversely affect health, particularly among economically vulnerable individuals and those with chronic conditions

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

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

Most Voters Say Out Of Pocket Costs Are Top Health Priority

Which of the following health care priorities do you think is most important for the country to address?



NOTE: Among registered voters. See topline for full question wording.
SOURCE: KFF Health Tracking Poll (Jan. 30-Feb. 7, 2024) • Get the data • PNG

KFF

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

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
- Improves health outcomes
- Enhances equity

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

February 9, 2024

Acute Diabetes Complications After Transition to a Value-Based Medication Benefit

J. Franklin Wharam, MD, MPH[1,2,3]; Stephanie Argetsinger, MS, MPH[3]; Matthew Lakoma, MPH[3]; Fang Zhang, PhD[3]; Dennis Ross-Degnan, ScD[3]

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

THE PATIENT PROTECTION AND AFFORDABLE CARE ACT

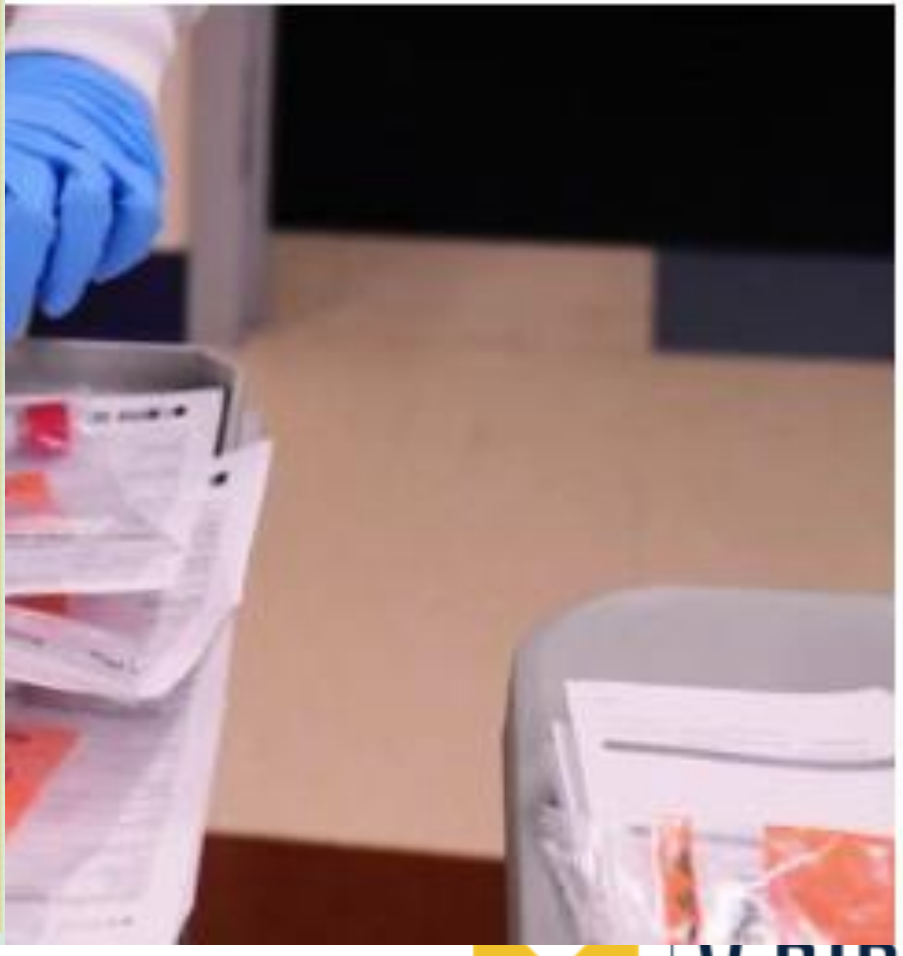
ACA Sec 2713: Selected Preventive Services be Provided without Cost-Sharing

- 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)

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



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ASPE | OFFICE OF HEALTH POLICY
ASSISTANT SECRETARY FOR PLANNING AND EVALUATION

ISSUE BRIEF
January 11, 2022

HP-2022-01

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
- A majority of studies showed increases in use of fully covered services
- Studies that included socioeconomic status reported more substantial increases in utilization of preventive services in financially vulnerable patients, suggesting that the policy reduced disparities in the delivery of preventive care

U.S. NEWS

Tennessee, Delaware to become first states to offer free diapers for Medicaid families

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


Medicare Advantage

High Out of Pocket Costs are Common and Impactful For Medicare Beneficiaries

- One-third of Medicare beneficiaries said it was somewhat or very difficult to afford health care costs, including half of people under age 65
- More than one in four Medicare beneficiaries said health care costs made it harder for them to afford food and utility bills in the past 12 months
- More than one in five Medicare beneficiaries said they or a family member delayed or skipped needed care because of the cost in the past 12 months

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Medicare Advantage V-BID Model Test

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)

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

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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

ASPE
ASSISTANT SECRETARY FOR PLANNING AND EVALUATION
OFFICE OF HEALTH POLICY

RESEARCH REPORT
July 7, 2023

HP-2023-19

—Inflation Reduction Act Research Series— Medicare Part D Enrollee Out-Of-Pocket Spending: Recent Trends and Projected Impacts of the Inflation Reduction Act

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.

July 24, 2023

Insulin Fills by Medicare Enrollees and Out-of-Pocket Caps Under the Inflation Reduction Act

Rebecca Myerson, MPH, PhD[1]; Dima M. Qato, PharmD, MPH, PhD[2]; Dana P. Goldman, PhD[3]; John A. Romley, PhD[3]

Research Letter | Health and the 2024 US Election

May 23, 2024

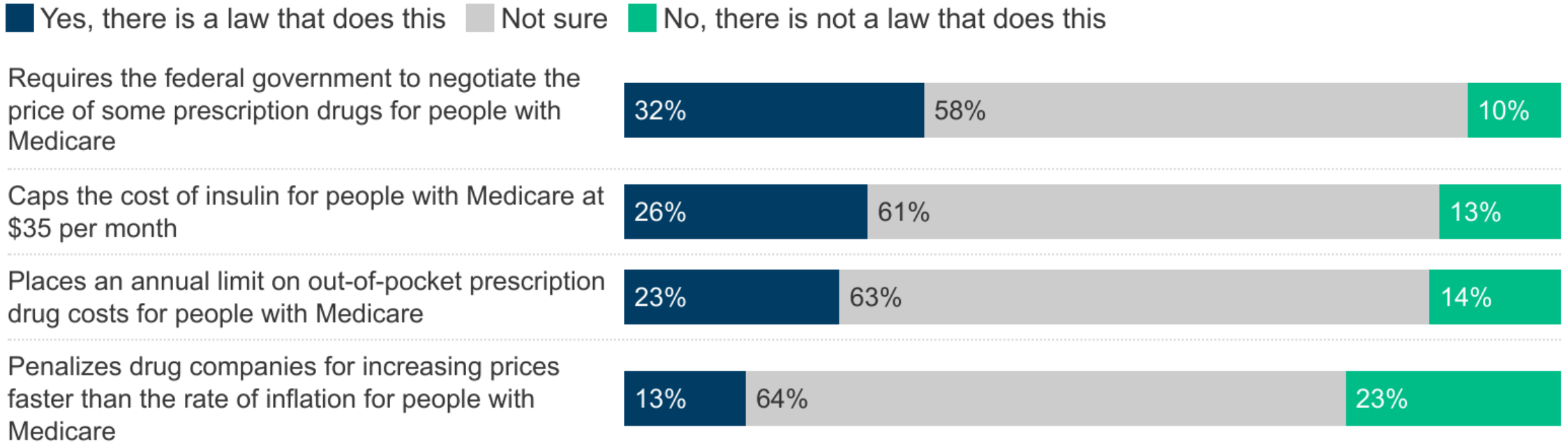
Shingles Vaccination in Medicare Part D After Inflation Reduction Act Elimination of Cost Sharing

Dima M. Qato, PharmD, MPH, PhD[1,2]; John A. Romley, PhD[2,3]; Rebecca Myerson, MPH, PhD[2,4]; et al

Figure 12

Majorities Of The Public Do Not Know About Inflation Reduction Act Provisions

As far as you know, is there a federal law in place that...



NOTE: See topline for full question wording.
SOURCE: KFF Health Tracking Poll (Oct. 31-Nov. 7, 2023)

KFF

Allowing High Deductible Health Plans the Flexibility to Cover Chronic Disease Services Before Plan Deductible is Met

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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

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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 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

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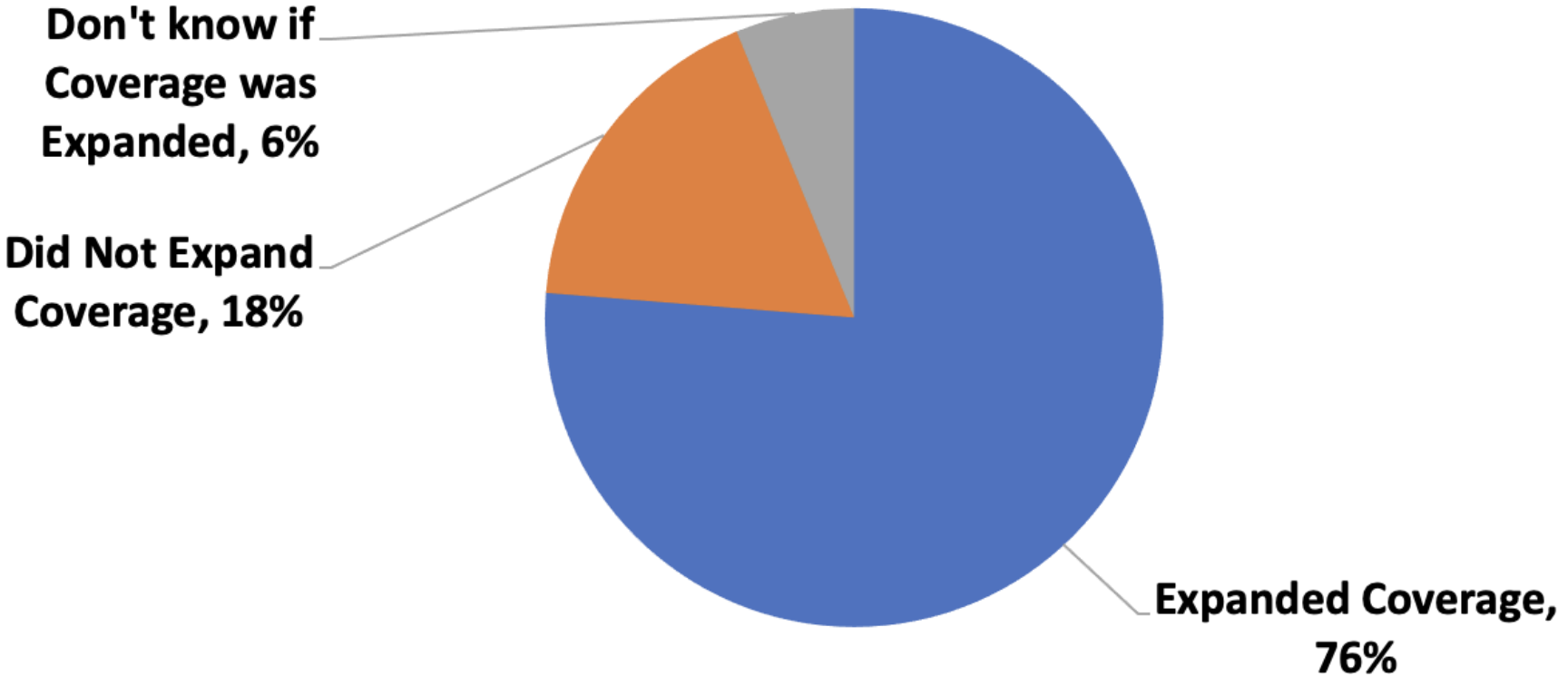
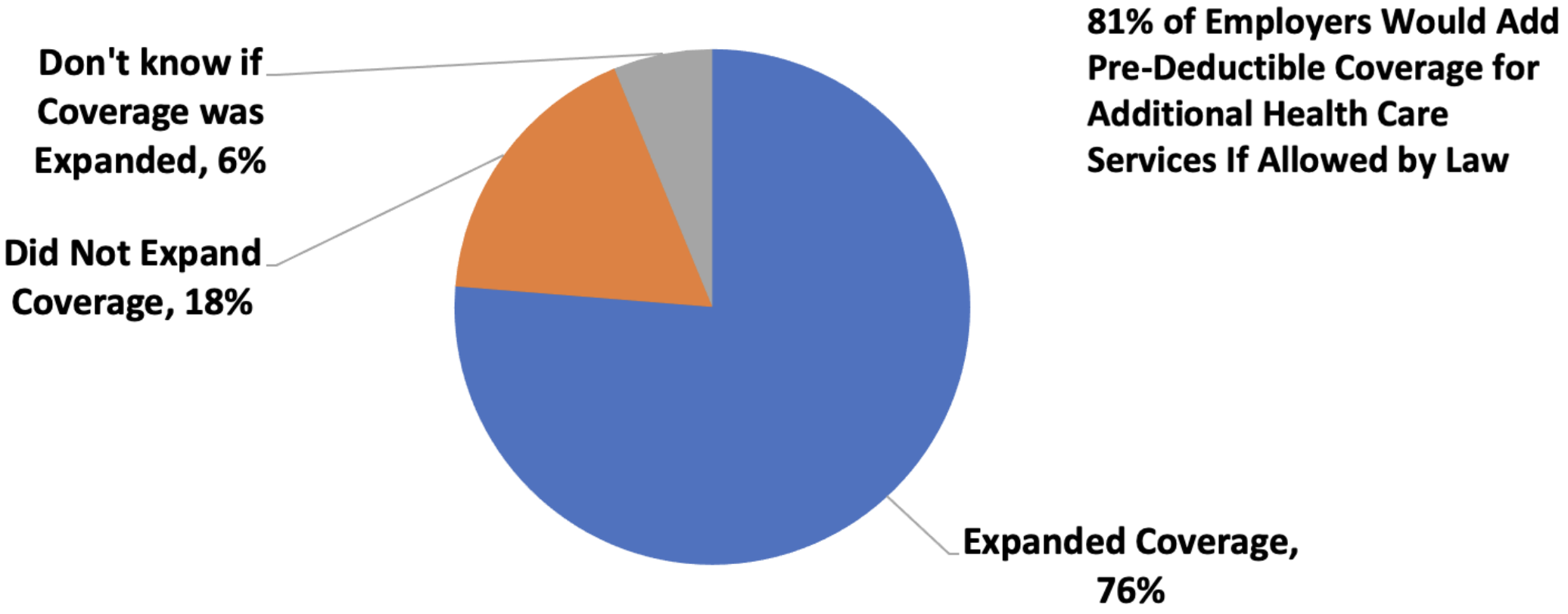
Three Quarters of Employers Expanded Coverage of Chronic Disease Services Allowed Under IRS Rule 2019-45, Enhancing Access for Millions of Enrollees



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).

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



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).

Internal Revenue Service Notice 2024-75: Expands the list of preventive care benefits permitted to be provided by a high deductible health plan

- Oral Contraceptives; including OTC
- Male Condoms
- Breast Cancer Screening
- Continuous Glucose Monitors

Chronic Disease Management Act of 2023: 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,

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

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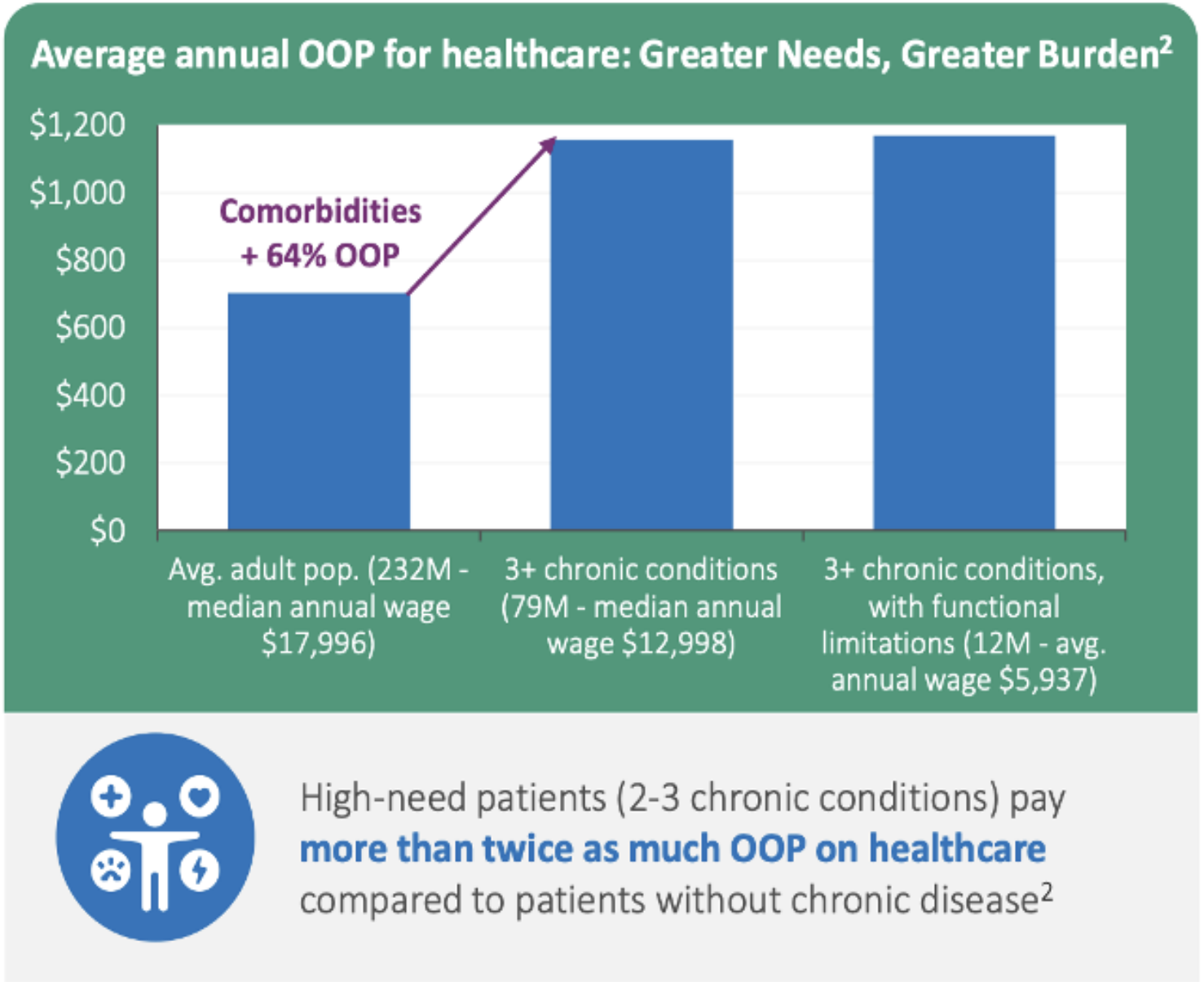
Paying for More Generous Coverage of High Value Care:

- **Increase premiums – politically not feasible**

Paying for More Generous Coverage of High Value Care:

- **Increase premiums – politically not feasible**
- **Raise deductibles and copayments – 'tax on the sick'**



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

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Measuring Low Value Care
Commonwealth of Virginia

- Among 5.5 million Virginia beneficiaries, 1 in 5 received at least 1 low-value service in 2014
- The 44 low-value services were delivered 1.7 million times, which cost $586 million (~2% of healthcare spend – does NOT include care cascades)

COSTS & SPENDING

By John N. Mafi, Kyle Russell, Beth A. Bortz, Marcos Dachary, William A. Hazel Jr., and A. Mark Fendrick

DATAWATCH

Low-Cost, High-Volume Health Services Contribute The Most To Unnecessary Health Spending

An analysis of data for 2014 about forty-four low-value health services in the Virginia All Payer Claims Database revealed more than $586 million in unnecessary costs. Among these low-value services, those that were low and very low cost ($538 or less per service) were delivered far more frequently than services that were high and very high cost ($539 or more). The combined costs of the former group were nearly twice those of the latter (65 percent versus 35 percent).

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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

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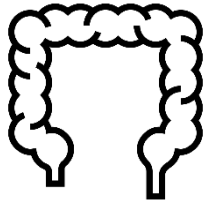
The Utilization and Costs of Grade D USPSTF Services in Medicare, 2007–2016

Carlos Irwin A. Oronce, MD, MPH[1,2], A. Mark Fendrick, MD[3], Joseph A. Ladapo, MD, PhD[4], Catherine Sarkisian, MD, MSPH[5,6], and John N. Mafi, MD, MPH[4,7]

The 7 most commonly ordered 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

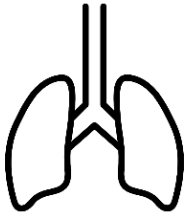
Cervical cancer screening > 65 years



Colon cancer screening >85 years

Cardiovascular screening in low risk patients

Asymptomatic bacteriuria screening

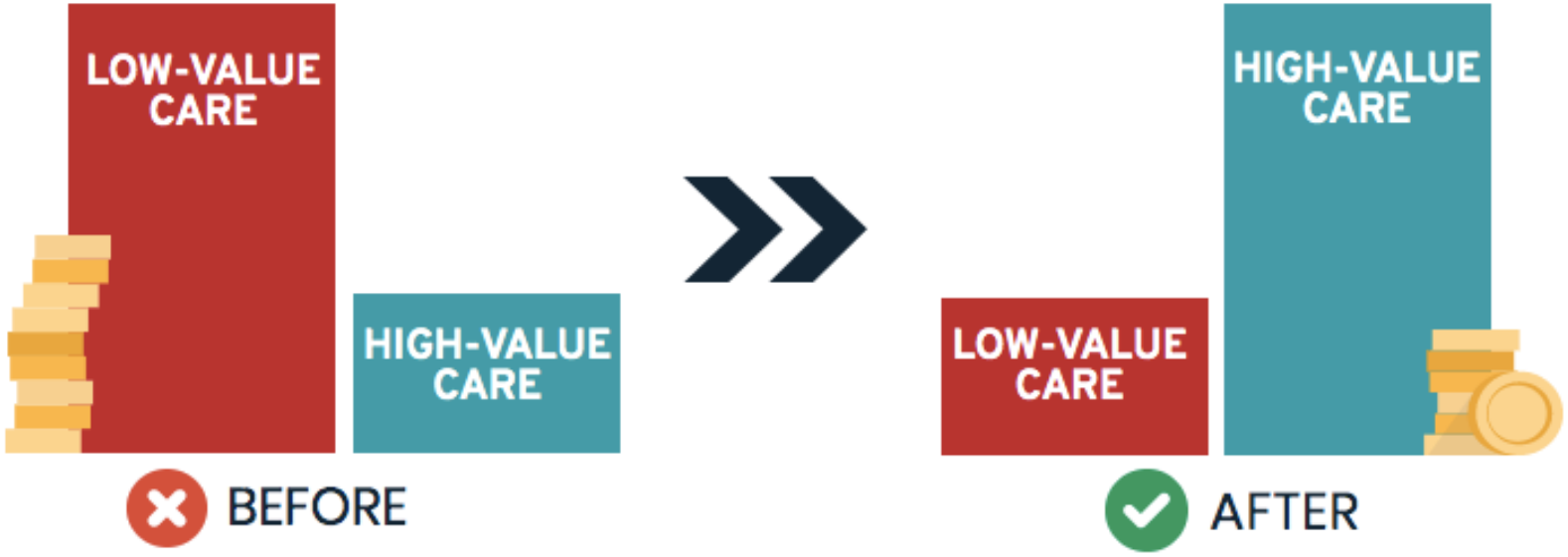


COPD screening

Vitamin D to prevent falls among older women

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

HEALTH AFFAIRS BLOG

RELATED TOPICS:
COST SHARING | DEDUCTIBLES | COSTS AND SPENDING | PHARMACEUTICALS | PREMIUMS | AFFORDABLE CARE ACT | MEDICARE ADVANTAGE

V-BID X: Creating A Value-Based Insurance Design Plan For The Exchange Market

Haley Richardson, Michael Budros, Michael E. Chernew, A. Mark Fendrick

JULY 15, 2019

10.1377/hblog20190714.

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).

State Exchanges Using V-BID X Principles to Enhance Equity

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

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

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V-BID: Enhancing Access and Affordability to Essential Clinical Services

- Reduce consumer cost-sharing/expand pre-deductible coverage on high-value, essential clinical 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

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“If we don’t succeed then we will fail.”

Dan Quayle

Thank you


SPORTS EXTRA

ON GUARD FOR 192 YEARS

Detroit Free Press

COLLEGE FOOTBALL NATIONAL CHAMPIONSHIP

THE VICTORS!

MICHIGAN BEATS WASHINGTON TO FINISH PERFECT SEASON

Questions?

www.vbidcenter.org

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