

Value-Based Insurance Design: More Health at any Price

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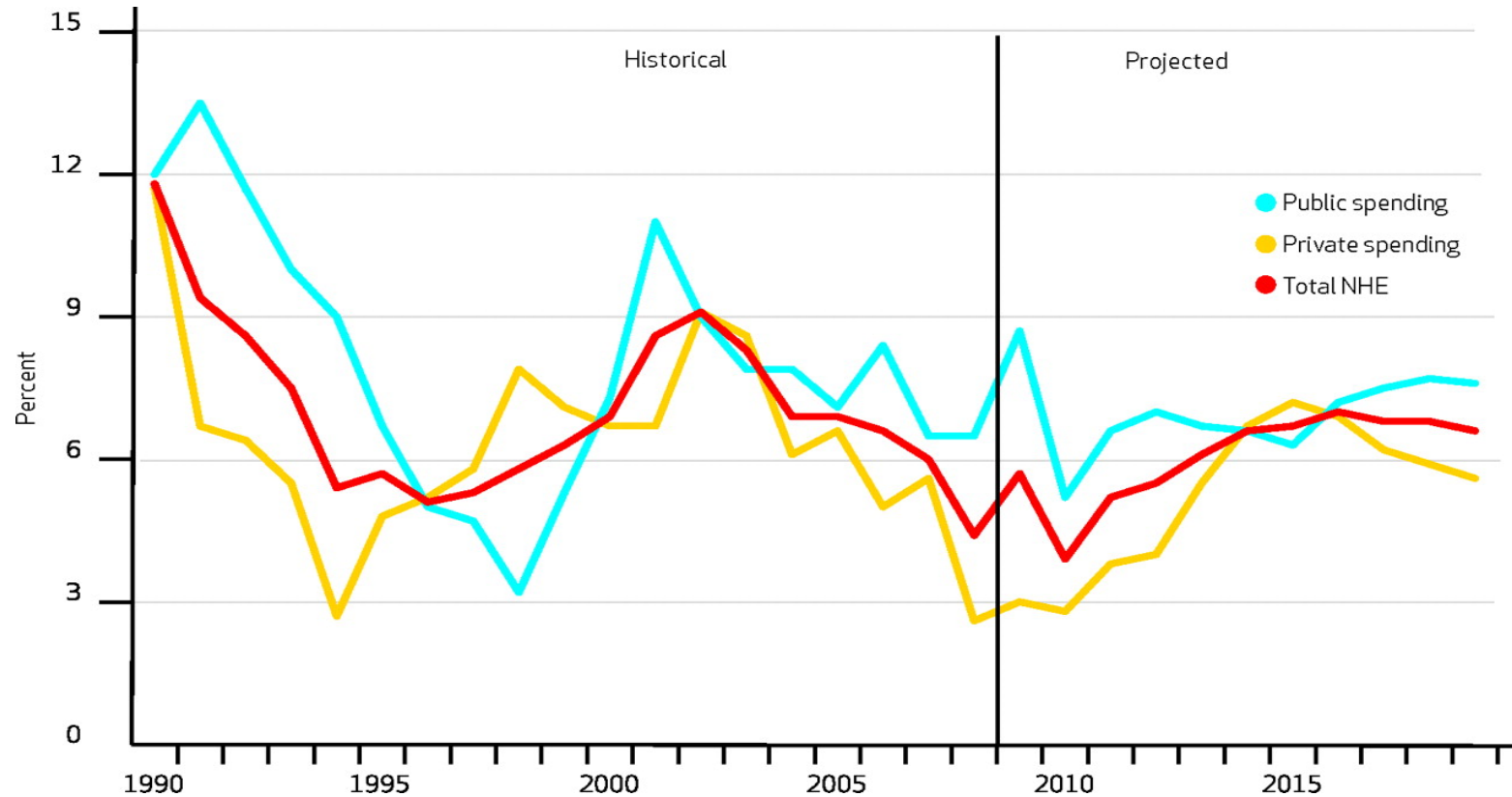
University of Michigan Center for Value-Based Insurance Design

www.vbidcenter.org

Returning Health to the Health Care Debate

- **Cost growth is the principle focus of health care reform discussions**

Health Care share of GDP made its biggest one-year jump ever in 2009, going from 16.2 to 17.3%



Christopher J. Truffer, Sean Keehan, Sheila Smith, Jonathan Cylus, Andrea Sisko, John A. Poisal, Joseph Lizonitz, and M. Kent Clemens,
Health Spending Projections Through 2019: The Recession's Impact Continues,
Health Affairs, Vol 0, Issue 2010, hlthaff.2009.1074v1-101377200

HEALTH
AFFAIRS

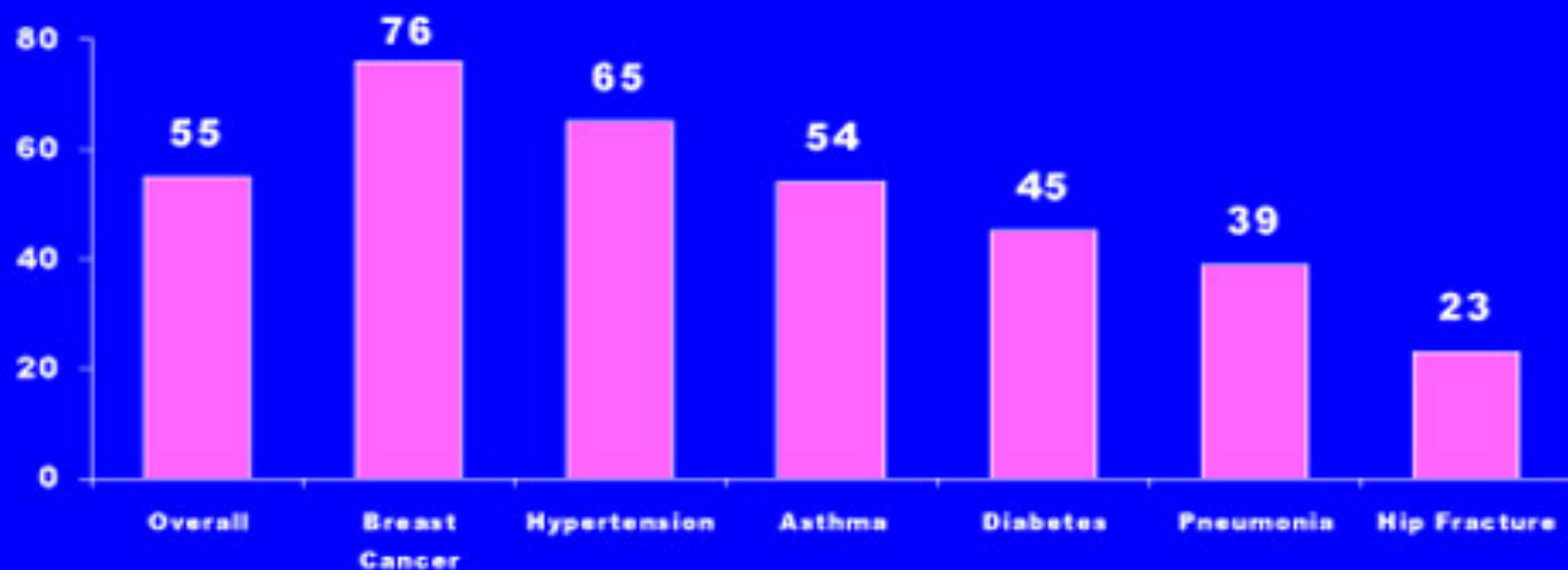
Returning Health to the Health Care Debate

Our Goal is to Improve Health, Not Save Money

- **Substantial underutilization of high value health care services persists**
 - **Wellness**
 - **Screening**
 - **Diagnostic testing**
 - **Therapy**
 - **Monitoring**

U.S. Adults Receive Only About Half of Recommended Care, and Quality Varies Significantly by Medical Condition

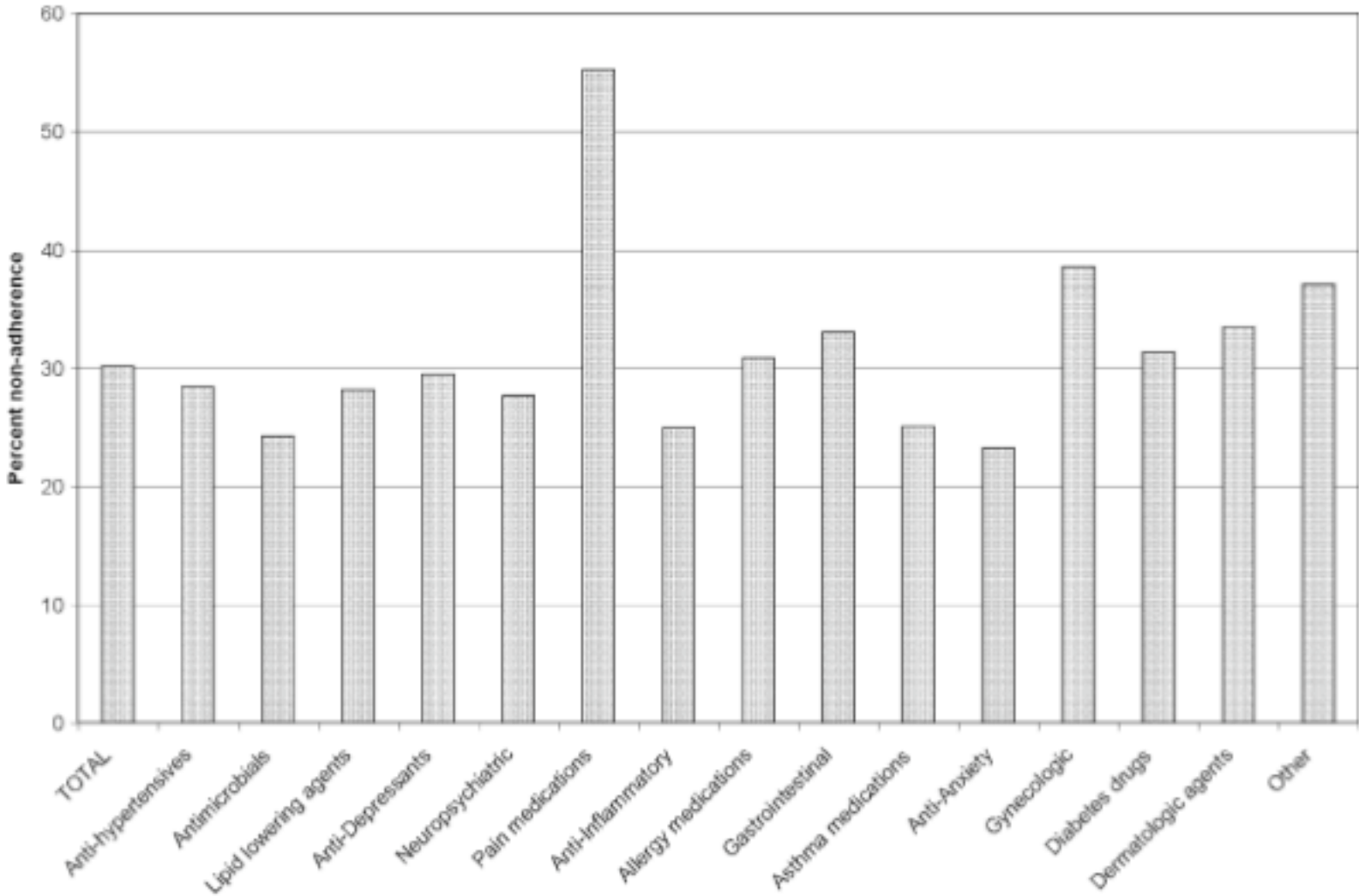
Percent of recommended care received



Source: McGlynn et al., "The Quality of Health Care Delivered to Adults in the United States," *The New England Journal of Medicine* (June 26, 2003): 2635–2645.



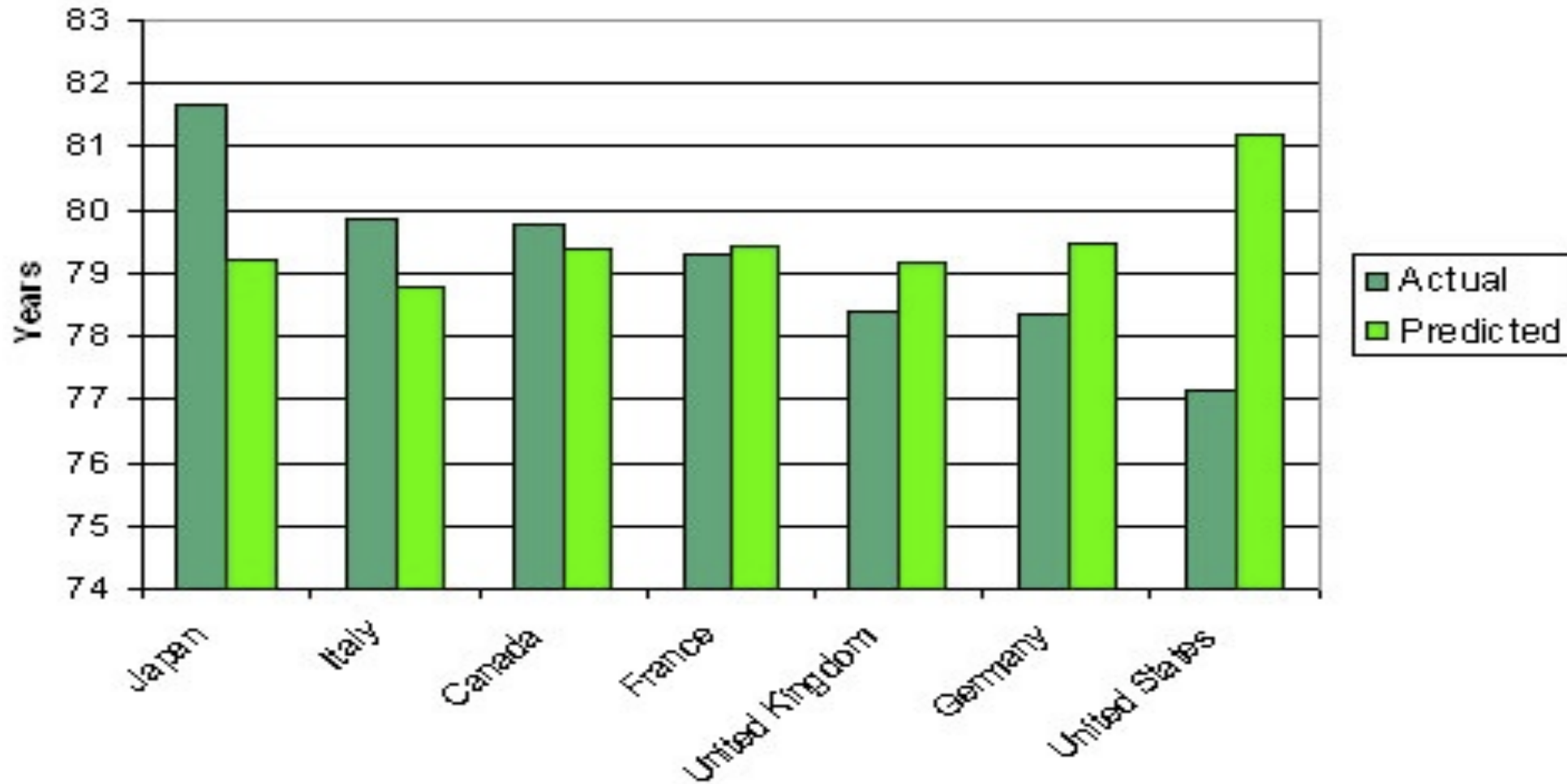
Non-adherence to Newly Prescribed Medications



Non-Adherence to Evidence-Based Services: Clinical and Economic Impact

- **Up to 60% of chronically ill patients have poor adherence to evidence-based treatment**
- **Responsible for up to one-quarter of all hospital and nursing-home admissions**
- **Costs from poor adherence estimated to exceed \$100 billion annually**

Predicted Life Expectancy Based on Health Care Expenditure



Dealing with the Health Care Cost Crisis

Interventions to Control Costs

- **Generic Drug Programs**
- **Prior Authorization**
- **Disease Management**
- **Information Technology**
- **Payment Reform**
- **Make Beneficiaries Pay More**

Dealing with the Health Care Cost Crisis

Shift Costs to Consumer

- **Increase premiums**
- **Increase “one size fits all” cost sharing for clinician visits, diagnostic tests and prescription drugs**

Increased Cost Sharing at Point of Service

Prescription Drugs - Copay set on Price, not Value

- **Generic drugs - lowest copay**
- **Preferred brand - middle**
- **Non-preferred brand - highest**

Cost Sharing Should Not Produce Preventable Reductions in Quality of Care

- **The archaic “one-size-fits-all” approach fails to acknowledge the differences in clinical value among medical interventions and among patients**
- **Ideally, higher patient co-payments would discourage the use of low-value care**

Cost Sharing Should Not Produce Preventable Reductions in Quality of Care

- **A growing body of evidence demonstrates that cost shifting leads to decreases in essential and non-essential care**

Value Based Insurance Design Inspiration

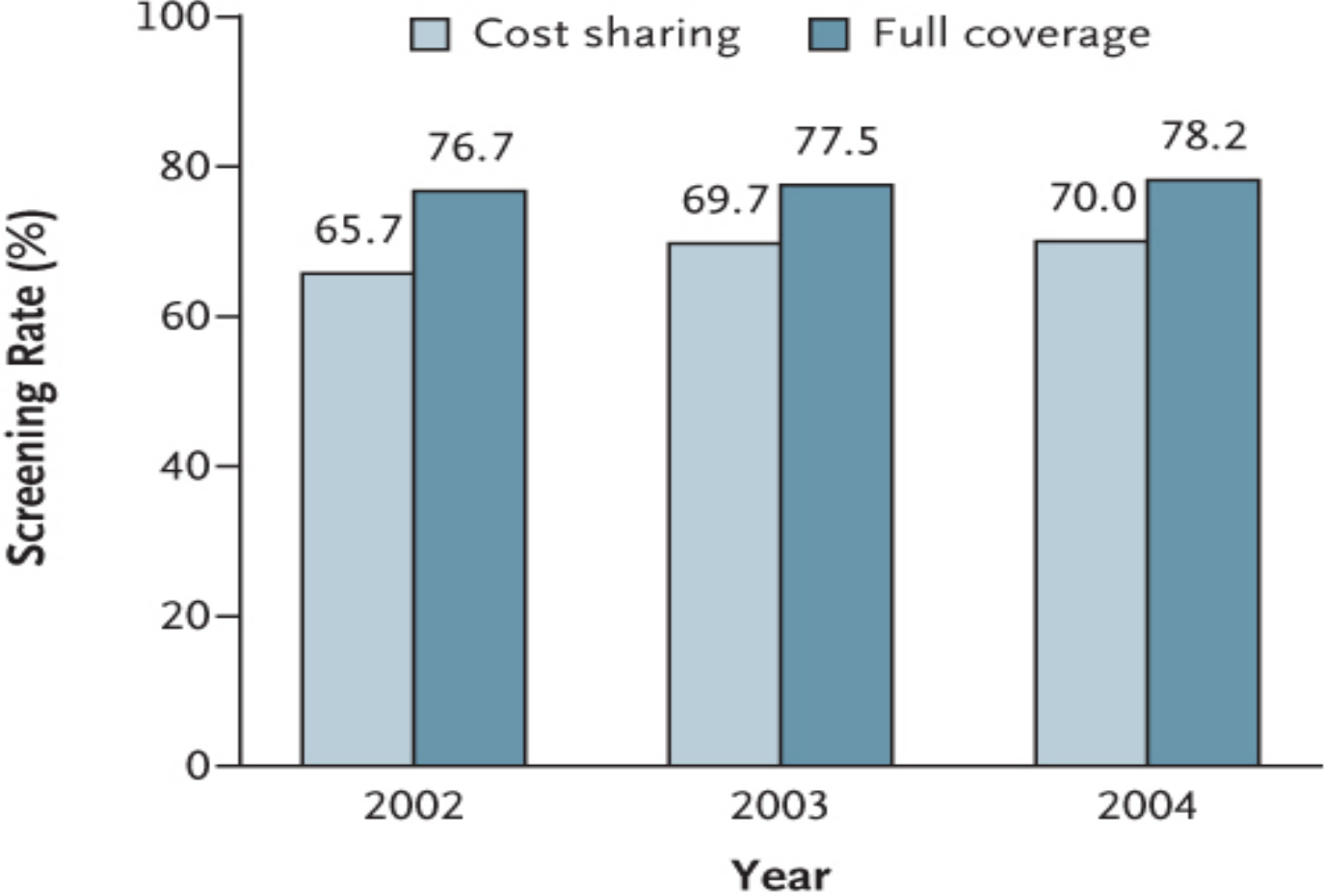
“I can’t believe you had to spend a million dollars in grant funding to show that if you make people pay more for something they will buy less of it.”

Barbara Fendrick (my mother)

Increased Ambulatory Care Copayments and Hospitalizations among the Elderly

- **Copays increased from \$7.38 to \$14.38 for primary care and from \$12.66 to \$22.05 for specialty care; remained unchanged at \$8.33 and \$11.38 in controls**
- **In the year after increases - 19.8 fewer annual outpatient visits and 2.2 additional hospital admissions per 100 enrollees**

Cost-sharing Affects Adherence to Screening: Mammography Use in Medicare Beneficiaries



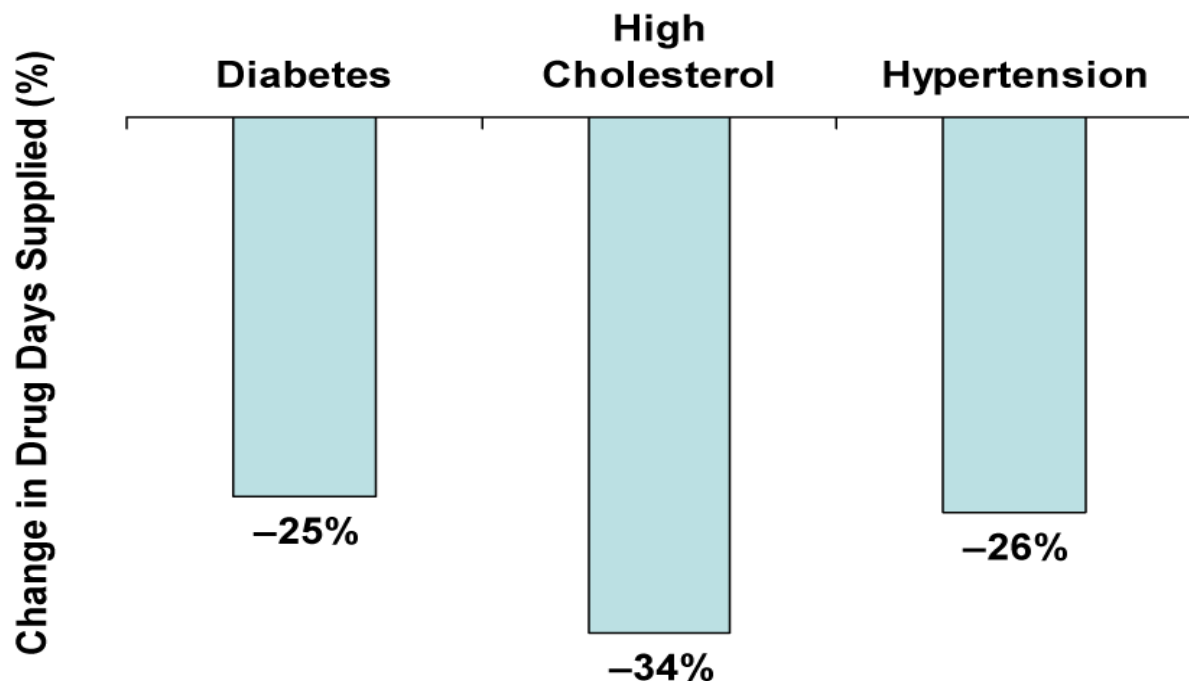
Travedi A. *NEJM*. 2008. 383



High Copays Reduce Adherence to Appropriate Medication Use



Change in Days Supplied for Selected Drug Classes When Copays Were Doubled



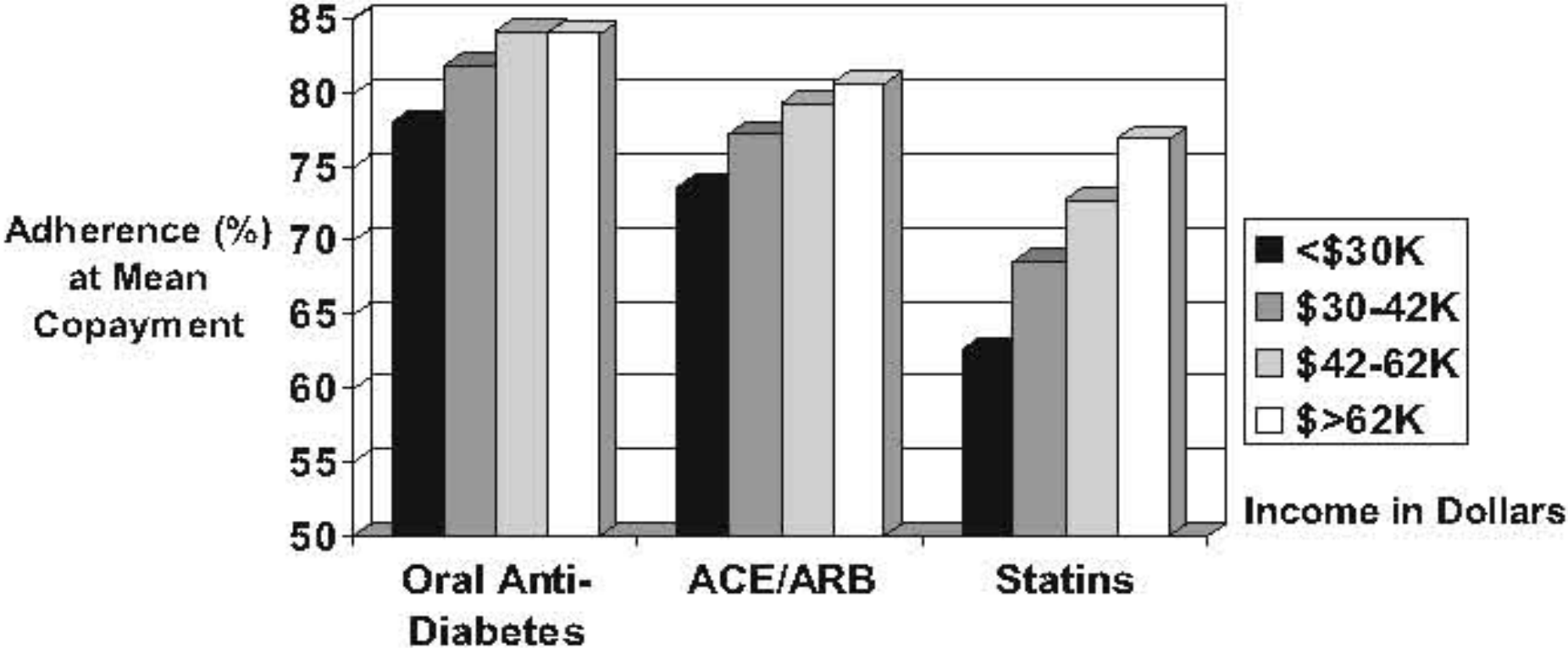
- When copays were doubled, patients took less medication in important classes. These reductions in medication levels were profound
- Reductions in medications supplied were also noted for:
 - NSAIDs 45%
 - Antihistamines 44%
 - Antiulcerants 33%
 - Antiasthmatics 32%
 - Antidepressants 26%
- For patients taking medications for asthma, diabetes, and gastric disorders, there was a 17% increase in annual ER visits and a 10% increase in hospital stays

ER = emergency room.

Goldman DP et al. *JAMA*. 2004;291:2344-2350.

Relationship between Income and Medication Adherence: Copay Increases Worsen Socioeconomic Disparities

Diabetes



Value Based Insurance Design

A Role for “Soft Paternalism”

- If the consumer is not the appropriate decision maker, the system should provide incentives to offset the undesirable decreased use of essential services due to cost shifting
- It is critical to develop strategies that simultaneously address spending growth and aim to improve population health

Cost Containment Efforts Should NOT Produce Avoidable Reductions in Quality of Care

- Value-based packages adjust patients' out-of-pocket costs and clinician reimbursement for specific services based on an assessment of the clinical benefit achieved
- The more clinically beneficial the therapy for the patient, the lower that patient's cost share and the higher the clinician's bonus

Value Based Insurance Design

Basic Principles

- **Value is the amount of health gained per dollar spent on health care services**
- **Medical services differ in the clinical benefit provided**
- **The clinical benefit derived from a specific service depends on the patient using it**

Value Based Insurance Design

More than High Value Prescription Drugs

- **Prevention/Screening**
- **Diagnostic tests/Monitoring**
- **Treatments**
- **Clinician visits**
- **Physician groups/Hospitals**



HEALTH AND FITNESS

Northeast OH Healthy Living and Medical Consumer News

“Lowe's is offering employees incentives in the form of reduced out-of-pocket costs to come to the Cleveland Clinic for heart procedures.”

Harlan Spector, Health News, Insurance, Metro, Real-Time News »

Lowe's will bring its workers to Cleveland Clinic for heart surgery

By Harlan Spector, The Plain Dealer

February 17, 2010, 3:58AM



[View full size](#)

Chuck Burton / Associated Press

Lowe's is offering employees nationwide incentives in the form of reduced out-of-pocket costs to come to the Cleveland Clinic for heart procedures.

Value Based Insurance Design

More Health at Any Price

- **Can VBID be successfully implemented?**

JPMorganChase 

 *Carlson Companies*

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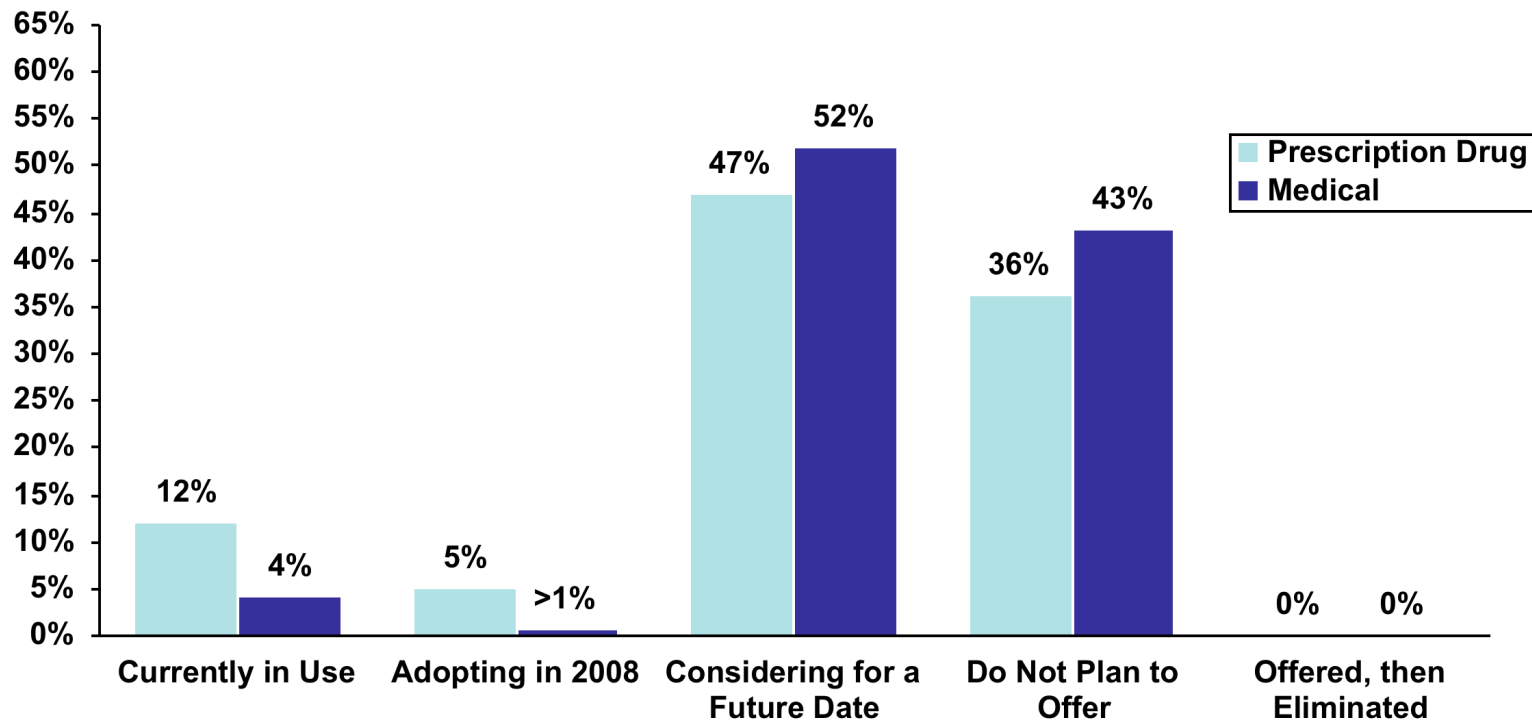
P&G

 **Marriott.**

V·BID

Thoughts from Leading Employers¹

Which of the following types of VBD programs or enhanced benefit design coverages do you currently offer or plan to offer in the future?



¹Data Source: Hewitt's 2008 Road Ahead Survey



Fact Sheet January 2009

www.unitedhealthgroup.com



UnitedHealthcare[®]
A UnitedHealth Group Company

Diabetes Health Plan

As part of its commitment to drive health care quality, usability, accessibility and affordability at an accelerated pace, UnitedHealthcare is introducing a Diabetes Health Plan. The Diabetes Health Plan is designed to support and encourage diabetics to better manage their condition and avoid the natural progression to the complications associated with diabetes through earlier identification and self-management. This new plan is designed for individuals with diabetes or pre-diabetes and their family members. Employers may offer the Diabetes Health Plan as a standalone comprehensive health care plan or added to a traditional plan.

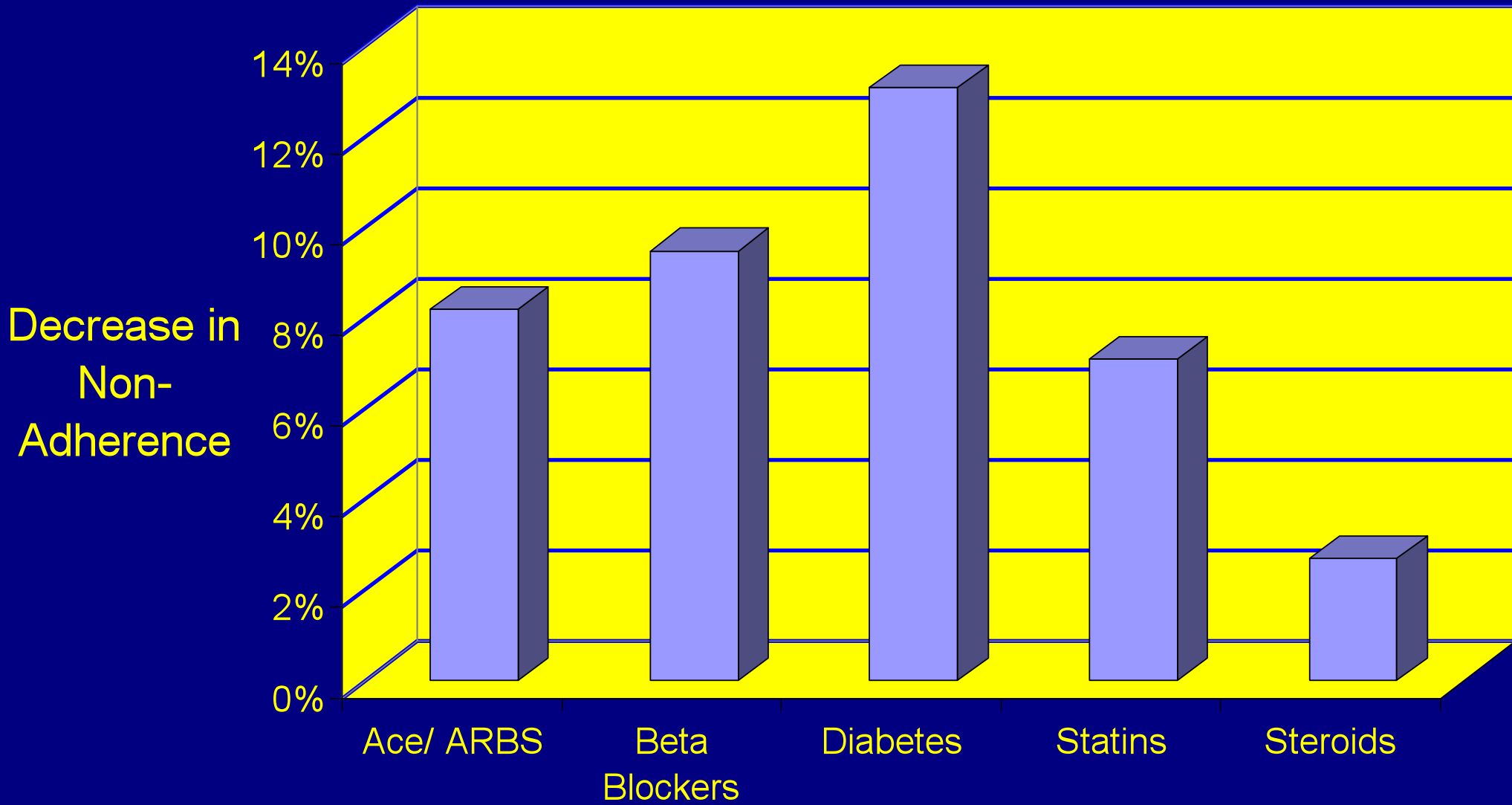
UnitedHealthcare's Diabetes Health Plan provides the structure

Value Based Insurance Design

Improved Health at any Expenditure Level

- Does it work?

Impact of VBID



Chernew, Health Affairs. January 2008.

Drug Class

Value Based Insurance Design

Improved Health at any Expenditure Level

- **What are the economic effects?**

Value Based Insurance Design

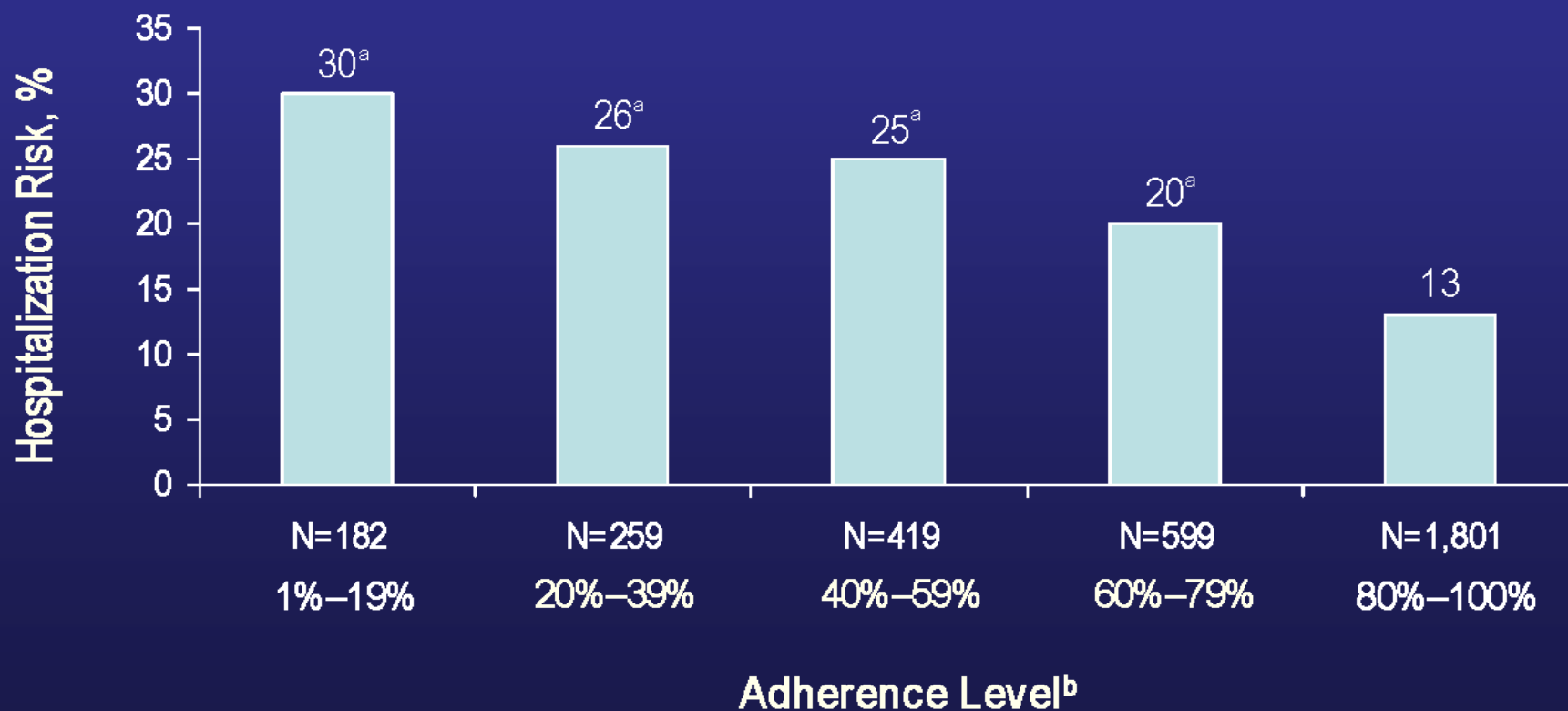
Economic Effects

Incremental costs of the increased use of high valued services can be subsidized by:

- 1. Medical cost offsets**

Results: Diabetes¹

Diabetes-Related Hospitalization Risk at Varying Levels of Medication Adherence

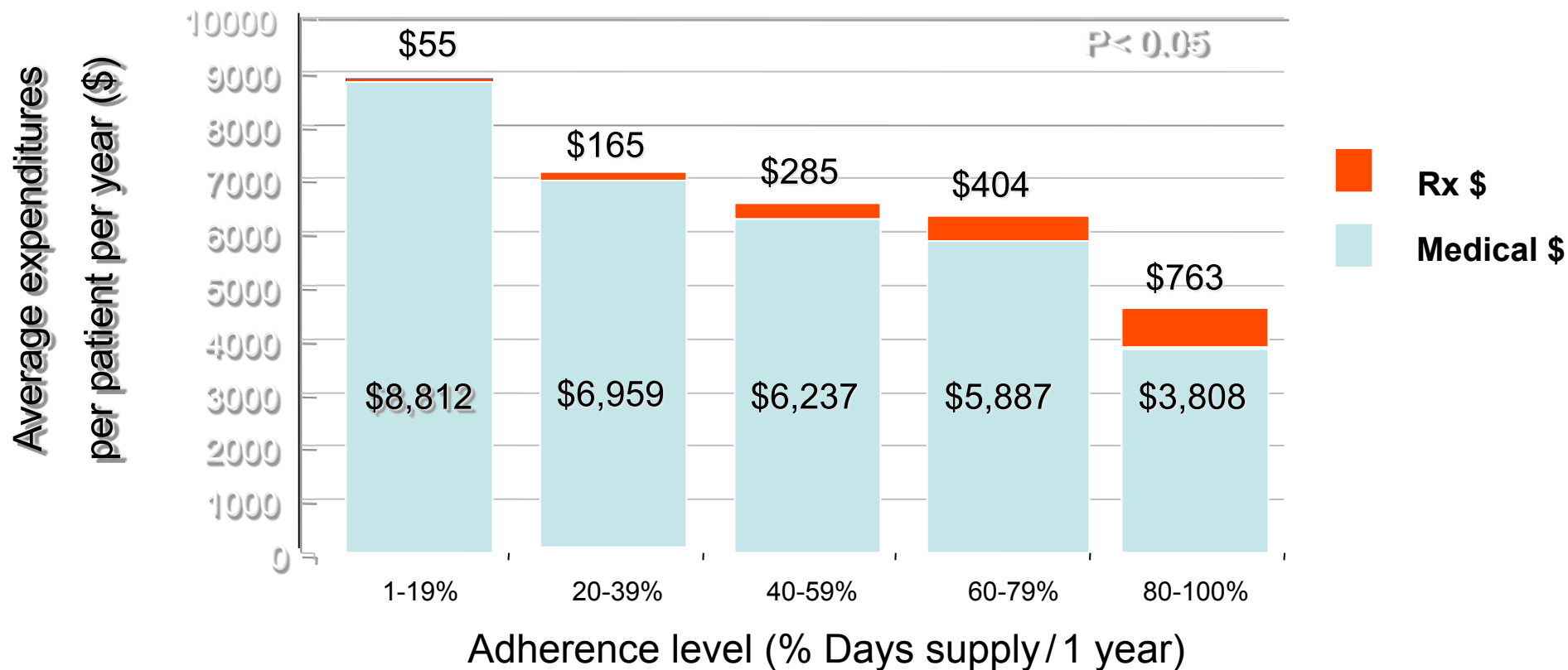


^aIndicates significantly higher medical cost vs the 80%–100% adherence group ($P < 0.05$); ^bAdherence was defined as the percentage of days during the 1-year analysis period that patients had a supply of 1 or more maintenance medications for the condition.

1. Sokol MC et al. *Med Care*. 2005;43(6):521–530.

Higher Medication Adherence Associated with Lower Total Health Care Costs

Diabetes Costs



Value Based Insurance Design

Economic Effects

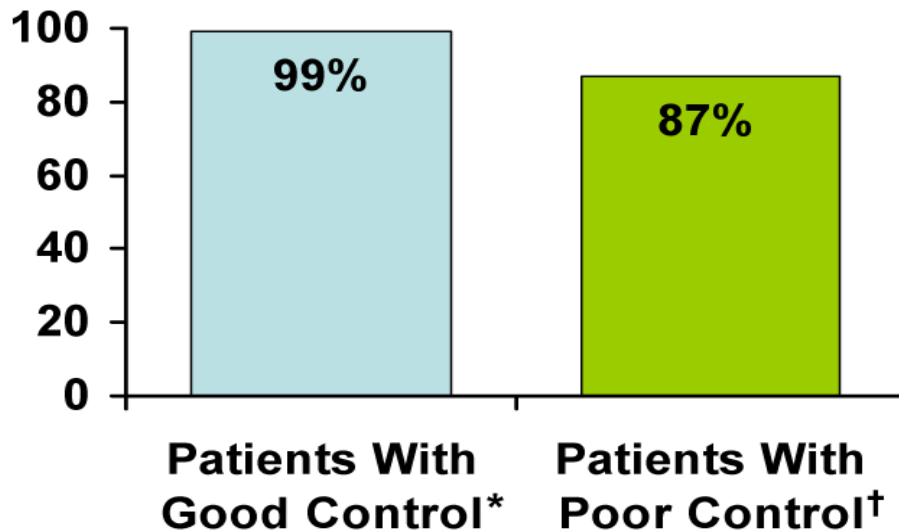
Incremental costs of the increased use of high valued services can be subsidized by:

- 1. Medical cost offsets**
- 2. Reduction in absenteeism/disability costs**

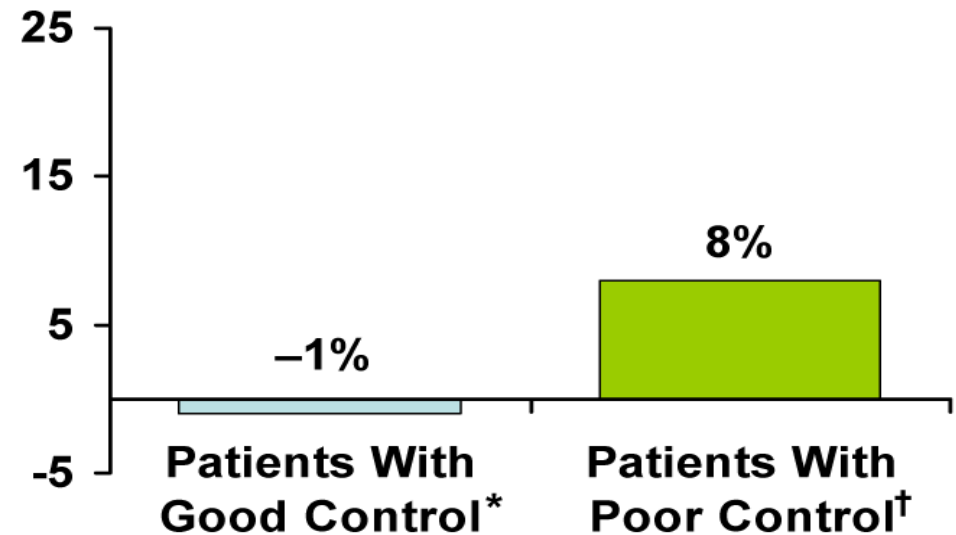
Employee Productivity Is Increased When Blood Sugar Is Well Controlled



Productivity at 15 Weeks



Absentee Rate at 15 Weeks Compared to Baseline



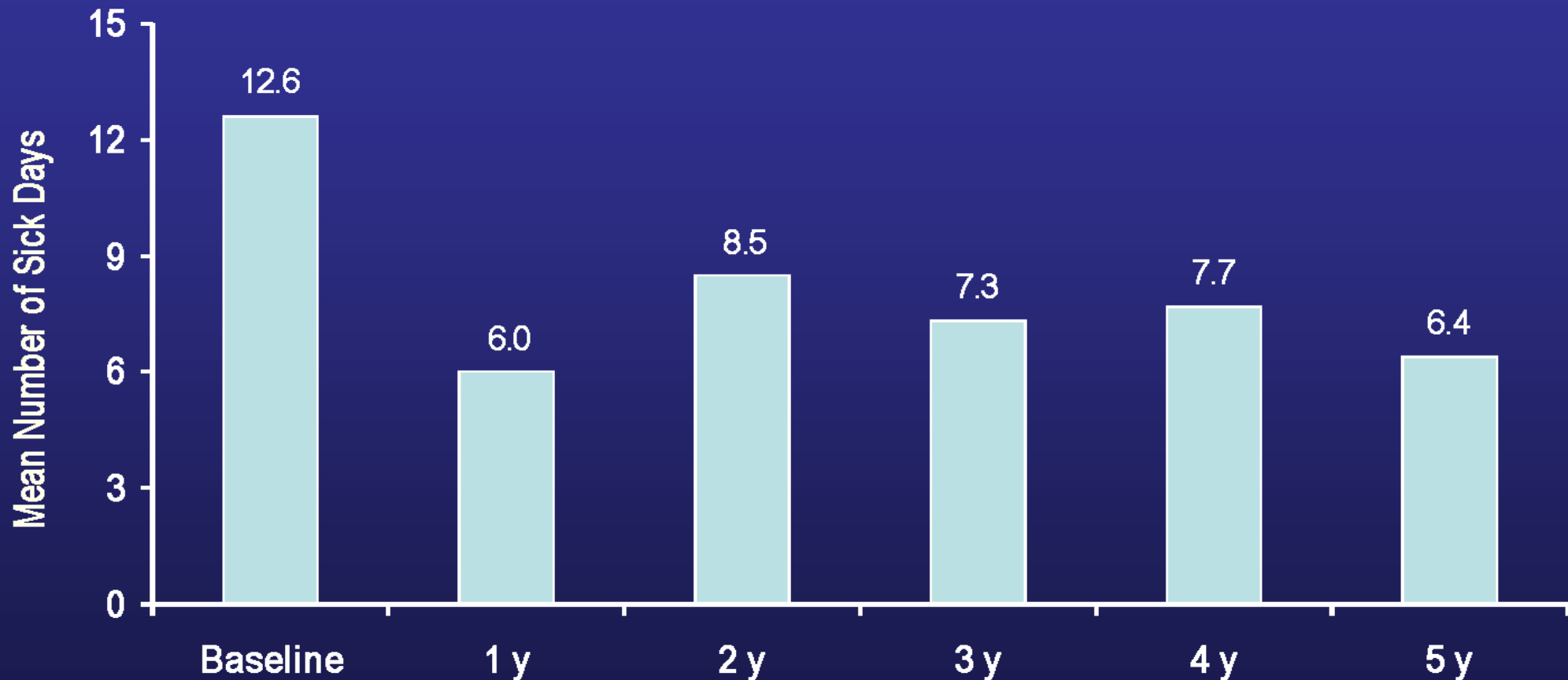
Patients with good blood sugar control had \$2660 in lost productivity due to functional restrictions in daily activities compared with \$4275 in lost productivity in patients with poor blood sugar control, for every 1000 person-days.

*Patients given active treatment; mean A1C 7.5%.

†Patients given placebo; mean A1C 9.3%.

Testa MA et al. *JAMA*. 1998;280:1490-1496.

Asheville Project: Reduction in Annual Sick Days¹

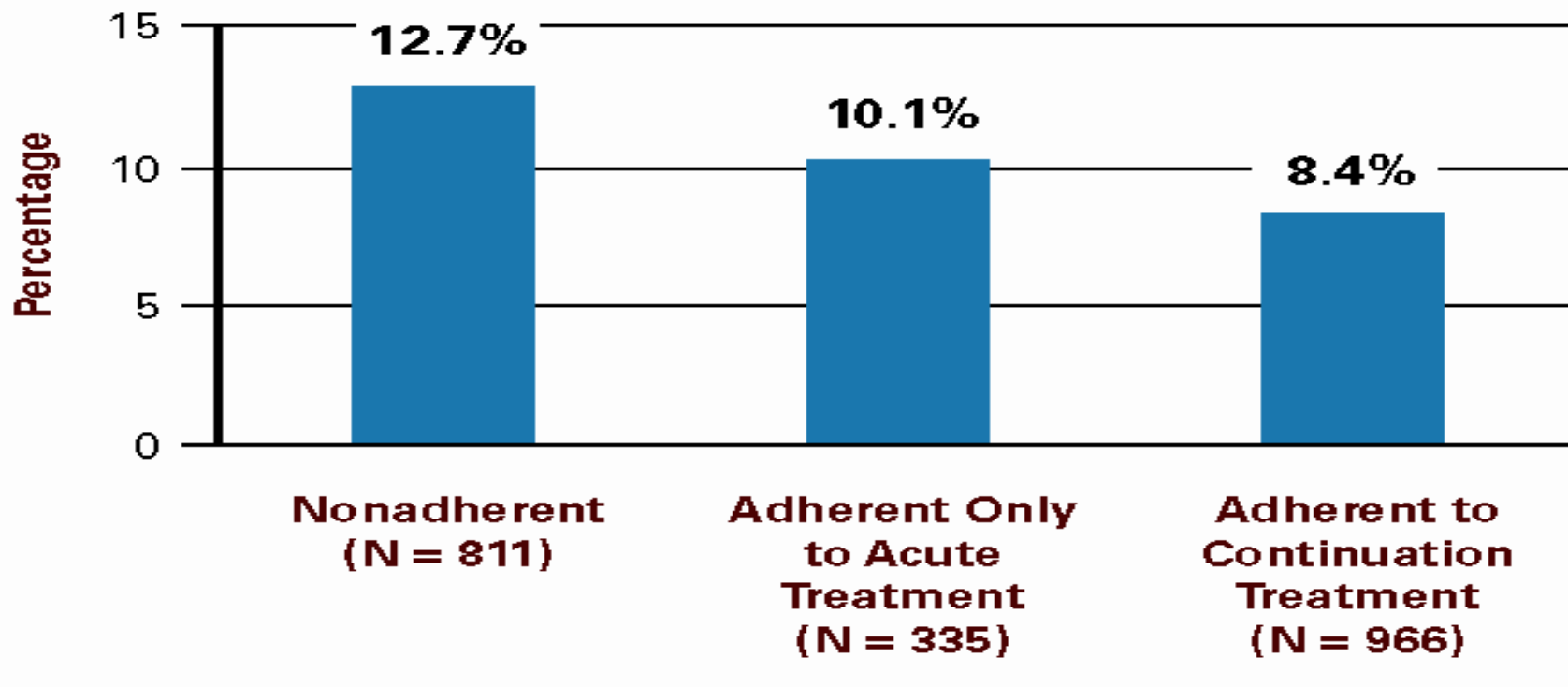


37 patients for the years 1996 (baseline) through 2001

1. Cranor CW et al. *J Am Pharm Assoc.* 2003;43(2):173-184.

Better Medication Adherence Associated with Fewer Short Term Disability Claims

■ **Figure.** Percentage of Employees Filing any STD Claim During the Postindex Period and Antidepressant Medication Treatment Adherence Status



STD indicates short-term disability.

Value Based Insurance Design Application to Reform Efforts

Mrs. HUTCHISON introduced the following bill; which was read twice and referred to the Committee on _____

A BILL

To establish a demonstration program requiring the utilization of Value-Based Insurance Design in order to demonstrate that reducing the copayments or coinsurance charged Medicare beneficiaries for selected medications can increase adherence to prescribed medication, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Seniors’ Medication
5 Copayment Reduction Act of 2009”.

Health Care Reform Law VBID Included

11 “(c) **VALUE-BASED INSURANCE DESIGN.**—The Sec-
12 retary may develop guidelines to permit a group health
13 plan and a health insurance issuer offering group or indi-
14 vidual health insurance coverage to utilize value-based in-
15 surance designs.

75th OREGON LEGISLATIVE ASSEMBLY--2009 Regular Session

House Bill 2009

(Baseline Health Benefit Package) + }

SECTION 16. { + The Oregon Health Authority, in developing and offering the health benefit package required by section 9 (1) (j) of this 2009 Act, may not establish policies or procedures that discourage insurers from offering more comprehensive health benefit plans that provide greater consumer choice at a higher cost. The health benefit package approved by the Oregon Health Policy Board shall:

(1) Promote the provision of services through an integrated health home model that reduces unnecessary hospitalizations and emergency department visits.

(2) Require little or no cost sharing for evidence-based preventive care and services, such as care and services that have been shown to prevent acute exacerbations of disease symptoms in individuals with chronic illnesses.

(3) Create incentives for individuals to actively participate in their own health care and to maintain or improve their health status.

(4) Require a greater contribution by an enrollee to the cost of elective or discretionary health services.

Value Based Insurance Design Synergies with Health System Reform Efforts

- **Prevention**
- **Disease Management**
- **Comparative Effectiveness Research**
- **Health Information Technology**
- **Payment Reform**

Aligning Incentives and Systems

*Promoting Synergy Between
Value-Based Insurance Design
and the Patient Centered
Medical Home*

www.vbidcenter.org



www.pcpcc.net

Aligning Incentives and Systems

*Promoting Synergy Between
Value-Based Insurance Design
and the Patient Centered
Medical Home*

- Value generation in health care spending occurs through appropriate utilization of healthcare services
- VBID can steer individuals to use high-value services (PCMH)
 - Increased use of primary care is offset by reductions in use of other healthcare services
 - “Indirect” savings, such as productivity gains and decreased disability, further offset the added PCMH-related spending

Aligning Incentives and Systems

*Promoting Synergy Between
Value-Based Insurance Design
and the Patient Centered
Medical Home*

- Case Studies
 - City of Battle Creek, Michigan
 - IBM
 - Geisinger Health Plan
 - Roy O. Martin
 - Whirlpool Corporation

Aligning Incentives and Systems

*Promoting Synergy Between
Value-Based Insurance Design
and the Patient Centered
Medical Home*

- The objectives of VBID and PCMH are clearly aligned toward the critical, yet elusive, goals of quality improvement and cost containment, and are reinforced by incentives incorporated into both programs
- The synergistic advantages of supply- and demand-side initiatives—as opposed to either alone— would encourage the use of high-value care, and ultimately produce more health at any level of health expenditure

Center for Value Based Insurance Design

More Health at Any Price

Engages in the development, evaluation and promotion of insurance products that encourage the efficient expenditures of health care dollars and optimize the benefits of care

www.vbidcenter.org