Using Value-Based Insurance Design to Improve Patient Health and Reduce Medical Spending

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

www.vbidcenter.org (slides available)

@um_vbid
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.

Our ability to deliver high-quality health care lags behind the rapid pace of scientific innovation.
Moving from the Stone Age to the Space Age:
Change the health care 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
- 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
- Consumer cost-sharing is a common policy lever
Americans Do Not Care About Health Care Costs; They Care About **What It Costs Them**

**Patient Worry About Out-of-Pocket Healthcare Costs at All-Time High**

A report from the Commonwealth Fund noted that patients are not confident they can afford high out-of-pocket healthcare costs.
Out-of-pocket spending among people with large employer coverage, Paying More for ALL Care Regardless of Value

<table>
<thead>
<tr>
<th>Year</th>
<th>Deductible</th>
<th>Copay</th>
<th>Coinsurance</th>
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<tr>
<td>2006</td>
<td>$121</td>
<td>$227</td>
<td>$122</td>
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<tr>
<td>2007</td>
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<td>2008</td>
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<td>2009</td>
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</tr>
<tr>
<td>2017</td>
<td>$411</td>
<td>$138</td>
<td>$242</td>
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</tbody>
</table>

Source: KFF analysis of data from IBM MarketScan Database and the KFF Employer Health Benefit Survey
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-Ilsenberg, PhD, RPh3 Michael C. Sokol, MD, MS4 Allison B. Rosen, MD, ScD5, and A. Mark Fendrick, MD5

1Department of Health Care Policy, Harvard Medical School, Boston, MA, USA; 2Thomson Healthcare, Ann Arbor, MI, USA; 3Managed Markets Division, GlaxoSmithKline, Research Triangle Park, NC, USA; 4Managed Markets Division, GlaxoSmithKline, Montvale, NJ, USA; 5Departments of Internal Medicine and Health Management and Policy, Schools of Medicine and Public Health, University of Michigan, Ann Arbor, MI, USA.

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

Over **137 million** Americans have received expanded coverage of preventive services
Medicare Advantage V-BID Model Test: Expanded Opportunities

Permissible interventions:

- Reduced cost-sharing 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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</thead>
<tbody>
<tr>
<td>$600 annual limit</td>
</tr>
<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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<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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</tbody>
</table>
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
IRS Rules Prohibit Coverage of Chronic Disease Care Until HSA-HDHP 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
List of services and drugs for certain chronic conditions that will be classified as preventive care under Notice 2019-45

<table>
<thead>
<tr>
<th>Preventive Care for Specified Conditions</th>
<th>For Individuals Diagnosed with</th>
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</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>
</tr>
<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>
Chronic Disease Management Act of 2019

115th Congress
2nd Session

S.2410 and H.R.4978
Bipartisan, Bicameral Legislation

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.
Chronic Disease Management Act of 2019

- Allows for pre-deductible coverage on high value clinical services used to manage 20 chronic diseases
Where does the money come from to provide better coverage for evidence-based care?

• Raise Premiums
Where does the money come from to provide better for coverage for evidence-based care?

- Raise Premiums
- Increase Deductibles, Copayments and Coinsurance
Where does the money come from to provide better coverage for evidence-based care?

- Raise Premiums
- Increase Deductibles, Copayments and Coinsurance
- Reduce Spending on Low Value Care
Reducing Low Value Care: Identify

Choose services:

• Easily identified in administrative systems
• Mostly low value
• Reduction in their use would be barely noticed
Multi-Stakeholder Task Force on Low Value Care Identifies 5 Commonly Overused Services Ready for Action

1. Diagnostic Testing and Imaging Prior to Low Risk Surgery
2. Vitamin D Screening
3. PSA Screening in Men 70+
4. Imaging in First 6 Weeks of Acute Low Back Pain
5. Branded Drugs When Identical Generics Are Available
V-BID X:
Better Coverage, Same Premiums and Deductibles
Increased cost-sharing on low-value services reduces spending...

- Spinal Fusions
- Vitamin D screening tests
- Proton beam for prostate cancer
- High-cost diagnostic imaging

...and allows for lower cost-sharing and increased spending on high-value services

- Hemoglobin A1c tests
- Blood pressure monitors
- Pulmonary rehabilitation
- High-value prescription drugs
When savings from reduced use of low-value care exceed extra spending on high-value services, premiums will decrease.
HDHP Reform Goals

• Expand pre-deductible coverage on high value clinical services
  • Determine actuarial impact of resultant increase use

• Identify and measure low value care

• Create new benefit design (e.g. V-BID X) that pays for increase spend on high value care without the need to increase premiums or deductibles
“If we don’t succeed then we will fail.”

Dan Quayle

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