



Partnering for the Future



**205 Dialogue Session: Value-Based
Insurance Design for APMs**

Welcome



Mark Fendrick

*Director, V-BID Center,
University of Michigan*

Partnering for the Future



The Role of Value-Based Insurance Design to Better Align Incentives for Providers and Consumers

A. Mark Fendrick, MD

**University of Michigan Center for
Value-Based Insurance Design**

 [/vbidcenter.org](https://www.vbidcenter.org)
[@um_vbid](https://twitter.com/um_vbid)

Making Health Care Great ... Again ;)

- 1** Innovations to prevent and treat disease have led to impressive reductions in morbidity and mortality
- 2** Irrespective of these advances, cutting health care spending is the main focus of reform discussions
- 3** Underutilization of high-value services persists across the entire spectrum of clinical care
- 4** Our ability to deliver high-quality health care lags behind the rapid pace of scientific innovation

Star Wars Science



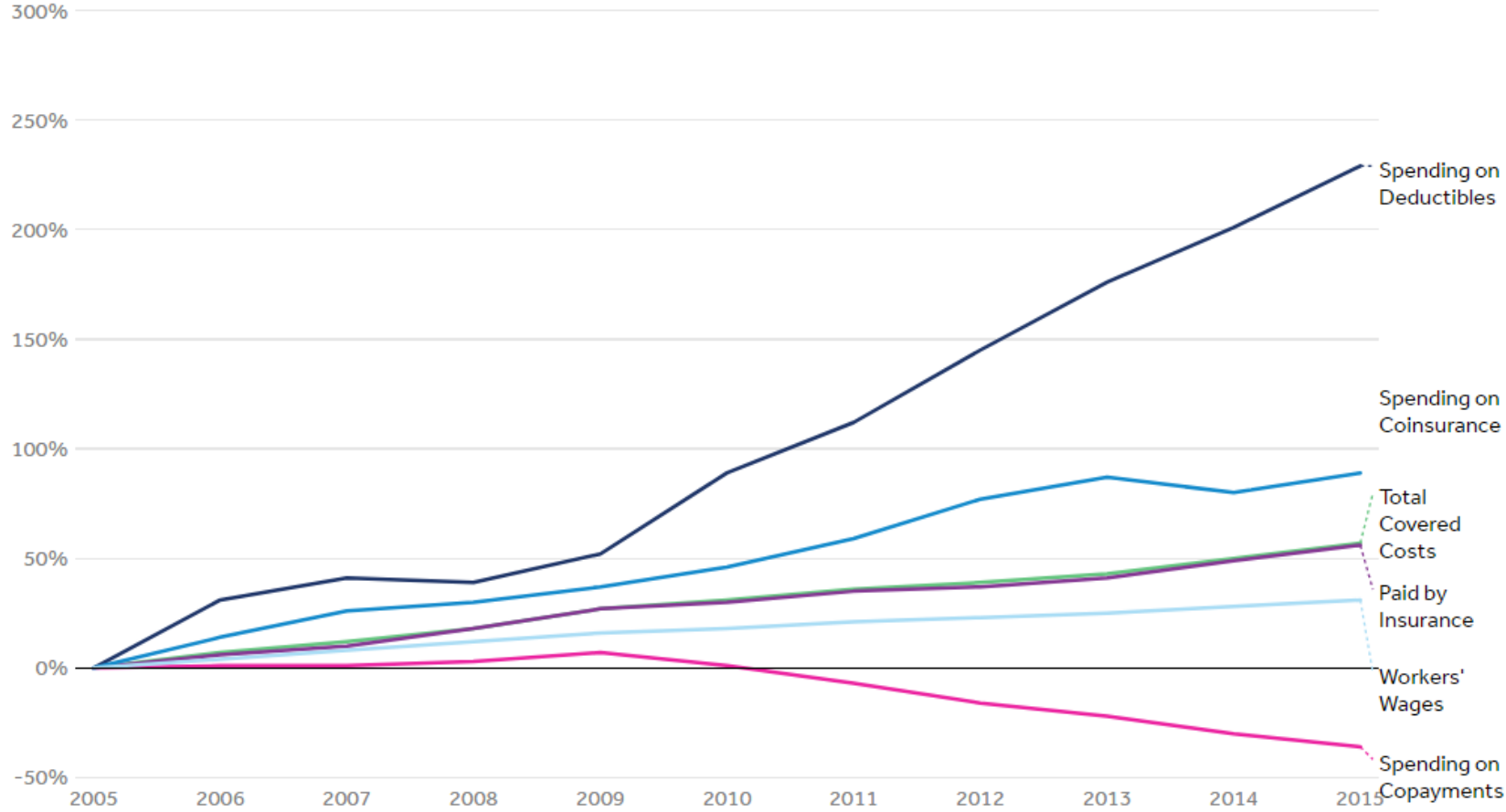
Flintstones Delivery



Moving from the Stone Age to the Space Age: Change the discussion from “How much” to “How well”

- **Three-quarters of Americans say that our country doesn't get good value for what it spends on healthcare**
- **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**
- **Policy deliberations focus primarily on quality-driven alternative payment models**
- **Provider and consumer incentives should be aligned to drive value – but unfortunately are not**
- **Consumer cost-sharing is the most common policy lever**

Consumer Cost-Sharing: Paying More for ALL Care Regardless of Value



Deductibles



Co-insurance



Co-payments



Inspiration



“ 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)

”

Moving from the Stone Age to the Space Age: Change the discussion from “How much” to “How well”

- **Americans do not care about the cost of care; they care about what it costs them**
- **“One size fits all” increases in consumer cost-sharing are ‘blunt’ instruments that reduce the use of high value care and adversely affect health, particularly among economically vulnerable individuals and those with chronic conditions**
- **Provider-facing and consumer engagement initiatives must be aligned**

Implementing Clinical Nuance: 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**
- **Successfully implemented by hundreds of public and private payers**

TheUpshot

Health Plans That Nudge Patients to Do the Right Thing

 **Austin Frakt**
THE NEW HEALTH CARE JULY 10, 2017



A colorful illustration featuring various medical supplies such as pills, capsules, a syringe, a first aid kit, and a pill bottle. Interspersed among these items are stacks of gold coins. In the foreground, there are three stylized human figures with faces showing different emotions: one with a sad face, one with a neutral face, and one with a happy face.

RELATED COVERAGE

-  THE NEW The A Prosta
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-  A HEALTH How I Better

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

Translating
Research into
Policy



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

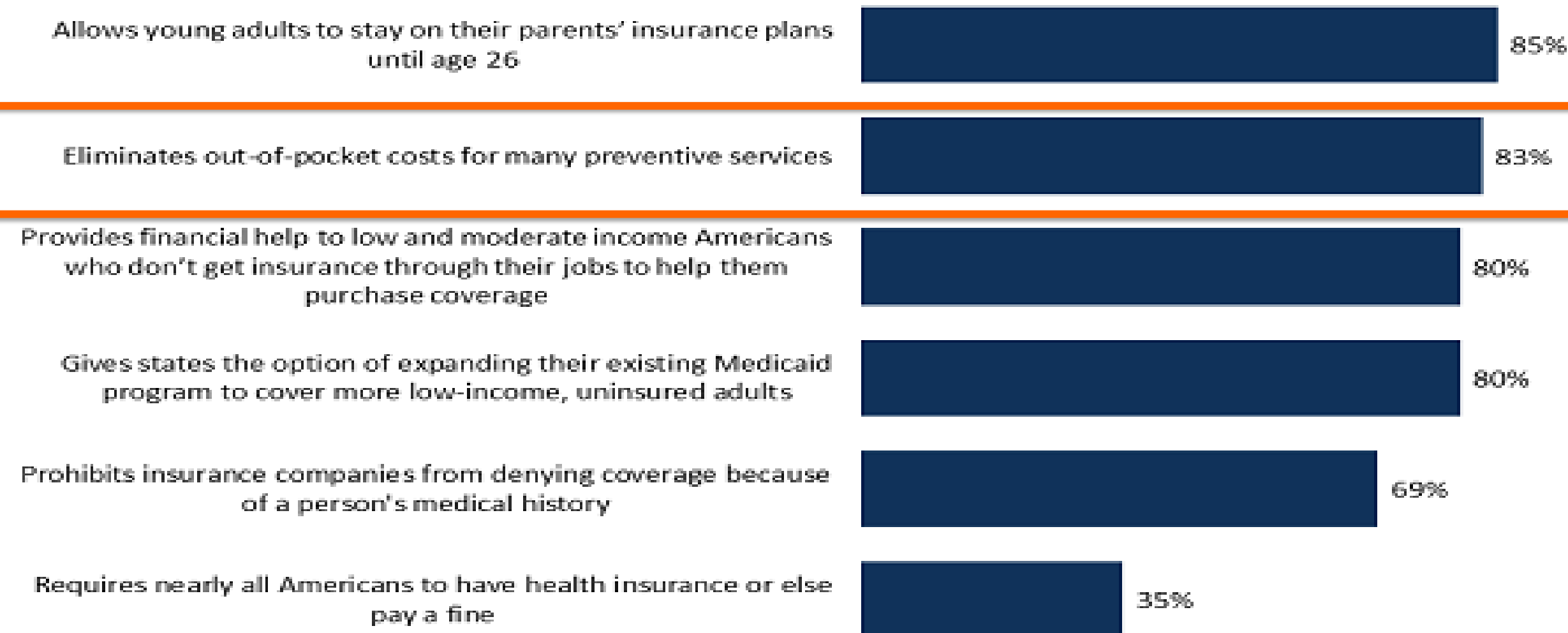
- Receiving an A or B rating from the United States Preventive Services Taskforce (USPSTF)
- Immunizations recommended by the Advisory Committee on Immunization Practices (ACIP)
- Preventive care and screenings supported by the Health Resources and Services Administration (HRSA)

Over **137 million** Americans have received expanded coverage of preventive services



Majorities Favor Many Key ACA Provisions, But Not Its Individual Mandate

Percent who favor each of the following specific elements of the health care law:



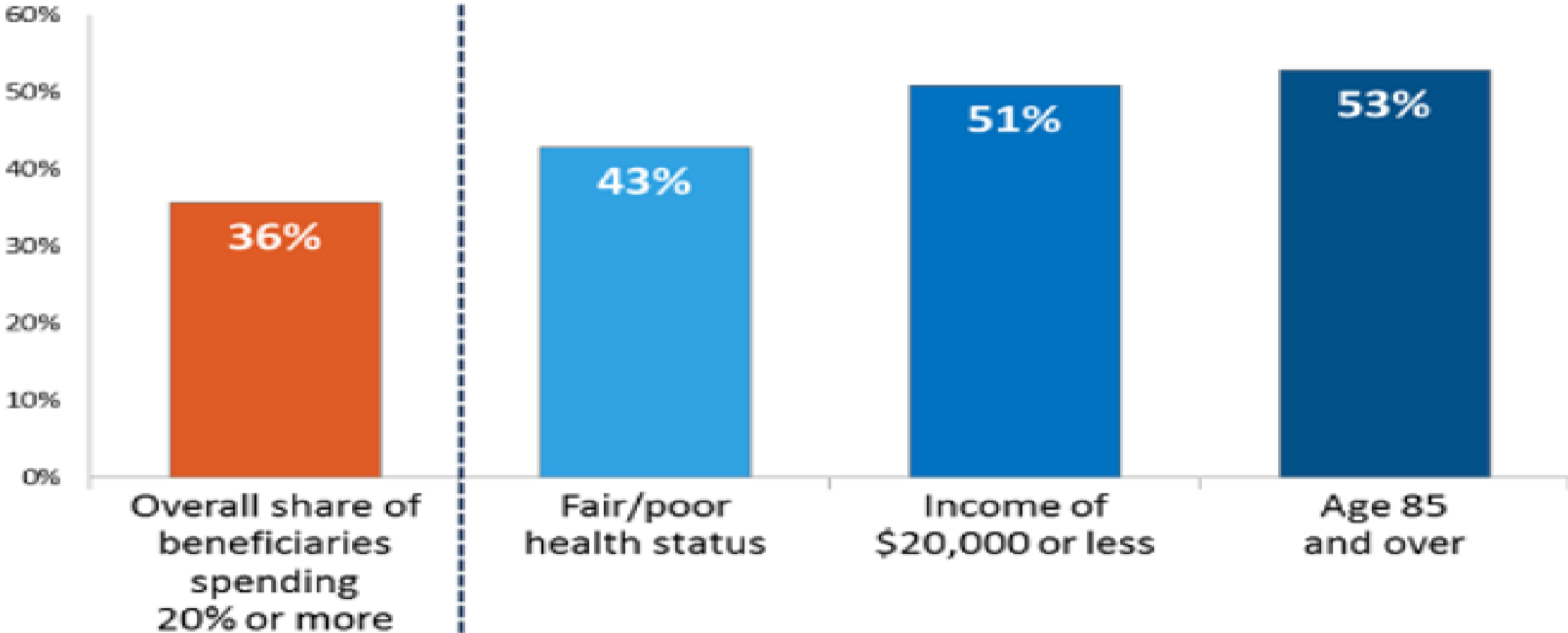
NOTE: Some items asked of half samples. Question wording abbreviated, see topline for full question wording.
SOURCE: Kaiser Family Foundation Health Tracking Poll (conducted November 15-21, 2016)

Putting Innovation into Action: Translating Research into Policy

Translating
Research into
Policy



More Than One-Third of Medicare Beneficiaries Spent 20% or More of Their Income on Out-of-Pocket Costs in 2013



NOTE: Estimates based on spending and income amounts in 2016 dollars. Excludes Medicare Advantage enrollees and beneficiaries enrolled in Part A or B only. Total out-of-pocket health care spending includes spending on services and premiums for Medicare and private health insurance premiums. Income is measured on a per person basis, which for married couples is income for the couple divided in half.

SOURCE: Kaiser Family Foundation analysis based on CMS Medicare Current Beneficiary Survey 2013 Cost and Use file.

Implementing V-BID in Medicare: Policy Barriers Ahead

Why not lower cost-sharing on high-value services?



The anti-discrimination clause of the Social Security Act does not allow clinically nuanced consumer cost-sharing.

Medicare Allows More Benefits for Chronically Ill, Aiming to Improve Care for Millions

By [Robert Pear](#)

June 24, 2018



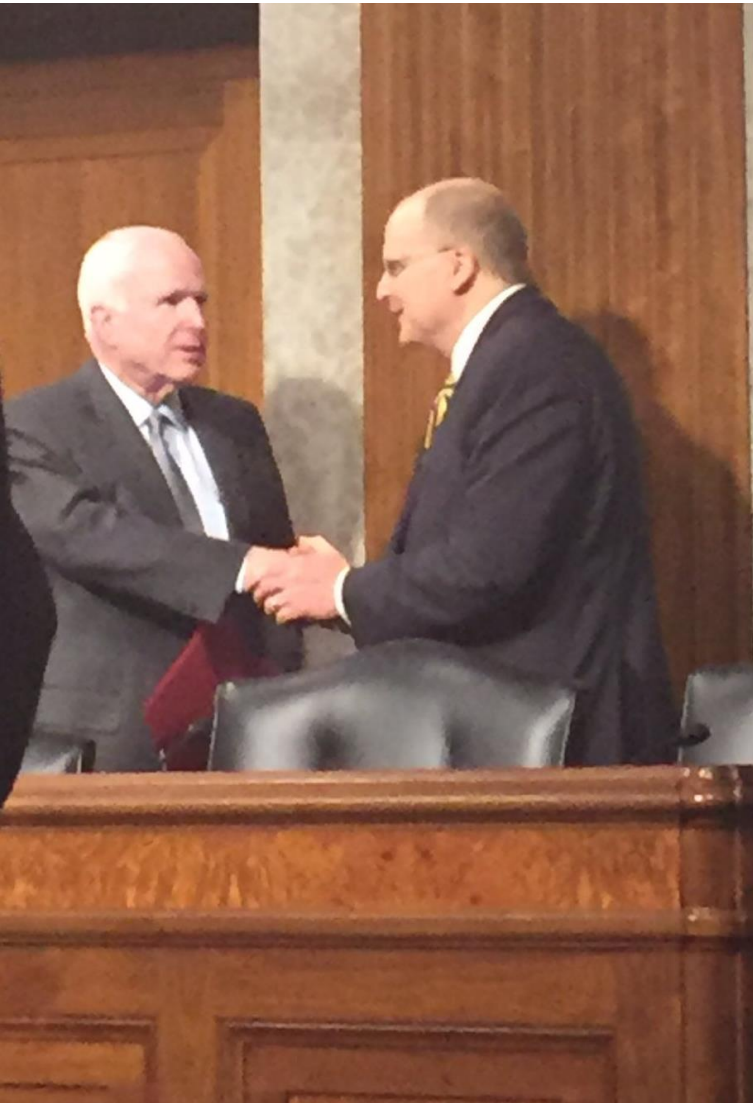
WASHINGTON — Congress and the Trump administration are revamping Medicare to provide extra benefits to people with multiple chronic illnesses, a significant departure from the program's traditional focus that aims to create a new model of care for millions of older Americans.

Putting Innovation into Action: Translating Research into Policy

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**

Putting Innovation into Action: Translating Research into Policy

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Research into
Policy



HSA QUALIFIED HDHPS

Sky-High Deductibles Broke the U.S. Health Insurance System

Employers are questioning a system they say costs patients too much.

- **40% of Americans face a deductible of \$1,300+**
- **More than are 70M Americans enrolled in an HDHP**
- **HDHP is only option for 13% of Americans with employer-sponsored coverage**

IRS Rules Prohibit Coverage of Chronic Disease Care Until HSA-HDHP Deductible is Met

PREVENTIVE CARE COVERED

Dollar one

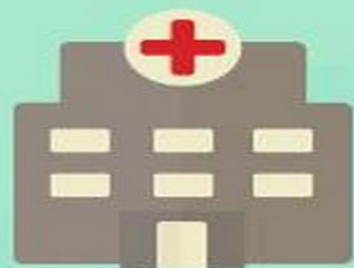


CHRONIC DISEASE CARE

NOT covered until deductible is met



However, IRS guidance requires that services used to treat
"existing illness, injury or conditions"
are not covered until the minimum deductible is met



office visits



diagnostic tests



drugs

As HSA-HDHP enrollees with existing conditions are required to pay out-of-pocket for necessary services, they utilize less care, potentially resulting in poorer health outcomes and higher costs

Potential Solution: *High Value Health Plan*

Flexibility to expand IRS
"Safe Harbor" to allow
coverage of additional
evidence-based services
prior to meeting
the plan deductible



Chronic Disease Management Act of 2018

115TH CONGRESS
2D 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.

Creating ‘Headroom’ to Pay for High-Value Care

Identifying /Removing Unnecessary Services

Low- Value
Care

- Discouraging the use of specific low-value services must be part of the strategy
- Unlike delay for cost offsets from improved quality, savings from waste elimination **are immediate and substantial**
- Identification, measurement, and removal of unnecessary cancer care has proven challenging

Reducing Low Value Care: Where to Start?

- **Although much of the low-value care discussion has focused on high-cost services, low-cost items are less likely to draw attention by particular clinicians or patient advocacy groups**
- **Choose services:**
 - **Easily identified in administrative systems**
 - **Mostly low value (little or no clinical nuance)**
 - **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 Surgery



2. Vitamin D Screening



3. PSA Screening in Men 75+



4. Imaging in First 6 Weeks of Low Back Pain



5. Branded Drugs When Identical Generics Are Available

Aligning Payer and Consumer Incentives: As Easy as Peanut Butter and Jelly

Aligning
Incentives

Many “supply side” initiatives are restructuring provider incentives to move from volume to value:

- **Medical Homes**
- **Electronic Medical Records**
- **Accountable Care Organizations**
- **Bundled Payments/Reference Pricing**
- **Global Budgets**
- **High Performing Networks**



Aligning Payer and Consumer Incentives: As Easy as Peanut Butter and Jelly

Unfortunately, some “demand-side” initiatives – including consumer cost sharing - discourage consumers from pursuing the “Triple Aim”



Aligning Payer and Consumer Incentives: As Easy as PB & J

The alignment of clinically nuanced, provider-facing and consumer engagement initiatives is a necessary and critical step to improve quality of care, enhance patient experience, and contain cost growth



An aerial photograph of a large, oval-shaped stadium. The seating area is filled with blue seats, and the field is green with yellow yard lines. The word "MICHIGAN" is written in large yellow letters on the field. The stadium is surrounded by parking lots, roads, and trees.

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

Dan Quayle

Discussion Leaders



Rick Hess

*Executive Director,
Joint Ventures
Strategy & Planning,
Aetna*



Pauline Lapin

*Director, Seamless Care
Models Group, CMS*



Andrew Webber

Senior Advisor, Discern Health

Dialogue Session Objectives:

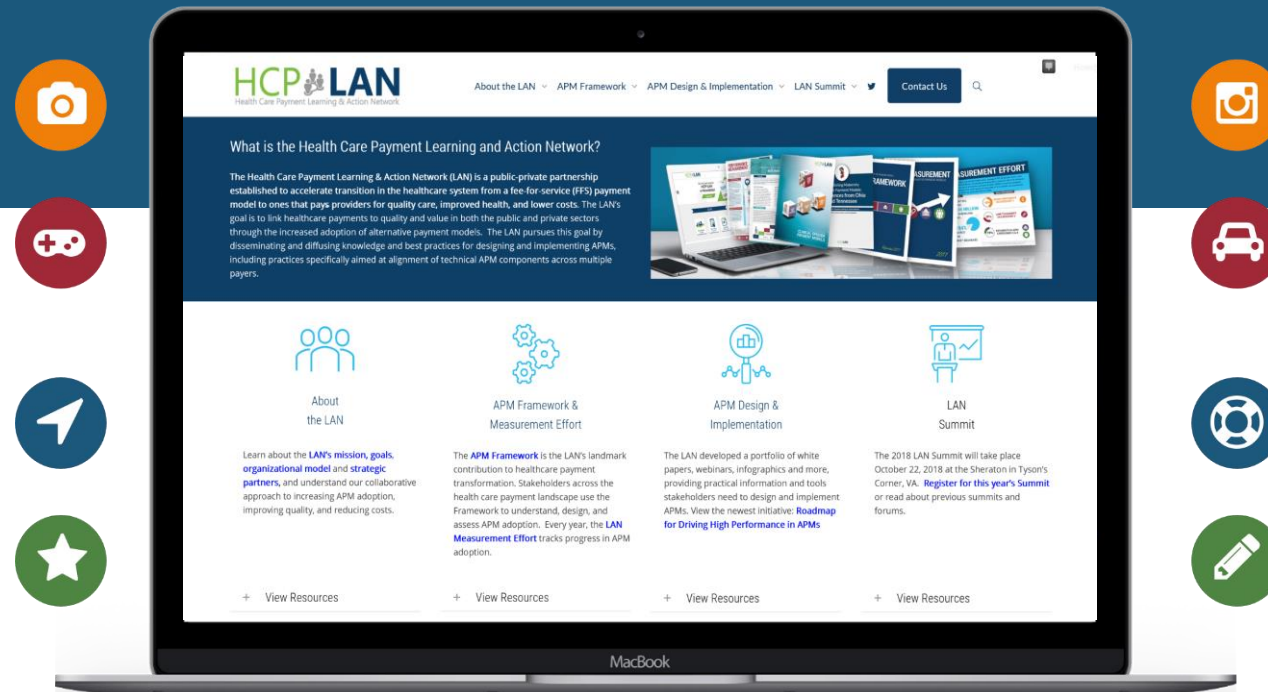
- Give Summit attendees an opportunity to provide their feedback, insight, and questions on the topic of value-based insurance design and its integration into alternative payment models.
- Create a safe environment for audience members to ask questions and share experiences with the listeners as well as their fellow audience members.

Dialogue Session “Ground Rules”

- Audience members will be asked to share their thoughts/comments with the listeners for reactions and insights; Mark Fendrick (facilitator) will also ask questions of the audience to ask for their input and experiences
- Audience members will be mindful of the limited time and keep questions brief in order to allow others the same opportunity.
- Listeners are not obligated to comment on all questions; In particular, listeners from CMS will not comment on open rulemaking items or any open policy related questions.

Visit the LAN Website for our Resources

<https://hcp-lan.org/>



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Exit Survey

We want to know what you think!

Please take a moment to complete the exit survey so we can continue to improve and enrich the LAN. Use the link in **Guidebook** for this session to provide us your feedback.



Contact Us

We want to hear from you!



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Thank You!