

POPULATION HEALTH FORUMS

Changing the Health Care Cost Discussion from “How Much?” to “How Well?”

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Dr. Fendrick is director of the Center for Value-Based Insurance Design at the University of Michigan where he oversees the center’s role in leading and advocating for the development, implementation, and evaluation of innovative health benefit plans. Value-Based Insurance Design (V-BID) is described by the Center as plans that “align patients’ out-of-pocket costs, such as co-payments, with the value of the services... and is built on the principle of lowering or removing financial barriers to essential, high-value clinical services.”¹ Dr. Fendrick’s research focuses on how clinician payment and consumer engagement initiatives impact access to care, quality of care, and health care costs.

Dr. Fendrick strongly believes in shifting the discussion from “how much” we are spending on health care to “how well” we are spending on health care. How does this happen? He first described ways in which research should be translated into policy. For example, innovations to prevent

and treat disease have led to reductions in morbidity and mortality; despite these advances, cost growth is the main focus of healthcare reform discussions. Additionally, underutilization of high-value services persists despite evidence of clinical benefits.

Fendrick explained that consumer cost-sharing is key to encouraging clinically appropriate use of health services. There is growing evidence that increases in cost-sharing leads to a reduction in the use of essential services and impacts behavior in healthcare utilization. “If you look at the typical benefit design, you will see cost-sharing is done in as one-size-fits-all.”

Fendrick went on to discuss the impact of high co-pays and coinsurance, which have a profound effect on medication adherence in important classes of drugs. High co-pays also increase disparities among economically vulnerable individuals and those with chronic conditions.

“Clinical nuance” is a term that Fendrick weaves into V-BID as an important characteristic of a plan and critical to healthcare transformation. Basically, clinical nuance is focused on making sure that the patient gets to the right provider at the right time – the service depends on who receives it and who provides it. “Clinical nuance acknowledges that medical services are different in the clinical benefit

they produce, in the setting of a payment and benefit design system that doesn’t acknowledge them.” Implementation of clinical nuance sets the consumer cost-sharing level based on the clinical benefit, not the acquisition price of the service.

Recent findings reveal that V-BID plans tend to be more generous; target high-risk individuals; offer wellness programs; and have a greater impact on adherence than other plans.² V-BID is included in the Affordable Care Act (ACA), and Selected Preventive Services without Cost-Sharing (ACA Sec 2713) is the more popular and non-partisan aspect of ACA. Fendrick concluded his presentation by describing the ongoing policy and implementation challenges and achievements.

Grandon Society Workshop Dr. Fendrick’s dynamic and humorous demeanor helped to provide a lively session for Grandon Society Members. He emphasized that it is far easier to cut cost than to reduce waste. He encouraged the audience to move away from the “one size fits all” model. He stated that the healthcare delivery system is the single best employer to put V-BID in place. Fendrick also shared information on the Coalition for Smarter Health Care – an advocacy branch of the Center aimed at furthering consumer access to high-value, affordable services.

REFERENCES

1. Center for Value-Based Insurance Design. What is Value-Based Insurance Design? <http://vbidcenter.org/about-us/>.
2. Choudhry et al. Five features of value-based insurance design plans were associated with higher rates of medication adherence. *Health Affairs*. 2014; 33(3).

ADDITIONAL RESOURCES:

Fendrick, AM, Ayanian JZ. Smarter consumer cost sharing using clinical nuance. *Harvard Business Review*. November 15, 2013.

Chernow M, Schwartz JS, Fendrick AM. Reconciling prevention and value in the health care system. *Health Affairs Blog*. March 11, 2015.

