

Value-Based Benefit Design: an innovative benefit strategy that links quality and cost



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Presentation Overview

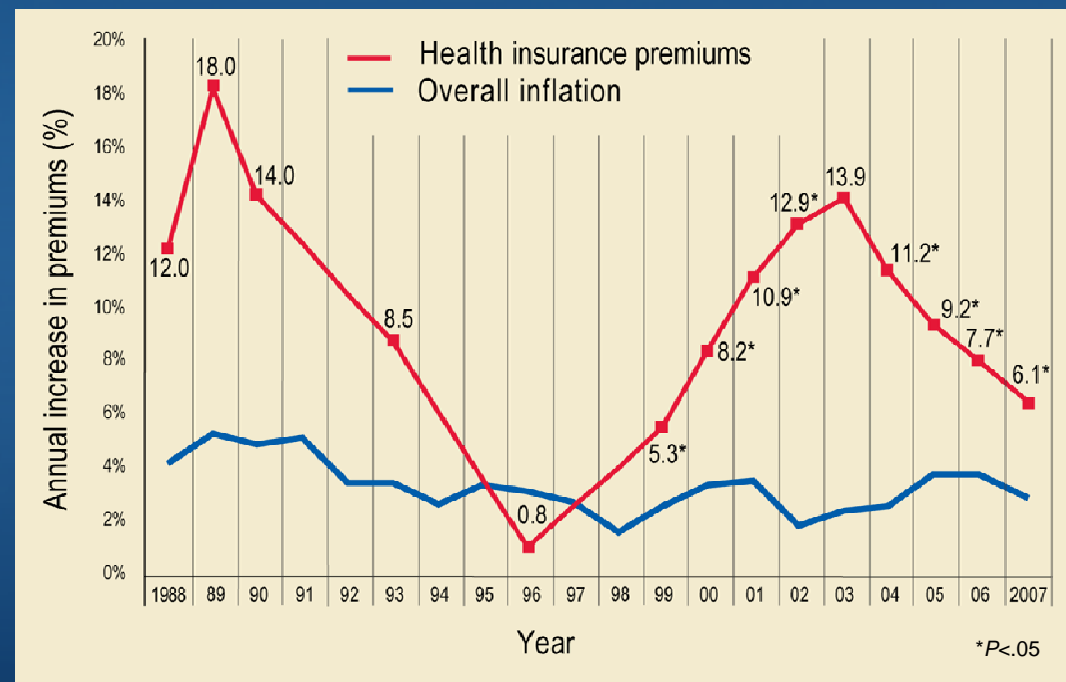
- Introduce value-based benefit design (VBBD)
- Describe how VBBD supports an integrated health management framework
- Explain the foundation of VBBD strategies
- Provide examples of the medical impact of VBBD
- Discuss the financial impact of VBBD
- Recommend a VBBD implementation approach



Employers have adopted strategies to address rising health care costs and health insurance premiums

- Premium growth from spring 2006 to spring 2007 slowed to 6%, but still outpaced inflation
- Reduced growth is attributed to increased cost shifting
- In response to untargeted across-the-board cost sharing, patients may
 - decrease use of lifesaving health care
 - have worse health outcomes as a result

Increases in Health Insurance Premiums Compared With Other Indicators (1988-2007)



*P<.05 vs previous year. Data reflect the cost of premiums for a family of 4. The average premium increase is weighted by covered workers. Adapted from Kaiser Family Foundation et al.



Early pioneers of VBBD addressed the unanticipated negative medical consequences of cost shifting

1997 **Asheville Project**

- Waived co-pays for all diabetes medications and supplies
- 5-year outcomes included lower overall medical costs and a decrease in the mean number of annual sick days used

2001 **Pitney Bowes**

- Reduced co-pays for all asthma, hypertension, and diabetes medications and diabetes supplies to the lowest pharmacy-benefit tier
- Direct medical costs and indirect costs decreased; diabetes medications are now provided at no cost
- Program now includes reduced co-pays for 7 other medications, including drugs used to treat seizures, hyperlipidemia, osteoporosis, and cancer

2006 **University of Michigan**

- Reduced co-pays for targeted services, including medications to prevent long-term complications of diabetes: co-pays for drugs used to treat hyperglycemia, hypertension, hyperlipidemia, and depression as well as for annual eye exams were reduced

Bunting BA et al. *J Am Pharm Assoc.* 2008;48:23-31; Cranor CW et al. *J Am Pharm Assoc.* 2003;43:173-184; Fendrick AM, Chernew ME. *Am J Manag Care.* 2006;12 (special issue):SP5-SP10; Lewis C. <http://www.sph.umich.edu/vbidscenter/pdfs/HealthLeaders-InterStudyJune2007.pdf>. Accessed March 2, 2008; Smerd J. <http://www.workforce.com/section/02/feature/24/85/02.html>. Accessed March 11, 2008; Tu HT, Ginsburg P. <http://hschange.org/CONTENT/913>. Accessed March 4, 2008.

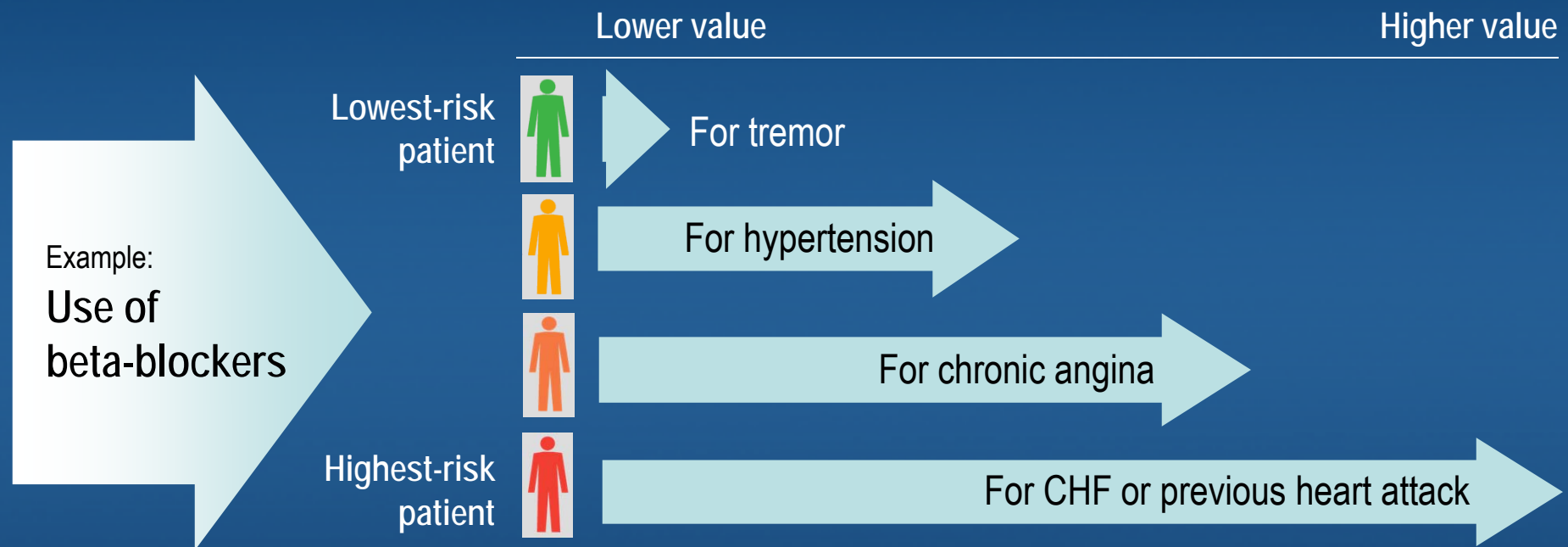


Value-Based Benefit Design – a fundamental change to the way health benefits are structured

- VBBD is a strategy that minimizes or eliminates out-of-pocket costs for high-value services in defined patient populations
 - High-value services are identified through scientific evidence
 - The more **clinically beneficial** and **cost-effective** the therapy is for a patient group, the lower the out-of-pocket costs
- **Lowering out-of-pocket costs for high-value services** has been found to improve access to and use of those services
- More effective use of high-value services may positively impact the health of the targeted population
 - Preventable adverse health consequences reduced
 - Related high-cost health care services avoided



A medical service can offer a range of value – from low to high – depending on the patient who receives it



Arrows illustrate concept; they are not quantitative. Adapted from concept by AM Fendrick, MD.

- VBBD adjusts out-of-pocket costs to promote the use of high-value services to help improve health outcomes at any level of health care expenditure

CHF=congestive heart failure

Fendrick AM et al. *Am J Manag Care*. 2001;7:861-867; Fendrick AM, Chernew ME. *Am J Manag Care*. 2006;12 (special issue): SP5-SP10. Fendrick AM, Chernew ME. *J Gen Intern Med*. 2007;22:890-891; Fraker TD et al. *Circulation*. 2007;116:2762-2772.



VBBD supports an integrated health management approach to promote total employee health



Integrated Health Management (IHM) Approach

Wellness and Health Promotion

- Health education
- Health risk assessment and screening programs
- Lifestyle management programs

Incidental Illness and Chronic Disease

- Health insurance plan
- Short-term disability
- Disease management programs

Complex-Catastrophic Individual Cases

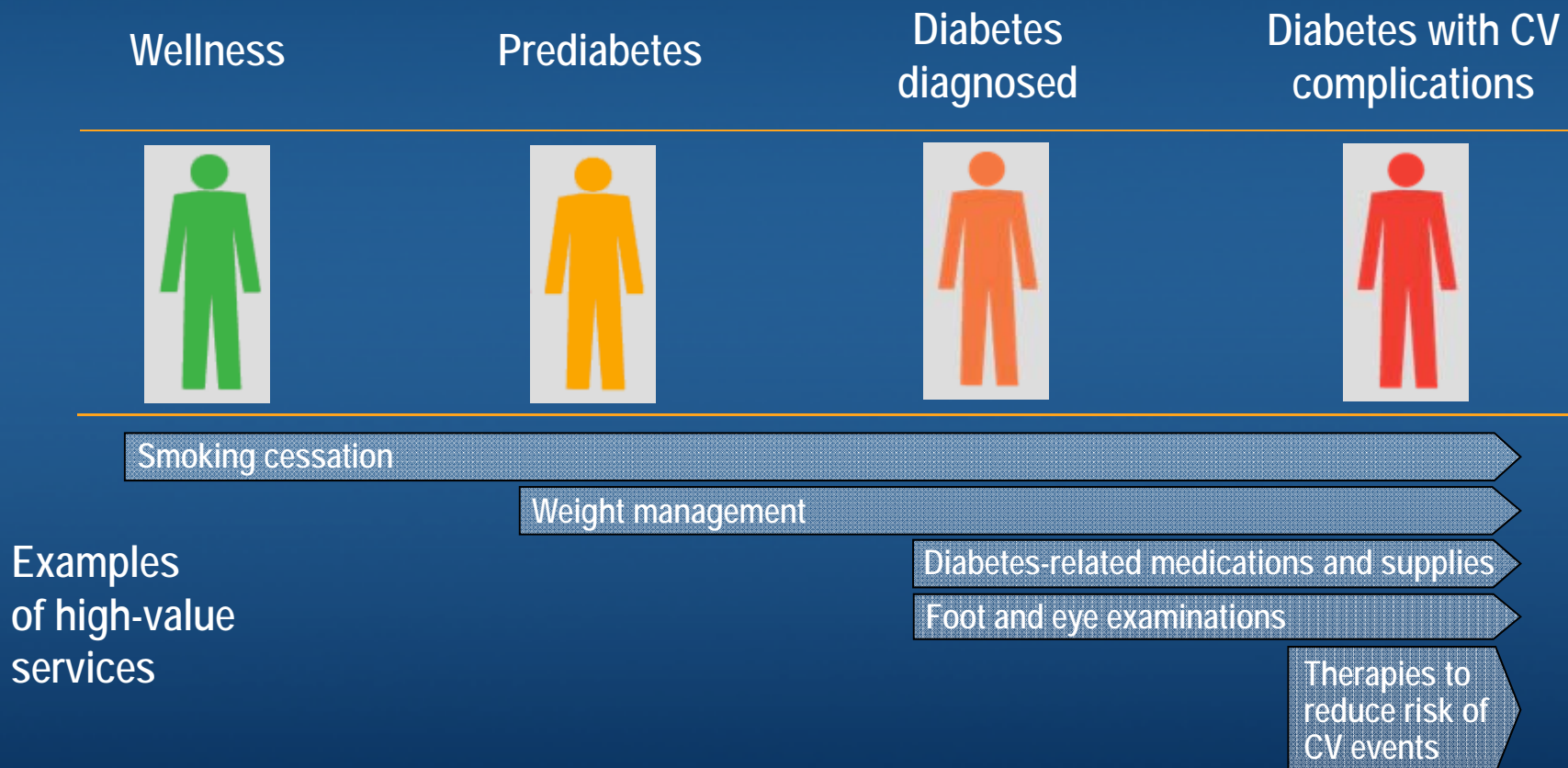
- High-cost case management
- Long-term disability
- Centers of excellence for high-cost conditions

New ACOEM and IBI partnership to promote health and productivity management in the workplace. [news release].
Chicago, IL: ACOEM. November 27, 2006.



Diabetes: an example of how VBBD benefits can support high-value services at various health risk levels in an IHM approach

VBBD supports high-value services for patients at higher risk



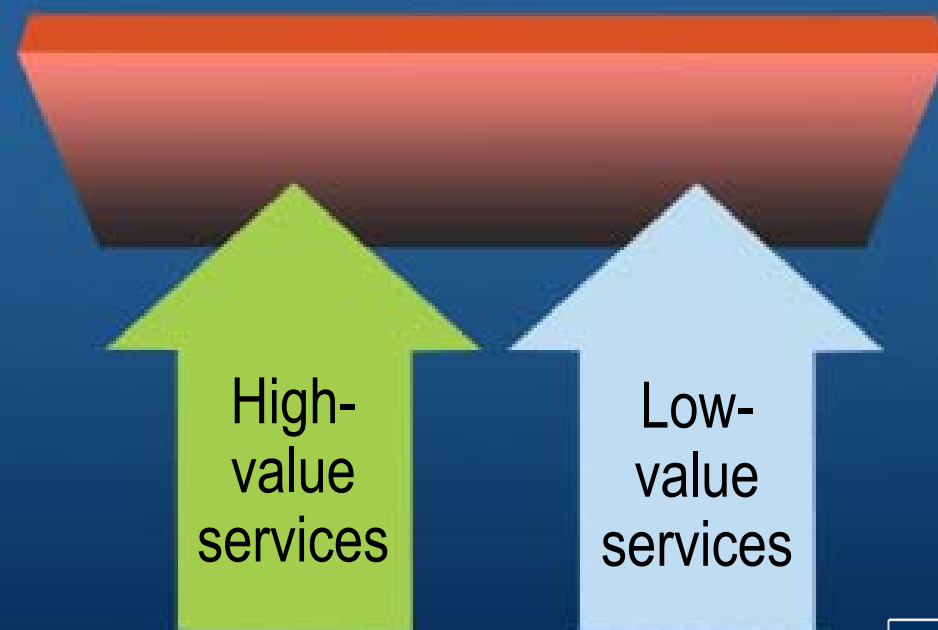
ADA. *Diabetes Care*. 2007;30(Suppl 1):S4-41; Benefit-based co-pays in the real-world: the employer perspective. *Am J Manag Care*. 2006;12 (13Suppl): S353-S358; Shepherd J et al. *Diabetes Care*. 2006;29:1220-1226; Jönsson B et al. *Diabetologia*. 1999;42:1293-1301.



Across-the-board cost sharing is a barrier to both high-value and low-value services

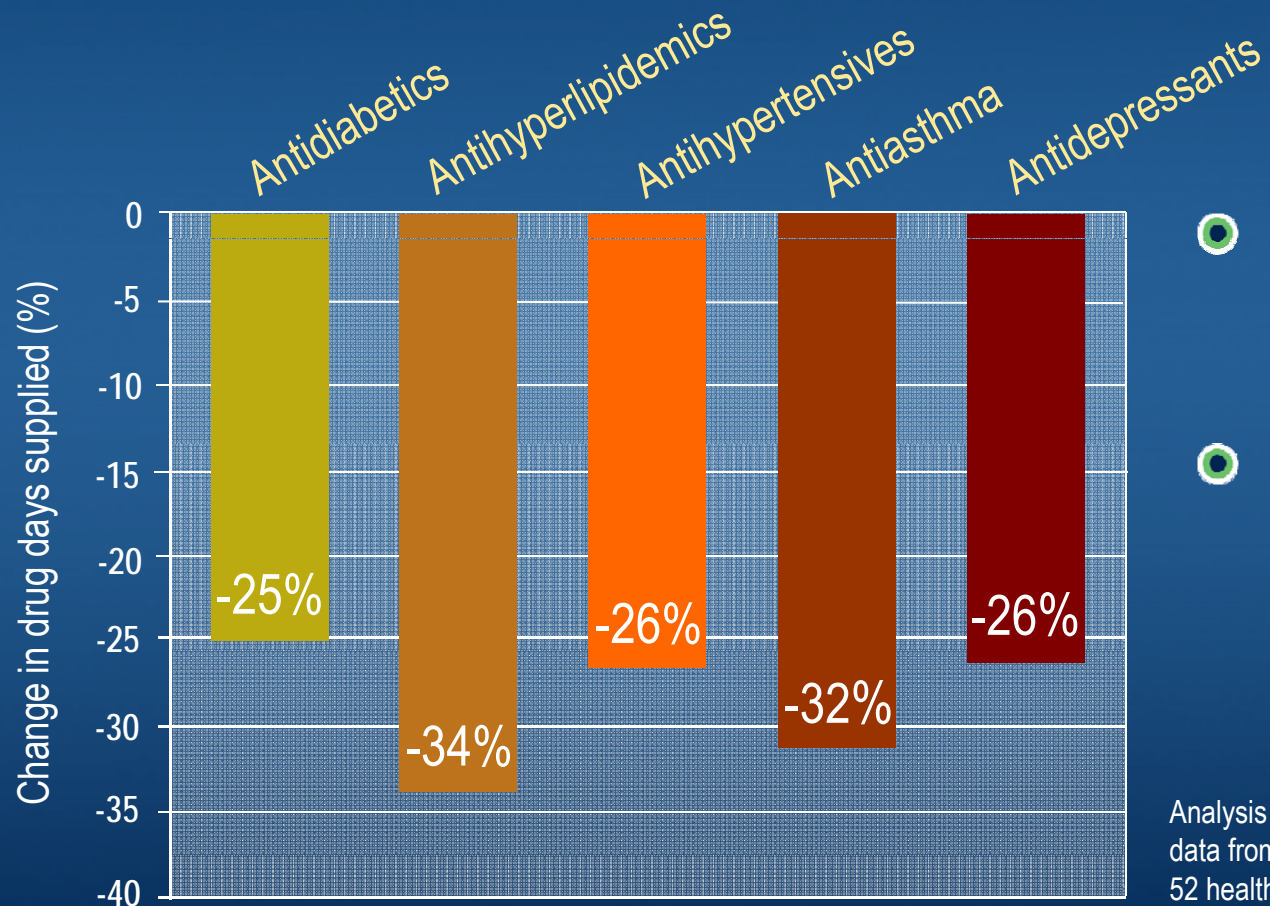
- In a RAND study, persons with high co-pays decreased their use of both low-value services (eg, antibiotics for viral infections) and high-value services (eg, antihypertensive agents)

Traditional cost sharing



Increased out-of-pocket costs may reduce adherence

Percent change in days of medication supplied for selected medication classes when co-pays were doubled



- When co-pays were doubled, patients took less medication
- These reductions in medication use were profound, up to 1/3

Analysis of pharmacy claims data from 30 employers and 52 health plans.

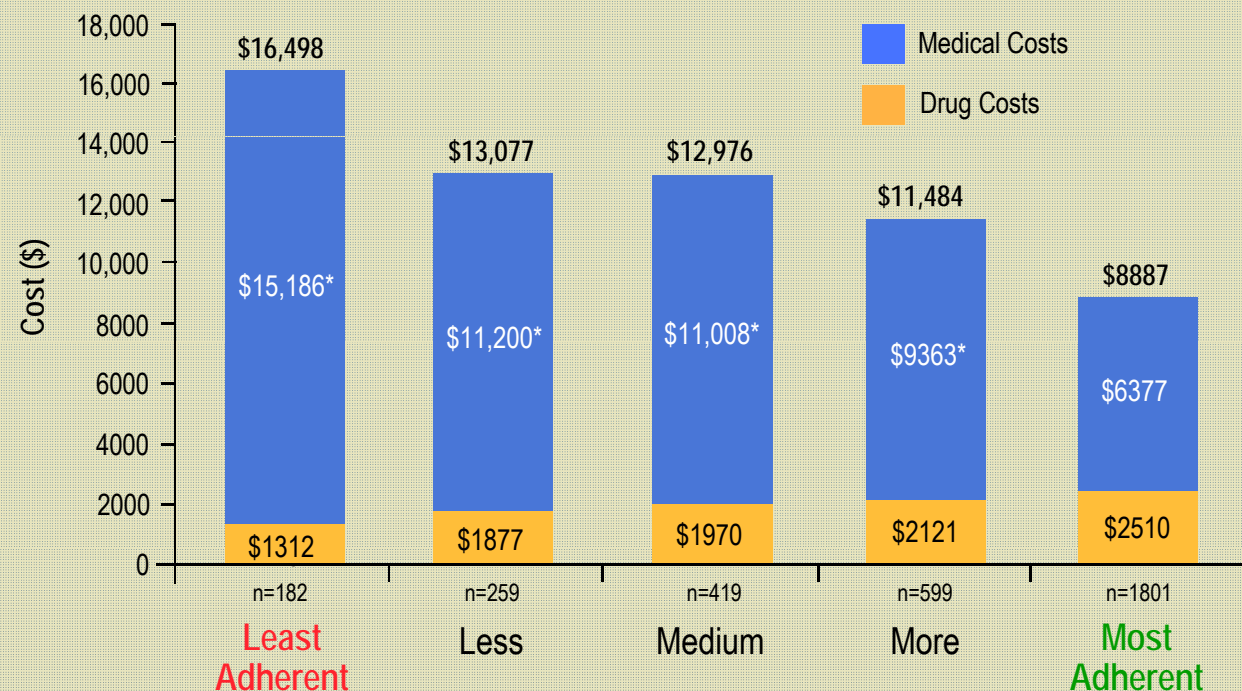
Adapted from Goldman DP et al. *JAMA*. 2004;291:2344-2350.



Lower rates of medication adherence lead to higher total medical costs in patients with diabetes

- Patients who were most adherent had total costs 49% lower than patients who were least adherent
- Similar findings were reported for hypertension and hyperlipidemia
- Patients who were most adherent were less likely to be hospitalized than patients with lower adherence levels ($P < .05$)

Mean medical and drug costs by adherence-rate category over 12 months (patients with diabetes)



* $P < .05$ compared with medical costs for most adherent.

Retrospective cohort study of sample of 137,277 patients aged <65 years.

Adapted from Sokol MC et al. *Med Care*. 2005;43:521-550.

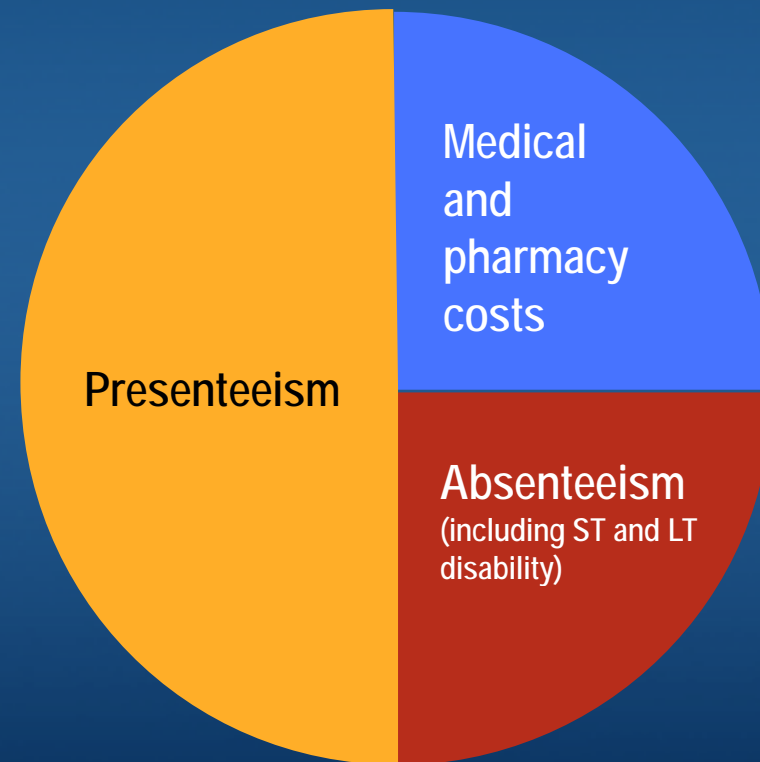


The cost link between health and productivity

Studies show that for every dollar of medical and pharmacy costs, there are 2 to 3 dollars of health-related productivity costs

- Medical and pharmacy costs account for about $\frac{1}{4}$ of overall health-related costs
- Another $\frac{1}{4}$ is caused by absenteeism and disability
- About half of the total cost is related to presenteeism (productivity loss during paid work time)

Relative costs of poor health



Relative costs are approximate.

ST= short term; LT= long term.

Good health is good business. *J Occup Environ Med.* 2006;48:533-537.



Examples of high-value services based on clinical research applications for VBBD strategy

Selected high-value services	Indication
ACE inhibitors	After heart attack; diabetes with microalbuminuria
Antihypertensive therapy	High blood pressure
Beta-blockers	After heart attack
Cholesterol-lowering medications	Secondary prevention of heart attack
Colonoscopy*	Screening: age ≥ 50 years
Mammography	Screening: age 45-69 years
Pap smear	Screening sexually active women
Smoking cessation	All smokers who want to quit

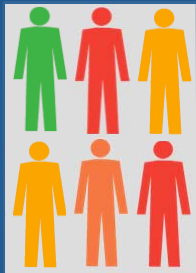
ACE=angiotensin-converting enzyme.

Adapted from Braithwaite R, Rosen AB. *Ann Intern Med.* 2007;146:602-605.

*http://www.cancer.org/docroot/PED/content/PED_2_3X_ACS_Cancer_Detection_Guidelines_36.asp

Phases of development of VBBD strategy

Identify



High-cost conditions

Targeted population groups

Design



Cost-benefit analysis

Tailor benefits to risk groups

Implement



Provide services

Communicate to employees

Integrate vendors

Evaluate



Clinical impact

Financial impact

Employee satisfaction

Adapted from a concept by AM Fendrick, MD.



Key steps for employers for the creation of a VBBD strategy

1. Use best available data for risk profiling of the insured population
 - HRA information (Smoker? Activity level? Employee age groups?)
 - Biometric screening (glucose levels, blood pressure, etc)
 - PBM data: High volume medications – for what conditions
 - Claims data: High volume utilization – high-cost conditions
2. Consider a cost-benefit analysis or predictive modeling to identify company's highest-cost conditions; analysis may provide link to known high-value services
 - Link high-value services to waivers of deductibles and co-pays
 - Leave cost sharing unchanged where cost/benefit is ambiguous
3. Share data to engage C-Suite in support of strategy and implementation

HRA= health risk assessment.

Continued



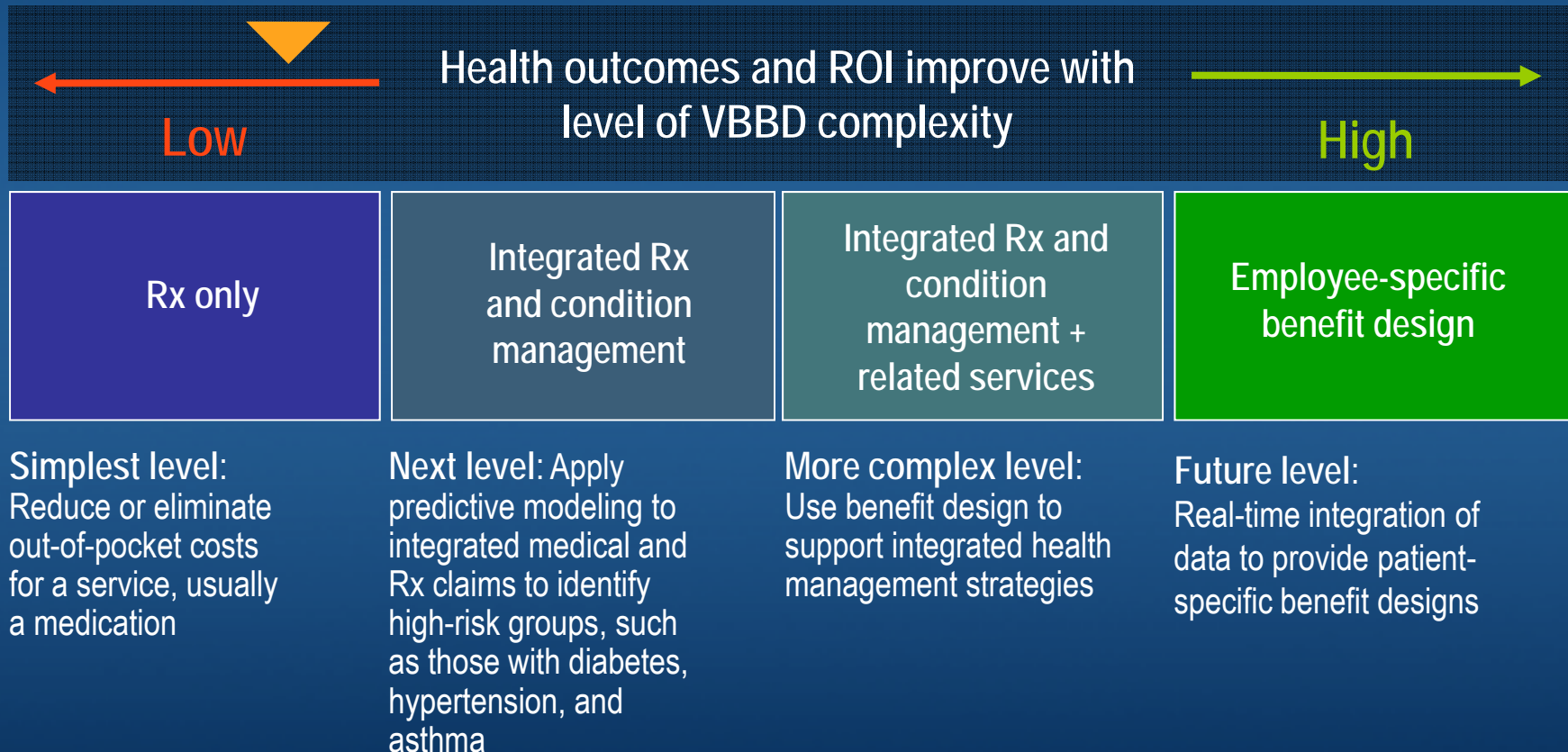
Key steps for employers for the creation of a VBBD strategy

4. Convene vendors of all health care-related services and programs
 - Encourage cross-referrals between vendors
 - Work toward integrated data (medical, pharmacy, lab, disease management, disability, productivity, etc) to assess use and costs
5. Design a comprehensive employee communication program
 - Integrated health program and health benefits require ongoing reinforcement to increase awareness and promote use
 - Reassurance of employee confidentiality is critical
6. Determine and plan, prior to implementation, evaluation approach
 - Employee participation and satisfaction rates
 - Impact on direct medical costs
 - Impact on productivity and indirect costs



Where is your company in the phases of VBBD?

Most current programs
are here



ROI = return on investment.

Chernew ME et al. *Health Aff (Millwood)*. 2007;26:w195-w203; Fendrick AM, Chernew ME. *Am J Manag Care*. 2006;12:SP5-SP10.



Value-based benefit design: an opportunity to make the most of each health dollar spent

VBBD services

- May help moderate the increasing costs of health care
- Give you the ability to target services that have the greatest potential to improve employee health and productivity
- Are an opportunity to maximize the value of each health dollar spent





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Existing programs by companies that have adopted VBBD demonstrate that barriers to implementation can be overcome

Concerns	Options
Data issues (identification of condition or disease state, integration across vendors)	Start with disease states that are easy to identify from claims data (eg, diabetes); coordinate with PBM vendor
Justification of ROI with high employee turnover	Select interventions with short-term benefits (eg, smoking cessation)
Cost of program implementation	Start with less data-intensive programs
Insufficient clinical support	Focus on conditions with extensive clinical support (eg, diabetes, smoking, cholesterol)
Human resource concerns	Commitment to protecting employee privacy; ongoing communication about program approach and objectives to all stakeholders
Barriers with insurance structures, such as high-deductible plans or state-regulated HMOs	Existing programs show that regulatory issues can be successfully addressed