



EBRI 63rd Policy Forum December 4, 2008

An Integrated Approach to Value-Based Design—Theory and Results

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Consumer Driven Health Care— Some Good Initial Results, but Questions Linger

Employers adopting CDH plans have shown good, short term, economic results

Longer term, there are questions about the quality of cost reduction

- Are employees being “good” consumers or “bad” consumers?
 - Preventive care, ER visits, generic drugs, clinics, imaging, etc.
 - Or, not going to the doctor until there is a critical and expensive need?
- Recent news items about employees delaying care
- Issue—Are incentives aligned not just with cost, but with efficacy of care?

Value Based Design can complement a CDH strategy to address critical gaps in care

Goal—All the care you need, only the care you need



Why Do We Need Value-Based Design?

Key Facts and Figures

Only 55% of Americans receive the care they need, as indicated by medical evidence¹

79,000 Americans die each year because they do not receive evidence-based care for chronic conditions like high blood pressure, diabetes, and heart disease²

There are significant, unwarranted, and inexplicable variations in health care practices across geographic and racial groups³

¹RAND; ²NCQA; ³IOM



Defining Value-Based Design

Simply put...value-based designs set cost-sharing on value, not price

"Value" is derived from evidence-based care guidelines

Premise behind value-based design

- ▣ Lowering member cost-sharing may increase utilization of high value services, leading to better health outcome

Needs to work in concert with initiatives such as CDHPs, DM, HPNs, Coaching, and P4P to optimize health care effectiveness and efficiency

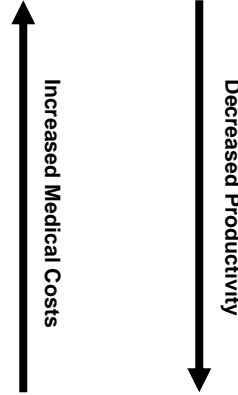


VBD—Fiscally Responsible and Clinically Sensitive



Noncompliant Patient

Leads To



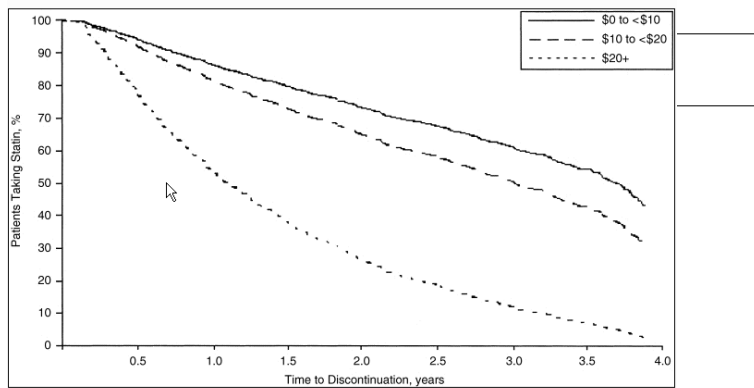
VBD, when coupled with other health management programs

- ▣ Reduces financial barriers to essential care
- ▣ Improves compliance with necessary treatments
- ▣ Reduces medical costs and improves productivity over time



Impact of Increased Cost-Sharing on Utilization

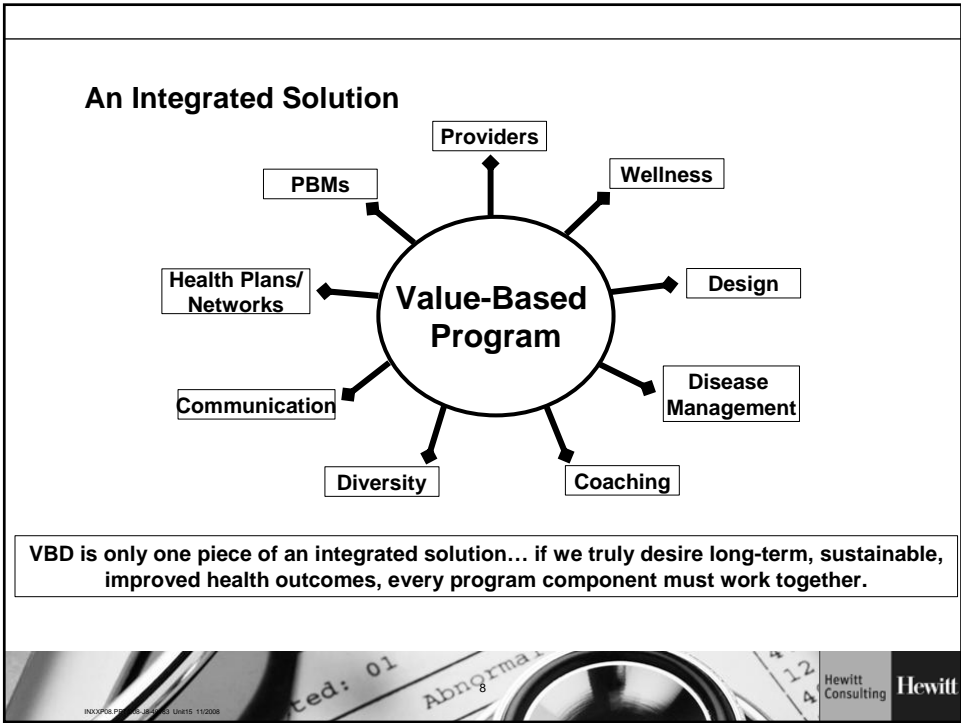
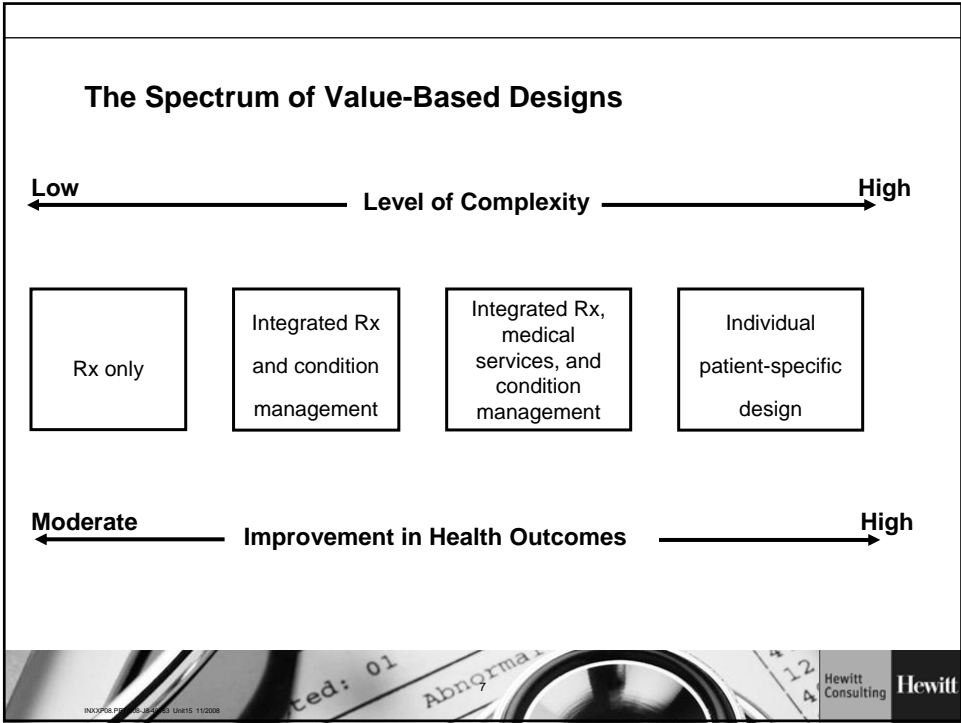
Compliance with Statin Therapy Stratified by Mean Prescription Copayment



Survival curves for discontinuation of statin therapy by range of mean prescription copayment. Adjusted for all available covariates. The median time to discontinuation was 3.9+ years for \$0 to <\$10, 2.2 years for \$10 to <\$20, and 1.0 year for \$20+.

Adapted with permission from Blackwell Publisher Ltd. Journal of General Internal Medicine, June, 2004, Volume 19 Issue 6. "Suboptimal Statin Adherence and Discontinuation in Primary and Secondary Prevention Populations." Authors: Jeffrey J. Ellis, PharmD, MS, Steven R. Erickson, PharmD, James G. Stevenson, PharmD, Steven J. Bernstein, MD, Renee A. Stiles, PhD, A. Mark Fendrick, MD





Hewitt's VBD Economic Model

Our economic model was developed in an exclusive partnership with Dr. Mark Fendrick, MD (University of Michigan) and Dr. Michael Chernew (Harvard University)

- ▣ Model is founded on economic principles of elasticity
- ▣ Sits atop Hewitt's proprietary actuarial pricing model

The model incorporates an employer's actual prescription drug claims/utilization data to estimate impact of a VBD program

Output is the increase in cost to implement a value-based benefit design

- ▣ Can incorporate the estimated offsets due to improved medical and productivity outcomes
- ▣ Can also estimate the needed change in design for non-Value-based prescription benefits



Employer Response

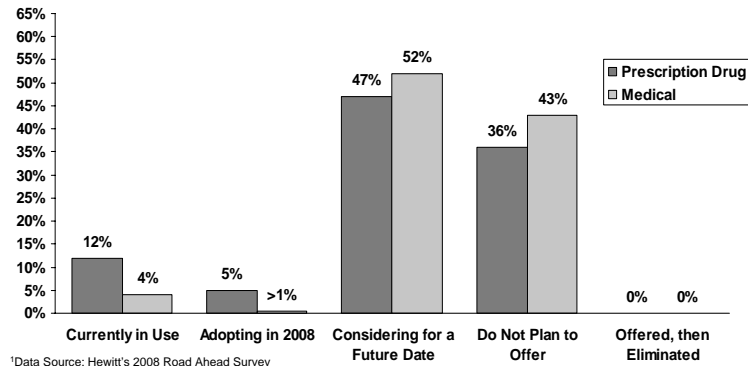
Hewitt has convened a roundtable of employers who have implemented or are considering implementing VBD programs

- ▣ We have seen tremendous energy from this group
- ▣ Learnings and Barriers identified by the Roundtable
- ▣ "Understanding and implementing consistent outcomes—based on metrics across health plans and PBMs"
- ▣ "Need better understanding of ROI possibilities and potential administrative roadblocks"
- ▣ "Want to see demonstrated short and long term ROI; major barrier is finalizing design and ROI methodology"
- ▣ "Administration and communication"



Employer Response¹

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



Our Approach to Value-Based Design

A value-based benefit program must integrate with other programs

- It's not the "silver bullet"!
- VBD ROI will depend heavily on other programs already in place
 - VBD-specific ROI will be difficult to quantify in a well-constructed wellness/risk-based program

Feasibility is the first step

- Quantify at a high level whether the approach makes sense, using employer's own data
- Integration with other programs is crucial
- Implementation needs to be in partnership with PBM and medical plans

