

# The Future of Value Based Benefit Design

Andrew Webber, President and CEO  
National Business Coalition on Health

National Consumer Driven HealthCare Summit  
October 21, 2008



# National Business Coalition on Health: An Introduction

- **Identity:** National, non-profit membership association of **60** business and health coalitions. Network of **7,000** employers and **30 million** covered lives
- **Vision:** Health improvement, health care transformation, community by community
- **Mission:** Building coalition and employer capacity to be change agents



# The Question I Wanted to Ask:

***Senators Obama and McCain, why do we spend twice as much money on health care per citizen than any other country on earth, yet rank 37<sup>th</sup> in health status.***

**We Can Do Better!**

# If I Were King for the Day:

## ***Change the Fundamentals:***

- Focus on all determinants of health and build a culture of health
- Reorient and reengineer the health care system
- Reform provider payment
- **Activate consumers**

# The Role of Value Based Benefit Design in Consumer Activation



# Consumer Activation and Choice

***The Goal – To influence the individual consumer to make informed choices at many levels:***

- to live a healthy lifestyle;
- to seek preventive services/care when sick;
- to share in, and make the right, treatment decisions;
- to comply with treatment regimen and self-manage, particularly chronic disease;
- to select a plan, hospital, physician.

# What is Value Based Benefit Design?

- The explicit use of employee **benefit architecture** and **consumer incentives** – e.g. rewards, premium share, copay levels – to encourage individual **choice of healthy lifestyles, high value treatments/services, and high performance plans and providers;**
- Basic health insurance design should **tier** medical treatments/services **by evidence of effectiveness** and providers **by evidence of performance**
- **Premium share and copay levels should vary** by tiers to steer individuals toward effective services and high performing providers.

# Why is Value Based Benefit Design Needed?

## *Key Principles:*

- Economic **incentives can influence** behavior
- Individual **cost sharing is both inevitable and needed** in eliminating the consumer entitlement mentality and activating consumers. But blunt cost shifting strategies can be counterproductive;
- Consumer **incentives in isolation are not enough.** Incentives must be joined by timely information, coaching/counseling, and peer support – all from a trusted source.
- Incentives for consumers must be **aligned** with payment incentives for health care providers.

# Some Early Pioneers

- **United HealthCare** – Healthy Lifestyle
- **General Motors** – Health Plan choice
- **Maine State Employee Health Commission** – Hospital choice
- **Carol.com** – Care package choice
- **Pitney Bowes** – Pharmaceutical choice
- **The Asheville Model** – Mixed model
- **Hannaford and Colorado Springs School District** – Non-invasive surgery choice

# The Barriers to VBBD

- Gaps in the comparative effectiveness research and performance measurement
- Administrative complexity with greater customization – expect initial health plan resistance
- Legal questions and political constraints
- ROI for VBBD not yet established
- Absence of bold employer leadership

# The Future of VBBD

- Consumer **cost sharing is a reality** and it's not going away
- Consumer backlash to blunt cost shifting will create opening for **VBBD as alternative**
- **Pioneer employers** in private sector will continue to lead
- **Health plans will respond** if enough of their employer customers demand VBBD

# The Future of VBBD (cont.)

Watch for advent of “back to the future” strategies - **lowering premium share for selecting:**

- High performance and closed panel provider networks
- Primary care “gatekeepers” now designated as “medical homes”

# The Future of VBBD (cont.)

And continued spread of **waiving or lowering consumer copays** for effective services, particularly for:

- Preventive services
- Chronic care management services

# The Future of VBBD (cont.)

And continued spread of **rewards**, through gifts, dollar rewards, and premium share reductions for:

- maintaining good health by the numbers
- reducing health risks (e.g. smoking cessation, weight reduction)
- pursuing healthy lifestyle (i.e. exercise)

# The Future of VBBD

And **elevating copays** or assigning complete consumer economic responsibility for inappropriate services:

- Diagnostic procedures (e.g. lumbar spine MRI prior to conservative therapy)

And instituting/mandating **informed decision making process** for:

- Procedures (e.g. angioplasty; prostatectomy)

# Future of VBBD (cont.)

## ***Tipping Point Indicators:***

- Better branding of VBBD
- Documented ROI
- Political acceptance from consumer groups, unions, Democratic Party
- Adoption by majority of large employers
- Creation of new product lines by health plans

# Conclusion

- Our collective goal should be **improving the health** of all Americans!
- **Consumer activation and choice** is a key element of genuine health and health care reform
- **Value based benefit design** has not yet reached a tipping point but, with public and private purchaser leadership, it can!

# Contact Information

**Andrew Webber**

**President & Chief Executive Officer**

National Business Coalition on Health

1015 18<sup>th</sup> Street, N.W., Suite 730

Washington, DC 20036

(202) 775-9300

[awebber@nbch.org](mailto:awebber@nbch.org)





NATIONAL BUSINESS COALITION ON HEALTH'S  
*13th* Annual Conference

THE EMPLOYER CHALLENGE:  
Connecting Health, Health Benefits, & Business Strategies

November 9-11, 2008  
JW Marriott Pennsylvania Avenue  
Washington, DC

Save the Date