

Value-based Benefit Design

An Evidence-based Approach to Chronic Disease Prevention and Treatment

The Problem

- At least 50 percent of an organization's health care costs are driven by lifestyle-related behaviors of employees, such as smoking, poor diet and lack of exercise. These behaviors lead to the early onset of chronic diseases, which drive employer health care costs higher and diminish employee productivity.
 - Workers under age 55 with heart disease are eight times more likely to experience reduced productivity than workers without heart disease.
 - Workers under age 55 with diabetes or arthritis are, respectively, six and four times more likely to report presenteeism and absenteeism.
- A survey of 1,400 corporate chief financial officers in 2006 revealed that 46 percent are addressing the high cost of health care through premium increases and cost shifting. Research shows this approach actually increases employer health care costs.¹
 - Cost shifting creates barriers to healthy behaviors and reduces patient and physician efforts to engage in preventive care.
 - When co-pays are increased, patients are less likely to take medications that effectively treat chronic diseases including hypertension, cholesterol and diabetes. In turn, hospital ER visits and hospital stays also increased by more than 10 percent.
- Research shows that 10 percent of patients account for 70 percent of costs in a given year. It is unlikely that financial incentives have a large impact on the sickest patients. However, increased costs to the patient will reduce the likelihood that employees will engage in recommended screenings that can lead to early detection of chronic conditions that may reduce future costs.²

A Solution

Value-based benefit design (VBBD) is a strategy pioneered by large, private sector employers to improve employee health outcomes and productivity while better managing rising health care costs—especially around high-cost, chronic diseases. Instead of trying to control and limit care, VBBD looks for ways to **remove barriers to appropriate and effective care**.

Key principles of VBBD include:

- Value based-benefit packages adjust patients' out-of-pocket costs for health services based on an assessment of the clinical benefit to the individual patient;
- The more clinically beneficial the therapy for the patient, the lower the patient's cost share; and
- Higher cost sharing is applied to interventions with little or no proven benefit.³

An effective value-based benefit design model would reflect:

- Benefit tiers based on strength of scientific evidence or effectiveness;
- Provider network selection based on performance with employee cost-sharing encouraging use of high performers; and
- Physicians, hospitals and networks are recognized for excellence and receive higher payment.⁴

Examples Where Co-pay Reductions Increase Adherence to High-Value Drug Classes

A large services industry employer reduced co-pays for generic medications from \$5 to \$0, while co-pays for branded drugs were cut in half for five classes of drugs for certain classes of drugs.

- As a result, employees' prescription drug non-adherence rates fell by 7-14 percent.⁵

Pitney Bowes moved three classes of drugs used for high cost chronic diseases (asthma, diabetes and hypertension) from Tiers 3 or 2 to Tier 1 producing the following results:

- The company's annual net employee health care cost increase of 8.1 percent compared to 17.2 percent for benchmark companies; and
- Diabetes patient ER visits eventually decreased by 21 percent.⁶

A Resource Guide for Implementing Value-based Benefit Design

Redesigning an employee health benefit plan can present major challenges for self-insured employers, plan managers, insurance companies and enrollees. One key element of success is forward-looking information gathering to evaluate current employee health status and health benefits based on value.

This guide is designed to help employers navigate those challenges, provide templates of the key information tools, case studies, and step-by-step guidelines to implementing new, more effective benefit design programs.

¹ Robert Half Management Resources, March 2006; and, Goldman DP, Joyce GF, Escarce JJ, et al. Pharmacy benefits and the use of drugs by the chronically ill. JAMA.2004;2344-2350.

² Issue Brief No. 109, Ha.T. Tu, Paul B. Ginsburg, Feb. 2007, "Benefit Design Innovations: Implications for Consumer-Directed Health Care," Center for Studying Health System Change.

³ A. Mark Fendrick, MD, University of Michigan Center for Value Based Insurance Design

⁴ Current Landscape: Value-based Benefit Design, presentation by Jack Mahoney, M.D., M.P.H, Chief Consultant for Strategic Health Initiatives for Pitney Bowes, September 16, 2008.

⁵ Adapted from Chernew ME, et al. Health Affairs. 2008;27(1):103-112.

⁶ Sanofi-aventis. A Bold New Approach to Pharmaceutical Benefits. MGC-BH-20358-1.2005

For additional information and wellness contacts, visit the Texas Coalition for Worksite Wellness online at www.txworksitewellness.org

