Payment Models and Benefit Design

Presentation to the Massachusetts Special Commission on the Health Care Payment System

February 13, 2009

Deborah Chollet, Ph.D.
Mathematica Policy Research, Inc.
Thinking About Benefit Design

Delivery System

Payment approaches

Benefit Design

Provider incentives

Consumer incentives
Benefit Design Strategies: Evidence-Based Purchasing

- **Consumer-directed health plans**
  - Use high deductibles coupled with personal health spending accounts to increase consumer accountability for health care spending

- **Tiered networks**
  - Group providers into tiers based on their costs or quality, and reward consumers with favorable prices for choosing providers in higher quality or lower cost tiers.

- **Other options**
Developing an Evidence Base

- **AHRQ Evidence-Based Practice Centers**
  - 5-year contracts, since 1997
  - Develop evidence reports and technology assessments on clinical, social science/behavioral, economic, and other health care organization and delivery issues
  - High cost, high volume, Medicare/Medicaid

- **Managed care organization initiatives**

- **State initiatives**
  - Drug Effectiveness Review Project
  - Health care technology assessment programs

- **Veterans Administration**
Consumer-Directed Health Plans (CDHPs)

- Plans with greater cost sharing to engage consumers in health care decision-making that considers cost.

- May be coupled with personal health accounts to help pay uninsured expenses:
  - Medical Savings Account (MSA)
  - Health Savings Account (HSA)
  - Health Reimbursement Account (HRA)

- May be coupled with consumer information about cost and quality of providers and treatment options.
Implementation of CDHPs

- Low offer by employers, but increasing as premiums continue to rise

- Risk of service under-use
  - Few employers that offer CDHPs sponsor or contribute to personal health accounts
  - Only about half of personal health accounts have balances equal to the deductible

- Some plans focus on consumer information about quality and effectiveness, but most do not.
Preliminary Evidence of Impact

Available evidence suggests that:

- In practice, implementation usually lacks the consumer financing and information components of the model
- When a CDHP is offered as an option, take up is greater among higher-income and healthier employees, at least initially
- Insufficient evidence of cost saving
- Enrollee satisfaction is generally lower, possibly due to problems understanding risk
- Evidence that benefit design specifics matter, but no evidence yet about optimal design
Tiered Networks

- System of consumer cost incentives, deploying available data on provider performance
- Intended to encourage consumers to choose high quality, cost-effective providers
- Assumes that consumers make better decisions about health care when they have access to good cost and quality information
- To date, tiered-network plans hold low market share
Basic Conditions for Effective Tiering

- Uses valid and accepted performance measures
- Ensures consumer understanding of incentives and quality measures, and access to high-quality providers
- Gives providers the information necessary to improve performance
Recent Developments: Standards

  - Consumer-Purchaser Disclosure Project, a coalition of consumer employer, and labor organizations
  - Commits insurers that use physician reporting programs to inform consumers, to
    - Periodic independent review of physician reporting programs
    - Abide by standard “Criteria for Physician Performance Measurement, Reporting and Tiering Programs”
    - Full public disclosure of performance results against minimum standards and national benchmarks
Recent Examples of Implementation

- **GIC Select & Save plans (July 2008)**
  - Tiers primary care physicians and at least six core specialties: Cardiology, Endocrinology, Orthopedics, Rheumatology, Gastroenterology, and ObGyn
  - Three tiers (excellent, good, standard), based on claims analysis
  - GIC members pay a lower office visit copayment for higher-ranked Tier 1 and 2 physicians
  - Endorses the Patient Charter

- **BCBS of MA Network Blue options** – tiered copays for network hospitals and physician group practices
Evidence of Impact

- No research basis yet for understanding the effects of tiered networks or how they interact with other consumer-oriented strategies
Other Benefit Design Options

- Incentives to use appropriate preventive care
- Reduced/no cost sharing for specific diagnoses where recommended care regime is proven cost effective
  - Primary care services
  - Prescription drugs
General Conclusions

- Payment models that focus on outcomes are likely to be more effective if consumer incentives are aligned to improve compliance.

- While Commission role is focused on payment, follow-on activities might usefully consider benefit design.