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VBD Programs Are Growing, but Still Rare in Small-Group Market

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By Steve Davis, Managing Editor - December 26, 2011 - Volume 21 Issue 45

A few large, self-insured employers such as Pitney Bowes, Inc. have successfully used value-based benefit designs (VBD) to reduce coverage costs and improve employee health. Although health insurers are focusing greater attention on value-based design plans, few of them have made VBD plans available to small employers. One San Francisco-based health plan, however, says small employers are hungry for such product designs.

San Francisco-based SeeChange Health boasts that it is the nation's only health insurer that includes incentives in all of its health coverage products and offers only VBD options. The company's insurance arm targets employers with fewer than 50 employees and seeks out chronically ill members — as well as those at risk for developing chronic conditions — and offers them richer benefits in exchange for compliance in managing the condition (*HPW 10/5/09, p. 1*).

In November, the company launched an administrative services only (ASO) product for self-insured employers in all 50 states. The company's plan design uses financial incentives to encourage members to seek preventive care and comply with recommended treatment plans for chronic diseases.

"As much as they'd like to think otherwise, traditional carriers are not really known for being innovative," says SeeChange Health CEO Marty Watson. "Health plans don't yet seem comfortable with doing this for their fully insured book...because frankly it hits their bottom line pretty dramatically initially."

One exception, he notes, is UnitedHealth Group, which he says was among the first large health insurers to embrace VBD on a large scale.

United Touts VBD Results

UnitedHealth says its VBD programs, which are designed for large employers, are proving to be effective. One program focuses on helping members manage a chronic illness, while another targets pharmacy adherence, and a third uses rewards and financial incentives to encourage healthy behaviors.

UnitedHealth says its Diabetes Health Plan, which is available to self-insured clients, reduces or eliminates out-of-pocket costs for diabetic and pre-diabetic members who follow medically proven preventive steps to manage the condition (e.g., regular blood-sugar checks and preventive screenings). Health care costs for an individual with diabetes average more than \$11,700 a year, compared with \$4,400 for employees without diabetes, according to UnitedHealth. Participants can reduce out-of-pocket costs by up to \$500 a year.

Last year, the company launched a program that offers \$20 discounts on certain prescription copays for members who refill their medications on a timely basis. The Refill and Save Program, which includes certain asthma drugs and antidepressants, reduces a customer's copayment for refills of these drugs by \$20 — a 40% savings on a typical copay plan, the company says.

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