HealthAffairs Blog

Employers As Doctors

John Goodman **January 21, 2011**

If you don't keep up with the latest twists and turns in healthy policy, you probably don't know what value-based health insurance benefits are. A *Health Affairs* article takes a focused look at it.

Here is my layman's summary: If you are like most people, you are not a very good consumer of health care. Odds are, you will fall for the latest fad advertised on TV or follow the advice you get at the bridge club instead of buying the care that has been scientifically shown to be better for you.

So as a corrective, a lot of employers are finding ways to "nudge" you into better decisions through financial incentives. Say you have a chronic condition and need to take certain medications. Your employer might drop your deductible down to zero (or may even pay you to take them) to encourage your compliance. But for services where there appears to be wasteful overuse (such as MRI scans), the employer might impose a hefty $500 deductible.

This idea intrigued me, so I turned to a rather lengthy article in the *Washington Post*, which informed me that value-based insurance benefits are incorporated into the new health reform law, "including the requirement that new insurance provide free recommended preventive services such as mammograms and colon cancer screenings."

In the world of big business, this idea is all the rage. One in every five employers employing at least 500 people is already doing it. Four in five employers who employ at least 10,000 workers say they are interested.

So if big business is for it; the government is mandating it; and health policy wonks like it; how could anyone possibly obj-……..

Whoops… wait a minute… Mammograms?… haven't I seen a slew of articles over the past year or so questioning the value of mammograms — suggesting that Americans get too many, concluding that the costs are often greater than the benefits, even questioning whether they are a useful breast cancer detection tool? In case you haven't been keeping up, see here, here and here.

Whose Values Are We Talking About?

I wish I could say this was a mere oversight. An error on someone's part. Alas. It is not. Turns out that the "value" in value-based insurance benefits does not necessarily mean high-quality,

low-cost, evidence-based care, despite all the rhetoric. There are other values at play here and they may not be values you share.

For example, despite a mountain of evidence that so-called preventive care does not pay for itself — especially when provided to otherwise healthy people — the new health law mandates that a whole laundry list of services be provided for free.

I've offered a political explanation of this phenomenon before, in response to the puzzling fact that other countries seem to over-provide to the healthy and under-provide to the sick. Unregulated doctors and hospitals are likely to spend more than half the health budget on 5 percent of the population. But if you are the Minister of Health, you cannot afford to spend half your money on 5 percent of the voters — many of whom will die before the next election or will be too sick to make it to the polls and vote anyway. Redistribution from the sick to the healthy makes political sense, even if it makes no medical sense.

What Incentives Drive Employers?

Employers have a different type of perverse incentive: it is in their financial self-interest to attract the healthy and avoid the sick. From their point of view, it makes sense to provide free mammograms, PAP smears, PSA tests, etc. What else are healthy people going to spend health dollars on? Wellness programs that emphasize no smoking, weight control and physical fitness are going to attract what kind of employees? Answer: the ones who don't smoke and who are thin and fit. At the same time, it also makes sense to charge employees more for their sleep apnea care or for the plethora of treatments available for ailing joints. If the employer is lucky, maybe these will become some other employer's problems.

As an economist, I like the idea of economic incentives being incorporated into public policy. Here are some interesting examples collected by the *Washington Post*:

- In Scotland, the National Health Service actually pays people to quit smoking.
- The fee is even higher for pregnant mother who quit.
- In Tanzania, a World Bank program pays young men and women who test negative for sexually transmitted diseases.
- In Greensboro N.C., young girls are paid not to get pregnant.
- In Minnesota, at-risk women are paid to get mammograms.
- In another experiment, low-income African-American patients were paid to make depression therapy appointments.

These efforts may not prove cost effective. A series of studies show short-term gains, but no long-lasting benefits from paying patients to lose weight or to stop smoking.

I'm willing to allow competition and free markets to sort out what works and what doesn't, what's sensible and what's not. In the meantime, be alert that the providers of value-based insurance benefits may have values different from yours.