

Intervention Valuation: Translating Innovation into a Payer Value Proposition

Bringing Practical Application to Science

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Health care today is awash in change and innovation. Every day there are new technologies, diagnostic tools, health management programs, biometric devices and a host of other health care “interventions” entering the market, each with a unique and extraordinary promise of efficacy. However, as an organization trying to develop and launch a new intervention, you must grapple with how to persuade a health care payer to include this new intervention as a covered benefit. Questions to ask include:

- What information will differentiate and advance your intervention into a paid health care practice?
- What information and/or analyses will payers use to make decisions around the use of new tests, devices, diagnostics, etc.?
- And one of the most important questions: how can you assign a value to the intervention in “payer currency”? In other words, how can you best communicate the value of the intervention to a payer?

Assigning a value not only requires strong research and analytics that define and support the efficacy of the health care intervention, but also requires the ability to clearly communicate this value. Enter the concept of intervention valuation.

Intervention valuation is an analytic process used to develop a holistic, payer-focused value proposition for a health care intervention. In today’s world, it is mostly about assigning a monetary value to the intervention’s value on a per member, per month (PMPM) basis. Five to ten years ago, payers were still balancing the concepts of quality and outcomes improvement against cost savings. Given the current economic landscape, recently passed health care reform and pressure from the increasingly informed and vocal consumer, value and affordability are the primary indicators about which payers and employers care the most. Although it is certainly true that any intervention must be safe and of high quality, the main focus in today’s environment has shifted to efficacy, which includes cost reduction.

CREATING AN INTERVENTION VALUATION

What are the components of intervention valuation? There are five primary steps to creating an intervention valuation:

Step 1 — Assessing the Intervention

The first step in the valuation process is to determine whether an intervention is effective (either by itself or compared to a similar, existing intervention). This analytic step must be highly rigorous in nature, as it serves as the foundation of the valuation chain and, therefore, must stand up to the scrutiny of the academic, clinical and/or scientific communities. Quite often, this step involves the use of randomized, controlled trials or other statistical evaluation designs that attempt to isolate and quantify specific outcomes associated with the intervention. In most cases, the outcomes must be statistically significant and clinically or financially meaningful. The organizations that own these health care interventions typically satisfy this step as their offerings evolve in terms of a scientific trial, an academic white paper, or even FDA or Medicare billing approval.

Step 2 — Determining the Economic Burden

In most instances, organizations have completed their primary research in Step 1 and already have a strong sense for whether the intervention is effective. However, what most organizations do not have is a sense for the prevalence, medical resource consumption and/or associated costs of certain related conditions or diseases (chronic or otherwise) and how medical procedures, diagnostics or other health care interventions impact these statistics in a large payer setting. These metrics can vary by region, by covered population (such as commercial, Medicare or Medicaid) and by population demographics and illness burden. Not only are current views of this information necessary, but year-to-year trends and benchmarks must be identified to provide context for any new intervention considered by the payer. For example, if an organization wants to market a new screening blood test for a particular chronic condition, a number of key questions arise, such as:

- How prevalent is the condition?
- What is the amount and pattern of medical resources currently consumed in its treatment?
- What are the total and PMPM costs by type and place-of-service for members with that particular condition?
- What is the total episode cost for members with that condition?
- What current diagnostics, screenings, tests, etc., are being used as part of the treatment?
- How do all these metrics vary by population demographic, illness burden, composition, geography, etc., as well as among delivery systems?

All of these questions must be addressed to provide value and context for the economic burden associated with the intervention. The information derived from this step provides the basis for translating the effectiveness of the intervention into an overall impact on the health care system.

Step 3 — Scientific Evidence Synthesis

After determining the effectiveness of the intervention, as well as identifying the overall economic burden to the health care system, pieces of information can be “meshed” together to create a tightly focused value proposition that will resonate with a health care payer. For example, if a new blood test improves a clinician’s ability to diagnose the presence of a chronic condition, how exactly does this benefit the health care system? How many services are reduced because false positives are eliminated? How many office visits or specialist referrals are avoided as a result? How many radiology services will be avoided because this new test can improve clinical diagnosis with a high degree of sensitivity and specificity? How much of the health care payer and provider administrative costs can be eliminated by not treating false positives? For the payer, it all comes down to ... show me the money!

Step 4 — Broad Value Story Development

In addition to the estimated impact on key cost and utilization metrics, an organization must consider secondary value drivers that are meaningful to health care payers. These additional value areas could include quality impacts, member satisfaction, productivity gains or other humanistic elements that will supplement the financial benefit to the payer. These value areas can also demonstrate value directly to the employer or consumer. Pulling together all of this information produces a broad value for the health care intervention, resulting in a “value story” that has impact and firmly resonates with a health care payer.

Step 5 — Marketing Strategy and Payer Engagement

The final step in the intervention valuation process is the development of an overall strategy for approaching a payer and packaging the value story. Though all of the above steps are important, this step is perhaps the most critical. In addition to the usual summary statistics showing the scientific value of the intervention and effective packaging of the rest of the components of the value proposition, analytic tools that enable the modeling of health plan data “on the fly” are extremely useful and can easily be derived from the prior steps. This will allow a prospective health care payer to run their own data through such tools to understand the value the intervention is projected to create for their own covered population.

HOW TO USE INTERVENTION VALUATION

Many different types of programs and interventions can be valued through this five-step valuation process. Examples include:

- Diagnostic tests (e.g., an improved method for classifying a condition)
- Biometric devices (e.g., a device to monitor high risk patients post discharge to reduce readmissions)
- Implantable devices (e.g., impact of spinal cord stimulation)
- Health management program evaluation and interventions (e.g., care, case and disease management focused on medical cost savings/ROI, utilization and quality)
- Provider practice patterns (e.g., protocols for treating prostate cancer)

For an organization attempting to bring a new health care intervention to market, it is important to consider the types of information a payer will need in order to evaluate the proposed solution for possible coverage and payment. Scientific evidence alone does not suffice. Multiple domains of value must be articulated and wrapped around the intervention’s evidentiary support, including the practical and operational aspects of payer coverage determination and health insurance benefit design. In addition, it is important to consider the impact to payer functional areas, such as rating, underwriting and medical management resulting from the intervention’s use. But from the payer’s perspective, the most important consideration is the medical cost offset that an intervention provides compared with current practice. This requires the construction of a broad value statement that envelops efficacy, efficiency and satisfaction.

KEY MESSAGE

Large, normative claims databases that are currently the foundation of health care payer operations contain a wealth of information that can be utilized to develop many of the intervention valuation steps discussed above. However, these databases are seldom used in these capacities. Understanding how to capitalize on data in such nonstandard applications is crucial and invaluable to all health care stakeholders. The key in using these data is to identify a resource that can gather together all relevant actuarial, clinical, operational and statistical value points to clearly illustrate and model the benefits that a payer can conservatively expect in their population from application of the healthcare intervention. Without this type of information and support, your innovation will not likely gain wide acceptance.