



State of Colorado Case Study

Pilot Diabetes Program Yields Promising Results for Colorado

Faced with a strict budget, the State of Colorado tries hard to be inventive with its employee benefit plans. When Vinita Biddle, benefits program supervisor in the Department of Personnel & Administration, found an opportunity to participate in a pilot study on a value-based approach to diabetes management, she seized the chance.

"I was primed for this idea," says Ms. Biddle. "Price shifting has run its course. We're at the point now that you may be shifting costs to a segment of the population that is less fortunate. We have an ethical obligation not to do harm from that standpoint."

Kavita Nair, PhD, a researcher at the University of Colorado Health Sciences Center had been looking to tap the experience of a large health plan for the study, which involved providing supplies and medications for diabetes at the lowest co-payment level. Great-West Healthcare had already agreed to work with Dr. Nair when they introduced her to Ms. Biddle.

The plan before it was modified to a value-based model:

1. Self-insured plan; Great West Healthcare is TPA.
2. 12,000 participants enrolled in plans affected by the Diabetes Initiative (The State excluded the fully-insured HMOs and the HDHP)
3. Plan prescription deductible: \$100
4. Four-tier prescription drug benefit (Tier one: \$10 co-pay for generic; Tier two: \$25 co-pay for formulary brand; Tier three: \$50 co-pay for non-formulary brand; Tier four: 30% coinsurance for injectable drugs, up to an out-of-pocket maximum of \$250 per month)

Quick glance: The Plan for Diabetes Control

The plan:

- Develop the case for participation in the study by demonstrating potential return on investment.
- Conduct retrospective analysis of the available data, which at that point was minimal.
 - a. Look at medical and pharmacy data to identify participants that had received treatment for diabetes to get one year of baseline and one year of program data. (Study population includes members with continuous enrollment from July 2005.)
 - b. Divide participants into two groups: compliant and non-compliant with diabetic prescription medications.
 - c. Note that the medical claims costs of those who were compliant with prescription therapy were lower than claims costs for the non-compliant.
 - d. Weigh additional cost of medication against potential medical cost savings. Estimate the medical cost savings needed for a return on investment.
 - Propose study to senior human resources officers and receive approval.
 - Modify prescription benefit under self-funded plan.
 - a. Decide to lower co-payments for brand name diabetes medications from tiers two and three (more expensive) to tier one (least expensive).
 - b. The program's goal is to reduce the cost barrier to plan participants and increase medication compliance, ultimately reducing diabetes-related medical costs by at least 5%, the amount needed to offset costs.
 - Implement program in July 2006.
 - Initial results for the first twelve months of the program are in. Utilization results are encouraging.
 - State is committed to continue program through the second plan year.
 - Consider further pilot programs for heart disease, depression, and musculoskeletal conditions.

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Value-based plan delivers to the State of Colorado (24 months of data)

- Small to moderate increases seen in drug compliance.
- 13% increase in compliance levels of 80% or higher for diabetic prescription medications.
- Brand-name diabetes utilization increased with a slight decrease in generic use, consistent with industry trend.
- Decreases in medical utilization in the following diabetes-related categories: outpatient, inpatient, and emergency room visits.
- Increase in the number of lab visits, consistent with improved compliance in Hemoglobin A1C monitoring.

Who is the State of Colorado?

Resident population: 4.7 million (2006 estimate, U.S. Census Bureau)

Department of Personnel & Administration (DPA) is the cabinet department that serves as the business center for Colorado's \$13 billion state government. It is responsible for the largest workforce in the State -- 60,000 employees

The diabetes initiative applies to specific groups [PPO1500, PPO3000, and INO30 plans] and there is a four-tier prescription benefit

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