



## V-BID Policies Support State and Local Employee Benefit Reform

Millions of government employees, approximately 10 percent of the U.S. workforce, receive health care through a state or local government insurance plan.<sup>1</sup> Unfortunately, employers and employees face rising premiums, co-payments, and deductibles, difficult economic circumstances, and seemingly few mutually agreeable solutions. V-BID is one idea that has attracted bipartisan support and has been implemented as a proactive measure to improve plan value over the long term—improving health as well as potentially adding to states' savings.

### Background

V-BID is an innovative and widely implemented approach to providing health benefits that seeks to enhance patients' clinical outcomes and constrain health care cost growth. By reducing barriers to high-value, evidence-based services and providers (often through lower costs and other patient incentives) V-BID plans can achieve improved health outcomes at any level of health care expenditure.

The key to a V-BID program is clinical nuance. V-BID programs target high-value treatments, services, and medications, and lower the barriers to specific areas across the entire continuum of clinical care. Analogously, V-BID programs can use methods including higher copayments to discourage the use of low-value services. This is different from more broad-brush changes in co-payments, which are a blunt instrument affecting all services regardless of their value or the strength of evidence supporting their use. As Americans are required to pay more to visit their clinicians and fill their prescriptions, a growing body of evidence demonstrates that increases in patient cost sharing lead to decreases in the use of both non-essential and essential care. Studies show that when barriers to high-value care are reduced, patient compliance with recommended treatments increases<sup>2</sup> and potential cost savings result.<sup>3</sup>

### Examples of policies

V-BID policies may take many forms, including but not limited to the ones described here. One widely adopted V-BID policy is smoking cessation coverage: 37 states encouraged employees to quit through a combination of incentives and assessment requirements as of March 2010.<sup>4</sup>

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<sup>1</sup> Boston College Center for Retirement Research, 2009.

<sup>2</sup> Chernew ME, Shah MR, Wegh A, Rosenberg SN, Juster IA, Rosen AB, Sokol MC, Yu-Isenberg K, Fendrick AM. Impact Of Decreasing Copayments On Medication Adherence Within A Disease Management Environment. *Health Affairs*, 2008; 27; 103-112.

<sup>3</sup> Chernew ME, Juster IA, Shah M, Wegh A, Rosenberg S, Rosen AB, Sokol MC, Yu-Isenberg K, and Fendrick AM. Evidence That Value-Based Insurance Can Be Effective. *Health Affairs*, 2010; 29; 1-7.

<sup>4</sup> National Council of State Legislators, 2010.

A comprehensive V-BID program was recently implemented in Connecticut. In 2011, Governor Daniel Malloy and the State Employee Bargaining Agent Coalition (SEBAC) negotiated a labor agreement that includes targeted health savings driven by value-based insurance design. Employees who choose to participate in the program will have a reprieve from higher premiums and deductibles if they commit to yearly physicals, age-appropriate diagnostic tests, and two free dental cleanings. Employees must also agree to participate in disease management programs, which include free office visits and lower co-pays for pharmaceuticals (including zero co-pays for generics) if they have one of five common chronic conditions. Some of the projected cost savings will come from new co-pays on ER visits and pre-authorization requirements for high-cost diagnostics. More than 95 percent of state employees have chosen to enroll in the V-BID plan. A planned long-term study will identify savings from better employee health and ability to work (presenteeism).

“The simplistic answer—raising employee premium shares, co-pays, and instituting deductibles doesn’t work. In the short term, it saves employer costs by increasing employee costs. In the long term, it discourages employees from getting needed medical care, creating more avoidable illness and greater costs for everyone. The answer was to save money by keeping employees healthier...”

–SEBAC Agreement

Oregon’s public employee benefit boards have also instituted V-BID reforms to state employee health plans, including covering high-value services at low or no cost, and raising co-payments on preference-sensitive or low-value services.<sup>5</sup> The Oregon Health Policy Board has established value-based benefit criteria for publically funded plans, as well as suggested criteria for commercial plans.<sup>6</sup>

Finally, in New Jersey, a promising bill has been introduced which would create a 3-year pilot program to treat state employees’ chronic conditions using value-based insurance design principles.<sup>7</sup> The pilot would target diabetes, hypertension, asthma, and high cholesterol, and would provide participants with free doctor visits and pharmacist consultations, medications and supplies, testing and education for diagnosing and treating their targeted condition.

### **For More Information**

The University of Michigan Center for Value-Based Insurance Design leads in research, development, and advocacy for innovative health benefit plans. Established in 2005, the Center works as a liaison between the research community and implementers – employers, plan designers, and policy makers to help synthesize and communicate research findings, and encourage the benefits of V-BID. The Center stands ready to assist states in learning more about V-BID and the contributions it can make to higher quality, more cost-effective health care for state employees, including specific implementation strategies. Please contact the V-BID Center at (734) 615-9635 and through [www.vbidcenter.org](http://www.vbidcenter.org).

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<sup>5</sup> Joan M. Kapowich. Oregon’s Test Of Value-Based Insurance Design In Coverage For State Workers. Health Affairs. November 2010 vol. 29 no. 11 2028-2032.

<sup>6</sup> More information is available at: <http://www.oregon.gov/OHA/OHPR/HPB/VBEBP/index.shtml>

<sup>7</sup> Bill A-1214, introduced by Assemblywoman Stender and Assemblyman Conaway in February 2012. For bill text see: [http://www.njleg.state.nj.us/2012/Bills/A1500/1214\\_R1a.PDF](http://www.njleg.state.nj.us/2012/Bills/A1500/1214_R1a.PDF)