The importance of value-based insurance design was underscored in the Institute of Medicine’s report to the Secretary of Health and Human Services on essential health benefits (EHB) released on October 6, 2011. The report strongly endorsed the premise, central to V-BID, that clinical nuance and cost should be central determinants of the benefits offered in the health exchanges: “The committee believes that the EHB package should become more fully evidence-based, specific, and value-based over time” (p. 23). The report concludes, “The EHB must be affordable, maximize the number of people with insurance, protect the most vulnerable individuals, promote better care, ensure stewardship of limited financial resources by focusing on high value services of proven effectiveness [emphasis added], promote shared responsibility for improving our health, and address the medical concerns of greatest importance to us all” (p. 35).

References to value-based design could be found throughout the report’s guiding principles and recommendations:

- Under the “Criteria to Guide Content of the Aggregate EHB Package” rubric, the Committee listed “Advance stewardship of resources by focusing on high value services and reducing use of low value services. Value is defined as outcomes relative to cost” (p. 26).
- In its recommendation (2a) to HHS to “Establish a framework for obtaining and analyzing data necessary for monitoring implementation and updating of the EHB,” the Committee asks that HHS include monitoring of “Changes related to health plans such as characteristics of plans (inclusions, exclusions, limitations), cost sharing practices, patterns of enrollment and disenrollment, network configuration, medical management programs, value based insurance design [emphasis added], and types of external appeals, risk selection, solvency, impact of the ACA-mandated limits on deductibles, copayments, out-of-pocket spending on the ability of plans to offer acceptable products” (p. 30).
- Recommendation 2b calls for a unified research agenda across federal agencies so that new data will support value-based design in the future. “In particular, the Secretary should examine how the scope of benefits contributes to expanded coverage and access to quality care, and how the EHB package can be updated to become more evidence-based and value promoting” (p. 30-31).
- Recommendation 4a states, “Beginning in 2015, for implementation in 2016 and annually thereafter, the Secretary should update the EHB package, with the goal that it becomes more fully evidence-based, specific, and value-promoting” (p. 32).
V-BID is applied in numerous ways throughout the report, from overall framework for determining benefit value, to care coordination and quality improvement. The committee noted that V-BID could be seen as one of three “general approaches” for assessing coverage decisions (p. 66). It also stated that, “Benefit design and its subsequent administration can be instrumental in addressing the cost and quality of services and care delivered. Insurers and employers are experimenting with an array of medical management and cost-sharing designs (e.g., value-based insurance design)” (p. 59). Remarking that benefit design choices could be a positive influence for good care practices, the report stated, “The committee supports an evidence-based and value-based approach to coverage of health services as desirable to maximize the health gains of such services as well as provide patients with the best choice of safe and effective treatments” (p. 92).

A section of the report was also devoted to examining the evidence for the Value-Based Insurance Design Approach, excerpted here:

Value-based insurance design (VBID) seeks to align patient cost-sharing with the value of clinical services, including how they are provided (e.g., most appropriate setting and health care provider). VBID identifies those services whose benefits relative to their costs represent an efficient use of resources for patients, comparing the cost-effectiveness of one intervention to alternatives, including no intervention (Garber, 2011). The use of these services is then incentivized, traditionally through two mechanisms: (1) minimal cost barriers and (2) financial incentives. Approaches to VBID call for lowering cost-sharing for high-value services and raising costs through higher copays on services with low value. ...While barriers to each VBID approach exist, they all have the potential to improve the efficiency of the health care system. Given the differences across approaches, it is suggested that regulators allow for flexibility when designing such programs (Chernew et al., 2010) (p. 74).

The recommendations and frameworks in the report will serve as the main source of guidance for the Department of Health and Human Services as it develops an essential health benefits package as required under the Patient Protection and Affordable Care Act.