Value-Based Insurance Design (V-BID) in the TRICARE Program

THE TRICARE PROGRAM

Innovative Therapies
Enhanced Utilization
Increased Prices

TRICARE COSTS ARE ON THE RISE

<table>
<thead>
<tr>
<th>Year</th>
<th>Average Out-of-Pocket Spending for Family of Four with Employer-Sponsored PPO Coverage</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>$3,005</td>
</tr>
<tr>
<td>2011</td>
<td>$3,280</td>
</tr>
<tr>
<td>2012</td>
<td>$3,470</td>
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<tr>
<td>2013</td>
<td>$3,600</td>
</tr>
<tr>
<td>2014</td>
<td>$3,787</td>
</tr>
<tr>
<td>2015</td>
<td>$4,065</td>
</tr>
<tr>
<td>2016</td>
<td>$4,316</td>
</tr>
<tr>
<td>2017</td>
<td>$4,534</td>
</tr>
</tbody>
</table>

This increased cost-sharing leads to reduced use of value clinical services, resulting in:
- Adverse health effects
- Worsening dispositions
- Potentially increased costs

A Potential Solution: Clinical Nuance

Value-Based Insurance Design

Uses clinical nuance to set cost-sharing that encourages consumption of high-value services and providers and...
- Aligns consumer and provider incentives
- Aligns with provider initiatives
- Enhances clinical outcomes
- Promotes more efficient expenditures

V-BID Impact

- Bipartisan political support
- Multi-stakeholder endorsement
- Enhances use of high-value services and providers

2018 National Defense Authorization Act

Further incorporates V-BID principles in TRICARE...
- Giving preferential status to high-value, non-generic medications by treating them as generics for cost-sharing purposes
- Excluding from the pharmacy benefits program any medication provided little or no value, so as to encourage the use of high-value services

Implementing V-BID in TRICARE

TRICARE plans...
- Increase out-of-pocket costs
- Offer one-size-fits-all cost-sharing
- Limit provider access
- Promote consumer and provider education

V-BID plans...
- Enhance clinical outcomes
- Increase use of high-value, non-generic medications
- Align with provider initiatives
- Promote more efficient expenditures

TRICARE-eligible Beneficiaries

- Active Duty Members
- Family
- Members of the Selected Reserve & Family
- Retired Reserve Members, Family, & Survivors
- Retired Service Members and Family
- Active Duty Family

The above information is not all-inclusive. For more information please visit:
http://www.tricare.mil/Plans/HealthPlans

Source: The Burden of Rising Health Spending, NIHCM, June 2017.

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