

VALUE-BASED INSURANCE DESIGN – WHY CLINICALLY NUANCED CARE BECAME A GAME CHANGER

Lowering health care expenditures and ensuring access to high quality medical care for all Americans is a health policy priority. Value-Based Insurance Design ([V-BID](#)) is a potential solution built on the principle of lowering or removing financial barriers to essential, high-value clinical services. V-BID plans align patients' out-of-pocket costs, such as copayments and deductibles, with the value of services. These innovative products are designed with the tenets of '[clinical nuance](#)' in mind. These tenets recognize that 1) medical services differ in the amount of health produced, and 2) the clinical benefit derived from a specific service depends on the consumer using it, as well as when, where, and by whom the service is provided.

IMPLEMENTATION OF CLINICALLY NUANCED V-BID PROGRAMS

For over a decade, numerous private and public payers, employers, unions, and business coalitions nationwide have implemented clinically nuanced V-BID programs, reducing consumer cost-sharing for specified visits, diagnostic tests, and treatments. [Evidence](#) is accumulating that V-BID plans increase the use of high-value services, lower consumer out-of-pocket costs, and reduce health care disparities. These encouraging patient-centered outcomes often result without added spending, and in some circumstances reduce aggregate expenditures.

Policymakers are shifting their focus towards value-based designs in public and private insurance programs.

- **Medicare Advantage:** In January 2017, the Centers for Medicare and Medicaid Services launched the Medicare Advantage ([MA](#)) V-BID Model Test, in which selected MA plans in designated states will be permitted to offer varied benefit designs for enrollees diagnosed with specified clinical conditions. For 2018, [CMS announced](#) that the model will expand from 7 to 10 states and add two clinical conditions. The House Republicans [Report from the Health Care Reform Task Force](#) and the [Senate Finance Committee Chronic Care Work Group](#) called for the expansion of the V-BID demonstration to MA plans in all 50 states.
- **TRICARE:** The 2017 National Defense Authorization Act ([NDAA](#)) commissioned a pilot program to demonstrate and test the feasibility of incorporating V-BID into the [TRICARE](#) program. The pilot aims to improve health outcomes and enhance the experience of care for U.S. Armed Forces military personnel, military retirees, and their dependents.
- **Health Savings Accounts:** To accelerate the adoption of Health Savings Account-High-Deductible Health Plans ([HSA-HDHP](#)), bipartisan efforts are underway to expand the Internal Revenue Service (IRS) preventive care safe harbor, allowing the establishment of [High-Value Health Plans](#), which would allow HSA-HDHPs the flexibility to cover a broader set of high-value, evidence-based services prior to the satisfaction of the plan deductible. Such a strategy would lower U.S. health care expenditures and provide millions of Americans expanded plan options that better meet their clinical needs and contribute to their financial well-being.

BROAD MULTI-STAKEHOLDER SUPPORT

Value-based insurance design has [bipartisan political and broad multi-stakeholder support](#). Building off the foundation established by the V-BID Center to further implement clinically nuanced principles into payment reform and consumer engagement initiatives, the [Smarter Healthcare Coalition](#) was created. The coalition is a forum for learning and innovation that allows participants to brainstorm, raise ideas and issues, and find common interests in the pursuit of smarter care.

UNIVERSITY OF MICHIGAN CENTER FOR VALUE-BASED INSURANCE DESIGN

University of Michigan faculty first conceptualized and coined the V-BID concept and have guided this approach from early principles to adoption in the private and public sectors, including demonstrations in Medicare Advantage and TRICARE programs. Since its inception in 2005, the University of Michigan Center for Value-Based Insurance Design has led efforts to promote the development, implementation, and evaluation of innovative health benefit designs that improve quality and lower costs - the primary goals of healthcare reform.

For more information, please visit www.vbidcenter.org or email us at vbidcenter@umich.edu