

V-BID: A BIPARTISAN SOLUTION TO IMPROVE QUALITY, ENHANCE CONSUMER EXPERIENCE & LOWER COSTS

Value-Based Insurance Design ([V-BID](#)) encourages the use of high-value clinical services by using the tenets of ‘[clinical nuance](#)’ to align out-of-pocket costs with the clinical value of services. Evidenced by success in the private sector and its implementation in the Affordable Care Act, V-BID can be applied to [health savings account-eligible high-deductible health plans](#) (HSA-HDHPs), [Medicare Advantage](#) (MA), and the [TRICARE program](#).

HEALTH SAVINGS ACCOUNTS

More than 20 million Americans have a [high-deductible health plan](#) paired with a tax-free health savings account (HSA-HDHP). HSA-HDHPs should provide access—not create barriers—to high-quality, lower cost health care. Current Internal Revenue Service (IRS) regulations permit a “safe harbor” that allows coverage of specified clinical services prior to satisfaction of the plan deductible, but until recently this safe harbor excluded the treatment of “an existing illness, injury, or condition” from pre-deductible coverage. A recent [IRS guidance](#), prompted by a Trump [Executive Order](#), now permits pre-deductible coverage in HSA-HDHPs for fourteen critical chronic disease management services. The U.S. Senate recently introduced the [Chronic Disease Management Act of 2020 \(S. 3200\)](#), which builds upon the guidance to enable health savings account eligible HSA-HDHPs to cover services and drugs to treat chronic diseases prior to meeting the plan deductible, and allow for enhanced consumer choice. This will lower U.S. health care expenditures and provide millions of Americans with expanded plan options that better meet their clinical needs and contribute to their financial well-being.

MEDICARE

Today, more than 17 million seniors participate in Medicare Advantage (MA). MA plans are free to innovate, but current law requires that they provide the exact same benefits to all beneficiaries, regardless of existing chronic conditions or the impact certain services may have for the beneficiary. In January of 2017, the Centers for Medicare and Medicaid Services (CMS) launched the [MA V-BID Model Test](#) in which select MA plans in three states have varied benefit designs for enrollees with specified clinical conditions. For 2018, [CMS announced that the model will expand](#) from 7 to 10 states and add two clinical conditions -- and in 2019 the MA V-BID Demo will undergo additional expansion to include 15 new states. By 2020, the model will be expanded [to include all 50 states](#). In January 2019, CMS [released](#) major changes to the current model. Starting in 2020 and running through 2024, the updated model, coined “[V-BID 2.0](#)”, is intended to lower costs while increasing the quality and coverage of care for Medicare beneficiaries. Beyond the model, a new [CMS Medicare Advantage Proposed Rule](#) recommends greater flexibility around the Medicare Advantage uniformity requirement, allowing for the implementation of V-BID principles throughout the MA program. In March 2020, CMS announced the 2021 [Medicare Part D Senior Savings Model](#), which allows Medicare Part D and Medicare Advantage plans to cap thirty-day co-pays for insulin at \$35 starting in January 2021. Beneficiaries who enroll in these voluntary plans are expected to save an average of \$446 per year in out-of-pocket costs.

TRICARE

The TRICARE Program provides 9.4 million Americans with healthcare coverage. Ensuring access to quality medical care and containing health care expenditures are among the most pressing issues for our military personnel, our national well-being, and our economic security. Moving from a volume-driven to value-based military health delivery system requires a change in both how we pay for care and how we engage consumers to seek care. In December 2016, the [2017 National Defense Authorization Act](#) (NDAA) called for a pilot program to test value-based reimbursement in [TRICARE](#). By “reducing copayments ...for targeted populations of covered beneficiaries in the receipt of high-value medications and services and the use of high-value providers,” 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. More recently, the [2018 NDAA](#) further incorporates V-BID principles into the TRICARE Pharmacy Benefits Program by setting cost-sharing to reflect the clinical value of medications. Permitting ‘[clinically nuanced](#)’ cost-sharing would give TRICARE plans a necessary tool needed to better encourage members to receive high-value services.

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. 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 health care reform.

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