

## IMPLEMENTING VALUE-BASED INSURANCE DESIGN IN TRICARE

### MOVING FROM A VOLUME-DRIVEN TO VALUE-BASED MILITARY HEALTH DELIVERY SYSTEM

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 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.

With some notable exceptions, most U.S. health plans -- including [TRICARE](#) -- implement consumer cost-sharing in a 'one-size-fits-all' way, in that beneficiaries are charged the same amount for every doctor visit, diagnostic test, and prescription drug. As TRICARE members are asked to pay more for their medical care, a growing body of evidence demonstrates that increases in consumer cost-sharing lead to decreases in the use of both non-essential and essential care. Since there is evidence of both underuse of high-value services and overuse of low-value services in the TRICARE program, 'smarter' cost-sharing is a potential solution -- one that encourages TRICARE members to use more of those services that make them healthier, and discourages the use of services that do not.

### A POTENTIAL SOLUTION: INCORPORATING V-BID IN TRICARE

Value-Based Insurance Design ([V-BID](#)) is 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 principles 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.

For over a decade, numerous private and public payers, including [Medicare Advantage](#) and Medicaid, have implemented clinically nuanced V-BID programs. Evidence is accumulating that V-BID plans that reduce consumer cost-sharing for specified visits, diagnostic tests, and treatments, increase the use of high-value services, lower consumer out-of-pocket costs, and reduce health care disparities. These improved patient-centered outcomes often result without added spending, and in some circumstances reduce aggregate expenditures. Given this progress, the V-BID concept has growing bipartisan political and broad multi-stakeholder support.

### 2017 NATIONAL DEFENSE AUTHORIZATION ACT INCLUDES V-BID DEMO IN TRICARE

Policymakers are increasingly shifting their focus towards value-based designs. In December 2016, the National Defense Authorization Act (NDAA) for fiscal year 2017 authorized a [V-BID demonstration](#) in the [TRICARE](#) Program. 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. To achieve better care and lower costs for the military health care system, value-driven consumer incentives -- through benefit design reforms promoting smart decisions and enhanced responsibility -- must align with payment reform initiatives. 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, 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 email us at [vbidcenter@umich.edu](mailto:vbidcenter@umich.edu) or visit [www.vbidcenter.org](http://www.vbidcenter.org).