

Quality Health Care At Any Price?



V-BID Faculty Say It Can Be Done

Like a one-size-fits-all shirt that doesn't fit anyone very well, American health insurance plans charge every person the same out-of-pocket cost for medical services – regardless of how those services affect a person's health. So, whether your visit to the doctor is for life-threatening cancer or just the common cold, you'll pay the same co-pay or deductible.

But what if those out-of-pocket costs are high enough to keep you from getting your mammogram or taking a medicine that could greatly reduce your risk of having a heart attack? American employers – and citizens – could get a lot more value out of their health insurance by abandoning the old-fashioned system of charging

everyone the same fee, says a team of UM and Harvard University researchers.

By tailoring health plans so that people who benefit the most from a particular drug or screening test will pay the least for it, companies not only get more for their money – they might even save money in the long run by helping their employees prevent expensive health crises.

That's one of the key ideas behind the **Center for Value-Based Insurance Design (V-BID)**, launched in 2005 by an unusual combination of University of Michigan colleagues – a doctor, a health management and policy professor, and an economist. V-BID concepts are based on the theory that innovative health benefit plans can deliver more health care at a variety of cost points.

With health care costs spiraling in both the public and private sectors, center founders **A. Mark Fendrick, M.D.**, **Dean Smith, Ph.D.**, and **Michael Chernew, Ph.D.** (now at Harvard), took their research to the people who actually pay for care – the U.S. government, businesses, insurance companies, and even our own University of Michigan. The center is the vehicle for translating research findings into action.

Today, the [Center for Value-Based Insurance Design](http://www.sph.umich.edu/alumni/networks/fall10/vbid.htm) is recognized by all stakeholders in the health care enterprise as the leading academic center devoted to the design and evaluation of innovative health benefit plans.

Working on the premise that the more clinically beneficial a particular therapy, the lower the patient's cost-sharing should be, Fendrick, Smith, and Chernew have developed a set of principles that have been adopted by Pitney-Bowes, the University of Michigan, the State of Maine and hundreds of other public and private entities. The aim of these principles is to maximize health outcomes at all levels of health care expenditure.

V-BID research is part of the national debate on federal health care policy; experts, including a bipartisan group of health economists convened by the Brookings Institution, have cited V-BID as an approach to "bend the cost curve" in health care. Value-based insurance design was included in comprehensive federal health care reform

legislation, the Patient Protection and Affordable Care Act. Section 2713 (c) of the new law which allows the Secretary of Health and Human Services to permit health plans to use the concepts of value-based insurance design in providing coverage. Center faculty are currently involved in the drafting of federal regulations implementing this portion of the law.

V-BID faculty have also contributed to the health debate in numerous states, testifying before legislative committees as expert witnesses on V-BID principles in individual state health reform efforts.