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

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 with the value of services and are designed with the tenets of ‘clinical nuance’ in mind, which 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. Accordingly, policymakers are shifting their focus towards value-based designs in public and private insurance programs.

**Medicare Advantage:** In 2017, the Centers for Medicare and Medicaid Services (CMS) launched the Medicare Advantage (MA) V-BID Model Test, in which selected MA plans in designated states are permitted to offer varied benefit designs for enrollees diagnosed with specified clinical conditions. In 2018, the model was expanded from 7 to 10 states, and two clinical conditions were added -- and in 2019 the MA V-BID Demo underwent additional expansion to include 15 new states. By 2020, the model was 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 MA uniformity requirement to allow 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 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. 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.

**HSA-HDHPs:** To accelerate the adoption of V-BID principles in the growing HDHP sector, bipartisan efforts have achieved the expansion of the Internal Revenue Service (IRS) preventive care safe harbor to allow for the establishment of ‘High-Deductible Health Plans-Plus’ (HDHP+). A recent IRS guidance, prompted by Executive Order 13877, allows HSA-HDHPs the opportunity to cover fourteen critical chronic disease management services on a pre-deductible basis. The U.S. Senate introduced the Chronic Disease Management Act of 2020 (S. 3200) in a continued effort to enable HSA-HDHPs to cover services and drugs used to treat chronic diseases prior to meeting the plan deductible and allow for enhanced consumer choice. This will create a more robust HSA-HDHP marketplace, 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.

**BROAD MULTI-STAKEHOLDER SUPPORT**

V-BID 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, allowing 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. 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 visit www.vbidcenter.org or email us at vbidcenter@umich.edu.