

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.