

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.

2018 NATIONAL DEFENSE AUTHORIZATION ACT SUPPORTS PRECISION BENEFIT DESIGN FOR PHARMACEUTICALS

Policymakers are increasingly shifting their focus towards value-based designs. In December 2017, the National Defense Authorization Act (NDAA) for fiscal year 2018 included the incorporation of V-BID principles within [Section 702](#) – Modifications of Cost-Sharing Requirements for the TRICARE Pharmacy Benefits Program and Treatment of Certain Pharmaceutical Agents. This major policy milestone is part of growing bipartisan support and the expanded role of V-BID in public and private payers. Recent developments include [transformative updates](#) to the CMMI [Medicare Advantage V-BID demonstration](#), which aim to increase choice, lower costs, and improve quality for Medicare beneficiaries, and [Executive Order 13877](#), which allows [high-deductible health plans](#) the flexibility to provide coverage for services that manage chronic disease prior to meeting the plan deductible.

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.

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