



SCHOOL OF PUBLIC HEALTH
UNIVERSITY OF MICHIGAN

CENTER FOR VALUE-BASED INSURANCE DESIGN

Value-Based Insurance Design: Enhancing Access and Affordability to Essential Clinical Services

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Value-Based Insurance Design**

www.vbidcenter.org



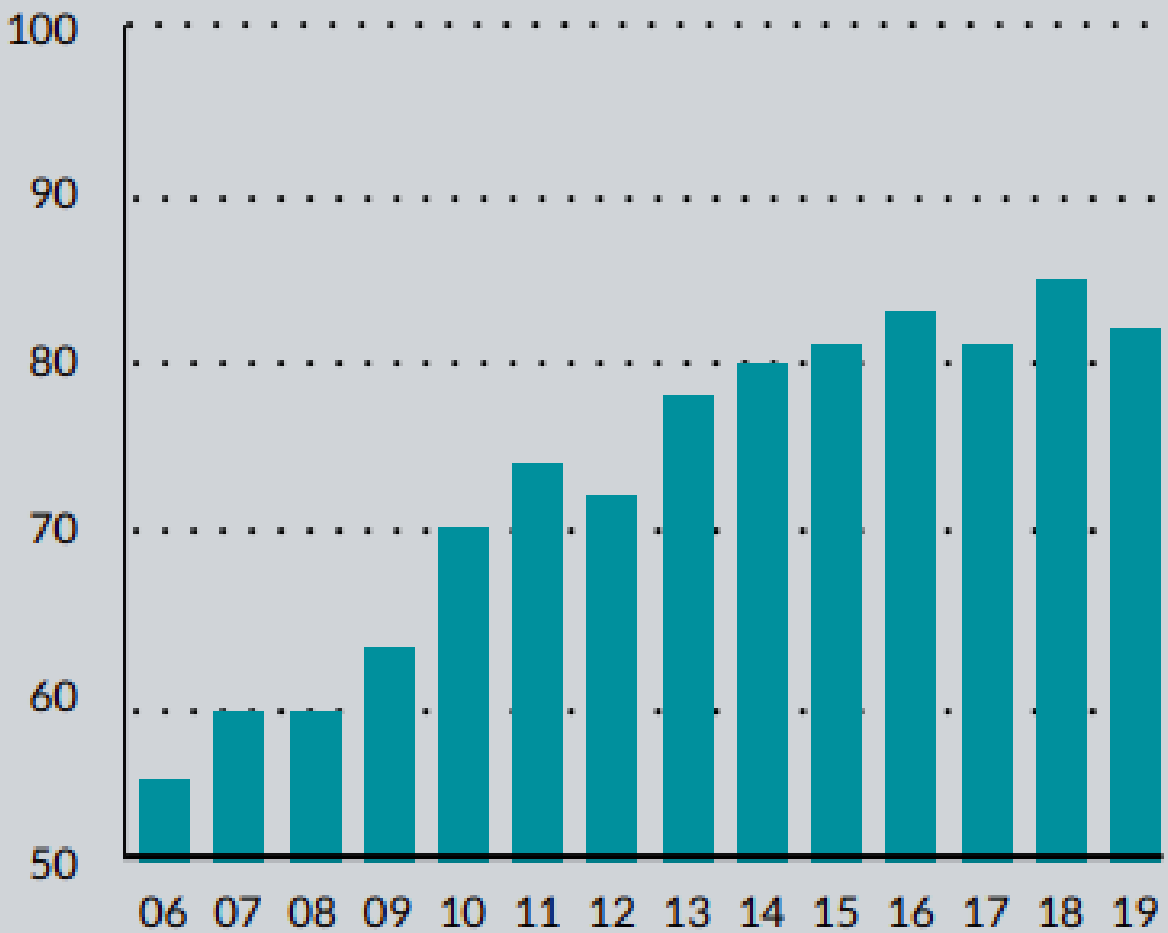
@um_vbid

Health Care Costs Are a Top Issue For Purchasers and Policymakers: Solutions must protect consumers, reward providers and preserve innovation

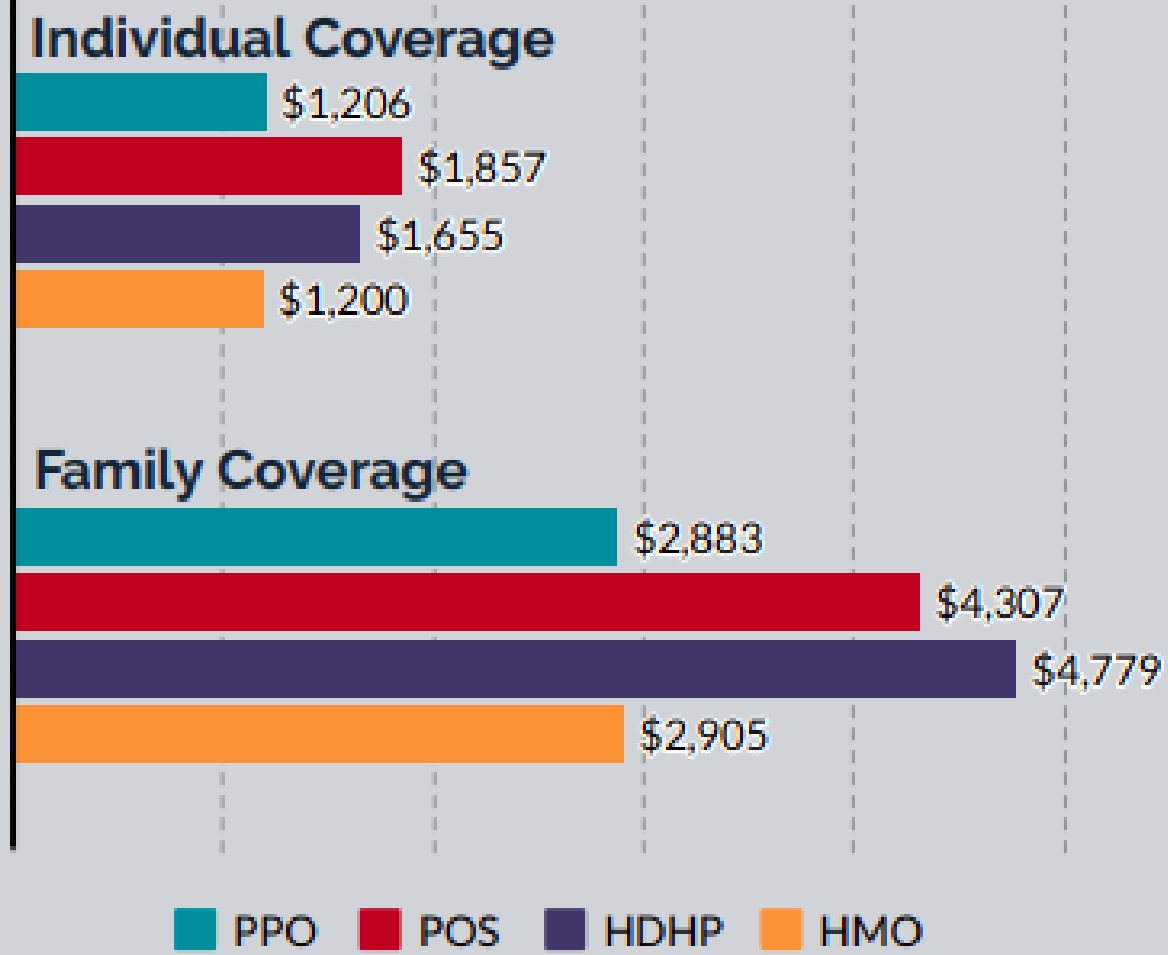
- Irrespective of remarkable clinical advances, cutting health care spending is the main focus of reform discussions
- Everyone (almost) agrees there is enough money in the US health care system; we just spend it on the wrong services
- Policy deliberations focus primarily on alternative payment and pricing models
- Moving from a volume-driven to value-based system requires a change in both how we pay for care and how we engage consumers to seek care
- Americans do not care about health care costs;
they care about what it costs them

Growth of Deductibles as a Cost Sharing Strategy: A 'Tax on the Sick'

Percent of Americans With a Deductible



Average Deductible by Plan Type in 2019





“

I can't believe you had to spend a million dollars to show that if you make people pay more for something, they will buy less of it.

”

- Barbara Fendrick (my mother)

Alternative to “Blunt” Consumer Cost Sharing: Value-Based Insurance Design (V-BID)

- **Sets consumer cost-sharing on clinical benefit – not price**
- **Little or no out-of-pocket cost for high value care; high cost share for low value care**
- **Successfully implemented by hundreds of public and private payers**



Paying for More Generous Coverage of High Value Care

- Increase premiums – politically not feasible
- Raise deductibles, copayments and coinsurance – ‘tax on the sick’
- **Reduce spending on low value care**

**\$345
BILLION**

Examples include:



Vitamin D
screening tests



Diagnostic tests before
low-risk surgery



PSA screening for men
70 and older



Branded drugs when identical
generics are available



Low-back pain imaging
within 6 weeks of onset

V-BID X: Expanding Coverage of Essential Clinical Care Without Increasing Premiums or Deductibles

Clinically driven plan designs, like **V-BID X**,
reduce spending on **low-value care**



...creating headroom to reallocate spending
to **high-value services** without increasing
premiums or deductibles

Aligning Payer and Consumer Incentives: As Easy as Peanut Butter and Jelly

- Many “supply side” initiatives are restructuring provider incentives to move from volume to value
- Unfortunately, certain “demand-side” programs – especially blunt consumer cost sharing – discourage appropriate patient decisionmaking
- The alignment of clinically-driven, provider-facing and consumer engagement initiatives is a critical transformation component



2020 Reform Goals

- **Expand pre-deductible coverage/reduce consumer cost-sharing on high value clinical services**
- **Identify, measure and reduce low-value care to pay for more generous coverage of high value care**
- **Implement clinically-driven plan designs (e.g. V-BID X) that increase use of high value services and deter low value ones**
- **Align provider-facing and consumer engagement incentives around the use of care that improves patient-centered outcomes**



“If we don’t succeed then we will fail.”

Dan Quayle