



SCHOOL OF PUBLIC HEALTH

CENTER FOR VALUE-BASED INSURANCE DESIGN  
UNIVERSITY OF MICHIGAN

## Using Value-Based Insurance Design to Increase Use of High Value Care, Enhance Equity, and Eliminate Low Value Services

A. Mark Fendrick, MD

University of Michigan Center for  
Value-Based Insurance Design

[www.vbidcenter.org](http://www.vbidcenter.org)





**I PUBLISHED  
BUT STILL PERISHED**

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

- Innovations to prevent and treat disease have led to impressive reductions in morbidity and mortality
- Irrespective of remarkable clinical advances, cutting health care spending is the main focus of reform discussions
- Underutilization of high-value care persists across the entire spectrum of clinical care leading to poor health outcomes
- Our ability to deliver high-quality health care lags behind the rapid pace of scientific innovation



# Star Wars Science





# Flintstones Delivery



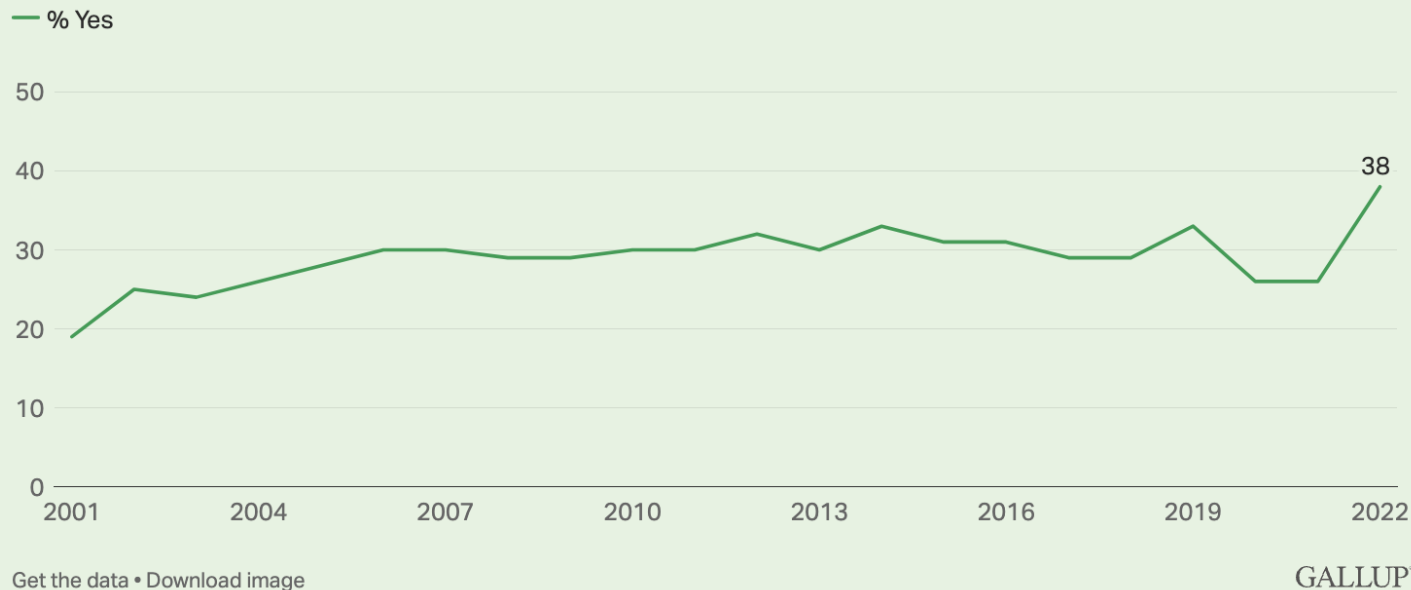
# Moving from the Stone Age to the Space Age: Change the health care cost discussion from “How much” to “How well”

- Everyone (almost) agrees there is enough money in the US health care system; we just spend it on the wrong services and in the wrong places
- 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
- The most common patient-facing strategy - consumer cost-sharing – is a ‘blunt’ instrument, in that patients pay more out of pocket for **ALL** care regardless of clinical value

# Americans Do Not Care About Health Care Costs; They Care About **What It Costs Them**

## Record High in U.S. Putting Off Medical Treatment Due to Cost, 2001-2022

Within the last 12 months, have you or a member of your family put off any sort of medical treatment because of the cost you would have to pay?



Health care costs are among the leading causes of:

- Personal debt
- On-line fundraisers
- Personal bankruptcy

EDITORIAL | [VOLUME 122, ISSUE 8, P699, AUGUST 2009](#)

[Download Full Issue](#)

## Only in America: Bankruptcy Due to Health Care Costs

James E. Dalen, MD, MPH

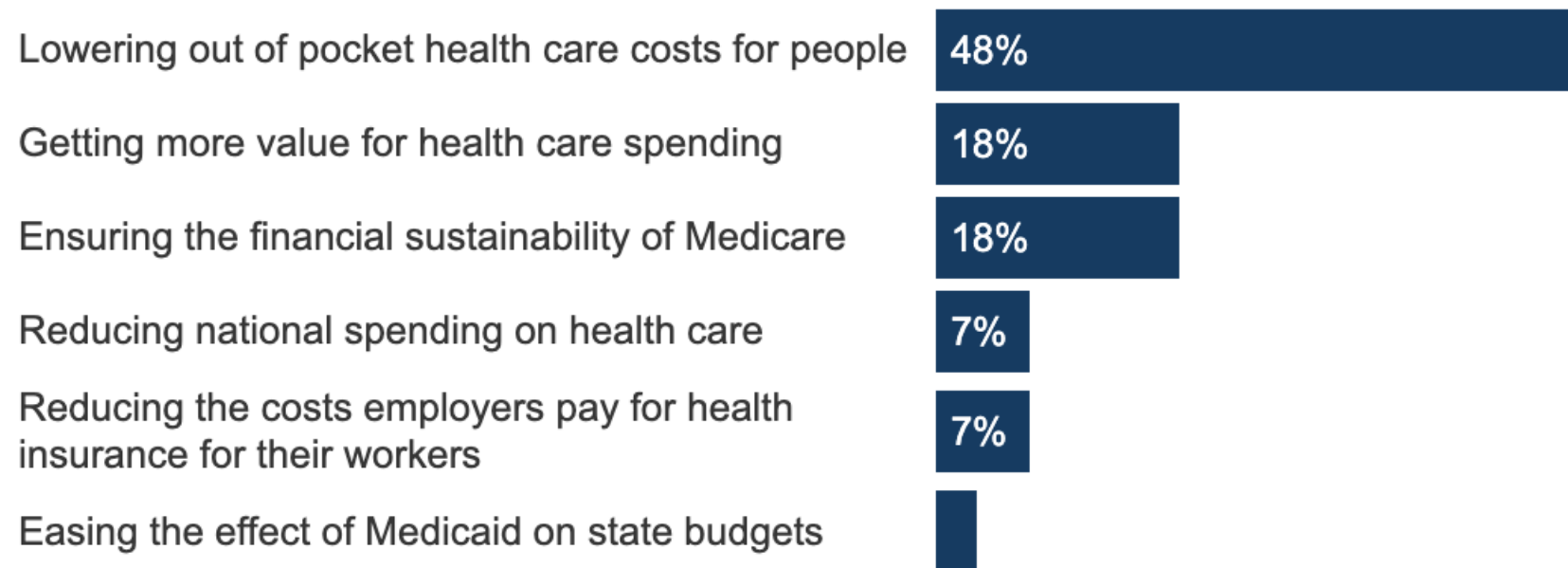




# Americans Do Not Care About Health Care Costs; They Care About **What It Costs Them**

## Most Voters Say Out Of Pocket Costs Are Top Health Priority

Which of the following health care priorities do you think is most important for the country to address?



NOTE: Among registered voters. See topline for full question wording.

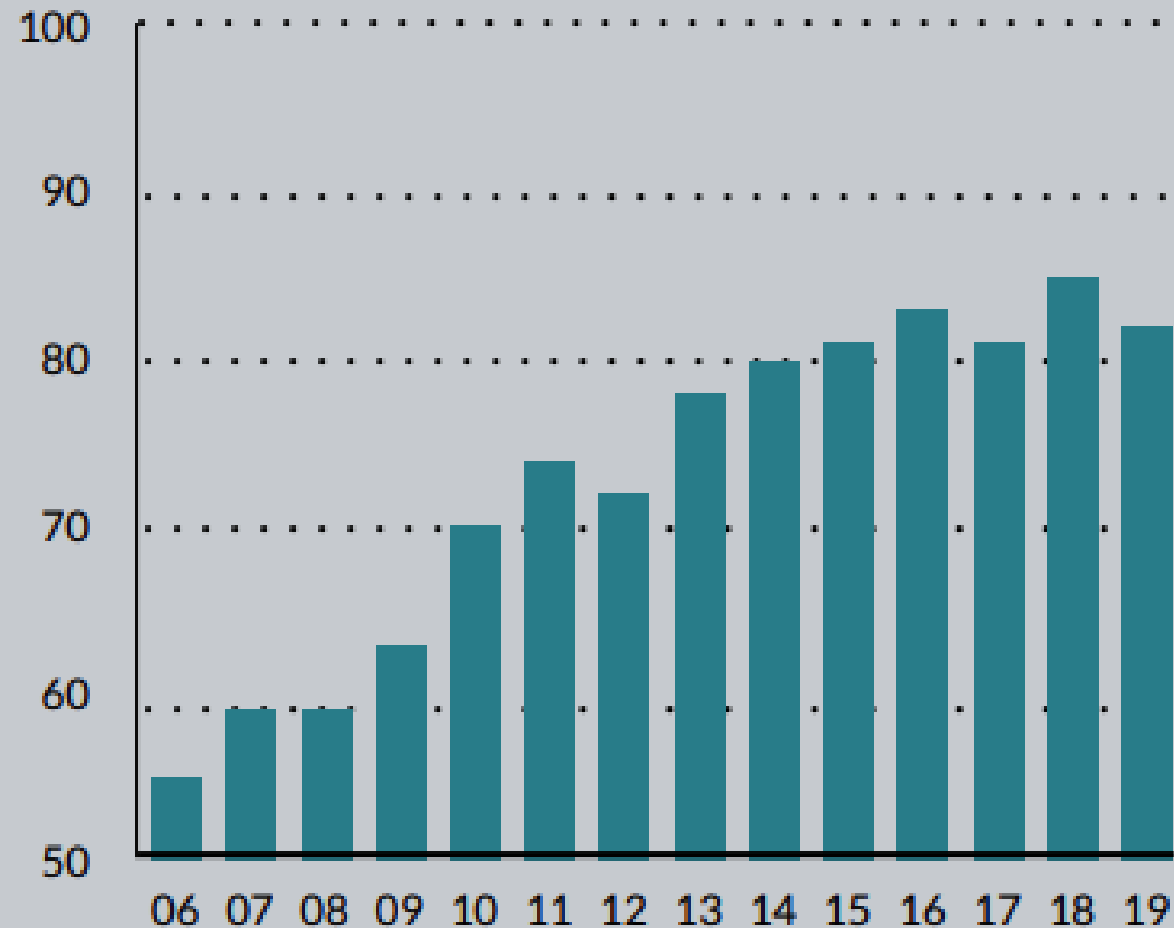
SOURCE: KFF Health Tracking Poll (Jan. 30-Feb. 7, 2024) • [Get the data](#) • [PNG](#)

**KFF**

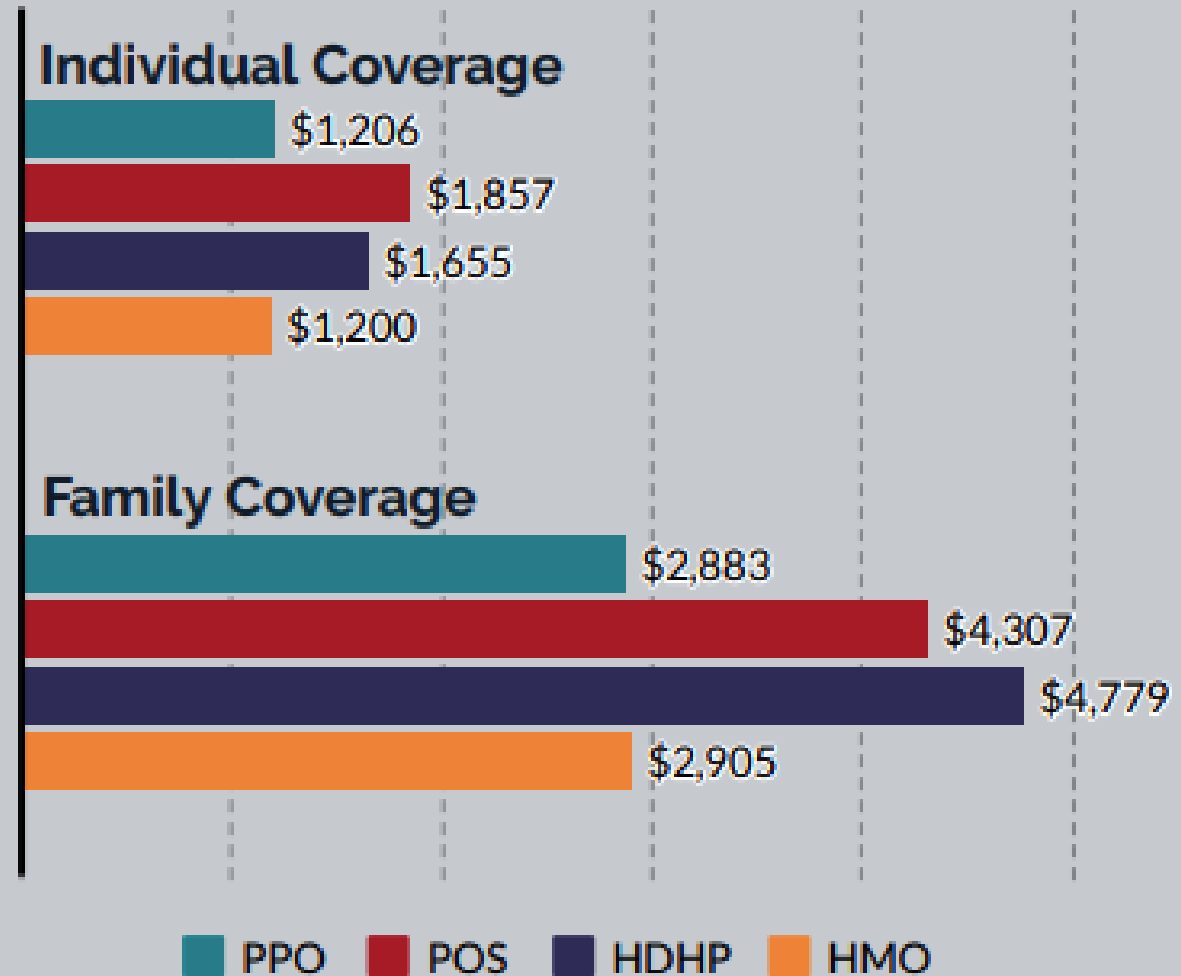


# Americans Do Not Care About Health Care Costs; They Care About **What It Costs Them**

## Percent of Americans With a Deductible



## Average Deductible by Plan Type in 2019



## Inspiration (Still)



“

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, 1934-2024)



SPECIAL ARTICLE



# Effect of Cost Sharing on Screening Mammography in Medicare Health Plans

**Authors:** Amal N. Trivedi, M.D., M.P.H., William Rakowski, Ph.D., and John Z. Ayanian, M.D., M.P.P. [Author Info & Affiliations](#)

Published January 24, 2008 | N Engl J Med 2008;358:375-383 | DOI: 10.1056/NEJMsa070929 | [VOL. 358 NO. 4](#)

Relatively small copayments were associated with significantly lower mammography rates among women who should undergo screening mammography according to accepted clinical guidelines. For effective preventive services such as mammography, exempting elderly adults from cost sharing may be warranted.



# “Blunt” Cost-Sharing Worsens Health Care Disparities

## Effects of Increased Patient Cost Sharing on Socioeconomic Disparities in Health Care

*Michael Chernew, PhD<sup>1</sup> Teresa B. Gibson, PhD<sup>2</sup> Kristina Yu-Isenberg, PhD, RPh<sup>3</sup>  
Michael C. Sokol, MD, MS<sup>4</sup> Allison B. Rosen, MD, ScD<sup>5</sup>, and A. Mark Fendrick, MD<sup>5</sup>*

Cost-sharing worsens disparities and adversely affect health, particularly among economically vulnerable individuals and those with chronic conditions

# The New York Times

OPINION  
GUEST ESSAY

## What's Wrong With Health Insurance? Deductibles Are Ridiculous, for Starters.

July 7, 2022

14



**Mark Cuban**   
@mcuban



Want to know one of the biggest problems in healthcare? Deductibles.

## Alternative to “Blunt” Consumer Cost-Sharing: A Clinically Nuanced Approach

A “**smarter**” cost-sharing approach that encourages consumers to use more high value services and providers, but discourages the use of low value ones



# A Clinically Nuanced Alternative to “Blunt” Consumer Cost-sharing: Value-Based Insurance Design - More of the Good Stuff and Less of the Bad Stuff

[HEALTH AFFAIRS](#) > [VOL. 39, NO. 9](#): MEDICARE PAYMENT INCENTIVES, MEDICAID & MORE

## Contributions Of Public Health, Pharmaceuticals, And Other Medical Care To US Life Expectancy Changes, 1990-2015

[Jason D. Buxbaum](#), [Michael E. Chernew](#), [A. Mark Fendrick](#), and [David M. Cutler](#)

By Niteesh K. Choudhry, Katsiaryna Bykov, William H. Shrank, Michele Toscano, Wayne S. Rawlins, Lonny Reisman, Troyen A. Brennan, and Jessica M. Franklin

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## **Eliminating Medication Copayments Reduces Disparities In Cardiovascular Care**

- Sets consumer cost-sharing on clinical benefit – not price
- Little or no out-of-pocket cost for high-value care; higher cost-sharing for low-value care
- Implemented by hundreds of public and private payers
- Bipartisan political support
- Improves health outcomes
- Enhances equity

# V-BID:

## Rare Bipartisan Political and Broad Multi-Stakeholder Support

- HHS
- CBO
- SEIU
- MedPAC
- Brookings Institution
- Commonwealth Fund
- NBCH
- American Fed Teachers
- Families USA
- AHIP
- AARP
- DOD
- BCBSA
- National Governor's Assoc.
- US Chamber of Commerce
- Bipartisan Policy Center
- Kaiser Family Foundation
- American Benefits Council
- National Coalition on Health Care
- Urban Institute
- RWJF
- IOM
- Smarter Health Care Coalition
- PhRMA
- EBRI
- AMA

# Putting Innovation into Action: Translating Research into Policy





# ACA Sec 2713: Selected Preventive Services be Provided without Cost-Sharing

- Receiving an A or B rating from the United States Preventive Services Taskforce (USPSTF)
- Immunizations recommended by the Advisory Committee on Immunization Practices (ACIP)
- Preventive care and screenings supported by the Health Resources and Services Administration (HRSA)

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By amending Sec 2713, the CARES Act of 2020 mandated COVID-19 testing and vaccines to be provided without patient cost-sharing

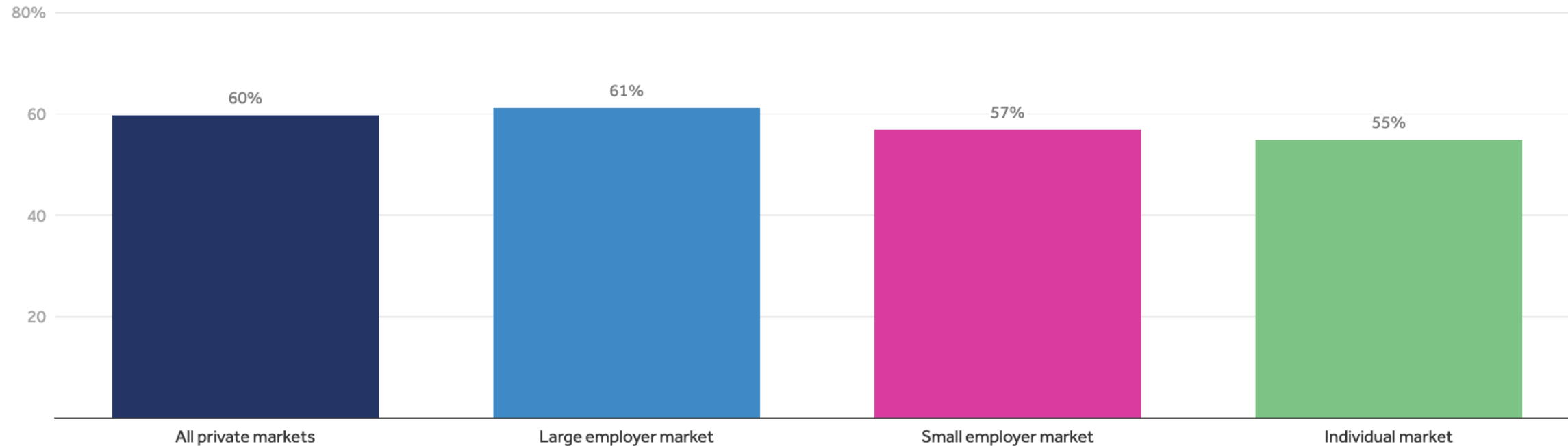


## **Access to Preventive Services without Cost-Sharing: Evidence from the Affordable Care Act**

- Over 230 million Americans have enhanced access to preventive services
  - 150 million with private insurance – including 58 M women and 37 M children
  - 61 million Medicare beneficiaries
  - Approximately 20 million Medicaid adult expansion enrollees
- A majority of studies showed increases in use of fully covered services
- Studies that included socioeconomic status reported more substantial increases in utilization of preventive services in financially vulnerable patients, suggesting that the policy reduced disparities in the delivery of preventive care

# About 6 in 10 privately insured people received ACA preventive care in 2018

Share of privately insured enrollees receiving preventive care, 2018



Source: KFF and RTI International analysis of 2018 Merative MarketScan and 2018 EDGE data • [Get the data](#) • [PNG](#)

# Texas Judge Finds ACA Requirement for Preventive Services Without Cost Sharing Invalid

- Several outstanding questions remain, but it is possible that this ruling will mean that employers will no longer have to provide first-dollar coverage for the 52 services that have received an “A” or “B” rating from the U.S. Preventive Services Task Force
- This requirement benefitted almost 152 million people in 2020 and led to increases in cancer screening and vaccinations, improved access to contraceptives, and earlier detection and treatment of chronic health conditions, including hypertension, depression, high cholesterol and diabetes.





[Aging](#) · [Health Policy](#) · [Why This Matters](#)

# SCOTUS will hear case threatening no-cost preventive care



Joseph Burns and Liz Seegert

March 4, 2025

Share:



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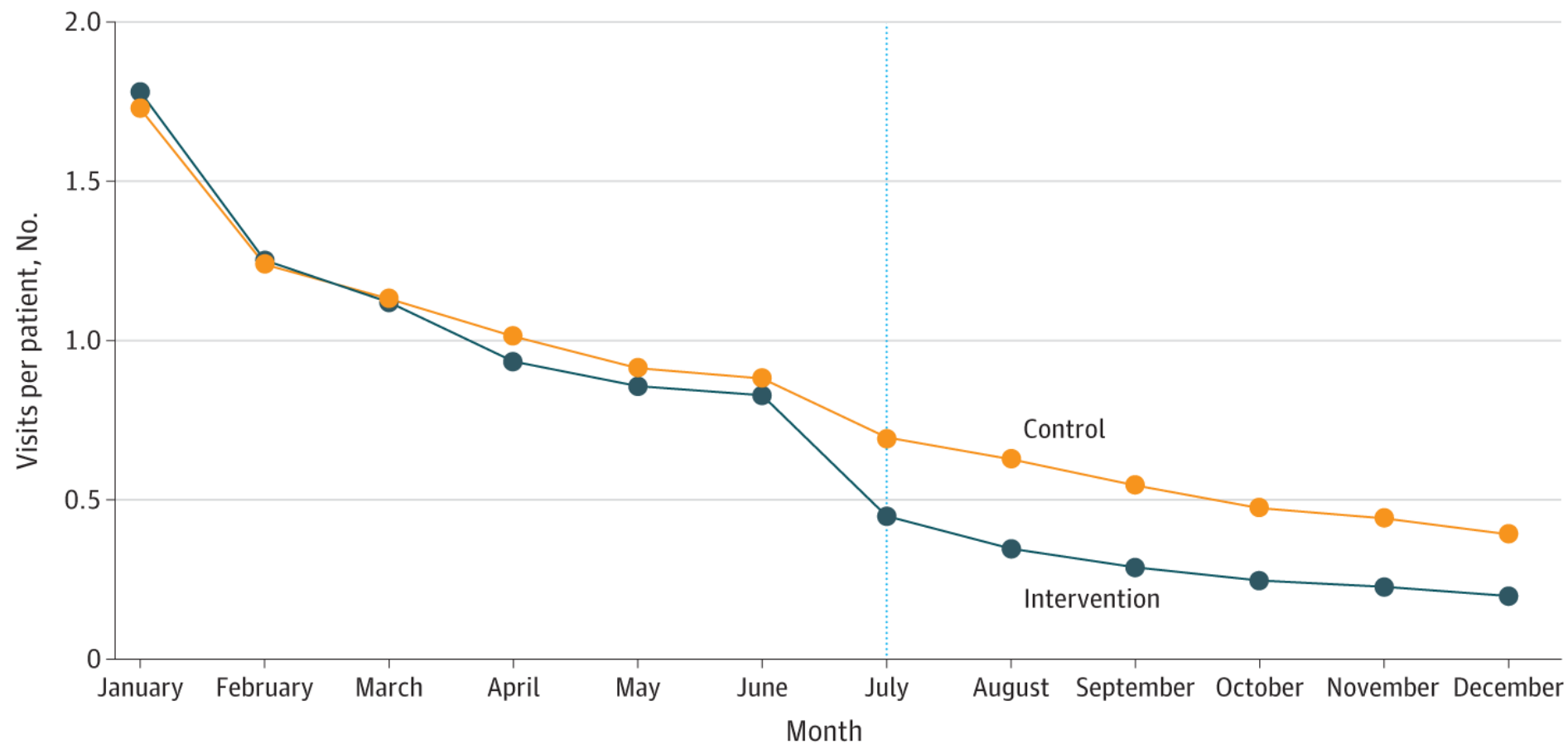
## A freeze, or a fix? Preventive care coverage at a crossroads

The future of free preventive care and health screenings rests in the hands of judges and lawmakers – but for now, patients can keep getting them

March 4, 2025 7:35 AM

Author | [Kara Gavin](#) >

# Impact of restoration of out-of-pocket costs on receipt of telemental health



# V-BID Policies Implemented During the First Trump Administration: Considerations for the Second Term

- Medicare
- High Deductible Health Plan Reform
- VBID-X



***Medicare***

# High Out of Pocket Costs are Common and Impactful For Medicare Beneficiaries

- One-third of Medicare beneficiaries said it was somewhat or very difficult to afford health care costs, including half of people under age 65
- More than one in four Medicare beneficiaries said health care costs made it harder for them to afford food and utility bills in the past 12 months
- More than one in five Medicare beneficiaries said they or a family member delayed or skipped needed care because of the cost in the past 12 months



# Medicare Advantage V-BID Model Test

For first time, reduced cost-sharing is permissible for:

- high-value services
- high-value providers
- enrollees participating in disease management or related programs
- additional supplemental benefits (non-health related)

## Wellness and Health Care Planning

Advanced care planning

Incentivize better health behaviors

## Rewards and Incentives

\$600 annual limit

Increase participation

Available for Part D

## Targeting Socioeconomic Status

Low-income subsidy

Improve quality, decrease costs

## Telehealth

Service delivery innovations

Augment existing provider networks

DEC 19, 2024

MORE ON MEDICARE & MEDICAID

# CMS ending VBID model due to high costs

CMS says the excess costs of the program were "unprecedented" in CMS Innovation Center models.

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To temper the ambitious, but unlikely, expectations of reduced expenditures resulting from V-BID programs, our colleague Michael Chernew, PhD, would often say, "Remember, if you buy more things that don't save money, you won't save money."



RELATED TOPICS:

MEDICARE ADVANTAGE | COSTS AND SPENDING | CHRONIC DISEASE | MEDICARE SAVINGS PROGRAMS  
| PAYMENT | COST SHARING | ACCESS TO CARE

# The End Of The MA Value-Based Insurance Design Model: What Next?

[Riya Doshi](#), [A. Mark Fendrick](#)

FEBRUARY 11, 2025

10.1377/forefront.20250207.262401



## Podcast



HEALTH AFFAIRS THIS WEEK

## Podcast: What's Happening with Value-Based Insurance Design? w/ Mark Fendrick

February 14, 2025

# Medicare Two Dollar Drug List Model

The Medicare \$2 Drug List Model is a voluntary model under development that would test whether a simplified approach to offering low-cost, clinically important generic drugs can improve medication adherence, lead to better health outcomes, and improve satisfaction with the Part D prescription drug benefit for people with Medicare and prescribers. The model would aim to standardize cost sharing for low-cost generics through a new, easy-to-understand option for people with Medicare Part D enrolled in a participating plan and their health care providers.

## Research Letter

March 24, 2025

## Projected Out-of-Pocket Savings of the Medicare Part D \$2 Drug List Model

Inmaculada Hernandez, PharmD, PhD<sup>1</sup>; Nico Gabriel, MA<sup>1</sup>; Yuvraj Pathak, PhD<sup>2</sup>; Ryan N. Hansen, PharmD, PhD<sup>3</sup>; Sean D. Sullivan, BScPharm, PhD<sup>3</sup>; A. Mark Fendrick, MD<sup>4</sup>

**The implementation of the model would will lead to a 63% reduction in beneficiary spending for the selected sample of 101 drugs.**



# Medicare Two Dollar Drug List Model



REGULATORY

**CMMI to cut participation in  
payment models, estimates \$750M  
in savings**

By Noah Tong · Mar 12, 2025 5:30pm

would be modest.

# Inflation Reduction Act of 2022 Includes Several V-BID Elements

- Caps Medicare patients' out-of-pocket costs for insulin at \$35 per month (implemented 2023)
- Caps Medicare patients' out-of-pocket costs at \$2,000 per year, with the option to break that amount into affordable monthly payments (Implemented 2025)
- Covers adult vaccines recommended by the Advisory Committee on Immunization Practices under Medicare Part D without cost-sharing (implemented 2023)



# Inflation Reduction Act Covers Medicare Part D vaccines recommended by the Advisory Committee on Immunization Practices without cost-sharing



## **Cost-Sharing for Immunizations in Medicare: Impacts on Beneficiaries and Recommendations for Policymakers (Buxbaum, 2017)**

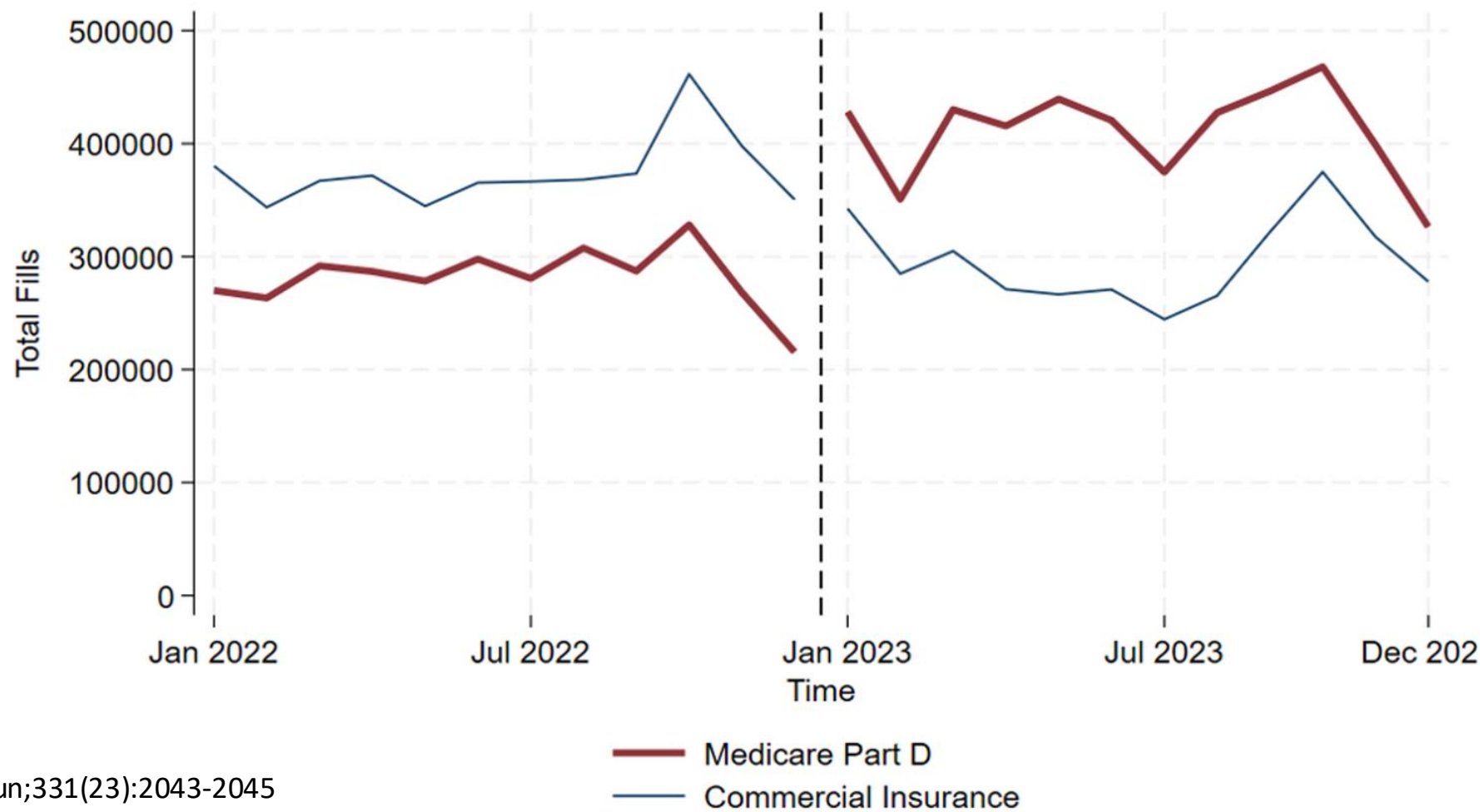
“Influenza, pneumococcal, and herpes zoster account for the vast share of preventable cases, but only the influenza and pneumococcal vaccines are routinely available without cost-share to Medicare beneficiaries.”

“CMS should encourage Part D plan sponsors to cover vaccinations with \$0 or minimal cost-sharing.”



# Part D shingles vaccinations increased by 46% after IRA implementation,

All Shingles Vaccine Fills<sup>b</sup>







**ASPE**  
ASSISTANT SECRETARY FOR  
PLANNING AND EVALUATION

OFFICE OF  
HEALTH POLICY

# RESEARCH REPORT

July 7, 2023

HP-2023-19

## —Inflation Reduction Act Research Series— Medicare Part D Enrollee Out-Of-Pocket Spending: Recent Trends and Projected Impacts of the Inflation Reduction Act

The Inflation Reduction Act's redesign of Medicare Part D will reduce enrollee out-of-pocket spending by about \$7.4 billion annually among more than 18.7 million enrollees (36 percent of Part D enrollees) in 2025 – nearly \$400 per person among enrollees who have savings in out-of-pocket costs under the IRA.

As far as you know, is there a federal law in place that...

■ Yes, there is a law that does this   ■ Not sure   ■ No, there is not a law that does this

Requires the federal government to negotiate the price of some prescription drugs for people with Medicare



Caps the cost of insulin for people with Medicare at \$35 per month



Places an annual limit on out-of-pocket prescription drug costs for people with Medicare



Penalizes drug companies for increasing prices faster than the rate of inflation for people with Medicare



NOTE: See topline for full question wording.

SOURCE: KFF Health Tracking Poll (Oct. 31-Nov. 7, 2023)

# HSA-HDHP Reform



## PREVENTIVE CARE COVERED

Dollar one



## CHRONIC DISEASE CARE

NOT covered until deductible is met





# U.S. DEPARTMENT OF THE TREASURY

## PRESS RELEASES

# Treasury Expands Health Savings Account Benefits for Individuals Suffering from Chronic Conditions

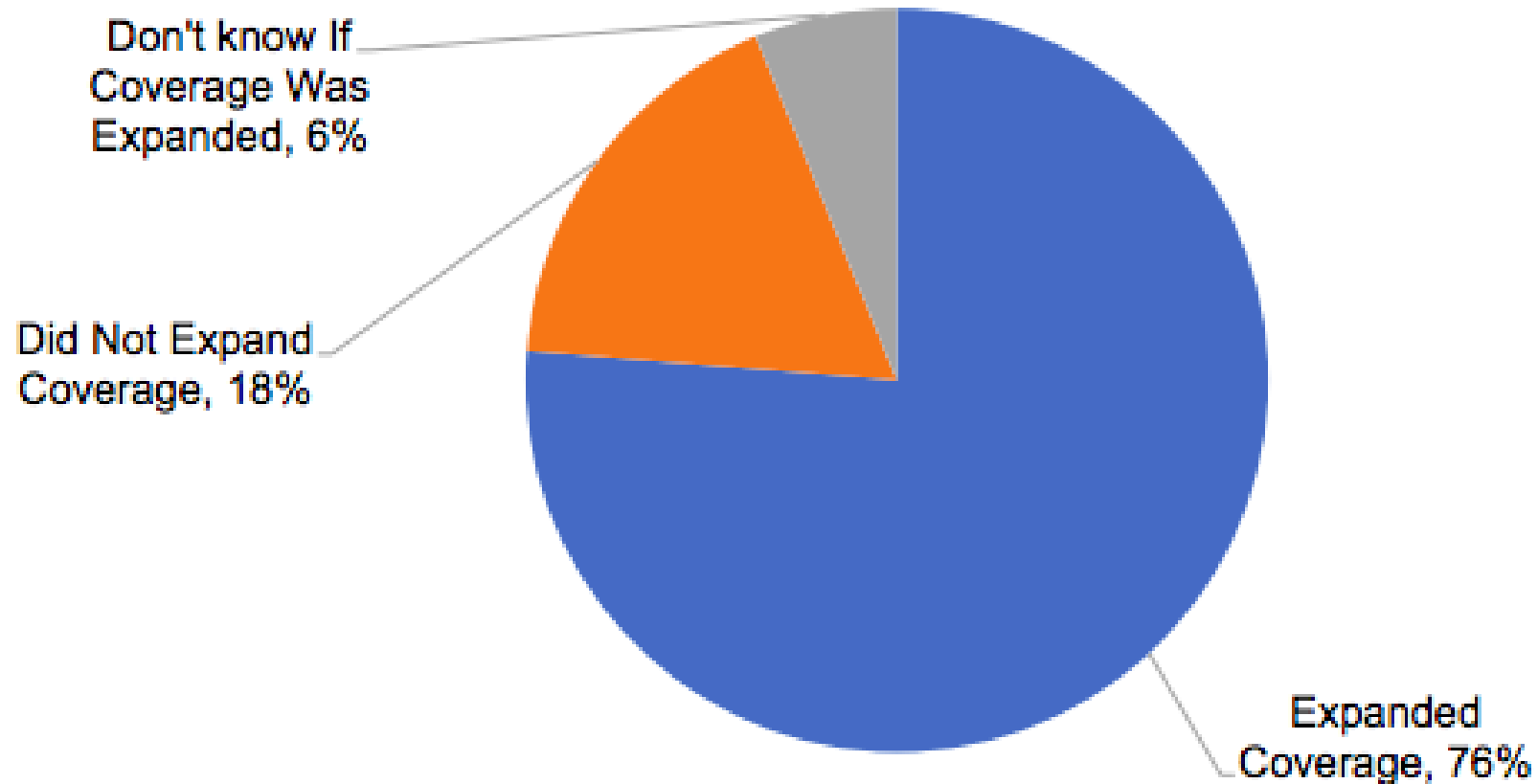
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# List of Services and Drugs for Certain Chronic Conditions Classified as Preventive Care Under Notice 2019-45

<b>Preventive Care for Specified Conditions</b>	<b>For Individuals Diagnosed with</b>
Angiotensin Converting Enzyme (ACE) inhibitors	Congestive heart failure, diabetes, and/or coronary artery disease
Anti-resorptive therapy	Osteoporosis and/or osteopenia
Beta-blockers	Congestive heart failure and/or coronary artery disease
Blood pressure monitor	Hypertension
Inhaled corticosteroids	Asthma
Insulin and other glucose lowering agents	Diabetes
Retinopathy screening	Diabetes
Peak flow meter	Asthma
Glucometer	Diabetes
Hemoglobin A1c testing	Diabetes
International Normalized Ratio (INR) testing	Liver disease and/or bleeding disorders
Low-density Lipoprotein (LDL) testing	Heart disease
Selective Serotonin Reuptake Inhibitors (SSRIs)	Depression
Statins	Heart disease and/or diabetes



# Significant Uptake of IRS Rule Expanding Pre-Deductible Coverage of Chronic Disease Services



Source: Employee Benefit Research Institute survey.

# Three Quarters of Employers Expanded Coverage of Chronic Disease Services Allowed Under IRS Rule 2019-45, Enhancing Access for Millions of Enrollees

**New Research Finds That Expanding Pre-Deductible Coverage in Health Savings Account–Eligible Health Plans Increased Patient Compliance with Medication Regimens**

SOURCE: Fronstin, Paul, and A. Mark Fendrick, “Employer Uptake of Pre-Deductible Coverage for Preventive Services in HSA-Eligible Health Plans,” EBRI Issue Brief, no. 542 (October 14, 2021).

## Internal Revenue Service Notice 2024-75: Expands the list of preventive care benefits permitted to be provided by a high deductible health plan

- Oral Contraceptives; including OTC
- Male Condoms
- Breast Cancer Screening
- Continuous Glucose Monitors

# PRESS RELEASES

[Home](#) / [Media](#) / [Press Releases](#)



## House Passes Buchanan's Bill to Expand Coverage Options for Chronic Disease Treatment and Prevention

**March 4, 2025**

*Allows Employers Offering High Deductible Health Plans to Offer Pre-Deductible Coverage of 14 Chronic Healthcare Services*

# Paying for More Generous Coverage of High Value Care: Reduce Spending on Low Value Care



# Paying for More Generous Coverage of High Value Care: Reduce Spending on Low Value Care

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

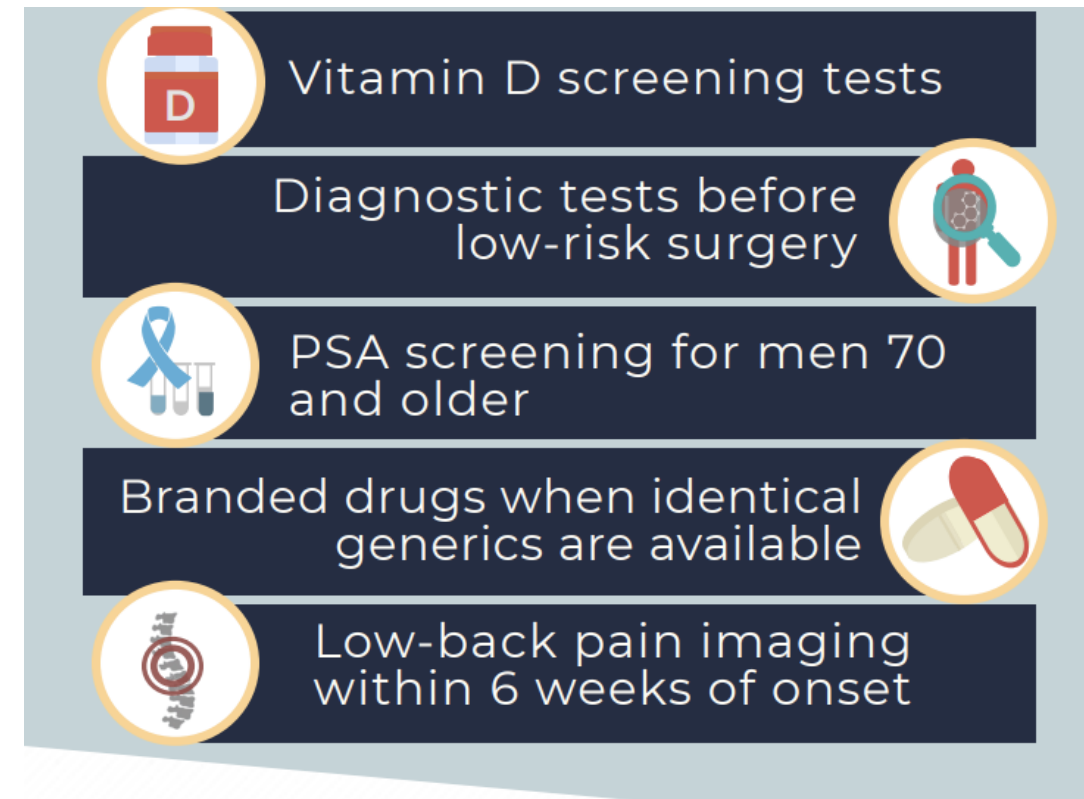
**\$345  
BILLION**

## Tackling Low-Value Care: A New “Top Five” for Purchaser Action

[Jason D. Buxbaum](#), [John N. Mafi](#), [A. Mark Fendrick](#)

NOVEMBER 21, 2017

10.1377/forefront.20171117.664355





RESEARCH ARTICLE

[HEALTH AFFAIRS](#) > [VOL. 29, NO. 11](#): DESIGNING INSURANCE TO IMPROVE VALUE IN HEALTH CARE

# Applying Value-Based Insurance Design To Low-Value Health Services

[A. Mark Fendrick](#), [Dean G. Smith](#), and [Michael E. Chernew](#)

[AFFILIATIONS](#) ✓

PUBLISHED: NOVEMBER 2010 **No Access**

<https://doi.org/10.1377/hlthaff.2010.0878>

## Massive waste in healthcare spending

 **The Rabbit Hole**  @TheRabbitHole84 · Dec 4, 2024

Wasteful Healthcare Spending in the United States



Wasteful healthcare spending can reach up to \$935 billion a year

### TYPES OF WASTEFUL HEALTHCARE SPENDING (BILLIONS OF DOLLARS)



SOURCE: Journal of the American Medical Association, *Waste in the US Health Care System: Estimated Costs and Potential for Savings*, October 2019.

NOTES: Data represent the upper threshold of estimates by Shrank and colleagues. Total sum may be different due to rounding.  
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PGPF.ORG

# ACA Sec 4105:

## Selected No-Value Preventive Services Shall Not Be Paid For

### SEC. 4105. EVIDENCE-BASED COVERAGE OF PREVENTIVE SERVICES IN MEDICARE.

(a) **AUTHORITY TO MODIFY OR ELIMINATE COVERAGE OF CERTAIN PREVENTIVE SERVICES.**—Section 1834 of the Social Security Act (42 U.S.C. 1395m) is amended by adding at the end the following new subsection:

“(n) **AUTHORITY TO MODIFY OR ELIMINATE COVERAGE OF CERTAIN PREVENTIVE SERVICES.**—Notwithstanding any other provision of this title, effective beginning on January 1, 2010, if the Secretary determines appropriate, the Secretary may—

“(1) modify—

“(A) the coverage of any preventive service described in subparagraph (A) of section 1861(ddd)(3) to the extent that such modification is consistent with the recommendations of the United States Preventive Services Task Force; and

“(B) the services included in the initial preventive physical examination described in subparagraph (B) of such section; and

“(2) provide that no payment shall be made under this title for a preventive service described in subparagraph (A) of such section that has not received a grade of A, B, C, or I by such Task Force.”.

(b) **CONSTRUCTION.**—Nothing in the amendment made by paragraph (1) shall be construed to affect the coverage of diagnostic or treatment services under title XVIII of the Social Security Act.

HHS granted authority to not pay for USPSTF ‘D’ Rated Services

# Annual Use and Cost of Seven Grade D Services Among Medicare Enrollees



Total Annual Count:

**31 million**



Total Annual Costs:

**\$478 million**

V-BID X:

Better Coverage, Same Premiums and Deductibles



# 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**



# V-BID X: Creating A Value-Based Insurance Design Plan For The Exchange Market

Haley Richardson, Michael Budros, Michael E. Chernew, A. Mark Fendrick

JULY 15, 2019

10.1377/hblog20190714.437267

MAY 08, 2020 | MORE ON MEDICARE & MEDICAID

## CMS promotes value-based insurance design in final payment notice for 2021

Much of CMS’s framework—including a list of high-value services that insurers could cover with little no impact on premiums but better care incentives—comes from the [University of Michigan’s Center for Value-Based Insurance Design](#). The list includes a number of the same preventive care benefits that can be newly provided by a high-deductible health plan paired with a health savings account on a pre-deductible basis under [Treasury guidance](#) from July 2019.

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### High Value Generic Drug Classes with Zero Cost Sharing

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ACE inhibitors and ARBs  
Anti-depressants  
Antipsychotics  
Anti-resorptive therapy  
Antiretrovirals  
Antithrombotics/anticoagulants  
Beta blockers  
Buprenorphine-naloxone  
Glucose lowering agents  
Inhaled corticosteroids  
Naloxone  
Rheumatoid arthritis medications  
Statins  
Thyroid-related  
Tobacco cessation treatments

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### High Value Branded Drug Classes with Reduced Cost Sharing

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Anti-TNF (tumor necrosis factor)  
Hepatitis C direct-acting combination  
Pre-exposure prophylaxis for HIV (PrEP) <sup>1</sup>

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### Specific Low Value Services Considered

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Proton beam therapy for prostate cancer  
Spinal fusions  
Vertebroplasty and kyphoplasty  
Vitamin D testing

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# Enhancing Access and Affordability to Essential Clinical Services

- Save preventive care mandate
- Expand pre-deductible coverage/reduce consumer cost-sharing on high-value, essential chronic disease services
- Identify, measure and reduce low-value care
- Implement clinically-driven plan payment reform, technologies and benefit designs (i.e., V-BID X) that increase use of high-value services and deter low value care

An aerial photograph of a large, oval-shaped stadium, likely a football or soccer stadium. The stadium is mostly empty, with the seating areas visible in shades of blue and grey. The field is green with white yard lines, and the word 'MICHIGAN' is written in large yellow letters across the field. The stadium is surrounded by parking lots, roads, and some trees. A semi-transparent white box is overlaid on the center of the image, containing a quote.

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

Dan Quayle



Thank you

Questions?

[www.vbidcenter.org](http://www.vbidcenter.org)

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