



## Value-Based Insurance Design:

Aligning Patient and Provider Incentives 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)

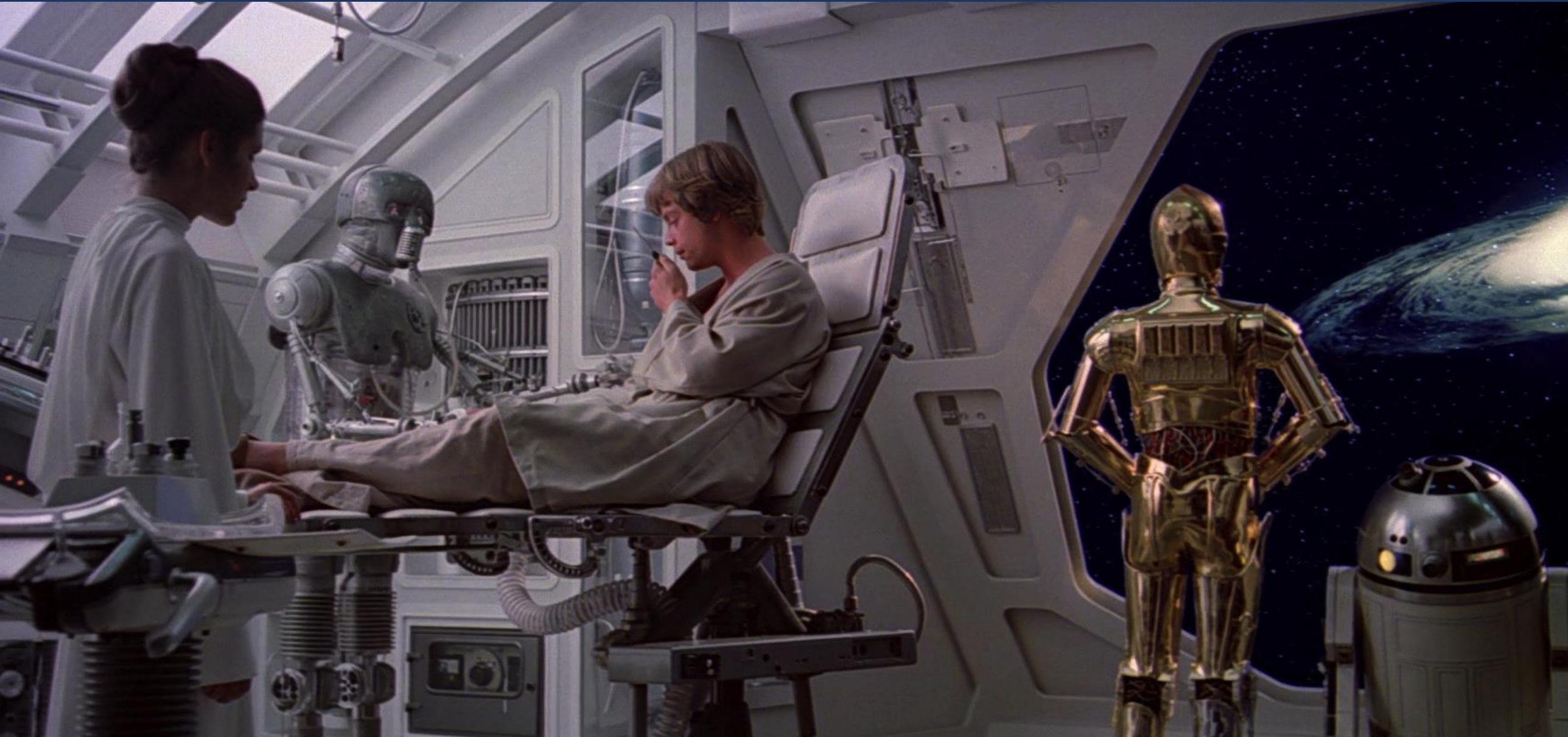


**I PUBLISHED  
BUT STILL PERISHED**

# 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:

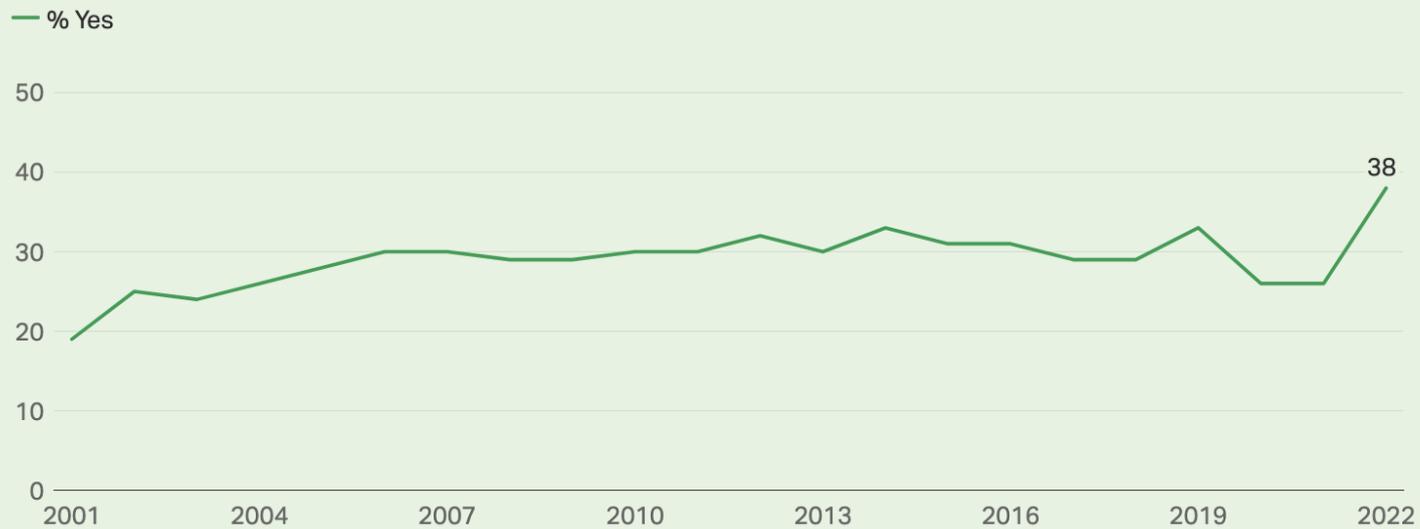
## Change the health care cost discussion from “How much” to “How well”

- 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?



Get the data • Download image

GALLUP

Health care costs are among the leading causes of:

- Personal debt
  - About 30 million Americans report borrowing an estimated \$74B for medical bills in 2024
- On-line fundraisers
- Personal bankruptcy

EDITORIAL | VOLUME 122, ISSUE 8, P699, AUGUST 2009

[Download Full Issue](#)

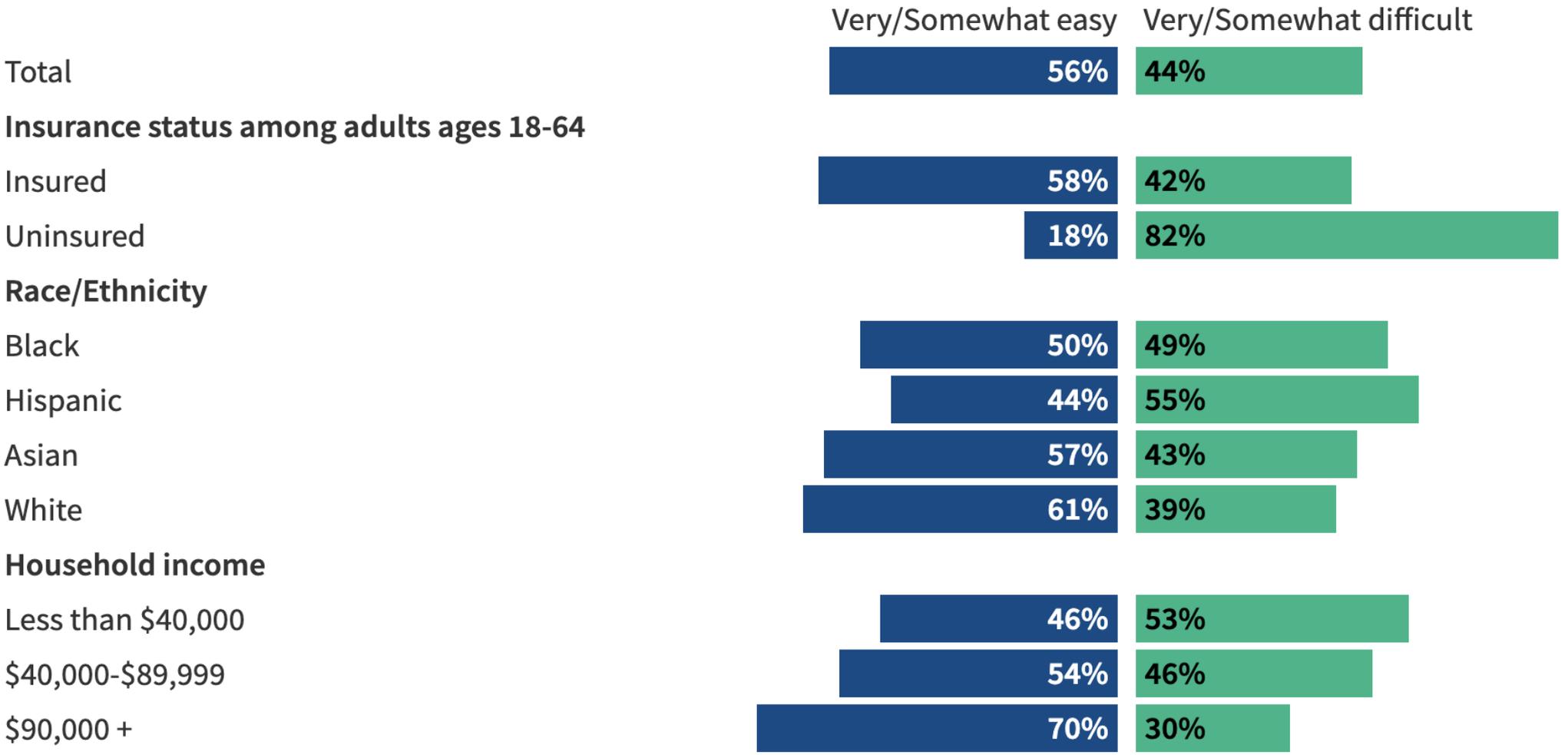
## Only in America: Bankruptcy Due to Health Care Costs

James E. Dalen, MD, MPH



# Nearly Half of Adults Say It Is Difficult To Afford Health Care Costs, Including Large Shares of the Uninsured, Black and Hispanic Adults, and Those With Lower Incomes

In general, how easy or difficult is it for you to afford your health care costs?



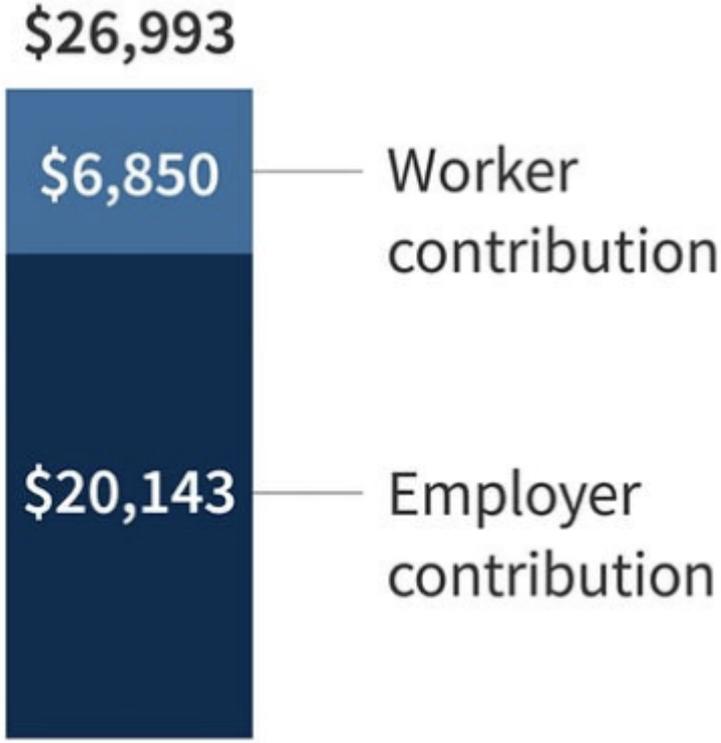
Note: See topline for full question wording.

Source: KFF Health Tracking Poll (May 5-26, 2025) • [Download PNG](#)

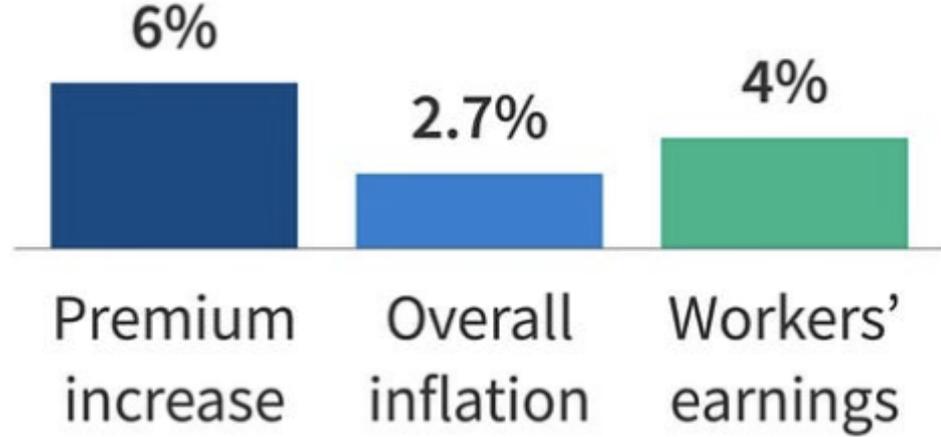


# Family Premiums for Employer Coverage Rise 6% in 2025

Average total premiums for family employer coverage in 2025



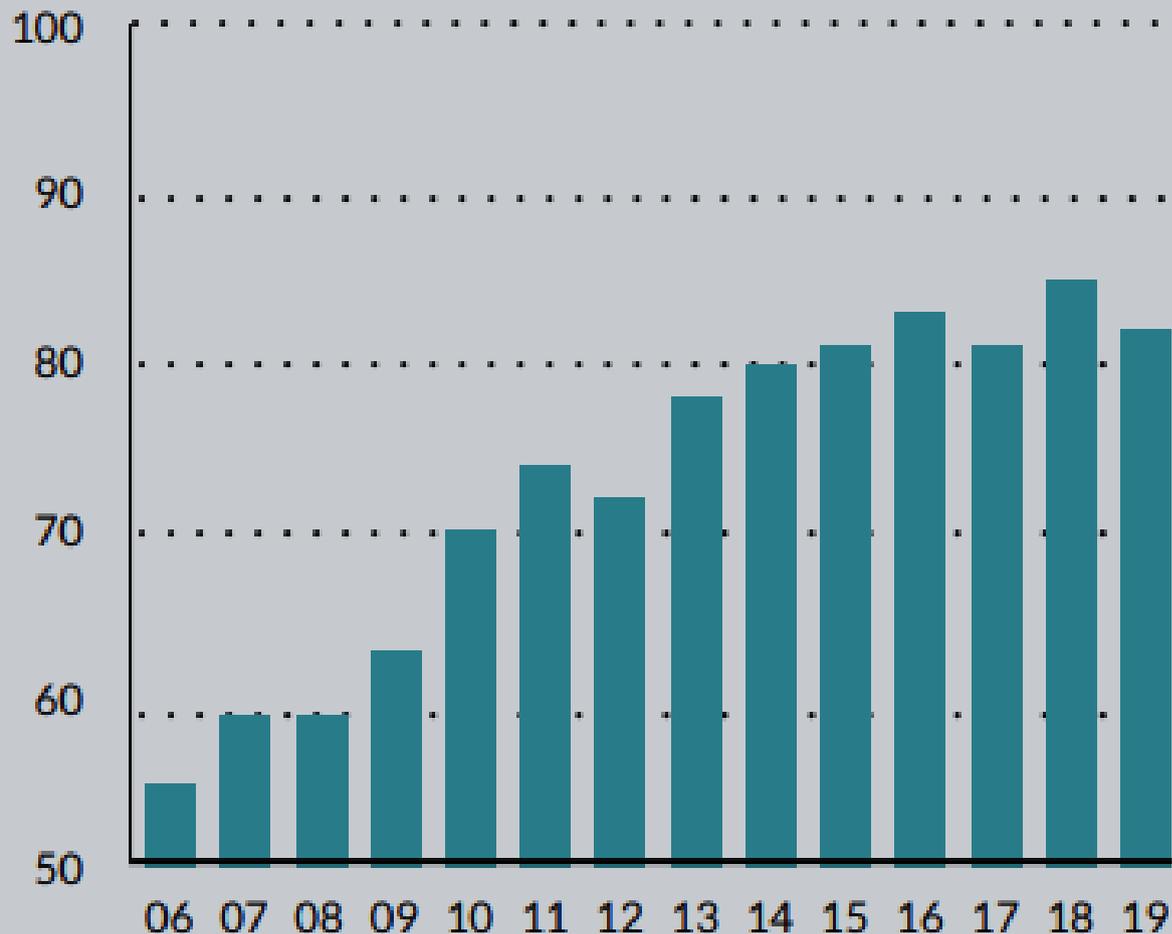
Increase in premiums, inflation and workers' wages since 2024



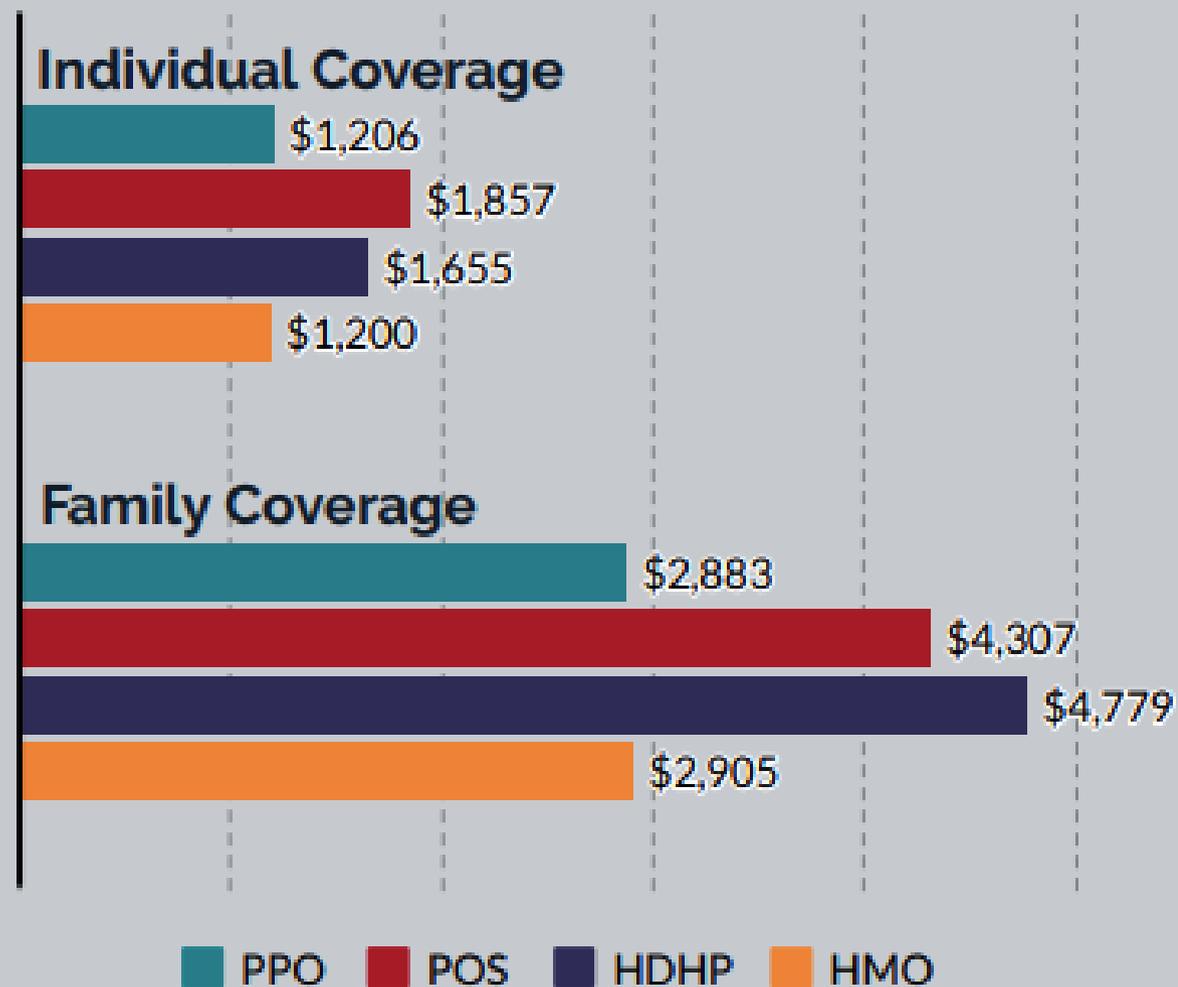
Source: Kaiser Family Foundation

# 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)

# “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

# FORTUNE

---

COMMENTARY · MEDICAL COSTS

If you have insurance, you shouldn't be paying full price for insulin

BY MARK FENDRICK AND DAVID A. RICKS

January 29, 2020 at 4:06 PM EST



---

The New York Times

---

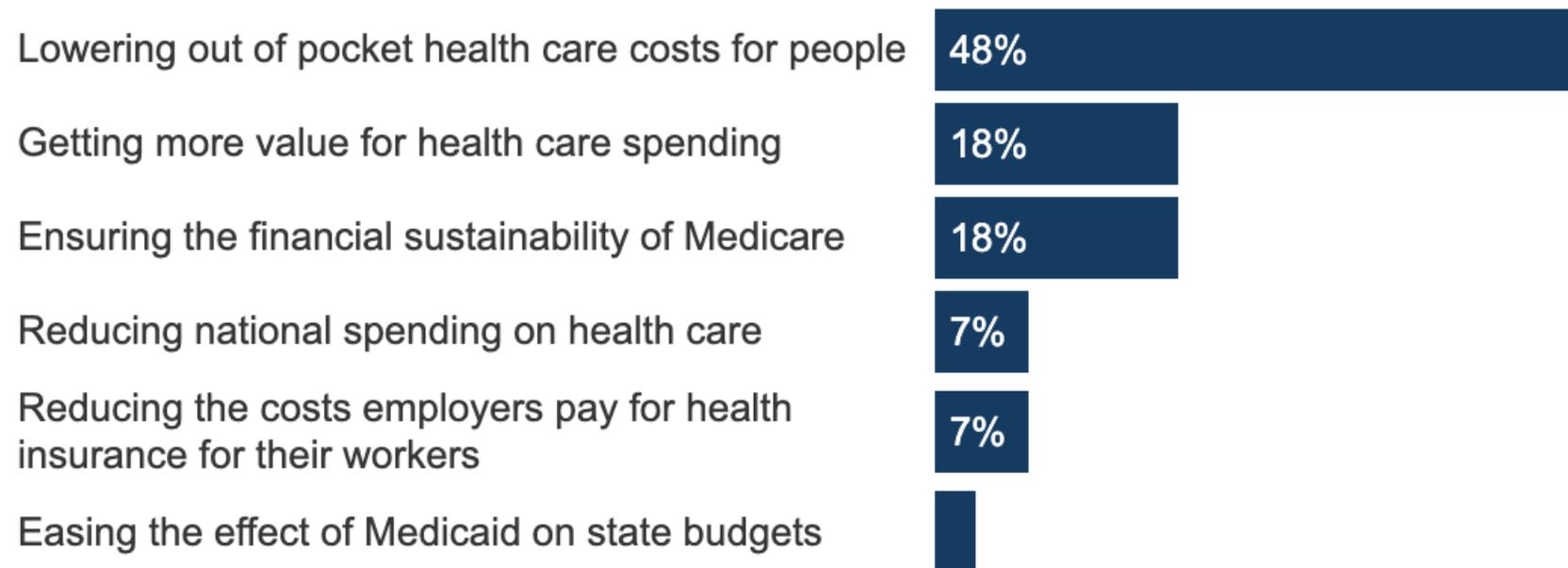
What's Wrong With Health Insurance? Deductibles Are Ridiculous, for Starters.

July 7, 2022

# 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**

# 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

- 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

February 9, 2024

## **Acute Diabetes Complications After Transition to a Value-Based Medication Benefit**

J. Franklin Wharam, MD, MPH<sup>1,2,3</sup>; Stephanie Argetsinger, MS, MPH<sup>3</sup>; Matthew Lakoma, MPH<sup>3</sup>; Fang Zhang, PhD<sup>3</sup>; Dennis Ross-Degnan, ScD<sup>3</sup>

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

---

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

# 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)





## **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

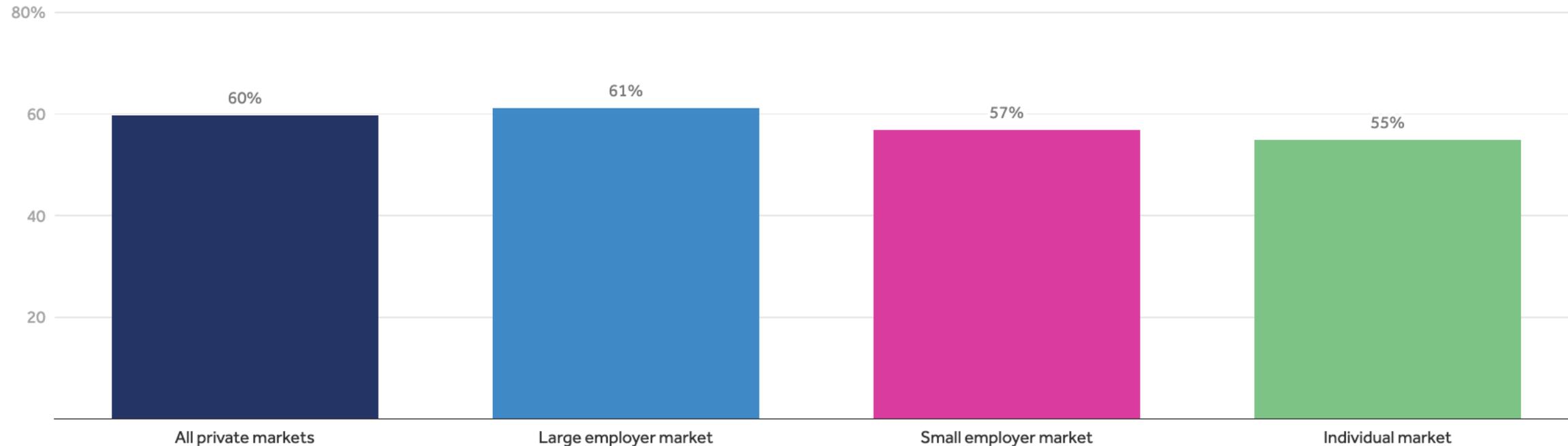
# ACA Sec 2713: Selected Preventive Services be Provided without Cost-Sharing

- 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)

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

# 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](#)



This content is available to subscribers.

PERSPECTIVE

# Preventive Care at the Supreme Court

**Author:** Nicholas Bagley, J.D. [Author Info & Affiliations](#)

Published July 23, 2025 | DOI: 10.1056/NEJMp2506684 | [Copyright © 2025](#)

- Supreme Court upheld the ACA preventive care mandate
- HHS secretary can exercise control over the task force

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

- 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

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

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



# Impact of V-BID Elements of the Inflation Reduction Act of 2022

## If you make people pay less for something, they will buy more of it

July 24, 2023

### **Insulin Fills by Medicare Enrollees and Out-of-Pocket Caps Under the Inflation Reduction Act**

Rebecca Myerson, MPH, PhD<sup>1</sup>; Dima M. Qato, PharmD, MPH, PhD<sup>2</sup>; Dana P. Goldman, PhD<sup>3</sup>; John A. Romley, PhD<sup>3</sup>

“The IRA cap on cost-sharing was associated with increases in the total number of insulin fills for Medicare enrollees.”

**Research Letter** | Health and the 2024 US Election

May 23, 2024

### **Shingles Vaccination in Medicare Part D After Inflation Reduction Act Elimination of Cost Sharing**

Dima M. Qato, PharmD, MPH, PhD<sup>1,2</sup>; John A. Romley, PhD<sup>2,3</sup>; Rebecca Myerson, MPH, PhD<sup>2,4</sup>; [et al](#)

“Following IRA implementation, Part D shingles vaccinations increased by 46%.”



# —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.

# HSA-HDHP Reform



# Original IRS Rules Prohibited Coverage of Chronic Disease Care Until HSA-HDHP Deductible is Met

## 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

---

# 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

# 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).

# Chronic Disease Management Act of 2023: Expands Services and Drugs for Chronic Conditions Classified as Preventive Care

117<sup>TH</sup> CONGRESS  
1<sup>ST</sup> SESSION

## S. 1424

To amend the Internal Revenue Code of 1986 to permit high deductible health plans to provide chronic disease prevention services to plan enrollees prior to satisfying their plan deductible.

---

IN THE SENATE OF THE UNITED STATES

APRIL 28, 2021

Mr. THUNE (for himself and Mr. CARPER) introduced the following bill; which was read twice and referred to the Committee on Finance

---

## A BILL

To amend the Internal Revenue Code of 1986 to permit high deductible health plans to provide chronic disease prevention services to plan enrollees prior to satisfying their plan deductible.

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,*

# 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*

# One Big Beautiful Bill Act (OBBBA) introduces changes to HSA-HDHPs, effective January 1, 2026

- Permanently allowing telehealth to be covered without disqualifying an HSA
- Direct Primary Care (DPC) arrangements no longer prevent HSA contributions, provided their cost is within certain limits
- Expanding HSA eligibility to include individuals with Bronze and Catastrophic ACA plans
  - 2027 ACA marketplace proposed rule calls for role for V-BID in Catastrophic plans

# 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**

## 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

# 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



## Projected Savings From Reducing Low-Value Services in Medicare

David D. Kim, PhD<sup>1,2</sup>; A. Mark Fendrick, MD<sup>3,4</sup>

# Medicare could save \$3.6B without risk to older adults, study suggests

Fewer low-value tests, scans and procedures could also save older adults \$800M in out-of-pocket costs

August 1, 2025 11:00 AM

Author | [Kara Gavin >](#)

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

Rockwell

SCV - <https://doi.org/10.1093/haschl/qxae133>

Recent papers

ivermectin

<https://doi.org/10.1377/hlthaff.2024.00452>

# CMS Launches WiSeR Model to reduce wasteful, low-value services

**CMS**.gov

## **WiSeR (Wasteful and Inappropriate Service Reduction) Model**

Specific Low-value Services included:

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.

---

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

---

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

---

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

---

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

---

### Specific Low Value Services Considered

---

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

---

# V-BID X Example: Reallocating Spending on Cervical Cancer Screening from Low to High-Value Clinical Scenarios

Paper

<https://doi.org/10.1158/1940-6207.CAPR-22-0531>.

doi: 10.37765/ajmc.2024.89577

# Enhancing Access and Affordability to Essential Clinical Services

## Money Should Follow Health, Not Health Follow Money

- Keep watchful eye on the future role of the USPSTF, ACIP, HRSA
- Reduce consumer barriers to high-value clinical services
  - Out of pocket costs (e.g., premiums, deductibles, co-insurance)
  - Utilization management (e.g., prior authorization, step-edits)
- Identify, measure and reduce low-value care to pay for more generous coverage of high-value care
- Implement clinically-driven plan payment reform (not fee-for-service, technologies (e.g. AI) and benefit designs (e.g., V-BID X) that increase use of high-value services and deter low value care



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

Dan Quayle

Thank you

Questions?

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

[@UM\\_VBID](https://twitter.com/UM_VBID)