



SCHOOL OF PUBLIC HEALTH

CENTER FOR VALUE-BASED INSURANCE DESIGN
UNIVERSITY OF MICHIGAN

Value-Based Insurance Design:

Aligning Patient and Provider Incentives to Increase Use of High value Care, Enhance Equity, and Eliminate Low Value Services

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www.vbidcenter.org



**I PUBLISHED
BUT STILL PERISHED**

Enhancing Access and Affordability to High-Value Services

Money Should Follow Health, Not Health Follow Money

- 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 primary focus of reform discussions
 - People want to pay for value, until they have to pay for value

We need to spend more on the 'good stuff' and less on the 'bad stuff'.

Moving from the Stone Age to the Space Age:

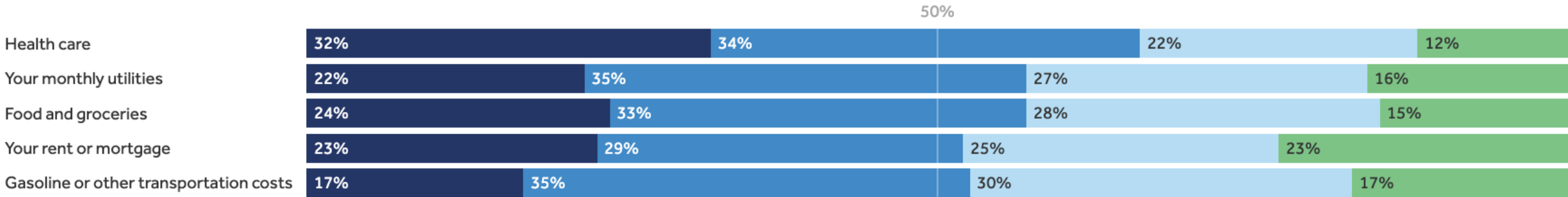
Change the health care cost discussion from “How much” to “How well”

- 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

How worried, if at all, are you about being able to afford each of the following for you and your family?

Very worried Somewhat worried Not too worried Not at all worried



Note: Healthcare includes the cost of health insurance and out-of-pocket costs for things like office visits and prescription drugs. Monthly utilities include electricity or heat. See topline for full question wording.

Source: KFF Health Tracking Poll (January 13-20, 2026) • [Get the data](#) • [PNG](#)

Peterson-KFF
Health System Tracker



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

The New York Times

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

July 7, 2022

- The number of Americans putting off medical treatment due to cost is at a record high
- Health care costs are among the leading causes of:
 - Personal debt
 - About 30 million Americans borrowed an estimated \$74B for medical bills in 2024
 - On-line fundraisers
 - Personal bankruptcy

Inspiration (Still) Behind our Efforts to Lower Patients' Out-of-Pocket Costs



“

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)

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^{1,2,3}; Stephanie Argetsinger, MS, MPH³; Matthew Lakoma, MPH³; Fang Zhang, PhD³; Dennis Ross-Degnan, ScD³

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

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

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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

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)





—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

Preventive Care for Specified Conditions	For Individuals Diagnosed with
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).

How do We Pay for More Generous Coverage of High Value Care?

Approaches to reduce medical spending:

- Decrease eligibility 😞
- Increase premiums 😞
- Raise deductibles and copayments – ‘tax on the sick’ 😞
- Utilization management 😞
- **Reduce spending on low value care**

All cost-saving options - except for low value care - lead to negative clinical outcomes

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^{1,2}; A. Mark Fendrick, MD^{3,4}

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 >](#)



WISeR (Wasteful and Inappropriate Service Reduction) Model

Examples of selected items and services include:

- skin and tissue substitutes;
- implantation of electrical nerve stimulators;
- knee arthroscopy for knee osteoarthritis

Enhancing Access and Affordability to Essential Services

Money Should Follow Health, Not Health Follow Money

- Reduce consumer barriers to high-value clinical services
 - Lower out of pocket costs (e.g., premiums, deductibles, co-insurance)
 - Eliminate 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 policies such as payment reform, technologies (e.g. AI) and benefit designs that put patients first by increasing use of high-value services and deterring low value ones



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

Dan Quayle

Thank you

Questions?

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