



CHANGING THE HEALTH CARE COST DISCUSSION FROM “HOW MUCH” TO “HOW WELL”

As Americans are asked to pay a greater percentage of their health care expenditures, cost-related non-adherence is an important and growing problem. A potential solution - [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, with the value of services. These innovative products 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 and where the service is provided.

IMPLEMENTING CLINICAL NUANCE

For over a decade, numerous [private](#) and public payers, employers, unions, and business coalitions nationwide have implemented clinically nuanced V-BID programs, reducing consumer cost-sharing for specified visits, diagnostic tests and treatments. [Evidence](#) is accumulating that V-BID plans increase the use of high-value services, lower consumer out-of-pocket costs, and reduce health care disparities. These encouraging patient-centered outcomes often result without added spending, and in some circumstances reduce aggregate expenditures. As clinically nuanced benefit designs are increasingly implemented, those specific features that predict clinical and economic success are becoming better identified.

Given this progress, policymakers are shifting their focus towards value-based designs. The Patient Protection and Affordable Care Act requires insurers to cover (without consumer cost-sharing) high-value, preventive care services ([Section 2713 \(c\)](#)), and grants Medicare-eligible individuals access to a free annual wellness visit (Section 4103) and other preventive care. The Bipartisan “Strengthening Medicare Advantage through Innovation and Transparency for Seniors Act of 2015” and “Value-Based Insurance Design Seniors Copayment Reduction Act of 2015” directs HHS to establish a demonstration to test V-BID in Medicare Advantage plans ([HR 2570/S 1396](#)). V-BID is featured in a [CMS Request for Information](#) to test innovation in Medicare. A recent CMS rule permits Medicaid programs the flexibility to adjust copayments for clinician visits, drugs, and other services. States across the country including Connecticut, Michigan, Maine, Oregon, Arkansas, Virginia, South Carolina, North Carolina, Minnesota, New York and California have adopted V-BID principles into their State Innovation Models, Medicaid plans, employee benefits plans, and more. To accelerate the adoption of V-BID principles in the growing High-Deductible Health Plan sector, a [multi-stakeholder initiative](#) is underway to expand the Internal Revenue Service preventive care safe harbor under section 223(c)(2)(C), allowing the establishment of a [High Value Health Plan](#), which would cover a broader set of high-value, evidence-based services prior to the satisfaction of the plan deductible.

BROAD STAKEHOLDER SUPPORT

- HHS (National Quality Strategy)
- Service Employees International Union
- Robert Wood Johnson Foundation
- National Governor’s Association
- National Business Coalition on Health
- Partnership for Sustainable Health Care
- America’s Health Insurance Plans
- Congressional Budget Office
- US Chamber of Commerce
- Bipartisan Policy Center
- Kaiser Family Foundation
- National Business Group on Health
- Institute of Medicine (IOM)
- The Commonwealth Fund
- National Coalition on Health Care
- Patient-Centered Primary Care Collaborative
- MedPAC
- Urban Institute
- Brookings Institution
- PhRMA
- AARP
- Families USA

UNIVERSITY OF MICHIGAN CENTER FOR VALUE-BASED INSURANCE DESIGN

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 balance cost and quality. University of Michigan faculty first published and named the V-BID concept and has guided this approach from early principles to adoption in the private and public sectors. For more information, please email us at vbidcenter@umich.edu or visit www.vbidcenter.org.