Source: National Association of Health Underwriters Education Foundation

High-Deductible Health Plans (HDHP) continue to gain momentum among employers looking to cut healthcare costs by giving employees more “skin in the game.” Mercer’s 2014 “National Survey of Employer-Sponsored Health Plans” tracked the largest ever one-year enrollment increase in HDHPs, from 18 to 23 percent of all covered employees1.

Dr. Mark Fendrick, an internist who directs the [University of Michigan Center for Value-Based Insurance Design](http://www.vbidcenter.org/), worries about an accompanying trend — employees who skip needed care because of high deductibles. As an alternative, he suggests employers and other purchasers use the principles of Value-Based Insurance Design (V-BID) in their plans. V-BID plans waive deductibles for needed treatment in much the same way that the [Patient Protection and Affordable Care Act](http://vbidcenter.org/wp-content/uploads/2014/10/Prevention2713-Brief-Nov-2013.pdf) mandates coverage without cost-sharing for many evidenced-based preventive services, such as immunizations and screening for cancer, depression, HIV, and diabetes.

“We can do better than increasing cost-sharing in the typical ‘one-size-fits-all’ way,” Fendrick says.

An increasing number of employers are using the V-BID approach to control costs while also improving health outcomes. The basic premise of V-BID is to align patients’ out-of-pocket costs, such as co-payments and premiums, with the “clinically nuanced” value of health services. A “carrot,” such as a reduced or waived co-pay, incents employees to use high-value services. Similarly, “sticks” can be used to discourage use of low-value services. While pioneered by large self-insured employers, Fendrick says V-BID programs are increasingly available in fully-insured products.

V-BID uses incentives to:

* Encourage use of high-value services, including preventive services and certain prescription drugs, often covered at low or no co-payment levels that encourage appropriate care. Examples include medications and routine eye and foot exams for patients with diabetes.
* Encourage healthy lifestyles, such as smoking cessation or increased physical activity.
* Encourage use of high-performing providers—those who deliver high-quality care using evidence-based treatment recommendations.
* Discourage use of low-value care, such as unnecessary imaging of people with an initial bout of lower back pain.

“The overarching goal of V-BID is to encourage employees to use high-value services in order to live healthier, more productive lives,” Fendrick says. “Companies have the potential to see a positive return when their employees use more high-value services and reduce the use of those services where evidence of benefit is lacking.”

One of the major barriers to broader use of V-BID plans is current tax rules make them incompatible with HDHP paired with Health Saving Accounts (HSA). Individuals with an HSA-eligible HDHP are required to pay the full cost of most medications and services until deductibles are met, with an exception granted only for certain primary preventive services. This effectively bars waiving deductibles for services or benefits meant to treat “an existing illness, injury or condition.” Hence, you cannot waive a co-pay to encourage employees with diabetes to take their medications.

**V-BID in Action**

**Pitney Bowes**

The concept of V-BID rose to the national stage when the *Wall Street Journal* reported that Fortune 500 company Pitney Bowes recorded $1 million in savings2 from reduced complications after lowering copayments for medications that treat chronic conditions including heart disease, asthma, diabetes, and high blood pressure3.

**Oregon Public Employees Benefit Board (OPEBB)**

A leader in public-sector V-BID, OPEBB’s program features lower cost-sharing for high-value services and preventive care, such as including office visits for chronically ill patients and eliminating costs for weight management and tobacco cessation classes2. It also offers zero coverage or higher cost-sharing for low-value surgeries and imaging. The program has led to a 15 to 30 percent decrease in the use of imaging and diagnostic studies, among other positive findings4.

**Mayo Clinic**

Mayo Clinic’s self-funded health plan increased cost-sharing for employees and their dependents for specialty care visits, adding a $25 copayment to the high-premium option. Other services, such as imaging, testing, and outpatient procedures, incurred a 10 or 20 percent coinsurance. The new structure also removed all cost-sharing for primary care visits and preventive services. Combining these adjustments, Mayo saw a large decrease in the use of diagnostic testing and outpatient procedures for four years, along with a decrease in specialist visits and no increase in primary care visits. While imaging levels later rose, possibly to levels below the expected trend, the results suggest that implementing relatively low levels of cost-sharing can lead to a long-term decrease in use5.

**The Bottom Line**

An organization’s investment from implementing a fiscally responsible, clinically nuanced benefit design may occur in these areas:

* Improved health outcomes, reducing costly complications producing direct medical offsets;
* Enhanced productivity, lower disability, and other performance improvements;
* Reduction in expenditures on services that do not produce positive health outcomes.

Employers should anticipate that in the short to medium term, cost savings will accrue to employees, rather than the employer. For example, diabetics who are eligible for full prescription coverage will see a decrease in their out-of-pocket spending, but the employer is likely to see an increase in prescription drug costs before direct medical costs decline in the long term. When [additional benefits of improved health such as increases in productivity and retention are considered](http://vbidcenter.org/wp-content/uploads/2014/08/synergies_at_work_Feb2011.pdf), V-BID programs may lead to future enhancement of the bottom line.

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# **Value-Based**

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