

U-M's concept of value-based insurance design featured in major health policy journal

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Value-Based Insurance Design -- a concept created at the University of Michigan and incorporated in the nation's new health care reform law -- is the focus of an upcoming national policy journal.

[Health Affairs](#), the nation's premier health policy journal, is featuring a cluster of papers in its November issue about growing interest in and adoption of Value-Based Insurance Design (V-BID). The concept was first developed and named by U-M faculty A. Mark Fendrick, M.D., and Dean Smith, Ph.D., along with Michael Chernew, Ph.D., formerly of U-M and now at Harvard Medical School.

Value-based insurance design programs focus on removing barriers for medical services that are proven to be effective. "When costs are reduced, patients are more likely to use high-value services," says Fendrick, co-director of the University of Michigan's Center for Value-Based Insurance Design, the leading advocate for development, implementation and evaluation of these innovative benefit plans.

"We commend *Health Affairs* for bringing V-BID – a concept that we have developed over a decade - to the forefront of the national discussion on health care," says Fendrick, who also is a professor in the Departments of Internal Medicine in the U-M Medical School and Health Management and Policy in U-M's School of Public Health.

Fendrick and his U-M colleagues were instrumental in including V-BID in the Patient Protection and Affordable Care Act (PPACA). Section 2713 (c) of the PPACA allows the Secretary of Health and Human Services to develop guidelines to permit health plans to use the concepts of value-based insurance design. On September 23, the Secretary issued new regulations implementing this portion of the Act, which prominently feature V-BID principles by mandating that patient cost-sharing be eliminated for certain evidence-based preventive health services. The role of V-BID and [health care reform](#) is the topic of an upcoming workshop at the America's Health Insurance Plan (AHIP) Fall Forum on November 8, in Chicago.

Fendrick will participate in a *Health Affairs* briefing Nov. 2 in Washington, D.C. in which policy experts will discuss key topics in value-based insurance design that are addressed in the thematic cluster of papers in the journal's November issue, including one authored by Fendrick, Smith, co-director of the U-M V-BID center, and Chernew, professor of health care policy at Harvard Medical School.

In that article, the three authors argue that in addition to removing barriers to high value services, investing in research to identify services that offer little or no clinical value and then increasing patient cost-sharing for those services, can increase the efficiency of V-BID programs.

"V-BID works to mitigate negative health impacts of indiscriminate cost-sharing programs," says Smith, senior associate dean of the U-M's School of Public Health. "It should also be used to encourage cost-sharing programs that support efficient purchasing of care. V-BID's basic premise is to align out-of-pocket costs with the value of medical services."

In an article first published online in January 2010 by *Health Affairs*,

Chernew, Fendrick, and colleagues reported that V-BID programs break even financially and may even save money. The researchers analyzed data from a large corporation that implemented a V-BID program in 2005. Co-payments were reduced for employees using five classes of drugs used to treat several serious but common chronic conditions, including diabetes, hypertension and heart disease.

"Even if a V-BID program slightly increased employers' short-term medical costs, our expectation is that as people increase the use of high-value services, their health will not only improve, but overall medical costs will eventually decline," Fendrick says, adding that additional savings could come in the form of fewer emergency room visits and hospitalizations, as well as improved employee productivity such as fewer disability days, less absenteeism and greater worker output.

"We are proud that the University of Michigan has led the way toward implementing this strategy that aims to return 'health' to the health care debate," says Fendrick. "We strongly believe that when compared to current health benefit plans, V-BID programs will result in substantially more health for the money spent."

Provided by University of Michigan Health System

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