

Innovations in Healthcare: Value-Based Insurance Design

Summary of Discussion

This presentation is being provided as part of the Board Member Education Program. Dr. Fendrick will provide an overview of Value-Based Insurance Design (VBID) and how it could fit into CalPERS strategies to improve outcomes and, over the long-term, reduce costs.

Private- and public-sector payers began to implement VBID more than a decade ago with the basic VBID premise of a clinically nuanced benefit structure that reduces consumer cost-sharing for beneficial services and high-performing providers. VBID 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. VBID is designed to encourage consumers to take better advantage of high-value services and actively participate in decision-making about treatments that are subject to misuse.

Compared to plans without such clinically nuanced cost-sharing, incentive only ("carrot") VBID programs that lower cost-sharing for targeted services have consistently demonstrated improved adherence with no net increases in aggregate expenditures. More recently, VBID programs have incorporated nuanced disincentives ("sticks") to discourage use of low-value care. Key stakeholders – such as the large and growing number of medical professional societies participating in the Choosing Wisely initiative – agree that discouraging the misuse or overuse of identified low-value services must be part of the spending reallocation strategy.

The materials for this session include:

- External Presenter Biography
 - PowerPoint Presentation
 - Background Information
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