Value Based Insurance Design

The goals of Value Based Insurance Design are:

- Increase the use of high-value services
- Reduce the use of low-value services
- Result: Improved member health and decreased costs

CalPERS has a long-standing history with Value Based Insurance Design

- Maturing Population Health and Integrated Health Models (IHMs)
- Value based purchasing design at preferred sites of care
- Cost share savings for specific elective procedures performed at ASCs
- Robust utilization management for medical and pharmacy services
- U.S. Preventive Services Task Force A and B list with no cost share

Three approaches to Value Based Insurance Design have been presented to date

1. Vary premiums based on goals (Robert Kryz, Connecticut)
2. Vary cost share based on service value (PERS Select example)
3. Vary cost share based on provider tier (premium stays the same) (Josh Fangmeir, Minnesota)

1 **Vary premiums based on goals**
Robert Kryz, Connecticut

Pros	Cons
Lower premium for health and wellness goals; all family members affected	Administrative complexity for employer-purchaser
Lower cost-share premium	Higher cost-share premium
97% compliance	Resource intensive for multiple stakeholders
Lower cost share	Financial savings not realized
Health and wellness evidence-based medicine	Appeals for non-compliant members
Shared decision making	

2 Vary cost share based on service value

PERS Select example

Pros	Cons
Enhanced personal care physicians CalPERS experience with PPO benefit designs and cost share differentials Least administratively complex/burdensome for purchaser May eliminate need for narrow network approach for PERS Select Lower premium and employer cost share Shared decision making	May not lower premiums enough to satisfy employers Higher employee cost burden for use of hospital facilities for care Members avoid care because of higher cost share Member confusion and dissatisfaction May increase medically necessary appeals

3 Vary cost share based on provider tier (premium stays the same)

Josh Fangmeir, Minnesota

Pros	Cons
Alternative to narrow network approach Consumer choice Purchaser control Drives provider competition/incentive Consumer engagement Shared decision-making	Administratively burdensome because of direct negotiation with providers by TPA Depends on provider geographic distribution Resource demands on purchaser Inconsistent with reducing complexity Focused primarily on cost rather than quality Greater emphasis on open enrollment

CalPERS