



## University of Michigan Center for Value-Based Insurance Design

**The University of Michigan Center for Value-Based Insurance Design (V-BID Center) leads in research, development, and advocacy for innovative health benefit plans.**

### ***Leadership***

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 balancing cost and quality. A multidisciplinary team of faculty, including A. Mark Fendrick, M.D., Dean Smith, Ph.D, and Michael Chernew, Ph.D, first published and named the V-BID concept, and has guided this approach from early principles to widespread adoption in the private and public sectors. The Center played a key role in the inclusion of V-BID in national health care reform legislation, as well as in numerous state initiatives.

### ***Concept***

The basic V-BID premise is to align patients' out-of-pocket costs, such as copays and premiums, with the value of health services. This approach to designing benefit plans recognizes that different health services have different levels of value. By reducing barriers to high-value treatments (through lower costs to patients) and discouraging low-value treatments (through higher costs to patients), these plans can achieve improved health outcomes at any level of health care expenditure. Studies show that when barriers are reduced, significant increases in patient compliance with recommended treatments and potential cost savings result.

### ***Implementation***

V-BID began receiving national attention in 2004 when the *Wall Street Journal* reported that Fortune 500 employer Pitney Bowes experienced a \$1 million savings from reduced complications after lowering copayments for asthma and diabetes medications in 2001. Since then, numerous private and public employers, unions and business coalitions nationwide, including the city of Springfield, Oregon, Marriott Corporation, the Midwest Group on Health, Florida Power and Light, Service Employees International Union, UnitedHealth Care, the State of Maine, and the University of Michigan have implemented value-based insurance design approaches. Seventy-three percent of opinion leaders – representing health policy experts and innovators in health care delivery and finance – expressed support for V-BID as part of the October 2010 *Commonwealth Fund/Modern Healthcare* Health Care Opinion Leaders Survey.

### ***Public Policy***

V-BID has been recognized as an important public policy measure for balancing costs and quality in health care at the local, state, and federal level. V-BID was incorporated into federal health reform law (Section 2713 (c) of the Patient Protection and Affordable Care Act), which passed in 2010. In September 2010, the Secretary of Health and Human Services issued guidelines for implementing health reform that prominently feature V-BID principles. On December 28, 2010, the Departments of Labor, Health and Human Services (HHS), and Treasury issued a Request for Information on V-BID and preventive care, and in March 2011, V-BID was featured prominently in HHS's National Quality Strategy. V-BID has also been recognized by the Medicare Payment Advisory Commission (MedPAC) in 2009, 2010, and 2011 reports to Congress. In addition, V-BID was included as a strategy to "bend the cost-curve" in an October 2010 report by a bipartisan group of health economists organized by the Brookings Institution.

For more information please visit [www.vbidcenter.org](http://www.vbidcenter.org) or contact [vbidcenter@umich.edu](mailto:vbidcenter@umich.edu), 734.615.9635.