



## IMPLEMENTING V-BID IN STATE MEDICAID PROGRAMS

Value-Based Insurance Design (V-BID) is a benefit design strategy to improve access to and use of high-value clinical services. Value-based plans align patients' out-of-pocket costs, such as copayments, with the clinical value of services (recognizing that medical services differ in the amount of health produced). State Medicaid programs, which account for a large and increasing portion of state budgets, care for some of the most vulnerable patients. With the option to expand Medicaid eligibility under the Patient Protection and Affordable Care Act, enrollment and expenditures for state Medicaid programs will continue to grow. By engaging patients via innovative cost-sharing structures, V-BID plans could improve care for Medicaid beneficiaries and lower total program costs.

In 2013, the Centers for Medicare and Medicaid Services (CMS) issued a rule granting states the flexibility to adjust co-payments in Medicaid plans. The rule permits state Medicaid programs the flexibility to adjust copayments for drugs, and visits in the outpatient, inpatient, and emergency department settings.<sup>i</sup> Cost sharing can be adjusted on the basis of the value of the service, drug, or even provider (so long as all enrollees can access providers with lower cost sharing requirements and within certain income-based boundaries).<sup>ii</sup> Lower cost sharing usually incites increased use of a service, an effect particularly pronounced at lower income thresholds.<sup>iii,iv</sup> Thus, intelligently designed cost-sharing structures could engage Medicaid beneficiaries in making better care decisions. Sending signals to Medicaid beneficiaries about what kinds of services and providers are high-value versus low-value, V-BID plans can enhance the use of high-value clinical services and reduce utilization of unnecessary and costly services.

This flexibility allows rapidly expanding Medicaid programs to design value-based plans that engage beneficiaries and improve care management and health outcomes. For example, Michigan's Medicaid expansion legislation calls for the creation of value-based cost benefit designs that vary cost sharing that "encourages the use of high-value services, while discouraging low-value services."<sup>v</sup> While some states chose to expand eligibility, others obtained a waiver from CMS to redesign their Medicaid benefits. Multiple states operating under such a waiver include (or plan to include) principles of V-BID in their Medicaid programs. For example, New Mexico obtained a waiver from the federal government for its "Centennial Care" expansion. The program will include higher co-pays for certain services like non-emergent visits to the emergency room.<sup>vi</sup> In addition to varying co-pays for non-urgent emergency visits, Iowa's program will waive premiums for Medicaid if beneficiaries complete a health risk assessment and obtain a wellness exam. Likewise, Arkansas' "Health Care Independence Program" waiver includes coverage for transportation services for visits.<sup>vii</sup>

Integrating value-based principles in state Medicaid plans could save the program money, potentially freeing up public dollars to cover more beneficiaries while improving health and engaging beneficiaries in smart decision-making. As Medicaid expenditures continue to strain federal and state budgets, and as states consider means to improve the health of their citizens, the environment is ripe for incorporating innovative strategies like V-BID into state Medicaid plans.

<sup>i</sup> Center for Medicare and Medicaid Services. Fact sheets: Final Rule for Strengthening Medicaid, The Children's Health Insurance Program and The New Health Insurance Marketplace (CMS-2334-F). July 5, 2013. Available: <http://www.cms.gov/Newsroom/MediaReleaseDatabase/Fact-sheets/2013-Fact-sheets-items/2013-07-05.html>

<sup>ii</sup> Center for Value-Based Insurance Design. New Regulations Permit Use of Value-Based Insurance Design in State Medicaid Programs. July 2013. Available: <http://www.sph.umich.edu/vbidcenter/publications/pdfs/V-BID%20brief%20State%20Medicaid%20Programs%20July%202013.pdf>

<sup>iii</sup> Goldman, D.P., G.F. Joyce, and Y. Zheng. 2007. Prescription Drug Cost Sharing: Associations with Medication and Medical Utilization and Spending and Health. *Journal of the American Medical Association*. July 4, 2007; 298(1), pg 61-69.

<sup>iv</sup> Keeler, E.B. 1992. Effects of cost sharing on use of medical services and health. RAND. Available: <http://www.rand.org/pubs/reprints/RP1114.html>.

<sup>v</sup> Center for Value-Based Insurance Design. V-BID Featured in Michigan Medicaid Expansion. August 28, 2013. Available: <http://www.sph.umich.edu/vbidcenter/healthreform/pdfs/Michigan%20Medicaid%20Expansion%20L.pdf>

<sup>vi</sup> New Mexico Human Services Department. News Release: New Mexico Receives Final Sign-off for "Centennial Care." July 15, 2013. Available: <http://www.healthactionnm.org/news/2013/07/15/new-mexico-receives-final-sign-centennial-care>

<sup>vii</sup> Kaiser Family Foundation. Medicaid Expansion Through Premium Assistance: Arkansas, Iowa, and Pennsylvania Proposals Compared. April 4, 2014. Available: <http://kff.org/health-reform/fact-sheet/medicaid-expansion-through-premium-assistance-arkansas-and-iowas-section-1115-demonstration-waiver-applications-compared/>