

# The Medicare Advantage Value-Based Insurance Design Model: Overview and considerations

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In January, the Centers for Medicare and Medicaid Services (CMS) announced an opportunity for Medicare Advantage organizations (MAOs) to enter the Value-Based Insurance Design (VBID) model for 2020.

This research brief describes the model and explores key considerations for eligible MAOs considering participation in the model.

## Background

In 2015, CMS created a voluntary VBID model for insurers offering Medicare Advantage plans. The purpose of the VBID model was to test the impact of providing MAOs benefit design flexibility, such as reduced cost sharing or additional supplemental benefits, to enrollees with certain chronic conditions. As CMS stated in the VBID model – CY2020 Application Actuarial Guidance<sup>1</sup>, the model was designed to reduce Medicare expenditures and improve the quality and coordination of care for Medicare beneficiaries. Prior to the creation of the model, MAOs were restricted from offering VBID because of federal requirements related to uniformity of benefits. Specifically, MAOs were subject to a requirement that:

*“All plans must be offered at a uniform premium, with uniform benefits and cost-sharing throughout the plan’s service area...to all Medicare beneficiaries with Parts A and B of Medicare.”<sup>2</sup>*

Under the voluntary VBID model announced in 2015 and implemented beginning in 2017, CMS waived the uniformity requirement for qualified MAOs in seven states: Arizona, Indiana, Iowa, Massachusetts, Oregon, Pennsylvania, and Tennessee. Of those, nine MAOs in Indiana, Massachusetts,

and Pennsylvania offered 45 VBID plans under the initial 2017 implementation of the model, affecting nearly 60,000 beneficiaries.<sup>3</sup> Since the initial implementation, the model has expanded as CMS allowed additional plans in additional states to enter and permitted the plans to offer VBID benefits for conditions outside of the original model test in 2018 and 2019.

The evaluation report for calendar year 2017 was released in early 2019, but CMS has stated that, due to a lack of data completeness, there is not yet sufficient information to provide any comprehensive analysis of the model’s results to date.<sup>4</sup>

## Current VBID opportunities

On January 18, 2019, CMS announced changes to the VBID model for calendar year 2020. These changes will allow plans in all 50 states and territories to apply, including plan types that were not originally part of the model (such as regional preferred provider organizations and special needs plans).<sup>5</sup> These changes open the doors to new MAOs that may want to apply to the model. As such, MAOs may want to take a closer look at what the current Medicare Advantage (MA) VBID model has to offer.

For calendar year 2020, CMS is allowing eligible MAOs to test one or more of the following new interventions:

- **Value-based insurance design by condition, socioeconomic status, or both:** MAOs can provide reduced cost sharing or additional supplemental benefits for enrollees based on condition and/or socioeconomic status. MAOs may also propose reduced cost sharing for Part D drugs.
- **Medicare Advantage and Part D rewards and incentives programs:** MAOs can implement broader MA and Part D rewards and incentive (RI) programs than was previously possible.

1 CMS (January 31, 2019). VBID model – CY2020 Application Actuarial Guidance. Retrieved February 13, 2019, from <https://innovation.cms.gov/Files/x/vbid-actuarialguidance2020.pdf>.

2 CMS (June 22, 2012). Chapter 4: Benefits and Beneficiary Protections. CMS Manual System, Pub.100-16: Medicare Managed Care, Transmittal 107. Retrieved February 13, 2019, from <https://www.cms.gov/Regulations-and-Guidance/Guidance/Transmittals/downloads/R107MCM.pdf>.

3 CMS Findings at a Glance. Medicare Advantage (MA) Value-Based Insurance Design (VBID) Model: Evaluation of Model Year 1 (2017). Retrieved February 13, 2019, from <https://innovation.cms.gov/Files/reports/vbid-yr1-evalrpt-fg.pdf>.

4 CMS Findings at a Glance, *ibid*.

5 CMS (January 18, 2019). Value-Based Insurance Design Model (VBID) Fact Sheet CY 2020. Retrieved February 13, 2019, from <https://www.cms.gov/newsroom/fact-sheets/value-based-insurance-design-model-vbid-fact-sheet-cy-2020>.

- **Telehealth networks:** As long as an option remains for patients to have in-person visits, MAOs can use telehealth services in place of in-person visits to meet certain provider network requirements.
- **Wellness and healthcare planning:** All VBID-participating MAOs must adopt this component, which includes coordinated approaches to wellness and healthcare planning (including advance care planning).

Beginning in calendar year 2021, the VBID model will also test including hospice benefits within MA plans (whereas currently, hospice services are covered under the Medicare fee-for-service benefit even for beneficiaries enrolled in MA plans). Details on this aspect of the VBID model will not be available until later this year as it will require more information and guidance from certain key stakeholders to develop.

The expanded version of the CMS VBID model test beginning in 2020 will continue through 2024.

## Considerations for VBID participation

There are many reasons why an MAO may consider participation in the VBID model beginning in 2020. They include:

- **Potential savings:** The value-based benefit design interventions allowed under the VBID model may lead to cost savings on the MAO's covered population through the avoidance of unnecessary medical costs.
- **Improvements in health outcomes:** The benefit flexibility and expanded RI program will allow MAOs to better manage healthcare services for the targeted population.
- **Future increases in enrollment due to enhanced benefits or reduced cost sharing:** MAOs will now be allowed to market their participation in the VBID model, including any and all interventions they are testing.
- **Expanded networks:** Telehealth services may be used to either augment existing provider networks or to offer broadened service areas in counties where MA plans have not previously been offered (primarily rural counties in western states and territories other than Puerto Rico).
- **Additional model flexibility:** In addition to the new interventions described above, MAOs may now define VBID participants based on either disease state(s) or low-income subsidy status (or both), and may also offer "non-primarily health related" services and items to participants.

To participate in the calendar year 2020 VBID models, MAOs must apply by March 15, 2019. Even those MAOs that participated in the model in 2017, 2018, or 2019 must submit new applications in order to participate in the model in 2020. CMS has made the application available through an online portal. Applications will require MAOs to describe their plans for incorporating the VBID elements into their operations and provide revised 2019 MA and (if applicable) prescription drug (PD) plan bids reflecting the impact of those interventions on utilization, unit cost, and beneficiary premiums. The applications must demonstrate that the proposed interventions will result in net Medicare savings with no increase in enrollee costs over the first five years of model participation.<sup>6</sup>

According to the request for applications, CMS intends to identify provisionally approved model participants in April 2019, in advance of the June 3, 2019, due date for submitting 2020 MA plan bids. Contractual documentation will be executed in September 2019, and the model will start in January 2020.

MAOs will need to act fast to take advantage of the opportunities afforded by the Medicare VBID model. The first step in this process is understanding the types of interventions allowed under the model that will benefit an MAO's covered population, if any. MAOs must then quantify savings and incorporate these interventions into the MAO's previously submitted 2019 bid in order to submit to CMS by the March 15 deadline. The application must also include additional narrative and quantitative support as described in the calendar year 2020 VBID model actuarial guidance.<sup>7</sup>

6 CMS (January 31, 2019). VBID model – CY2020 Application Actuarial Guidance. Retrieved February 13, 2019, from <https://innovation.cms.gov/Files/x/vbid-actuarialguidance2020.pdf>.

7 CMS (January 31, 2019), *ibid*.

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