



Medicare Advantage (MA) Value-Based Insurance Design (VBID) Model Calendar Year 2023 Financial Projections

BACKGROUND

The VBID Model tests a number of complementary health plan innovations designed to promote improved quality and reduced costs in the MA program. Applicants and certifying actuaries should refer to the VBID Model RFAs, located at <https://innovation.cms.gov/innovation-models/vbid>. For the Calendar Year (CY) 2023 VBID Model, eligible MA Organizations (MAOs) may participate in the VBID Model by proposing one or more of the following components:

VBID Flexibilities: Under this component, MAOs may target mandatory supplemental benefits to enrollees based on: (i) chronic condition(s); (ii) socioeconomic status, as defined by qualifying for the low-income subsidy; or (iii) a combination of both. MAOs may provide both primarily and non-primarily health related supplemental benefits, including a focus on new or existing technologies or FDA approved medical devices. MAOs may provide reduced Part D cost-sharing through VBID for specific covered Part D drugs for a specific population. MAOs may condition VBID flexibilities on the use of a high-value provider and/or participation in a care management or disease state management program.

Part C and Part D Rewards and Incentives Programs: MAOs that offer Part C and/or Part D Rewards and Incentives Programs through this VBID Model component must design programs that promote improved health, prevent injuries and illness, and promote the efficient use of health care resources. MAOs may offer Part C Rewards and Incentives with a value related to the benefit of the service. MAOs may also offer Part D Rewards and Incentives programs designed to improve the linkage between enrollees and the care team in understanding clinically-equivalent therapeutic options, prescription drug coverage, and the overall value to their health of adherence to prescribed drug therapy. Any Part C and Part D Rewards and Incentives Programs costs must be included as a non-benefit expense cost in the Bid Pricing Tool (BPT).

Hospice Benefit Component: While MAOs should refer to CY2023 RFA for the Hospice Benefit Component for full details, through this component, CMS is testing the inclusion of the Part A Hospice Benefit within the MA benefits package through the Hospice Benefit Component of the VBID Model. By including the Medicare hospice benefit in the MA benefits package, CMS will test the impact on service delivery and quality of MA plans providing all original Parts A and B Medicare items and services required by statute. Additionally, CMS is testing how the Hospice Benefit Component can improve beneficiary care through greater care coordination,

reduced fragmentation, and transparency in line with recommendations by the Office of Inspector General (OIG), the Medicare Payment Advisory Commission (MedPAC) and others. CMS will require that MAOs provide beneficiaries with broad access to the complete original Medicare hospice benefit. MAOs participating in the Hospice Benefit Component will be required to outline how they will provide palliative care to eligible enrollees, irrespective of the election of hospice, and may make transitional, concurrent care services as well as hospice-specific supplemental benefits available to enrollees who elect hospice through network hospice providers.

Wellness and Health Care Planning: All Model participants must develop, and CMS must approve, a strategy to provide Wellness and Health Care Planning (WHP), including advance care planning (ACP), for enrollees in their Model-participating plan benefit packages (PBPs).

FINANCIAL PROJECTION REQUIREMENTS

Participating MAOs are required to submit to CMS: (i) projected costs for each VBID Model Component included in their application and (ii) projected net savings to Medicare over the course of the Model. In submitting these projections as part of the application, plans must clearly outline the projected costs of the VBID Model Components that the MAO is proposing to be implemented under the Model, as well as how the proposal will generate net savings to Medicare over the term of the Model. The financial supplemental document must reflect the MAO's best estimate of projected enrollee engagement, program implementation costs, utilization changes, including the expected timeframe of those utilization changes.

CMS requires that Model participants show net savings to CMS and no net increase in enrollee costs over the course of their participation in the Model. CMS will review these projections as part of reviewing the application for compliance with the terms of the Model test, including reviewing the reasonableness of assumptions, any potential detrimental impact to CMS, the Medicare program, or enrollees, and the sustainability of the proposal.

These projections must be prepared by an actuary and all final revenue and expense assumptions must be reflected in the MA or Part D bid by the certifying actuary. Any differences between these projections and the MA or Part D bid must be reconciled through submitting an updated version of this financial outline to CMS, via the VBID Model mailbox at VBID@cms.hhs.gov, **no later than the bid submission.**

Based on the differences, including increase programmatic costs or an increase in enrollee costs, CMS may require a multi-year financial plan or other remedy as deemed necessary by CMS.

INSTRUCTIONS

CMS has provided the below form for applicants to outline their specific Model proposals.

- i. Executive Summary: a summary in financial and actuarial terms of the Model strategy and expected PMPM changes. This should include any changes to an existing program if the MAO is currently participating in the Model;
- ii. Summary of Projected Costs by each VBID Model Component: a projected utilization, unit or PMPM costs and NBE costs together with an indication of what experience base, etc., was relied on in setting the assumption. Through the VBID Model Application Spreadsheet, CMS will collect a projection of the member months eligible for each component and/or targeted population and estimates of those that will participate or otherwise be engaged, if applicable;
- iii. Summary of Projected Savings over the Course of the Model (including the **required** CY2023 VBID Net Savings Template Excel workbook, separate file);
- iv. Additional Quantitative Support (as needed, including past performance if returning MAO); and
- v. Changes to Pricing (e.g., projected increase to risk scores, bid pricing tool changes).

The purpose for requesting the above supporting documentation is to assist CMS in assessing the reasonability of the pricing assumptions intended to be used when providing VBID benefits under this Model. Additionally, the supporting documentation should describe how the proposed VBID Model Components may be expected to meet the Model's financial goals of net savings to Medicare expenditures without any net increase in costs for plan enrollees attributable to the VBID elements over the life of the Model.

i. Executive Summary

Please list each VBID Model component that the MAO is proposing to include along with a summary of the proposed intervention(s) in financial and actuarial terms and expected PMPM changes. This should include any changes to an existing VBID intervention if the MAO is currently participating in the Model. Please also include the incremental costs or anticipated savings associated with VBID that are attributable to WHP. MAOs may also choose to submit a separate PDF of required information in the same format at this document.

ii. Summary Projected Costs from Model Participation

Please provide the expected increase in utilization, unit, per member per month (PMPM), or non-benefit expense increases by intervention (including WHP). Where possible, please include baseline inpatient, professional, and other service categories that are relevant to the intervention and then projected changes due to Model participation.

MAOs implementing the Hospice Benefit Component must include any projected costs related to this component (including any palliative care, transitional concurrent care, hospice and hospice supplemental benefits) as part of this financial application.¹ In particular, MAOs should address potential costs associated with palliative care that may fall under the current MA benefit prior to election of hospice in addition to those related to transitional concurrent care, hospice care, and any hospice supplemental benefits. In the event that any of these costs are expected to be priced in MA bids, please include an estimate.

CMS may follow-up with MAOs following bid submission to better understand projected costs associated with the VBID Model.

¹ Per the MA BPT instructions, certifying actuaries have the option of including or excluding projected costs of supplemental benefits offered exclusively to enrollees in hospice status and that this flexibility extends to plans participating in the Hospice Benefit Component of the VBID Model. Thus, once the beneficiary is in hospice status the choice to include those mandatory supplemental costs in the BPT is at the discretion of the certifying actuary. If the certifying actuary is excluding projected costs of hospice supplemental benefits in the BPT, please indicate as so in the CY 2023 Financial Application.

iii. Summary of Projected Savings over the Course of the Model

Please provide the expected decrease in utilization, unit, per member per month (PMPM), or non-benefit expense by intervention over the timeframe of 2023 through 2024. Where possible, please include baseline inpatient, professional, and other service categories that are relevant to the intervention and then projected changes due to Model participation. To the extent there are savings to other health insurers, such as Medicaid, please include projected decreases in costs here (e.g., if you have D-SNP and costs for Medicaid are decreased as a result).

In addressing potential savings to Medicare, CMS has provided a **required** "Net Savings Template," which documents the various revenue streams projected as part of MA and PD bidding, including MA payments, Part D direct subsidy payments, low-income cost sharing subsidies, and Part D Federal Reinsurance. Net savings to CMS may occur over the course of participation in the Model performance period or during the applicable calendar year of participation. In the event that multiple years are required in order to show net savings, please submit one "Net Savings Template" for each year.

MAOs implementing the Hospice Benefit Component must include any projected savings related to this component (including any palliative care, transitional concurrent care, hospice and hospice supplemental benefits) as part of this financial application. In particular, MAOs should address potential savings associated with the MA benefit as a result of participation. The net impact on MA bids should also be addressed.

CMS may follow-up with MAOs following bid submission to better understand projected savings associated with the VBID Model.

iv. Additional Quantitative Support

Please use this section only as necessary to outline any specific changes secondary to participation in the Model that are assumed and allow the MAO to meet the requirement of net savings to CMS over the course of the MAO's participation and no net increase in enrollee costs.

If an existing participant, please include previous year bid assumptions, any differences between the bid assumptions and actual performance, and net performance (costs and savings) over the MAO's participation. As part of this item, MAOs are expected to summarize any internal studies or other analyses related to prior participation in the Model if there is at least one full year of experience to review. This submission should also address how this experience is being incorporated into prospective pricing and the potential impacts on the MAO's ability to meet the financial goals of the Model.

v. Changes to Pricing

Please outline any changes to plan risk score or other pricing factors that may increase CMS or enrollee costs that the MAO assumes may result from participation in the Model. Please quantify the impact, where possible. This section is intended to encompass expected pricing changes made as a result of participation in the Model that are not directly related to the pricing of either costs or savings associated with the offered Model components.

vi. Reflection in the BPT

Please explain how the above will be reflected in the BPT. If an existing Model participant, please provide an explanation of any BPT changes in terms of assumptions. For the cost and savings projections supplied above, please identify where these will be applied in the BPT.