

VALUE-BASED INSURANCE DESIGN: A PROMISING STRATEGY FOR MEDICARE ADVANTAGE

Policymakers have begun to explore consumer-facing strategies and complementary provider-facing payment reforms as a means to contain Medicare spending increases while improving quality of care.^{1,2} One such strategy, value-based insurance design ([V-BID](#)), focuses on encouraging efficient use of services by aligning patients' out-of-pocket costs (e.g., copayments, deductibles) with the value of services delivered. V-BID plans follow the tenets of 'clinical nuance,' namely, that medical services differ in the amount of health produced, and the clinical benefit derived from a specific service depends on the consumer using it as well as when, where, and by whom the service is provided.³ Evidenced by V-BID's private sector success and its adoption by the [TRICARE](#) program, V-BID can be applied to Health Savings Accounts ([HSA](#)) and Medicare Advantage ([MA](#)), two priority areas of the Trump Administration health policy agenda.

An [actuarial analysis](#) of the fiscal implications of condition specific MA V-BID programs from the patient, plan, and societal perspectives was undertaken for diabetes mellitus (DM), chronic obstructive pulmonary disease (COPD), and congestive heart failure (CHF) (Figure 1). The V-BID programs reduced consumer out-of-pocket costs in all three conditions. Plan costs increased slightly for DM and COPD, and the plan realized cost savings for CHF. From a societal perspective, the DM program was close to cost neutral, while the COPD and CHF programs led to net societal savings.⁸

Figure 1. Actuarial analysis of MA V-BID programs, by condition and stakeholder, Year 1

Projected Financial Impact of MA V-BID Program, Year 1

		Diabetes Mellitus	COPD	CHF
Cost Paid per Month (\$)	Member Cost Share	↓ \$21.64	↓ \$17.63	↓ \$12.73
	Plan Paid Amount	↑ \$24.56	↑ \$14.36	↓ \$.56
	Total Societal Costs	↑ \$2.94	↓ \$3.27	↓ \$13.29

http://vbidcenter.org/wp-content/uploads/2016/08/MA-White-Paper_final-8-16-16.pdf

MEDICARE ADVANTAGE V-BID MODEL TEST

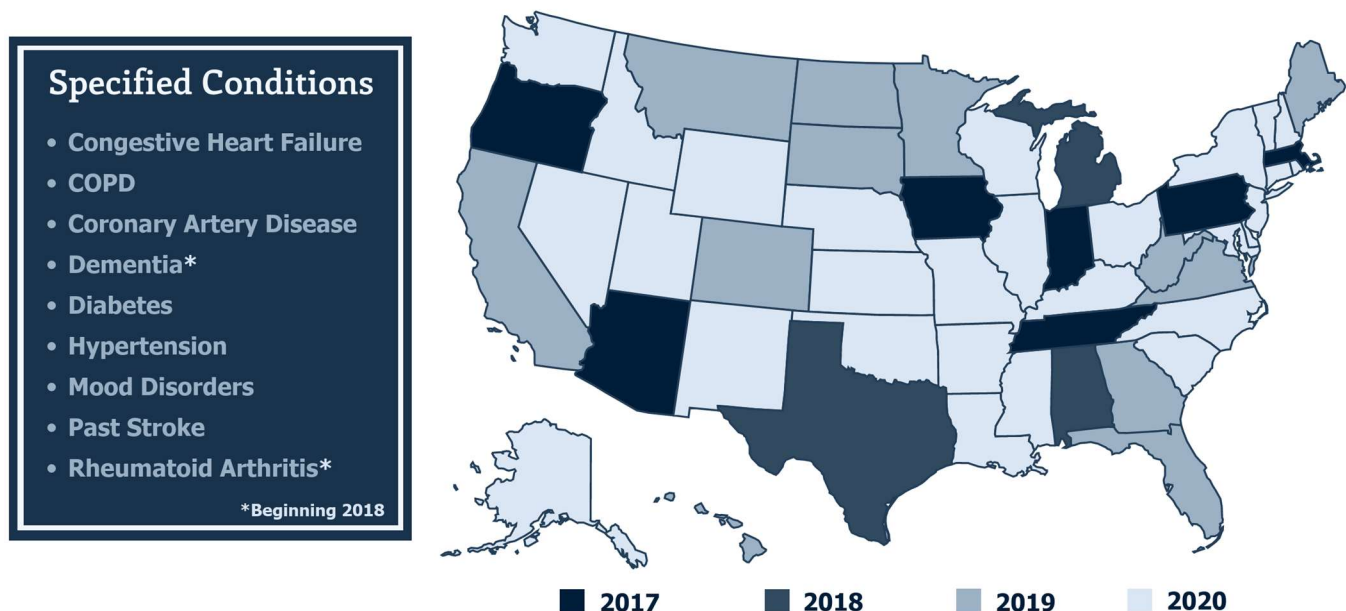
On January 1, 2017, the Centers for Medicare and Medicaid Services launched an [MA V-BID model test](#) to assess the utility of structuring consumer cost-sharing and health plan elements to encourage the use of high-value clinical services and providers.⁹ Nine MA plans in three states started in January 2017, covering a total of four chronic condition categories (Table 1).

Table 1. MA V-BID Model Test Plans and Conditions, Year 1

Medicare Advantage Organization	Conditions
BCBS of Massachusetts	Hypertension
Fallon Community Health Plan, MA	Diabetes
Tufts Associated Health Plan, MA	COPD and/or CHF
Geisinger Health Plan, PA	COPD
Aetna, PA	CHF
Independence Blue Cross, PA	Diabetes and CHF
Highmark, PA	Diabetes and/or COPD
UPMC Health Plan, PA	CHF and COPD or CHF and diabetes
Indiana University Health Plan	CHF

For 2018, [CMS expanded the model](#) to 10 (from 7) states and added two clinical conditions -- Dementia and Rheumatoid Arthritis -- and in 2019 the MA V-BID Demo will undergo additional expansion to include 15 new states (Figure 2).¹⁰

Figure 2: States and Conditions Eligible for MA V-BID Model Test



<https://www.cms.gov/Newsroom/MediaReleaseDatabase/Fact-sheets/2016-Fact-sheets-items/2016-10-03-2.html>

Most recently, President Trump signed the [Bipartisan Budget Act of 2018](#), which incorporates the [CHRONIC Care Act](#) that expands the CMMI Medicare Advantage Value-Based Insurance Design Model [to all 50 states](#). Beyond the model, a new [CMS Medicare Advantage Proposed Rule](#) recommends greater flexibility around the Medicare Advantage uniformity requirement that originally deterred MA plans from offering clinically nuanced benefits. This change would allow for the implementation of V-BID principles throughout the MA program.

INCREASING PLAN FLEXIBILITY

In April 2018, the Centers for Medicare and Medicaid Services released a reinterpretation of the MA uniformity requirement to allow MA plans additional flexibility in their benefit designs for MA enrollees with specified chronic conditions.¹¹ Beginning in 2020, MA plans outside of the V-BID model may offer their beneficiaries V-BID benefit designs for Medicare Part C without being subject to the additional application and geographic limitations of the current model. However, the ability to lower cost-sharing for Part D prescription drugs will remain unique to the V-BID model. The incorporation of clinically-nuanced V-BID strategies beyond the scope of the model test highlights enormous opportunity for the Medicare Advantage program.

V-BID 2.0: UPDATES TO THE MEDICARE ADVANTAGE V-BID MODEL

In January 2019, The Centers for Medicare and Medicaid Services (CMS) [announced](#) transformative updates to the MA V-BID model. By testing a wide range of MA service delivery and/or payment approaches, the MA V-BID model aims to increase choice, lower cost, and improve the quality of care for Medicare beneficiaries. Beginning in 2020, MA plans may:

- Provide reduced cost sharing and additional benefits to enrollees in a more targeted fashion than has previously been allowed, including customization based on chronic condition, socioeconomic status, or both, and even for benefits not primarily related to health care, such as transportation
- Bolster the rewards and incentives programs that plans can offer beneficiaries to take steps to improve their health, permitting plans to offer higher value individual rewards than were previously allowed
- Increase access to telehealth services by allowing plans to use access to telehealth services instead of in-person visits, as long as an in-person option remains, to meet a range of network requirements, including certain requirements that could not previously be fulfilled through telehealth

The MA V-BID model will be extended through 2024 and testing of Medicare's hospice benefit in MA will begin in 2021. Special Needs Plans and Regional PPOs in all states and territories are now eligible to apply. The MA V-BID model aims to assess the utility of structuring consumer cost-sharing and plan elements to encourage the use of high-value clinical services and providers for beneficiaries. The inclusion of clinically nuanced V-BID elements may be an effective approach to reducing the cost and improving the quality of care for Medicare Advantage enrollees.

THE MEDICARE PART D SENIOR SAVINGS MODEL

On March 11th, 2020, CMS announced the new [2021 Medicare Part D Senior Savings Model](#). Beginning on January 1st, 2021, CMS will allow Medicare Part D and Medicare Advantage sponsors nationwide to offer a benefit design that includes predictable co-pays for insulin. Beneficiaries who opt-in to this voluntary model will be able to receive a thirty-day supply of a broad set of plan-formulary insulins for no more than \$35. Participating beneficiaries are expected to save an average of \$446 per year in out-of-pocket costs relative to average cost-sharing amounts in 2020. This V-BID

implementation has the potential to help millions of diabetic Medicare beneficiaries access insulin and [manage their diabetes](#) through reducing and stabilizing monthly costs.¹²

[V-BID principles](#) can be used to create MA plan designs that are better aligned with value.

Encouraging the use of high-value services and providers while discouraging those with low value will decrease cost-related non-adherence, reduce health care disparities, and improve the efficiency of health care spending without compromising quality. The use of clinical nuance to set out-of-pocket costs for Medicare beneficiaries would have significant positive impacts, providing consumers with better access to quality services and resulting in a healthier population, while containing the growth of health care expenditures.⁸

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