

## Medicare Advantage Value-Based Insurance Design: The Second Year

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### Executive Summary

The Center for Medicare & Medicaid Innovation (CMMI) is now in its second year of implementation of the Medicare Advantage Value-Based Insurance Design (MA-VBID) model test, a pilot project measuring the potential for value-based insurance design (VBID) in the Medicare Advantage program. In the model test, participating Medicare Advantage Organizations (MAOs), which ordinarily offer Medicare Advantage and Part D benefits to each of their plan enrollees at the same level of uniform coverage and cost sharing, can offer extra coverage or reduced cost sharing to enrollees with CMMI-specified chronic conditions. Manatt Health Strategies analyzed which MAOs are participating in the VBID model test and what value-based approaches are being used in their individual plans (also known as plan benefit packages (PBPs)) for which disease conditions.

Our findings for CY 2018 show that for the current year:

- Approximately two percent (2%) of all Medicare Advantage enrollees potentially have access to VBID benefits.
  - Ten MAOs,<sup>1</sup> concentrated geographically in four states (Pennsylvania, Massachusetts, Indiana and Michigan), are currently participating in the model test.
  - Participating MAOs have collectively entered 46 plans (or PBPs) into the model test, which enroll 2% of Medicare Advantage recipients nationally; however, the number of enrollees who actually receive VBID benefits is likely to be substantially fewer, as only those enrollees with specific chronic conditions, and in some cases who earn benefits through participation in required wellness programs, will qualify for VBID benefits.
- MAOs generally have preserved their approaches from 2017 and continue to focus their VBID benefit strategies on enrollees with diabetes, congestive heart failure (CHF), chronic obstructive pulmonary disease (COPD) and hypertension (HPN), or comorbidities of these conditions.
- Participating MAOs are mostly reducing cost sharing for medical benefits as their key VBID approach, occasionally in combination with extra coverage of services or reduced cost sharing for Part D drugs. The plans vary, however, in the types of services they select for reduced cost sharing, which are generally tailored to the targeted disease condition.
  - Two MAOs are reducing cost sharing through retroactive reimbursement directly to the enrollee, rather than processing reductions at the point-of-sale.
  - VBID approaches to reduced cost sharing for medical benefits most often involve reductions to cost sharing for primary care and/or specialty physician services, whether alone or in combination with reduced cost sharing on other disease condition-specific items and services (e.g., diagnostic tests, durable medical equipment) .
  - Only two MAOs reduce cost sharing for extra non-Medicare covered benefits (e.g., plan-approved transportation services).
  - Three MAOs reduce cost sharing for selected Part D drugs for the enrollees in the VBID packages applicable to either CHF, CAD, or HPN.
- Most MAOs make receipt of VBID benefits contingent upon enrollees meeting a prerequisite beyond having the targeted chronic condition.

- Overall, 75% of enrollees eligible for VBID benefits are required to participate in a wellness or similar program to receive those benefits.

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The Center for Medicare & Medicaid Innovation (CMMI) is now in its second year of implementation of the Medicare Advantage Value-Based Insurance Design (MA-VBID) model test, a pilot project measuring the potential for value-based insurance design (VBID) in the Medicare Advantage program.<sup>2,3</sup> In the model test, participating Medicare Advantage Organizations (MAOs), which ordinarily offer Medicare Advantage and Part D benefits to each of their plan enrollees at the same level of uniform coverage and cost sharing, can offer extra coverage or reduced cost sharing specifically to enrollees with CMMI-specified chronic conditions, rather than to the plan's membership at large.

The Centers for Medicare & Medicaid Services (CMS) Medicare Advantage Plan Benefit Package files contain data on each participating MAO's VBID benefits. Manatt Health Strategies analyzed which MAOs are participating in the VBID model test in 2018 and what value-based approaches are being used in their individual plans (also known as plan benefit packages (PBPs)) for which disease conditions. These data give insight into how other MAOs may approach VBID in 2019, when CMS makes the flexibility available to MAOs nationwide. CMS has announced that beginning January 1, 2019 CMS will conduct the VBID model test in 25 states total, and allow MAOs in all states to implement a more limited form of VBID outside the confines of the model test. And the recently enacted Bipartisan Budget Act of 2018 requires that the model test be conducted nationally by 2020.

Our findings for CY 2018 show that MAOs generally preserved their approaches from 2017, and continue to focus on diabetes, congestive heart failure (CHF), chronic obstructive pulmonary disease (COPD) and hypertension (HPN).<sup>4</sup> This is not surprising, considering that MAOs had to propose their 2018 VBID benefit programs in early 2017, leaving them little time to course-correct based on any lessons learned from 2017 implementation.

#### **About 2% of All Medicare Advantage Enrollees Potentially Have Access to VBID Benefits in 2018.**

In the second year of implementation, there are 10 MAOs participating in the model test by offering extra benefits or reduced cost sharing to their enrollees. New for CY 2018 is Blue Cross Blue Shield of Michigan. It joins Aetna Inc., Fallon Community Health Plan, Geisinger Health System, Indiana University Health Plan, Tufts Associated HMO, Inc., UPMC Health Network and Plan, Highmark Health, Blue Cross and Blue Shield of Massachusetts, Inc. and Independence Health Group, Inc., each of which participated in 2017.<sup>5</sup>

As in 2017, the MAOs are concentrated geographically with five participating in Pennsylvania, three in Massachusetts, and one in Indiana. New for 2018 is one in Michigan. There are no MAOs participating in Arizona, Iowa, Oregon, Tennessee, Alabama, and Texas, states from which CMS would have admitted MAOs to the test in CY 2018. Participating MAOs have collectively entered 46 plans (or PBPs) into the model test, which enroll 2% of Medicare Advantage enrollees nationally.<sup>6</sup> The number of enrollees who actually enjoy VBID benefits will be substantially fewer, as only those enrollees with specific chronic

conditions, and in some cases who earn benefits through participation in wellness programs, will actually get VBID benefits.

**MAOs are Mostly Focusing their VBID Benefit Strategies on Enrollees with Diabetes, Congestive Heart Failure, and Chronic Obstructive Pulmonary Disease or Comorbidities of These Conditions.**

All but two participating MAOs in 2018 are focused on diabetes, CHF or COPD, in some combination by offering VBID benefits to enrollees with those conditions. MAOs have a total enrollment of 304,966 enrollees in plans (or PBPs) offering VBID benefits focused on CHF as either a single condition or with a comorbidity; 300,930 enrollees in plans focused on COPD either as single condition or with a comorbidity; and 230,160 enrollees in plans focused on diabetes either as single condition or with a comorbidity. A single MAO with total enrollment of 49,442 in plans offering VBID benefits focused on hypertension (HPN). These enrollment numbers are nearly identical to those in 2017. New for 2018 is one plan focusing on coronary artery disease (CAD) with total enrollment of 2,173. Notably in this second year as last year, no plans addressed patients with past stroke, dementia, rheumatoid arthritis or mood disorders, though CMMI would have permitted these strategies. (See Table 1.)

Disease Condition	Parent Orgs.	Plans (PBPs)	Total Enrollment (with and without condition)
Diabetes	1	2	4,847
Diabetes with CHF	1	8	57,858
Diabetes with CHF, or COPD with CHF	1	6	135,134
Diabetes or COPD	1	1	32,321
COPD	1	3	50,043
COPD or CHF	1	14	83,432
CHF	2	5	28,542
HPN	1	6	49,442
CAD	1	1	2,173
<b>Total</b>	<b>10</b>	<b>46</b>	<b>443,792</b>
<b>Any Diabetes</b>	<b>4</b>	<b>17</b>	<b>230,160</b>
<b>Any COPD</b>	<b>4</b>	<b>24</b>	<b>300,930</b>
<b>Any CHF</b>	<b>5</b>	<b>33</b>	<b>304,966</b>

Source: Manatt analysis of Plan Benefit Package Files for CY 2018  
 Note: Benefit categories are not mutually exclusive. MAOs may offer more than one benefit type within a PBP. Enrollment for each plan obtained from Medicare Advantage/Part D Contract and Enrollment Data for January of 2018. A MA-VBID plan is defined as every unique combination of a Medicare Contract and plan identifier that offers at least one VBID benefits package. VBID plans are identified by searching all VBID specific tables available in the 2018 PBP files. Enrollment represents the total number of beneficiaries that have access to a particular benefits package, rather than total beneficiaries that are actually using and/or qualify for a particular a benefits package.

**Participating MAOs are Mostly Reducing Cost Sharing for Medical Benefits.**

In 36 of the 46 plans (or PBPs) in the model test, enrollees with chronic conditions receive reduced cost sharing for medical benefits, occasionally in combination with extra coverage of services or reduced cost sharing for Part D drugs. There are three plans (or PBPs) where extra coverage is the only VBID benefit, and seven where reduced drug cost sharing is used alone. (See Table 2.)

**Table 2. MA-VBID Benefit Approaches in CY 2017**

Disease Condition	Plans (PBPs)	Total Enrollment (with and without condition)	Total Enrollees		
			Reduced Medical Cost Sharing	Extra Coverage of Benefits	Reduced Rx Cost Sharing
Diabetes	2	4,847	4,847	-	-
Diabetes with CHF	8	57,858	57,858	-	-
Diabetes with CHF, or COPD with CHF	6	135,134	135,134	-	-
Diabetes or COPD	1	32,321	32,321	32,321	-
COPD	3	50,043	50,043	-	-
COPD or CHF	14	83,432	83,432	-	-
CHF (2 Parent Organizations)	5	28,542	14,007 (2 PBPs)	14,535 (3 PBPs)	14,007
HPN	6	49,442	-	-	49,442
CAD	1	2,173	-	-	2,173
<b>Total</b>	<b>46</b>	<b>443,792</b>	<b>377,642</b>	<b>46,856</b>	<b>65,622</b>

Source: Manatt analysis of Plan Benefit Package Files for CY 2018  
 Note: Benefit categories are not mutually exclusive. MAOs may offer more than one benefit type within a PBP. Enrollment for each plan obtained from Medicare Advantage/Part D Contract and Enrollment Data for January of 2018. A MA-VBID plan is defined as every unique combination of a Medicare Contract and plan identifier that offers at least one VBID benefits package. VBID plans are identified by searching all VBID specific tables available in the 2018 PBP files. Enrollment represents the total number of beneficiaries that have access to a particular benefits package, rather than total beneficiaries that are actually using and/or qualify for a particular benefits package.

The VBID approaches to reduced cost sharing most often involve reductions to cost sharing for primary care and/or specialist physician services. Each MAO that reduces cost sharing for medical benefits as a VBID strategy includes one or both of those as a VBID benefit, whether alone or in combination with reduced cost sharing on other disease condition-specific items and services, such as diagnostic tests, podiatry, durable medical equipment or eye exams. For example, MAOs that target diabetes may reduce cost sharing for podiatry services, eye exams, diabetic therapeutic shoes/inserts, or diabetic supplies.

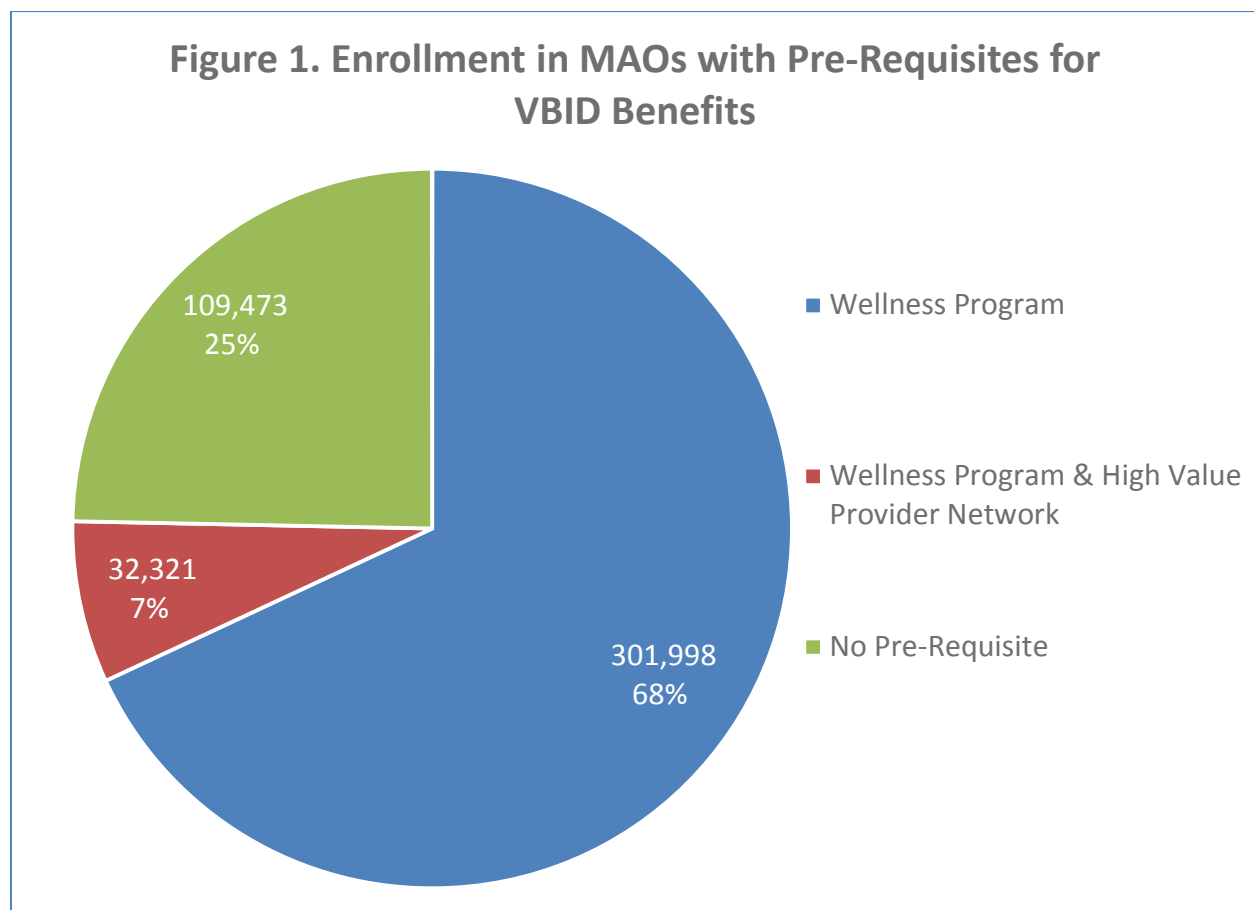
For the first time in 2018, CMS’s data includes information on which MAOs are reducing cost sharing through retroactive reimbursement directly to the enrollee, rather than processing reductions at the point-of-sale. In 2018, two MAOs that are targeting either diabetes, CHF or COPD are taking advantage of this strategy.

Only two MAOs reduce cost sharing for extra non-Medicare covered benefits. One MAO reduces cost sharing for plan-approved transportation services for enrollees with diabetes or COPD. Another MAO reduces cost sharing for podiatry services for routine foot care for enrollees with both diabetes and CHF.

Three MAOs reduce cost sharing for selected Part D drugs for the enrollees in the VBID packages applicable to either CHF, CAD, or HPN. The MAOs apply reduced cost sharing through all stages of the Part D benefit (pre-initial coverage limit, coverage gap, and catastrophic). Plans (PBPs) vary in whether they reduce cost sharing for brand and/or generic drugs and how they apply cost sharing reductions across coverage phases and formulary tiers (e.g., all tiers or selected tiers).

**Most MAOs Offering VBID Benefits Require Enrollees to Meet Some Prerequisite Beyond Having a Chronic Condition to Earn Those Benefits.**

Overall, 75% of enrollees eligible for VBID benefits must participate in a wellness or other similar program to qualify for those benefits. One MAO requires both participation in a wellness program and use of a high-value provider network. There are three MAOs that do not have any pre-requisites for VBID benefits, representing 25% of enrollees in participating MAOs. (See Figure 1.)



Source: Manatt analysis of Plan Benefit Package Files for CY 2018

Note: Benefit categories are not mutually exclusive. MAOs may offer more than one benefit type within a PBP. Enrollment for each plan obtained from Medicare Advantage/Part D Contract and Enrollment Data for January of 2018. A MA-VBID plan is defined as every unique combination of a Medicare Contract and plan identifier that offers at least one VBID benefits package. VBID plans are identified by searching all VBID specific tables available in the 2018 PBP files. Enrollment represents the total number of beneficiaries that have access to a particular benefits package, rather than total beneficiaries that are actually using and/or qualify for a particular benefits package.

Overall, the MAOs participating in the second year of the MA-VBID model test are clustered geographically, and as in 2017, are largely focusing on the three disease conditions: diabetes, CHF and COPD either as separately or co-morbidities. They also have largely chosen the same VBID benefit types: reduced medical cost sharing, usually contingent on participation in a wellness program. The plans vary, however, in the types of services they select for reduced cost sharing, which are generally tailored to the targeted disease condition. Although these MAOs were permitted to change their strategies in the second year, not surprisingly, many stayed the course for this second round, as CMMI had required that Year 2 (2018) applications be submitted early in the first year of the test, before true implementation experience could accrue. We will continue to monitor and analyze trends moving forward.

For more information about this or other Medicare analyses, please contact Adam Finkelstein at [afinkelstein@manatt.com](mailto:afinkelstein@manatt.com) or Annemarie Wouters at [awouters@manatt.com](mailto:awouters@manatt.com).

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<sup>1</sup> There are two instances of a single corporate parent organization entering two distinct Medicare Advantage Organizations into the model test. This analysis treats each pair as a single MAO.

<sup>2</sup> CMS, “Announcement of Medicare Advantage Value-Based Insurance Design Model Test” (Sept. 1, 2015) <https://innovation.cms.gov/Files/reports/VBID-Announcement-REVISED-10-9-15.pdf>

<sup>3</sup> 42 U.S.C. § 1315A(a). CMMI was established under the Affordable Care Act for the purpose of testing innovative payment and service delivery models in Medicare, Medicaid and the Children’s Health Insurance Program (CHIP).

<sup>4</sup> Finkelstein, A., Wouters, A., Stone, D. “Medicare Advantage Value-Based Insurance Design: The First Year” accessed at [https://www.manatt.com/Insights/Newsletters/Health-Update/Using-Telehealth-as-a-Tool-for-Health-System-Integ?utm\\_source=healthupdatenewsletter&utm\\_medium=email&utm\\_campaign=healthupdate\\_9.18.17%20-%20Article2#Article2](https://www.manatt.com/Insights/Newsletters/Health-Update/Using-Telehealth-as-a-Tool-for-Health-System-Integ?utm_source=healthupdatenewsletter&utm_medium=email&utm_campaign=healthupdate_9.18.17%20-%20Article2#Article2)

<sup>5</sup> <https://data.cms.gov/Special-Programs-Initiatives-Speed-Adoption-of-Bes/Medicare-Advantage-Value-Based-Insurance-Design-Mo/7rb6-e5sn>

<sup>6</sup> Manatt analysis of Plan Benefit Package files for CY 2018. Note: Enrollment for each plan was obtained from Medicare Advantage/Part D Contract and Enrollment Data for January of 2018. For our analysis, an MA-VBID plan is defined as every unique combination of a Medicare Contract and plan identifier that offers at least one VBID benefits package. These VBID plans are identified by searching all VBID specific tables available in the 2018 PBP files.