

CMS introduces competitive bidding into the Value-Based Insurance Design program for 2025

Key questions, considerations, and risks

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On March 13, 2024, the Centers for Medicare and Medicaid Services¹ (CMS) announced its decision to incorporate a competitive application screening and scoring process into the Value-Based Insurance Design (VBID) program beginning with the 2025 benefit year.² This represents a substantial shift from the way the program has been administered in prior years and introduces a range of new requirements and risks Medicare Advantage organizations (MAOs) will need to consider.³

VBID applications have always been subject to an application and review process, but until now CMS has not used a competitive bidding process to score applications. In the calendar year (CY) 2025 Request for Applications (RFA), CMS stated that Model participation selection may be competitive, and that it reserves the right to reject applications that do not support the objectives of the VBID program.

With the new guidance, CMS solidifies its decision to have a competitive application for CY 2025 and introduces its application screening process and scoring rubric. CMS asserts its intention with this change is to ensure VBID participants are following program requirements and introducing benefits that are expected to improve the quality of care for Medicare beneficiaries, save CMS money through reduced medical expenditures, and address

health-related social needs. MAOs will need to react quickly to respond to this new requirement because applications for 2025 are due April 12, 2024.

Summary of new guidance

The new guidance describes two application review phases, as shown in Figure 1.

FIGURE 1: PHASES OF CMS COMPETITIVE VBID APPLICATION PROCESS

Phase One Review

1. **Application Completeness Review:** CMS will review the application to ensure all required elements are included.
2. **Screening for Eligibility and Program Integrity Risks:** CMS will review the application to ensure the MAO is compliant with all eligibility requirements identified in the 2025 RFA. *CMS has stated it will not consider exception requests for CY 2025.*

Applications that fail Phase One requirements will be rejected.

Phase Two Review

3. **Scoring of Application Content and Potential for Savings:** CMS will apply a scoring rubric (see Figure 2) to applications based on a set of criteria in two categories: 1) Application Content and 2) Potential for Savings.
4. **Determination of Provisional Approval:** Applications that are found to be satisfactory based on application content and potential for savings are reviewed for provisional approval.

¹ The VBID program was developed under the authority of the Center for Medicare and Medicaid Innovation (CMMI), a division of CMS.

² CMS (March 13, 2024). Medicare Advantage (MA) Value-Based Insurance Design (VBID) Model Application Screening and Scoring

Process for Calendar Year (CY) 2025. Retrieved March 24, 2024, from <https://www.cms.gov/files/document/vbid-cy225-application-screening-scoring.pdf>

³ This article considers information available through March 19, 2024.

CMS has also outlined a scoring rubric for its Phase Two review, which is shown in Figure 2.

FIGURE 2: CMS VBID APPLICATION SCORING RUBRIC FOR PHASE TWO

SECTION	SCORING DETAILS	POINTS
Application Content		40
Permissibility of application proposals*	Exceptional (all points), acceptable, or poor (minimum available points)	10
Support for quality improvement plan**	Considers whether the MAO presents evidence that all VBID benefits/RI programs offered 1) have a beneficial impact on quality and 2) drive medical cost decreases (excluding reductions in bid margin)	10
Health equity plan*	Exceptional (all points), acceptable, or poor (minimum available points)	10
Innovation*	Exceptional (all points), acceptable, or poor (minimum available points)	10
Potential for Savings		60
Value of VBID benefits and/or RI programs**	Per member per month (PMPM) and per engaged beneficiary per month (PEBPM) rank of VBID benefits/RI Programs into quintiles	20
Expectation of medical cost savings (excluding savings driven by reducing bid margin)**	Exceptional (all points), acceptable, or poor (minimum available points)	20
Support for savings**	Considers whether the MAO presents evidence that all VBID benefits/RI programs offered 1) have a beneficial impact on quality and 2) drive medical cost decreases (excluding reductions in bid margin)	20

Applications that do not receive at least 24 points in the Application Content Section and 36 points in the Potential for Savings Section will be denied participation.

* Reviewed in the VBID Application Spreadsheet

** Reviewed in the Financial Memo and related documents

In its Office Hours call on March 19, 2024, the VBID Model representatives from CMS stated they have not set a specific number of proposals that will be approved, but approval is really based on meeting these minimum score thresholds. However, they did not explicitly state that all MAOs that meet the minimum score threshold will be accepted.

Questions for MAOs that choose to apply for VBID in 2025

To respond to the new guidance, MAOs need to consider the value of VBID benefits to their 2025 plan offerings and decide quickly if their current VBID strategies will result in an acceptable application. Some key questions for an MAO to consider include:

1. How impactful would it be if the MAO's VBID application is not accepted? Would plan enrollment be jeopardized in a meaningful way if competitors offer VBID benefits and the MAO does not (for example, popular benefits like food cards or the elimination of Part D cost sharing)?
2. Will the MAO's VBID application achieve the minimum points necessary to achieve a satisfactory score under the evaluation criteria?
3. Does the MAO need to enhance its VBID strategy to address the key VBID application elements?
4. Because the value of the MAO's VBID benefits and/or rewards and incentives (RI) programs will be sorted with other MAOs into quintiles for scoring, are the MAO's benefit offerings valuable enough to be approved?
5. Do the Plan Benefit Packages (PBPs) included in the application strengthen or weaken the MAO's overall scoring potential under the rubric? *Note as of the writing of this paper, it is not known how CMS will calculate an aggregate VBID benefit value or apply other scoring criteria when multiple PBPs are included in an MAO's application.*
6. Has the MAO assigned sufficient resources to ensure that the application is complete and in compliance with all requirements in the VBID RFA and related materials?

Key considerations and risks

This new guidance has implications for Medicare Advantage stakeholders as a whole and for MAOs that seek to participate in the VBID program in the future.

COMPETITIVE RISKS

The VBID program is the only benefit Medicare Advantage flexibility option available for Part D benefits. MAOs participating in VBID can offer rewards and incentives related to Part D, and/or reduce or eliminate Part D cost sharing for low-income members (based on socioeconomic status⁴) while still collecting the low-income cost sharing subsidy (LICS). Reductions in Part D cost sharing can remove a barrier for low-income members in accessing prescription drugs, and these benefits have become a common offering on dual-eligible special needs plans (DSNPs),

⁴ Defined as being eligible for the low-income subsidy (LIS) or, in the US territories, being dually eligible.

with 86% of DSNP beneficiaries enrolled in plans offering this benefit in 2024.⁵ Since MAOs are not able to reduce or eliminate Part D cost sharing outside of the VBID program without forgoing the LICS (through an Enhanced Alternative Part D benefit), it may be too expensive for an MAO to enrich the Part D benefit if it is not accepted into VBID. DSNPs that are not able to participate in VBID may have a less competitive Part D benefit as a result.

In addition, 92% of DSNP beneficiaries are enrolled in plans offering additional medical benefits through VBID in 2024, with allowances for food and utilities being the most common benefit offering.⁴ MAOs that have DSNPs that are denied participation in VBID may be at a competitive disadvantage, especially in markets where VBID benefits are common. While some of the additional medical benefits could instead be offered to a subset of members using the Special Supplemental Benefits for the Chronically Ill (SSBCI) flexibility option, DSNPs may not be able to reach as many members as they are able to when using VBID to target based on socioeconomic status.

In addition, CMS has indicated that it will not grant exceptions to MAOs that do not strictly meet the eligibility criteria outlined in the 2025 RFA. It is possible that MAOs previously offering VBID benefits under an exception may be required to take them away in 2025.

MA beneficiaries who are enrolled in a plan that offered VBID benefits in 2024 but is denied participation in 2025 will either lose the VBID benefit(s) or will need to switch to a different plan offering VBID benefits. Given the popularity of VBID benefits in recent years, changes in the ability of MAOs to participate in the VBID program could lead to shifts in market share away from MA plans that are denied participation and into MA plans that are accepted.

ADMINISTRATIVE COMPLEXITY AND COMPLIANCE RISKS

The new VBID guidance introduces additional application complexity and compliance risks. MAOs will need to react quickly to meet the application deadline of April 12, 2024.

The Phase One application review process includes a review of the application and documentation for completeness. CMS has stated that applications with missing materials or placeholder responses will not be accepted, and that there will be extremely limited opportunity for clarifying responses. Further, CMS has launched a new application template for the CY 2025 submission that MAOs will need to use for the first time. MAOs will need to be diligent in their adherence to the application instructions.

MAOs will also need to strategically approach a new scoring rubric that includes new requirements related to providing evidence that all interventions are expected to improve the quality of care and reduce medical costs. MAOs that have participated in VBID in the past will need to address these new requirements and may need to adapt established processes.

Finally, those MAOs approved to participate will be subject to data collection and reporting that supports CMS' Model evaluation, including but not limited to: correct prescription drug event (PDE) submission in accordance with CMS VBID guidance, reporting supplemental benefits data at a summary level and at the beneficiary level, reporting records on rewards and incentives, supporting risk score trends associated with the VBID Model, submitting health-related social needs (HRSN) screening data, and submitting a health equity plan progress report. CMS stated in the CY 2025 RFA that it will release Model Monitoring Guidelines in fall 2024 that will further detail these reporting requirements.

CONSIDERATIONS RELATED TO DEMONSTRATING QUALITY IMPROVEMENT AND COST REDUCTIONS

The new scoring rubric includes the requirement to provide evidence of quality improvement and medical cost decreases associated with VBID benefit offerings in the MAO's demonstration of savings to the Medicare program. In the past, MAOs have been able to demonstrate savings based solely on reductions in bid margin.

The CMS memo states medical cost savings may be supported using applicable studies, data, or bibliographies. However, because VBID benefits are still in their infancy, these studies, data, or bibliographies are unlikely to be directly related to the MAO's unique population or the benefits being offered under the VBID Model. Therefore, MAOs may need to research benefits or programs that reasonably align with the benefits being offered under VBID, and then use judgement to estimate the potential directional impact and effects of its benefit offerings. MAOs that wish to effectively measure and isolate the impact of VBID interventions on medical cost savings would need a high volume of data and may need to perform costly studies.

Outstanding questions on the application process

The March 13, 2024 CMS guidance and the subsequent March 19, 2024 Office Hours call provided some clarification on the

⁵ Friedman, J., Yeh, M., & Laktas, J. (2024). 2024 VBID Benefit MA Market Landscape and 2025 VBID Model Application Considerations. Milliman Insight.

application process for 2025, but there are several questions unanswered and some key details undefined, including:

- While CMS indicated it has not set a specific number of MAOs eligible for approval, it is not clear how competitive the VBID application process will be or what will constitute a “satisfactory” application eligible for provisional approval.
- CMS has not disclosed how it will calculate an aggregate VBID benefit value, which will be ranked with other MAOs into quintiles, or apply other scoring criteria when multiple PBPs are included in an MAO’s application.
- It is not clear how CMS will determine the scoring of each section of an application and to what degree scores will be subject to the discretion of the reviewers. For example, CMS has not outlined objective criteria for what constitutes an exceptional, acceptable, or poor rating, and it is not clear how many points will be awarded for each rating.
- CMS has indicated the innovation score in the “Application Content Section” of the scoring rubric will be based on using the new Area Deprivation Index (ADI) targeting mechanism⁶ and whether proposals are uniquely authorized by the Model. It is not clear how many points either of those criteria will be worth. In addition, it is not clear which benefits would not receive points for being uniquely authorized, because it is a CMS requirement that all interventions must be uniquely authorized by the Model.⁷

- If the value of the VBID benefits and/or RI programs are not supported in other areas of the application, CMS has indicated the value of VBID benefits and/or RI programs within the “Potential for Savings Section” will be assigned zero points. It is not clear what criteria CMS will use to determine when an application will get zero points for the value of VBID benefits and/or RI programs, or if there are other categories that would also receive zero points.
- The CMS memo states medical cost savings and quality impacts may be supported using applicable studies, data, or bibliographies, but does not detail criteria for what constitutes reasonable evidence.

Final thoughts

The March 13, 2024 VBID application guidance introduces substantial changes MAOs will need to consider in their strategic planning leading up to the application deadline on April 12, 2024. With limited information and time, MAOs that choose to apply will need to react quickly and may need to apply judgement in their interpretation of the guidance to prepare an application they believe will achieve a satisfactory score under the new rubric.



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⁶ Kotecki, L., Benjamin, T. (March 2024). Area Deprivation Index introduced to the Medicare Advantage Value-Based Insurance Design Model for CY 2025. Milliman Insight.

⁷ Section 2.1.7 of the CY 2025 RFA for the VBID Model.