

# Value-Based Insurance Design in Medicare Advantage

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## Key Facts

- Value-based insurance design promotes quality and access to care by reducing cost-sharing for high-value services or offering tailored benefits to a targeted group of beneficiaries.
- The value-based insurance design model enables targeted benefit design to high-need enrollees based on chronic condition and/or dual-eligible status.
- Many beneficiaries receiving value-based insurance design benefits reported reduced cost sharing for medications that provided financial relief.

## Policy Recommendation

Attention to providing the most effective care, particularly to those with chronic conditions, is important to achieving improved outcomes and quality of life, while containing costs. Innovative models of care, through benefit design and increased patient engagement should be encouraged and tested to identify successful models that could be more broadly implemented in Medicare Advantage. Better Medicare Alliance urges CMS to work with health plans and providers to identify and address barriers to improve the model and increase participation of plans and providers.

## Flexibility in Plan Design in Medicare Advantage

Medicare Advantage focuses on primary care, early intervention, care coordination, and wellness programs to slow disease progression and improve health status, particularly for beneficiaries with chronic conditions. Medicare Advantage provides all Traditional Fee-For-Service (FFS) Medicare benefits. Like FFS Medicare, Medicare Advantage provides the same benefits to all beneficiaries. Standard benefits have been important to ensure all beneficiaries have access to all the care they need. Yet, there is increasing evidence that customized care tailored to individual health needs ensures beneficiaries are able to make use of care that improves outcomes, eliminates waste, and reduces costs. Medicare Advantage, using an innovative demonstration called Value-based insurance design (VBID), has been leading the way in testing this concept.

## Principles of Value-Based Insurance Design

Value-based insurance design promotes quality and access to care by reducing cost-sharing for high-value services or offering tailored benefits for targeted group of beneficiaries. This flexibility encourages and enables utilization of services that are clinically recognized as effective for beneficiaries with specific clinical conditions.

## Medicare Advantage Value-Based Insurance Design Model

The Center for Medicare & Medicaid Innovation (CMMI) is testing value-based insurance design in the Medicare Advantage VBID Model. The demonstration is voluntary, and plans must apply for and receive CMS approval to participate. The VBID Model enables Medicare Advantage organizations to target benefit design (e.g., reductions in cost sharing, targeted disease management programs, supplemental benefits) to high-need enrollees based on chronic condition and/or dual-eligible or low-income subsidy status. VBID plan participants may also incentivize the use of Part D prescription drug benefits through rewards and incentives. Beneficiaries that do not wish to participate in VBID programs may opt out.

As of 2021, MA organizations may also offer the Medicare hospice benefit to its enrollees; this benefit is currently carved out of Medicare Advantage. The hospice benefit component of the VBID programs seeks to test whether and how inclusion of hospice in Medicare Advantage can improve beneficiary care and result in greater care coordination. The MA-VBID Model was launched in a select number of states in January 1, 2017 and expanded to all states in 2020 as required by the Bipartisan Budget Act of 2018. The demonstration is currently scheduled to end on December 31, 2024.

In 2021, 19 Medicare Advantage organizations in 45 states, the District of Columbia and Puerto Rico are offering VBID with 4.6 million enrollees projected in these plans. Of these 4.6 million, 1.6 million are expected to be eligible for and/or receive tailored benefits and/or rewards. Nine Medicare Advantage organizations in 13 states and Puerto Rico are participating in the hospice VBID program.

## Impacts of Medicare Advantage Value-Based Insurance Design

- Medicare Advantage plans participating in VBID experienced increased use of many high-value services such as primary care provider visits, specialist visits for VBID targeted chronic conditions, and prescription drug refills
- Many beneficiaries receiving VBID benefits reported that reduced cost sharing for medications provided financial relief.
- Part D bids for plans participating in VBID decreased in the second and third years of the demonstration, by \$9.93 per-beneficiary per-month in \$11.69 per-beneficiary per-month respectively

More information on the demonstration can be found on the Centers for Medicare & Medicaid Services website [here](#) and the University of Michigan Center for Value-Based Insurance Design [here](#).