Medicare Advantage (MA) Value-Based Insurance Design (VBID) Model
Calendar Year (CY) 2025 Financial Projections
Updated March 29, 2024

BACKGROUND

The VBID Model tests complementary health plan innovations designed to promote improved quality and reduced costs in the MA program. Applicants and certifying actuaries should refer to the CY 2025 Requests for Applications for the VBID Model located at https://www.cms.gov/priorities/innovation/innovation-models/vbid. For the Calendar Year (CY) 2025 VBID Model, eligible MA Organizations (MAOs) may participate in the VBID Model by proposing one or more of the following components:[1]

VBID Flexibilities: For CY 2025, participating MAOs may provide non-uniform supplemental benefits (including supplemental benefits that are not primarily health related), such as reduced cost-sharing and/or additional benefits, to targeted enrollees. MAOs may target enrollees for VBID benefits and services based on the following: (1) chronic health condition(s); (2) low-income subsidy (LIS) eligibility; (3) place of residence in the most underserved areas, as identified by the Area Deprivation Index (ADI); or (4) a combination of chronic health condition(s), LIS eligibility, and/or place of residence in the most underserved ADI areas.

For CY 2025, participating MAOs must offer a minimum of two Health-Related Social Needs (HRSN) benefits selected from the categories of food and nutrition, transportation, and housing and living environment in each participating PBP, regardless of whether the PBP uses one or more of the permissible targeting criteria. Recognizing that MAOs may be offering supplemental benefits that address priority HRSNs in the MA Program, those supplemental benefits can be used to satisfy this requirement for participating PBPs. Supplemental benefits used to satisfy this requirement must be identified in the VBID Application and the same financial information required of regular VBID interventions in sections i, iii, and iv of the Financial Application Memorandum (described below) must be submitted.

Part D Rewards and Incentives (RI) Programs: MAOs that offer Part D Rewards and Incentives Programs through this VBID Model component must design programs that promote

[1] Throughout these instructions, the term "component" refers to one of the three VBID Model components: VBID Flexibilities and Part D Rewards and Incentives Program. The term "intervention" refers to specific benefits or rewards within a Model component (e.g., food and produce is an intervention within the VBID Flexibilities component).

improved health, prevent injuries and illness, and promote the efficient use of health care resources. MAOs may 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 the enrollees' health of adherence to prescribed drug therapy. Any 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: CMS will release more information about the Calendar Year 2025 Hospice Benefit Component in a separate document.

FINANCIAL PROJECTION REQUIREMENTS

Participating MAOs are required to submit to CMS: (i) projected costs for each VBID Model component included in their application broken down by intervention; and (ii) projected net savings to Medicare. In submitting these projections as part of the financial application, plans must clearly outline the projected costs of each VBID Model intervention the MAO is proposing to implement under the Model, as well as how the proposed interventions will generate net savings to Medicare in CY2025 and over the term of the MAO's expected participation in the Model.

The financial projection must be supported by four specific documents: (1) Financial Application Memorandum; (2) Net Savings Template(s); (3) Excel Application; and 4) Actuarial Certification.

1) The **Financial Application Memorandum** must follow the outline in the instructions detailed in the next section. This memorandum should provide an explanation of the cost and savings drivers at an intervention and pricing element level of detail (see Appendix A for a list of pricing elements). It should include actuarial support for assumptions made and the expected timeframe of utilization changes, including relevant data, evidence, bibliography, or studies of an MAO's VBID experience.

2) Populated **Net Savings Template(s)**, which show projections aggregated across all components for all revenue streams for each plan benefit package (PBP)-segment. **CMS requires that Model participants show savings to CMS, including the impact of risk score trends attributable to the Model, and no net increase in enrollee costs (e.g., copays, premium changes directly attributable to the intervention) in CY 2025 and over the course of their participation in the Model.** Only a Net Savings Template for CY 2025 needs to be submitted if VBID impacts in future years of expected participation are expected to be similar. A **Net Savings Template** is required for each participating PBP-segment.

3) The newly streamlined **Excel Application**, which summarizes the proposed interventions by the MAO, by plan and component, and includes enrollment, targeting, and utilization estimates. The interventions listed in the **Excel Application** must be consistent with those reflected in the **Net Savings Template(s)** and the **Financial Application Memorandum**. To

reduce the number of follow-ups needed by CMS from applicants during application review, intervention values cited in the **Financial Application Memorandum** should explicitly reference specific components in the **Excel Application**, where applicable.

4) An **Actuarial Certification** stating that the financial projection reflects the MAO's best estimate of projected enrollee engagement, program implementation costs, and utilization changes (including the expected timeframe of those utilization changes). The projections in the **Financial Application Memorandum** and **Net Savings Template(s)** must be prepared by an actuary and all final revenue and expense assumptions must be reflected in the MA and/or Part D bid by the certifying actuary. The certification may be a part of the **Financial Application Memorandum**.

Material differences between the projections submitted with the VBID application and the VBID pricing impacts made in the MA and/or Part D bids submitted in June must be reconciled through submitting updated versions of the Excel Application, Financial Application Memorandum, and Net Savings Template(s) to CMS, via the VBID Model mailbox at VBID@cms.hhs.gov, **no later than the bid submission deadline.** In addition, material differences between the projections in an approved provisional application and the final MA or Part D bid (i.e., after rebate allocation) must be reconciled through submitting updated versions of these documents to CMS, via the VBID Model mailbox at VBID@cms.hhs.gov, **in early August.** Differences are considered material if the structure of the VBID interventions changes, if the impacted pricing elements change, or if the magnitude of a pricing element impact which was described in the original application changes such that the relative impact of that pricing element to the overall cost/savings changes.

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 enrollees, CMS, or the Medicare program, and the sustainability of the proposal.

Based on CMS's review of submitted financial information, CMS may seek additional information and/or modifications in the **Financial Application Memorandum** and other supporting files prior to approval of the overall application for participation in the Model.

INSTRUCTIONS

CMS has provided the below outline for applicants to follow when developing their **Financial Application Memorandum**. Please include a single Financial Application Memorandum that includes all proposed VBID Model interventions. The Memorandum must include information specific to each VBID Model intervention that the MAO is proposing to include.

i. **Executive Summary**

Please describe 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. Include a description of non-VBID benefits used to meet the minimum HRSN requirement. This should include any

changes to an existing, similar offering (e.g., offered through the Model or in the MA program). Of relevance are changes (from last year) in component offerings, anticipated targeting, engagement and utilization rates, and the value of supplemental benefits.

ii. **VBID Values per Beneficiary**

To concisely summarize the value of benefits from a beneficiary perspective, the information requested below **for each PBP and at the Parent Organization level** is required to be summarized as a table (Excel preferred) with the columns indicated in Table FA.1 and included in the Financial Application Memorandum. The cost of VBID Benefits/RI represents the expected incremental cost of benefits and RIs uniquely authorized by the VBID Model, excluding incremental operating expense, incremental margin, and offsets from medical cost savings or reductions in margin to generate additional MA rebates. As part of your Memorandum, include:

1. The total number of projected engaged beneficiaries (column (B) in table FA.1 below) and the Total Projected Members (column (D) in table FA.1 below). These numbers must align with the Enrollment_Targeting_Engagement tab of the Excel Application and must reflect the total unique number of engaged beneficiaries. These beneficiaries may be double counted across interventions on the Enrollment_Targeting_Engagement tab of the Excel Application. Explicitly note whether your projections include or exclude ESRD and hospice members.
2. The total cost of VBID interventions must be consistent with the interventions identified in the Excel Application and with the costs submitted in response to item iii of these Financial Application Memorandum requirements. Please ensure the application materials make clear how these costs are consistent with values in the Net Savings Template. If needed, please provide a separate crosswalk.

Table FA.1

Table Columns	**Description**
(A)	One line for *each* Contract-PBP-Segment submitted with the VBID application[2] and one line for the entire Parent Organization (PO)
(B)	Total Projected Engaged Beneficiaries by PBP and for the PO[3]
(C)	Total Projected Engaged Beneficiary Months by PBP and for the PO[4]
(D)	Total Projected Members by PBP and for the PO[5]

[2] The combination of Contract-PBP-Segment should correspond to the Excel Application.

[3] The projected engaged beneficiary count, beneficiary months, projected members, and projected member months should reflect the unique number of beneficiaries and members across all interventions for each PBP (i.e., do not duplicate counts of members across interventions or PBPs when aggregating). The Parent Organization beneficiaries and members should reflect total counts across all PBPs. The PO PEBPM and PMPM should reflect the PBP member-weighted values where the PO values would aggregate the PMPM values using PBP member months and the PEBPM values using PBP engaged beneficiary months.

[4] *Ibid.*

[5] *Ibid.*

[8] *Ibid.*

Table Columns	Description
(E)	Total Projected Member Months by PBP and for the PO[8]
(F)	Total Cost of VBID Benefits/RI (excl. medical cost savings or margin impacts) by PBP and for the PO($)[6]
(G)	Per Engaged Beneficiary Value Per Month of VBID Benefits/RI by PBP and for the PO ($)
(H)	Per Member Per Month Value of VBID Benefits/RI by PBP and for the PO($)

iii. **Projected Costs from Model Participation**

For each VBID Model intervention (and any non-VBID benefit used to meet the minimum HRSN requirement), please describe the expected costs for CY 2025. The costs should be described at a pricing element level and in total.[7] For each pricing element, include:

1. The projected Per Member Per Month (PMPM) costs and, where relevant, the projected utilization and unit cost.
    a. The intervention benefit and corresponding utilization should explicitly reference specific entries in the Excel Application.
2. A discussion of the methodology and source(s) of the projection assumptions and the potential range of the estimates.
3. If the MAO offered a similar benefit under the VBID Model in previous years, the historical experience on a comparable basis to the projection assumption and support for how the historical experience was used in determining the projected costs, as applicable.
4. A description of how the pricing element, as outlined in Appendix A, is reflected in the MA and/or PD BPT(s). For example,
    a. For each relevant Service Category presented in column (c) of MA Worksheet 2 – MA Projected Allowed Costs PMPM, please provide an estimate of the impact on projected Annual Util/1000, Avg Cost per Unit, and Allowed PMPM in columns (m) through (o).
    b. If the impacts are different for Non-DE (Dual eligible) # and DE# Allowed PMPMs in columns (p) and (q), please specify.
    c. These impacts should be reported both for the costs directly associated with the intervention, including incurred claims, provider incentive payments, and capitation payments but also indirect costs such as induced demand for other covered or non-covered services or the projected non-benefit expenses.

[6] The cost of VBID Benefits/RI represents the expected incremental cost of benefits and RIs uniquely authorized by the VBID Model, excluding incremental operating expense, incremental margin, and offsets from medical cost savings or reductions in margin to generate additional MA rebates.

[7] Please see Appendix A at the end of these instructions for all pricing elements to consider.

Costs should be presented relative to a hypothetical 2025 plan which does not offer the Model specific intervention.

iv. **Projected Savings from Model Participation**
For each VBID Model intervention offered (and any non-VBID benefit used to meet the minimum HRSN requirement), please describe the expected savings. Please describe savings at a pricing element level and in total, including:

1. The projected PMPM and, where relevant, the projected utilization and unit cost.
2. A discussion of the methodology and source(s) of the projection assumption and the potential range of the estimates.
3. If the MAO offered a similar benefit under the VBID Model in previous years, the historical experience on a comparable basis to the projection assumption and support for how the historical experience was used in determining the projected savings, as applicable.
4. A description of how the pricing element is reflected in the MA and/or PD BPT.

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 in this section (e.g., if your participation includes D-SNPs and costs for Medicaid are decreased as a result).[8]

In addressing potential savings to Medicare, participating MAOs should populate the required **Net Savings Template**, which documents the VBID impacts in aggregate on 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, Part D Federal Reinsurance, and projected risk scores. A **Net Savings Template** is required for each participating PBP-segment. Savings should be presented relative to a hypothetical 2025 plan which does not offer the Model-specific intervention.

v. **Other Quantitative and Qualitative Support**
The files submitted with the VBID application should collectively describe how the proposed VBID Model components are expected to meet the Model's quality improvement and financial goals of net savings to Medicare expenditures without any net increase in costs for plan enrollees directly attributable to the VBID elements over the life of the Model. MAOs should use this section to provide other quantitative and qualitative supporting documentation that has not already been provided to assist CMS in assessing the reasonability of the pricing assumptions intended to be used when providing VBID benefits under this Model, as applicable.

For **each VBID Model Intervention offered**, please include relevant data, evidence,

[8] Please align to BPT guidance on projecting savings to other health insurers.

bibliography, and/or studies of an MAO's VBID experience to demonstrate the intervention's expected impact on quality.

Appendix A: Pricing Elements

Financial Application Memorandum components ii and iii ask that impacts be described at a pricing element level. CMS expects a typical VBID bid to impact the following pricing elements. This list may not be exhaustive, and additional pricing elements should be included if impacted.

Part C Pricing Element	Cost	Savings
Mandatory Supplemental Benefit Costs	The direct cost of the intervention on mandatory supplement benefits (by service category)	Not common
Non-Benefit Expenses	The direct cost of the intervention on non-benefit expenses	Not common
Medicare A/B Covered Benefit Expenses	Any increase in Medicare covered benefit expenses as a result of the intervention (by service category)	Any decrease in Medicare covered benefit expenses as a result of the intervention (by service category)
Risk Scores	Any increase in risk scores as a result of the intervention	Any decrease in risk scores as a result of the intervention
Margins	Any increase in margins as a result of the intervention	Any decrease in margin as a result of the intervention (including margin decreases directly related to funding the intervention)

Part D Pricing Element	Cost	Savings
Direct Part D Benefit Expenses	The direct cost of the intervention; for pricing purposes, these are included as non-benefit expenses for DS plans and as supplemental benefits for EA plans.	Not common
Part D Benefit Expenses	Induced utilization or other benefit expense increases as a result of the intervention	Corollary reductions to Part D utilization or costs

Part D Pricing Element	Cost	Savings
Part C Medical Expenses	Induced utilization	Corollary decreases in Part C medical costs related to the intervention
Benefit Expenses by Benefit Phase	The impact of the intervention on expenses by benefit phase	The impact of the intervention on expenses by benefit phase
Federal Reinsurance	The impact of the intervention on federal reinsurance	The impact of the intervention on federal reinsurance
Low-Income Cost Share Subsidy	The impact of the intervention on the low-income cost share subsidy	The impact of the intervention on the low-income cost share subsidy
Risk Scores	Any increase in risk scores as a result of the intervention	Any decrease in risk scores as a result of the intervention
Margins	Any increase in margins as a result of the intervention	Any decrease in margin as a result of the intervention (including Part C margin decreases directly related to funding the intervention)