Calendar Year (CY) 2024 Value-Based Insurance Design (VBID) Model
Frequently Asked Questions (FAQs) on Pricing and Financial Application Requirements

Overview: The CY 2024 Request for Applications (RFA) to participate in the VBID Model is available on the VBID Model Webpage at: https://innovation.cms.gov/innovation-models/vbid. CMS is providing this accompanying FAQ document to provide additional clarifications to the actuarial requirements for Medicare Advantage Organizations (MAOs) interested in applying to participate in the VBID Model that are outlined in the CY 2024 RFA. If you have additional questions about the pricing and financial application requirements after reviewing this FAQ document, please contact the VBID Model Team at VBID@cms.hhs.gov.

Q. To what extent must an actuary be involved in the preparation of application materials for the VBID Model?
A. Per section 3.4 of the CY 2024 VBID Model RFA, MAOs seeking to participate in the VBID Model must provide as part of their application "projections of the impact that their participation will have, for CY 2024, on plan medical and prescription drug utilization, cost, and premiums." These projections are expected to be prepared by, or have the preparation directed by, a qualified actuary who is a member of the American Academy of Actuaries (MAAA). This portion of the application is considered to be an Actuarial Communication in accordance with Actuarial Standard of Practice (ASOP) Number 41. Thus, the actuary must be clearly identified in the submission of application materials.

Q. With respect to the projections required as part of the application related to medical and prescription drug utilization, cost, and premiums, what are MAOs expected to show?
A. As noted under section 3.4 of the CY 2024 RFA, the projections are expected to "show net savings to CMS over the course of the MAO's participation in the Model and no net increase in enrollee cost over the life of the Model." It may be sufficient for the actuary to demonstrate that the pricing assumptions being applied for the contract year will lead to reductions in CMS payments, with similar assumptions in future Model years (as opposed to a longitudinal projection). The decision of whether to model a single year and assume similar directional changes in future years or to prepare a longitudinal projection is left to the discretion of the actuary.

Beginning in CY 2023 and continuing in CY2024, CMS has provided a ***required*** "Net Savings Template," which documents the various revenue streams projected as part of MA and Part D (PD) bidding, including MA payments, Part D direct subsidy payments, low-income cost sharing subsidies (LICS), and Part D Federal Reinsurance. MAOs are expected to show a reduction in CMS payment in total across these streams. As noted above, these reductions can be shown in a single year with expectations for similar reductions in future years, or with a longitudinal projection over the participation period. The template has been provided to aid in the preparation of these materials; the underlying assumptions used to develop the estimates included in completed templates should be well-documented. Where possible, specific Bid Pricing Tool (BPT) line items should be identified.

Q. Is a "Net Savings Template" required for all PBPs included in the application?
A. Yes, each PBP is required to demonstrate net savings to CMS.

Q. Do projections need to be provided separately for each Model component?
A. MAOs must demonstrate net savings to CMS; MAOs may demonstrate this in aggregate across all Model components *or* separately for each Model component. Additionally, net savings to CMS may be over the course of participation in the Model performance period or during the applicable calendar year of participation. To the extent that aggregate projections are developed from component-level cost and savings projections, they should be well-documented and the component-level cost and saving projections shown.

Q. If certain aspects of the overall VBID approach are already offered as part of the MA plan separate from participation in VBID (such as an advance care plan or palliative care offering that exists outside the VBID Model), should only the incremental cost or savings of VBID Model participation be included in financial projections?
A. Please provide only the incremental cost/savings of the VBID Model intervention(s).

Q. What is meant by the request for "Changes to Pricing" under section 3.4.1 of the RFA?
A. This section is meant to encompass expected pricing changes made as a result of participation in the Model that are not directly related to the pricing of either costs or savings associated with the offered Model components. For instance, if MAOs expect to enroll a healthier population as a result of participation with a corresponding reduction in risk scores, estimates of those changes should be included in this section.

Q. Are MAOs required to provide historical experience related to prior Model participation?
A. Section iv. of the VBID Financial Application specifically requests quantitative estimates related to Model participation.

Q. What are the expectations for financial projections related to participation in the Hospice Benefit Component of the VBID Model?
A. To address the question of net savings to CMS over the course of participation in the Model, MAOs participating in the Hospice Benefit Component of the Model are expected to address any potential costs or savings associated with palliative care that may fall under the current MA benefit prior to the election of hospice in addition to those related to transitional concurrent care, hospice care and any hospice supplemental benefits. In other words, MAOs should address whether participation in the Hospice Benefit Component has the potential to change MA bids and revenue, in addition to answering the question of whether the costs of providing the hospice benefit will outweigh the hospice capitation payment being made to Model participants.

Q: Should the costs and savings associated with Wellness and Healthcare Planning (WHP) approaches be incorporated into the financial projections?
A. To the extent that there are incremental costs or anticipated savings, specifically attributable to the VBID Model, from the applicant's WHP approach(es), they should be included and highlighted. If no costs or savings are expected, please include a statement to that effect in the submission.

Q. How should plans reducing Part D copayments price the benefit in bids?
A. As with all pricing elements, bid submission should comply with all relevant guidance promulgated by the Office of the Actuary including, but not limited to, the Part D Bid Instructions and Actuarial User Group Questions and Answers. Enhanced Alternative (EA) plans offering reduced cost sharing should include the value of the reduced or eliminated cost sharing as a supplemental benefit offering. Defined Standard (DS) plans waiving the low-income copayment amount should include the value of that reduced or eliminated cost sharing as a non-benefit expense. In the event that an EA plan is changing to a DS plan and offering reduced or eliminated low-income copayments, the financial projection should consider any additional low-income cost-sharing subsidies (LICS) revenue that may be received as a result of the benefit change.