



**Centers for Medicare & Medicaid Services**

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**DATE:** June 1, 2022

**TO:** Current/Prospective Medicare Advantage Organization (MAO) Participants of the Medicare Advantage (MA) Value-Based Insurance Design (VBID) Model

**FROM:** Laura T. McWright, Deputy Director, Seamless Care Models Group, Center for Medicare and Medicaid Innovation

**SUBJECT:** VBID Model Guidance on Treatment of Reductions in Part D Cost-Sharing

The Centers for Medicare and Medicaid Services (CMS) has received technical questions from MA Organizations (MAOs) about the treatment of the VBID Model flexibility to provide targeted reductions in Part D cost-sharing, as it relates to bid development/submission and benefit provision. This memo provides further details and instructions to MAOs participating (or contemplating participation) in the VBID Model regarding low-income cost-sharing subsidy (LICS) applicability and calculations for the Manufacturer discount for the Coverage Gap Discount Program (CGDP), as it pertains to the Model flexibility to reduce or eliminate Part D cost-sharing.<sup>1</sup>

*Background*

Under the VBID Model, participating MAOs may provide non-uniform supplemental benefits to targeted enrollees, including reductions or elimination of cost sharing for Part D benefits for enrollees in participating MA-PDs. Participating MAOs may use one of the following approaches (or *targeting criteria*) to target these benefits to its enrollees, as long as the targeting is applied in a non-discriminatory manner and the methodology is uniquely authorized by CMS under the VBID Model:

- 1) Chronic health conditions(s);
- 2) Socioeconomic status (SES) (e.g., LIS eligibility); or
- 3) A combination of both (e.g., enrollees who are LIS eligible and have COPD).

CMS has provided guidance for this Model flexibility in its annual request for application and other plan-facing materials. Chapter 7 (Ch.7.) of the CY 2022 Bid Submission User Manual affirms that reductions in cost-sharing in Enhanced Alternative (EA) plans apply before the Coverage Gap Discount. The VBID Model Monitoring Guidelines, require participating MAOs to comply with all other Prescription Drug Event (PDE) reporting rules, such as the requirement that supplemental benefits be applied before the gap discount is calculated.

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<sup>1</sup> This is noted in the applicable year's VBID Model Contract Addendum Amendment.

This guidance memo provides additional clarification for the benefit design scenarios (i.e., Part D benefit type and associated targeting criteria) that are permitted under the Model for participating MA-PDs and how these Model benefits should be reflected in operations and reporting for MAOs that are approved to offer these Model benefits.

*Application to the Model Component*

Both bid projections and PDE reporting requirements under the Model depend on the Part D benefit type filed in the applicable bid submission. Table 1 outlines the applicable bid and PDE treatment for each benefit type and targeting criteria.

**Table 1: Part D Benefit Types and Allowable Reductions in Cost-Sharing Under the VBID Model**

<b>Part D Benefit Type</b>	<b>Targeting Criteria</b>	<b>Bid Financing</b>	<b>Gap Discount Treatment</b>	<b>LICS Treatment</b>	<b>PDE Reporting Notes</b>
Defined Standard (DS)	SES targeting – Part D Cost Sharing Reductions Based on SES	Reflected as a non-benefit expense (administrative cost)	Not applicable	LICS calculated as normal, then VBID benefit applied to beneficiary cost-sharing	LICS should be included in the LICS field on the PDE, and only the amount paid by the plan in lieu of the beneficiary co-pay should be included in the Patient Liability Reduction due to Other payer (PLRO) field
EA	Chronic condition	Reflected as a benefit expense (supplemental benefit)	VBID benefits pay before the Gap Discount	LICS calculated based on targeted non-LIS beneficiary cost-sharing, then VBID benefit applied	LICS should be included in the LICS field on the PDE, and only the amount paid by the plan (in lieu of the beneficiary co-pay) should be included in the PLRO field.
EA	SES targeting - Part D Cost Sharing Reductions Based on SES	Reflected as a benefit expense (supplemental benefit)	Not applicable	LICS calculated as normal, then VBID benefit applied to beneficiary cost-sharing	LICS should be included in the LICS field on the PDE, and only the amount paid by the plan (in lieu of the beneficiary co-pay) should be included in the PLRO field.
Basic Alternative (BA)	Chronic condition targeting	Reflected as a benefit expense	VBID benefits pay before the Gap Discount	LICS calculated based on targeted non-LIS beneficiary cost-sharing, then VBID benefit applied	LICS should be included in the LICS field on the PDE, and only the amount paid by the plan (in lieu of the beneficiary co-pay) should be included in the PLRO field.
Actuarially Equivalent (AE)	Chronic condition targeting	Reflected as a benefit expense	VBID benefits pay before the Gap Discount	LICS calculated based on targeted non-LIS beneficiary cost-sharing, then VBID benefit applied	LICS should be included in the LICS field on the PDE, and only the amount paid by the plan in lieu of the beneficiary co-pay should be included in the PLRO field.

*Applicability of Programmatic Waivers and Other Guidance*

This guidance does not waive any program rules relating to bid and PDE submission as set forth in Part D regulations at 42 CFR Parts 423. To the extent that waivers may be required to permit plans to comply with the bidding parameters and PDE reporting described above, such waivers would be set forth in Model documentation (such as an appendix to the contract addendum for participation in the Model). These waivers, as outlined in Model documentation, will be

authorized solely to the extent necessary to permit bids to be submitted in accordance with Model guidance and to accommodate PDE reporting consistent with the instructions in this guidance in connection with reductions in Part D cost sharing provided solely under the VBID Model.

*Monitoring of Bid Submission(s) and PDE Reporting Requirements*

CMMI will closely review and monitor, on an ongoing basis, relevant components of both bid submission(s) and PDE reporting to ensure internal consistency with approved Model benefits and compliance with Model and PDE reporting requirements. CMMI will use existing data to do so, including data reported for the Model component, MA encounter data, Medicare claims, Prescription Drug Event (PDE) data, Part C and Part D reporting, and payment data (e.g., Medicare Advantage and Prescription Drug system (MARx) and CMS Enrollment data).

For MAOs offering Part D Cost Sharing Reductions based on chronic condition, CMS is aware of a small number of attachment point claims that may be inappropriately rejected. This PDE rejection may occur with claims that have a positive PLRO amount when plans apply the VBID Supplemental benefit according to CMS instructions. Additional guidance is forthcoming that will address this issue and allow for the resubmission of claims that are affected by these rejects. Available later in 2022 and effective starting January 1, 2023, this guidance will also include other guidance for MAOs offering Part D Cost Sharing Reductions Based on SES.

For questions regarding this guidance, please contact [VBID@cms.hhs.gov](mailto:VBID@cms.hhs.gov).