

The Medicare Access and CHIP Reauthorization Act (MACRA) was signed into law in April 2015. The law repeals the sustainable growth rate (SGR) methodology and paves the way for physician payment reform. MACRA establishes two payment pathways for physicians: alternative payment models (APMs) and the Merit-Based Incentive Payment System (MIPS). Under MIPS, three existing Medicare quality programs will be consolidated into one program. The key Medicare initiatives described in this handout will remain in place through 2018 and will continue to present a unique opportunity for you to demonstrate the quality of care you provide. They potentially can increase your net revenue through payment adjustments that, in some cases, reward value in primary care rather than volume.

Here's an overview of how the payment adjustments associated with key Medicare initiatives may impact your bottom line. Prepare now to help you and your practice become "MACRA Ready."

*(Please note: Numbers listed in red and parentheses represent negative revenue.)*

### Meaningful Use of the Electronic Health Record

The Medicare Electronic Health Record (EHR) Incentive Program provides bonus payments to eligible professionals who demonstrate meaningful use (MU) of certified EHR technology. The cumulative payment amount depends on the year in which a professional begins participating in the program. Physicians whose participation started in 2013 may receive up to \$38,220 in cumulative payments; physicians who started in 2014 may receive up to \$23,520. The last year to begin participation and receive incentive payments in the Medicare program was 2014. For the Medicaid program, 2016 is the last year to begin participation and receive incentive payments.

Negative payment adjustments for those who do not demonstrate MU of EHR began in 2015. Reporting options are available to satisfy both MU and the Physician Quality Reporting System (PQRS) reporting requirements.

PAYMENT YEAR	EHR REPORTING PERIOD	MEDICARE PROGRAM PAYMENT ADJUSTMENT (percentage of total allowed charges for covered services during the reporting period)
2016	2014	(2%)
2017	2015	(3%)
2018	2016	(3%)

### Value-Based Payment Modifier Program

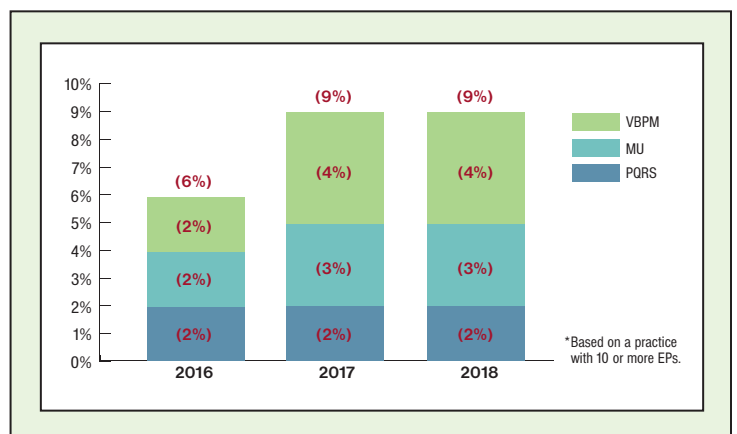
The Value-Based Payment Modifier (VBPM) Program adjusts payment rates under the Medicare Physician Fee Schedule based on an eligible professional's performance on quality and cost categories. The Centers for Medicare & Medicaid Services (CMS) began phasing in application of the modifier in 2015. Starting in 2017, payment rates for all group and solo practitioners will be subject to the VBPM. In 2018, all group and solo practitioners will receive an upward, neutral, or downward payment adjustment based on quality-tiering. Physicians who do not demonstrate higher quality or lower costs may receive lower payments. The VBPM is based on performance two years prior (e.g., application of the VBPM in 2017 will be based on performance in 2015). Eligible professionals may avoid automatic downward payment adjustments by successfully participating in the PQRS.

### Physician Quality Reporting System

The Physician Quality Reporting System (PQRS) applies negative payment adjustments to eligible professionals who fail to satisfactorily report data on quality measures for covered services provided to Medicare Part B fee-for-service beneficiaries. Individual eligible professionals may choose from multiple reporting options for either individual or group measures. Group practice reporting options are also available. Additionally, reporting options are available to satisfy both MU and PQRS reporting requirements. PQRS reporting deadlines are based on the method of reporting. If you qualified for PQRS bonuses in 2014, you will avoid negative payment adjustments in 2016.

YEAR	PAYMENT ADJUSTMENT
2016	(2%) based on 2014 reporting
2017	(2%) based on 2015 reporting
2018	(2%) based on 2016 reporting

### What Are the Current Payment Adjustments?



# MEDICARE INITIATIVES AND YOU: PAYMENTS AND ADJUSTMENTS, continued

PERFORMANCE YEAR	VBPM YEAR	PHYSICIAN GROUP SIZE	POSSIBLE VBPM OUTCOMES
2014	2016	100+EPs	<ul style="list-style-type: none"> <li>• Downward adjustment (max -2%)</li> <li>• No adjustment</li> <li>• Upward adjustment (max +2x%<sup>**</sup>)</li> </ul>
		10-99 EPs	<ul style="list-style-type: none"> <li>• Downward adjustment (max -2% non-satisfactory PQRS reporting)</li> <li>• No adjustment</li> <li>• Upward adjustment (max +2x%<sup>**</sup>)</li> </ul>
2015	2017	10+EPs	<ul style="list-style-type: none"> <li>• Downward adjustment (max -4%)</li> <li>• No adjustment</li> <li>• Upward adjustment (max +4x%<sup>**</sup>)</li> </ul>
		2-9 and solo practitioners	<ul style="list-style-type: none"> <li>• Downward adjustment (-2% non-satisfactory PQRS reporting)</li> <li>• No adjustment</li> <li>• Upward adjustment (max +2x%<sup>**</sup>)</li> </ul>
2016	2018	10+EPs	<ul style="list-style-type: none"> <li>• Downward adjustment (max -4%)</li> <li>• No adjustment</li> <li>• Upward adjustment (max +4x%<sup>**</sup>)</li> </ul>
		2-9 and solo practitioners	<ul style="list-style-type: none"> <li>• Downward adjustment (max -2%)</li> <li>• No adjustment</li> <li>• Upward adjustment (max +2%<sup>**</sup>)</li> </ul>

\* Eligible for an additional +1.0x if average beneficiary risk score is in the top 25% of all beneficiary risk scores

+The value of "x" represents the adjustment factor still yet to be determined and depends on the total sum of negative adjustments in a given year.

## Quality and Resource Use Reports

Through its Physician Feedback Program, CMS distributes Quality and Resource Use Reports (QRURs) to physicians to provide detailed information about their performance on the quality and cost of care delivered to Medicare fee-for-service patients. CMS sends QRURs to solo physicians and groups based on their Tax Identification Numbers (TIN). Each report includes performance information on PQRS quality measures, claims-based outcome measures, and claims-based cost measures, and compares performance to similar peer groups.

CMS uses the quality and cost data to calculate payment adjustments under the VBPM Program and eventually will determine financial adjustments under the new Merit-Based Incentive Payment System (see more to the right). Use your QRUR to your advantage to inform care delivery to earn positive payment adjustments and avoid potential negative adjustments.

## MACRA/Merit-Based Incentive Payment System

Medicare initiatives are evolving to further promote a system that rewards value over volume. MACRA mandates that three major Medicare programs for physicians (PQRS, EHR Meaningful Use Program, and VBPM Program) be combined. Starting in 2019, these programs will be consolidated into one program called MIPS. The MIPS program will assess physician performance under four categories: quality, resource use, clinical practice improvement activities, and meaningful use of certified EHR technology. The performance under these categories will determine whether an individual or group qualifies for a positive or negative payment adjustment.

The AAFP is working on the behalf of family physicians to ease the burden of Medicare programs. A few efforts include: administrative simplification; advocating that CMS implement a meaningful use program that promotes interoperability and allows providers to use their EHRs and electronic health information in a meaningful way; and working toward the harmonization of quality measures across public and private payers.

Contact an AAFP subject matter expert to learn more:

[aafp.org/pmhelp](http://aafp.org/pmhelp) or (800) 274-2237

▶▶▶ **The AAFP has your back.**

Count on the AAFP to help guide you through the shift to value-based payment.

[aafp.org/MACRAREady](http://aafp.org/MACRAREady)



**DISCLAIMER:** This handout is designed to provide generalized financial impact information for a typical family physician practicing primarily in a private practice setting. It provides a summary of the main aspects of several government programs and financial information that will allow eligible small- and medium-sized practices to make informed decisions regarding their implementation of these programs.