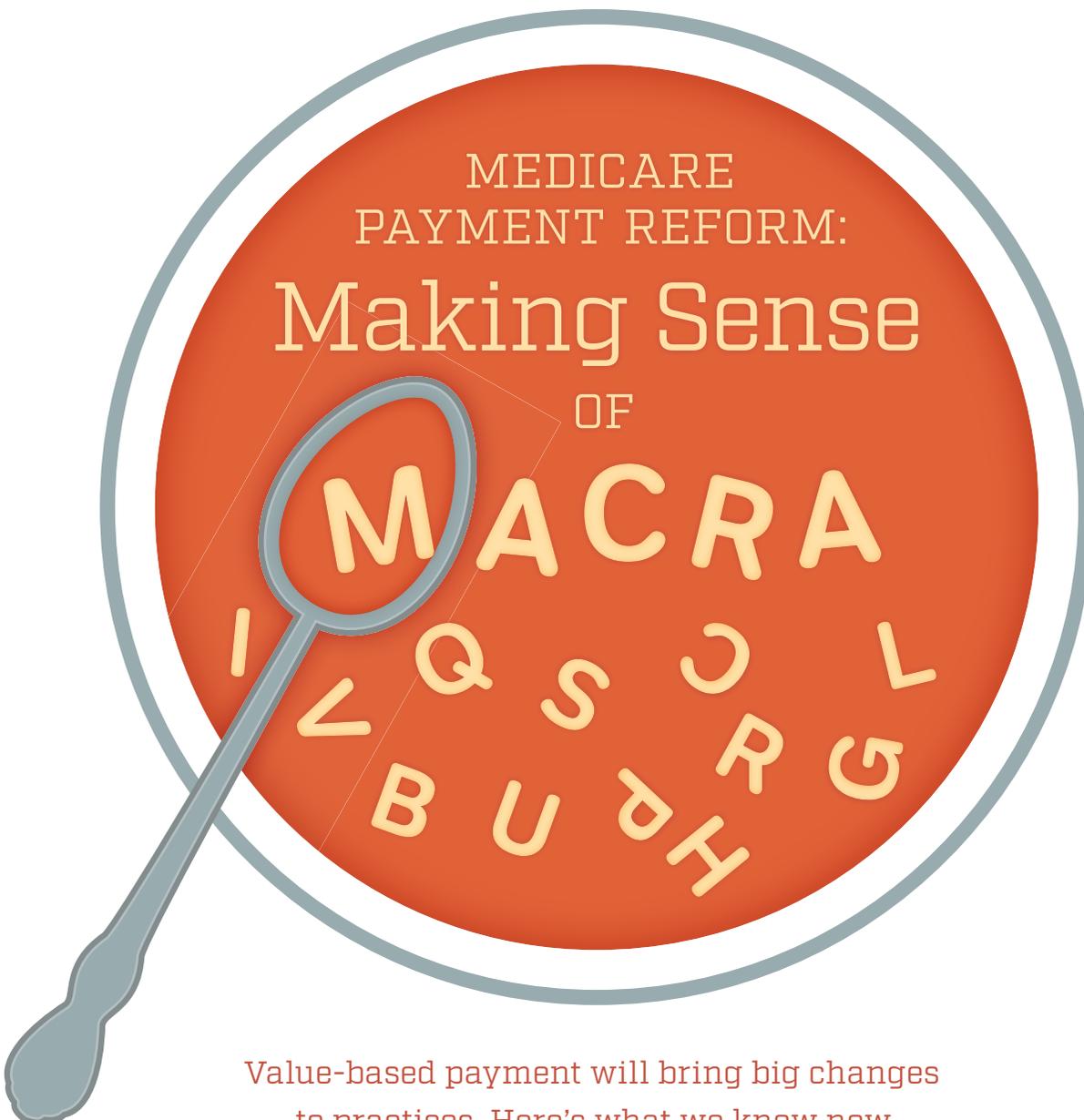


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MEDICARE  
PAYMENT REFORM:  
Making Sense  
OF

MACRA  
I Z Q S J L  
B U P H R G

Value-based payment will bring big changes to practices. Here's what we know now.

**C**ongress passed game-changing, bipartisan legislation in April 2015 that significantly alters how the federal government pays physicians to deliver health care. The Medicare Access and Children's Health Insurance Program Reauthorization Act of 2015 (MACRA) repealed the

flawed sustainable growth rate formula that annually threatened health care administrators, physicians, and other providers with Medicare reimbursement cuts of up to 21 percent.<sup>1</sup>

The legislation also established two new tracks for physician payment, the Merit-Based Incentive Payment

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## B MACRA lays out a basic framework for payment reform but lacks definitions for many key concepts.



System (MIPS) and the Alternative Payment Model (APM). The U.S. Department of Health & Human Services (HHS) is counting on MACRA to transform physician payment when it is implemented in 2019 and accelerate movement toward value-based payment in the meantime. HHS has goals to move 30 percent of Medicare payments into alternative payment models by 2016 and 50 percent by the end of 2018.

MACRA lays out a basic framework for payment reform but lacks definitions for many key concepts. The Centers for Medicare & Medicaid Services (CMS) is writing regulations to fill in the blanks. A public comment period last fall preceded the planned release of a proposed rule this spring and a final rule later this year. While the fine print of these programs is still unknown, it is possible to discern the big picture for each.

### Merit-Based Incentive Payment System track

Physicians who are not practicing in some type of APM will by default be on the MIPS track. Some will qualify for an exception by failing to meet the MIPS’ “low volume threshold,” which is an as-yet undefined minimum number of patients, services, or allowable charges for a performance period, or by being in their first year of Medicare participation.

Beginning in 2019, MIPS will consolidate the Value-

Based Payment Modifier (VBPM), Physician Quality Reporting System (PQRS), and Meaningful Use (MU) programs into a single new program, which will also include a new category of performance measures referred to as “Clinical Practice Improvement Activities” (CPIA). A MIPS composite score will be based on physicians’ performance in these four areas. The score will dictate annual payment adjustments. (See “MIPS breakdown.”) The law says CPIA, which will receive further definition in rule-making, will measure such things as access, patient engagement, population health management, care coordination, and patient safety. Interestingly, “certified” patient-centered medical homes (PCMHs) will receive all points for the CPIA category. This is the only time in the law where the term “certified” PCMH is specifically used, although the term has not yet been defined.

Each physician’s MIPS score will be compared to a “performance threshold” to determine how Medicare will adjust the physician’s payments each year. Only those scoring directly at the threshold will receive no adjustment. Upward or downward payment adjustments will be made on individual claims. (See “MIPS payment adjustments,” page 14.)

Those who score above the performance threshold may receive up to three times the standard payment adjustment, depending on their score. Physicians with scores in the top 25 percent may also be eligible for an additional payment adjustment of up to 10 percent between 2019 and 2024 for “exceptional performance.” Beginning in 2026, those in the MIPS program and all others not in an APM will receive an annual update of 0.25 percent under the Medicare physician fee schedule.

Small practices of 10 or fewer eligible professionals that do not meet volume thresholds by themselves may participate in MIPS as part of a “virtual group.” These groups, which can be based on geography or specialty, combine the

### MIPS BREAKDOWN

A physician’s MIPS composite score, which determines future payment adjustments, is calculated through a changing ratio of four key categories of information each year.

	2019	2020	2021
Quality	50%	45%	30%
Resource use	10%	15%	30%
Meaningful use	25%	25%	25%
Clinical practice improvement activities	15%	15%	15%



## MIPS bonuses have the potential to be sizable, but so do the penalties.

performance scores of all their eligible professionals. Once these practices form a group, however, the participants must remain together for an entire performance year. Also, the virtual group is considered an “all or nothing” arrangement, meaning that individual providers within a participating practice cannot opt out. If your practice is sufficiently small and a virtual group interests you, consider talking now with trusted potential virtual group partners.

As you consider MIPS, keep in mind that MIPS bonuses have the potential to be sizable, but so do the penalties. Because MIPS is a budget-neutral proposition, CMS will pay for all of the positive payment adjustments with money it gains from negative payment adjust-

ments. Physicians whose composite scores are in the lowest quartile will automatically receive the maximum penalty for the performance year.

### Alternative Payment Model track

As the law is currently written, *qualified* APMs are any of the following:

- A Medicare Shared Savings Program Accountable Care Organization,
- A medical home model expanded under the Center for Medicare & Medicaid Innovation (CMMI),
- A project under the Medicare Healthcare Quality Demonstration program,
- “A demonstration required by federal law.”

■ MACRA creates two physician payment tracks: the Merit-Based Incentive Payment System (MIPS) and the Alternative Payment Model (APM).

■ Physicians will enter a payment track in 2019.

■ MIPS may award physicians performing above quality thresholds while penalizing those performing below the thresholds.

### MIPS PAYMENT ADJUSTMENTS

	2019	2020	2021	2022 (and beyond)
Positive adjustment	+4% (12% for top performers)	+5% (15% for top performers)	+7% (21% for top performers)	+9% (27% for top performers)
Negative adjustment	-4%	-5%	-7%	-9%

To calculate a practice’s potential payment adjustment, multiply the program year percentage by the number of providers and total annual Medicare Part B reimbursements.

For example, using the 2019 program year, a practice with a single physician and annual Medicare Part B reimbursements of \$100,000 faces a potential maximum negative adjustment of 4 percent, or -\$4,000, for not meeting the performance threshold. Practices meeting the performance threshold would receive no adjustment. Practices that exceed the performance threshold would receive a

positive adjustment of at least 4 percent, and top-performing practices could receive up to three times the normal positive adjustment. If the example practice were among the top performers in 2019, it would receive a 12 percent adjustment, or +\$12,000.

For comparison, the same practice participating in an Alternative Payment Model would receive a bonus equal to 5 percent of its total annual Part B reimbursements in 2019 through 2024 – \$5,000 for the example practice – instead of payment adjustments tied to performance thresholds.

Qualified APMs must also meet the following eligibility criteria:

- Use as-yet undefined quality measures comparable to those in MIPS,
- Use a certified electronic health record,
- Bear more than “nominal financial risk,” a term that will be defined in rule making, or be in a medical home expanded under CMMI.

It is important to note that qualifying APM participants must also meet thresholds that increase the volume of Medicare payments made through the APM each year. Physicians that meet the APM requirements will receive a 5 percent lump-sum bonus annually between 2019 and 2024, based on their Medicare Part B claims payments. APM participants will not be subject to MIPS bonuses and penalties. Beginning in 2026, they will receive an annual update of 0.75 percent under the Medicare physician fee schedule.

APMs that don't meet the threshold are considered “partially qualifying.” Participants

report PQRS and study your practice's Quality and Resource Use Report, which shows how your practice ranks for these factors. (For more on this topic, see “What You Need to Know About Medicare's New ‘Quality and Resource Use Report,’” *FPM*, November/December 2015, <http://www.aafp.org/fpm/2015/1100/p19.html>.)

Practices with fewer than 15 eligible providers as well as those in rural or health professional shortage areas can receive help in transitioning to an APM or improving their MIPS score. MACRA allocates \$20 million annually, from 2016 until 2020, to provide free technical assistance to these practices through Quality Improvement Organizations and Regional Extension Centers. Rules for how this assistance is distributed are still being developed.

There is still substantial work to be done to define all the rules of MACRA. It is at least clear that Medicare will pay physicians

Physicians in an APM will likely also be part of an Accountable Care Organization or medical home.

Physicians who participate in APMs may earn a 5 percent annual bonus between 2019 and 2024.

Many rules within MACRA remain undefined, but physicians should prepare now to improve performance later.

## The 5 percent annual bonus may give APM participants more financial certainty than MIPS would.

in “partially qualifying” APMs avoid MIPS penalties but do not receive financial bonuses. Participants in partially qualifying APMs can switch to the MIPS track. The 5 percent annual bonus may give APM participants more financial certainty than MIPS would. However, the number of physicians wishing to participate in these qualified APMs is likely to exceed the supply, at least initially.

### What next?

While you wait for the details that will help you choose a payment track under MACRA, you are still subject to the bonuses and penalties of the VBPM, PQRS, and MU programs. You should also not wait to implement quality improvement and other initiatives because your 2019 MIPS payment adjustment may depend on your past performance – possibly that of 2017. For this reason, you should

based on an assessment of the value of care they deliver to their patients. Until the regulations emerge, focus on the functions within your practice that will position it for the future – access, planned care, patient engagement, risk-stratified care management, and care coordination. Enhancing performance in these areas should contribute to higher MIPS scores and prepare your practice for APM participation as soon as the opportunity arises. **FPM**

1. Fontenot K, Brandt C, McClellan MB. A primer on Medicare physician payment reform and the SGR. The Brookings Institute website. <http://brook.gs/1JmgtDz>. Feb. 2, 2015. Accessed Dec. 7, 2015.

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