MACRA Final Rule
Prepared for St. Vincent’s Health System

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May, 2017
The Road to MACRA
Understanding MIPS
Understanding aAPM
Path Forward to Value-Based Payment
MACRA is Here to Stay, New Administration Will Adjust Program Rules

Vote Breakdown
Senate: 92–8
House: 392–37

- Bipartisan supported law flattens fee updates for 10 years and establishes a 2-track system for earning positive adjustments
- Framework outlined by Congress, program details written by CMS

Congress: House and Senate

Administration: HHS and CMS

Final Rule

Program rules will be adjusted annually at discretion of HHS/CMS. 2018 proposed rule anticipated May 2017.

Without legislative action, CMS has very limited options to reduce or further delay impact of MACRA
Medicare Spending Reduction Driven by Necessity

- Aging population (65+) growth outpaces working population numbers
  - Smaller pool of eligible tax payers to finance Medicare expenditures

Regardless of policy context, 65+ population growth creates added financial pressure to reduce Medicare spending.

Working age population = ages 20 to 64; Dependency ratio = portion of the population over 65 compared to portion of the population of working age.
What Is the Medicare Access and CHIP Reauthorization Act of 2015?

- Final Rule outlining program details issued October 14, 2017.
- MACRA makes important changes to how Medicare pays clinicians:

  - Ends Sustainable Growth Rate Formula
  - Ties Part B Payments for Items and Services to Performance

**Note:** Clinicians include physicians, dentists, physician assistants, nurse practitioners, clinical nurse specialists, and certified RN anesthetists during the first 2 years of MIPS. From the third year, clinicians may also include other providers such as physical therapists, audiologists, nurse midwives, clinical psychologists, clinical social workers, etc. Impacts Part B items and services, including professional fees (no impact on facility fees)

**Sources:** CMS. Final Rule With Comment Period: Medicare Program: Merit-Based Incentive Payment System (MIPS) and Alternative Payment Model (APM) Incentive under the Physician Fee Schedule, and Criteria for Physician-Focused Payment Models (PDF). October 14, 2016; Sg2 Analysis, 2016.
The Road to Pay for Performance

**ESTABLISH REPORTING PROCESSES**
- Physician Quality Reporting System
- Meaningful Use

**DEMONSTRATE PERFORMANCE**
- Value-Based Payment Modifier

**VALUE-BASED PAYMENT STRUCTURE**
- MACRA

- **Can** you effectively report on quality measures?
- **Did** you adopt certified EHR?
- **Does** your practice perform well on cost and quality compared to peers?
- **How** do you perform as part of a team-based approach to population health?
- **How** are you using your EHR to improve patient outcomes?
MACRA’s Quality Payment Program Establishes 2 Avenues for Clinicians

MU = meaningful use; PQRS = Physician Quality Reporting System; VM = Value-Based Payment Modifier.

Sources: CMS. Final Rule With Comment Period: Medicare Program: Merit-Based Incentive Payment System (MIPS) and Alternative Payment Model (APM) Incentive under the Physician Fee Schedule, and Criteria for Physician-Focused Payment Models (PDF). October 14, 2016; Sg2 Analysis, 2016.

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MACRA Has Already Started, 2019 Payment Impacted by 2017 Performance

First Performance Period Starts Jan 2017

First Performance Period Ends Dec 2017

Data Submission Deadlines March 2018

First Payment Adjustments Jan 2019

• **Medicare Part B** items and services payment impacted by MACRA
  • *This includes:* professional fees, clinic and outpatient item costs
  • *This does NOT include:* facility fees, most drug payments, inpatient hospital claims (Part A)

• Data for all payers and all patients are subject to evaluation.

**Sources:** CMS. Final Rule With Comment Period: Medicare Program: Merit-Based Incentive Payment System (MIPS) and Alternative Payment Model (APM) Incentive under the Physician Fee Schedule, and Criteria for Physician-Focused Payment Models. November 4, 2016; Sg2 Analysis, 2016.
MACRA’s Financial Impact Ramps Up Quickly

- Payment adjustment reflects past performance.
  - That is, 2017 performance determines 2019 payment adjustments.
- 83% to 90% of nonexempt clinicians in MIPS for 2017

<table>
<thead>
<tr>
<th>PAYMENT YEARS</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
<th>2022</th>
<th>2023</th>
<th>2024</th>
</tr>
</thead>
<tbody>
<tr>
<td>Physician Fee Schedule</td>
<td>+0.5%</td>
<td>No Change</td>
<td></td>
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</tr>
<tr>
<td>MIPS Adjustments</td>
<td>–4% to 4x%</td>
<td>–5% to 5x%</td>
<td>–7% to 7x%</td>
<td></td>
<td>–9% to 9x%</td>
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<tr>
<td>aAPM Incentives</td>
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<td></td>
<td>Exempt from MIPS; +5% lump sum bonus</td>
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</table>

**Note:** Physician Fee Schedule updates are the same across clinicians through 2025. From 2026, clinicians that qualify for aAPM Incentives will have a 0.75% update while other clinicians receive a 0.25% update. For MIPS positive adjustments, a scaling factor “x” of up to 3 can be applied by the HHS secretary to maintain budget neutrality. The performance threshold is 3 for 2019, but future years may set this threshold at the mean OR median of scores; An additional pool of $500M is available annually for 2019 to 2024 as an exceptional performance bonus. The additional performance threshold is 70 for 2019, but future years may set this threshold at a different level. **Sources:** CMS, Final Rule With Comment Period: Medicare Program; Merit-Based Incentive Payment System (MIPS) and Alternative Payment Model (APM) Incentive under the Physician Fee Schedule, and Criteria for Physician-Focused Payment Models. November 4, 2016; Sg2 Analysis, 2016.
Agenda

The Road to MACRA
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Who Is in the Quality Payment Program?

**MIPS-Eligible** clinicians include:

- Physicians
- Physician assistants
- Nurse practitioners
- Clinical nurse specialists
- Certified registered nurse anesthetists

*This list will grow as the years go on.*

Medicare-enrolled clinicians who will be **excluded** from MIPS include:

- Newly enrolled (≤1 year of Medicare billing experience)
- ≤$30,000 in allowed charges
- OR
- ≤100 Medicare patients
- QPs and certain partial QPs in aAPMs

QP = Qualified Provider for advanced Alternative Payment Model. **Sources:** CMS. Final Rule With Comment Period: Medicare Program: Merit-Based Incentive Payment System (MIPS) and Alternative Payment Model (APM) Incentive under the Physician Fee Schedule, and Criteria for Physician-Focused Payment Models. November 4, 2016; Sg2 Analysis, 2016.
The Major Components of MIPS in Plain English

**Quality**
Measures endorsed by national accreditation and governing bodies that assess quality performance

**Cost**
How much it costs to provide care for your patients compared to your peers

**Improvement Activities**
Clinical activities that demonstrate a commitment to practice transformation (medical home models, etc)

**Advancing Care Information**
Very similar to Meaningful Use, but without the all-or-nothing thresholds and less overall metrics to report on.
Cost Will Be Important in Future Years

Sources: CMS. Final Rule With Comment Period: Medicare Program: Merit-Based Incentive Payment System (MIPS) and Alternative Payment Model (APM) Incentive under the Physician Fee Schedule, and Criteria for Physician-Focused Payment Models. October 14, 2016; Sg2 Analysis, 2016.
Path in 2017 to Earn MIPS Positive Adjustment

For a minimum of 90 days, **fulfill most of the following:**

- Report on **6 measures**, with 1 outcome measure (specialty-specific measure sets available)
  - Eg, HbA1C Poor Control (> 9%)
- Report on **5 required measures** and up to 6 optional measures
  - Meaningful Use “lite,” eg, ePrescribing
- Report participation on up to **4 activities**
  - Eg, patient-centered medical home certification (achieves category maximum score)
- No reporting requirement in 2017
  - Eg, Medicare spend per beneficiary

**Note:** Weighting for 2017 performance year and 2019 MIPS payment adjustments. Weighting will shift over the first 3 performance years. **Sources:** CMS. Final Rule With Comment Period: Medicare Program; Merit-Based Incentive Payment System (MIPS) and Alternative Payment Model (APM) Incentive under the Physician Fee Schedule, and Criteria for Physician-Focused Payment Models. October 14, 2016; Sg2 Analysis, 2016.
Sg2 Position: Transition Year Buys You Time to Succeed in MACRA Over the Long-term

MIPS Transition Year 2017

Positive adjustment
$500M Pool

100 points
For 90 days or more, report: Full MIPS measures

Neutral or minimal positive adjustment

70 points: “Additional Performance Threshold”
For any amount of days, report at least:
1 quality measure; OR
1 improvement activity; OR
5 required advancing care measures

−4% negative adjustment

No reporting at all

3 points: “Performance Threshold”

Sources: CMS. Final Rule With Comment Period: Medicare Program; Merit-Based Incentive Payment System (MIPS) and Alternative Payment Model (APM) Incentive under the Physician Fee Schedule, and Criteria for Physician-Focused Payment Models. November 4, 2016; Sg2 Analysis, 2016.
If you are in the MIPS track of the Quality Payment Program, you have 3 options.

**SUBMIT A FULL YEAR**
Submit a full year’s worth of 2017 data to possibly earn a moderate positive payment adjustment.

**SUBMIT A PARTIAL YEAR**
Submit 90 days worth of 2017 data to possibly earn a small positive payment adjustment.

**SUBMIT SOMETHING**
Submit minimal data in 2017 (eg, one quality measure) and avoid a negative payment adjustment.

Submit no data and receive a negative 4% payment adjustment.

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Not All Alternative Payment Model Participants Qualify for aAPM Incentives

Key Characteristics of aAPMs:
- Must use certified EHR technology
- Base payment on quality measures comparable to MIPS
- “More than nominal” financial risk

Qualifying aAPM Participants (QPs) receive a 5% lump sum bonus.

- Participation alone isn’t enough to be considered a QP.
  - Must exceed revenue or patient count thresholds
  - For 2017: 25% Medicare Part B payments or 20% Medicare Part B patients in aAPM
    - 2021: 50% payments or 35% patients
    - 2023: 75% payments or 50% patients

Notes: For 2017, QP thresholds are 25% Medicare Part B payments or 20% Medicare Part B patients in aAPMs. Sources: CMS, Final Rule With Comment Period: Medicare Program; Merit-Based Incentive Payment System (MIPS) and Alternative Payment Model (APM) Incentive under the Physician Fee Schedule, and Criteria for Physician-Focused Payment Models. November 4, 2016; Sg2 Analysis, 2016.
Growing Number of CMS Pilots Qualify as an aAPM

<table>
<thead>
<tr>
<th>INELIGIBLE</th>
<th>ELIGIBLE</th>
<th>PROPOSED for 2018</th>
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<tbody>
<tr>
<td>• Medicare Shared Saving Program (MSSP) Track 1</td>
<td>• MSSP Track 2 and 3</td>
<td>• Medicare ACO Track 1+</td>
</tr>
<tr>
<td>• Oncology Care Model (1-Sided Risk)</td>
<td>• Oncology Care Model (Double-Sided Risk)</td>
<td>• Comprehensive Care for Joint Replacement Model (CEHRT track)</td>
</tr>
<tr>
<td>• Bundled Payments for Care Improvement (BPCI)</td>
<td>• Comprehensive Primary Care Plus (CPC+)</td>
<td>• New voluntary bundled payment model</td>
</tr>
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<td></td>
<td>• Next-Generation ACO</td>
<td>• Advancing Care Coordination through Episode Payment Models Track 1 (CEHRT track)</td>
</tr>
<tr>
<td></td>
<td>• Comprehensive ESRD Care Model (Large Dialysis Organization Arrangement)</td>
<td></td>
</tr>
</tbody>
</table>

CMS will finalize and update list annually by January 1.

ACO = accountable care organization; CEHRT = certified electronic health record technology; ESRD = end stage renal disease. **Sources**: CMS. Final Rule With Comment Period: Medicare Program; Merit-Based Incentive Payment System (MIPS) and Alternative Payment Model (APM) Incentive under the Physician Fee Schedule, and Criteria for Physician-Focused Payment Models. November 4, 2016; CMS. CMS announces additional opportunities for clinicians under the Quality Payment Program. December 2016; Sg2 Analysis, 2016.

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For payment year 2021 (performance year 2019), an all-payer combination will be available:

- Clinicians can meet the qualifying provider criteria through a combination of Medicare and commercial payer data.
- Commercial APMs must meet the aAPM criteria:
  - Use CEHRT
  - Quality measures comparable to MIPS
  - Nominal risk criteria (10 to 15% risk of revenue loss)

Key Takeaway: Align contract terms with this criteria to expand opportunities for clinicians to qualify for 5% aAPM bonus in future.

Sources: CMS. Final Rule With Comment Period: Medicare Program; Merit-Based Incentive Payment System (MIPS) and Alternative Payment Model (APM) Incentive under the Physician Fee Schedule, and Criteria for Physician-Focused Payment Models. November 4, 2016; Sg2 Analysis, 2016.
MACRA Requires Clinicians to Make Key Decisions

Does any portion of your Medicare Part B payment come from a mechanism other than FFS?

Yes

Are you a participant in MSSP Track 2 or 3 ACO, CPC+, OCM 2-sided risk, Comprehensive ESRD or NextGen ACO?*

Yes

Does greater than 25% of your Medicare Part B revenue (or 20% of your patients) come from participation in this program?

Yes

Qualify for aAPM track; eligible to receive 5% lump sum bonus payment in 2019

No

MIPS, full reporting

MIPS APM, modified reporting:

- Quality metrics reported by APM and/or reweighted to 0
- Increased weighting of improvement activities and ACI performance categories
- Opportunity to report additional improvement activities for bonus points

No

MIPS, full reporting

*Beginning in Performance Year 2018, MSSP ACO Track 1+ will qualify for aAPM incentives. Notice of Intent to Apply due May 2017. Note: Threshold ramps up to 50%/35% in 2021 and 75%/50% in 2023. ACI = Advancing Care Information; APM = Alternative Payment Model; FFS = fee-for-service; OCM = Oncology Care Model. Sources: CMS. Final Rule With Comment Period: Medicare Program; Merit-Based Incentive Payment System (MIPS) and Alternative Payment Model (APM) Incentive under the Physician Fee Schedule, and Criteria for Physician-Focused Payment Models. November 4, 2016; Sg2 Analysis, 2016.
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No
Does greater than 25% of your Medicare Part B revenue (or 20% of your patients) come from participation in this program?

Yes

Qualify for **aAPM** track; eligible to receive 5% lump sum bonus payment in 2019

No

MIPS APM
Agenda

The Road to MACRA
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Path Forward to Value-Based Payment
1. Most clinicians will be under MIPS during the initial years.
2. MIPS forces the development of critical success factors required to take on risk in aAPMs.
   - Don’t remain paralyzed at MIPS.
   - Do consider aAPMs the next step of the value-based care evolution.
3. Participation in APMs expected to grow in future years.
   - CMS will provide more opportunities to participate (eg, physician-focused bundled payment models, Medicare ACO Track 1+).
   - 5% aAPM bonus will provide known ROI for participating in qualifying APMs.
   - Growth will enhance adoption of APMs by commercial payers.
Steps to Success in a Value-Based World

- CARE MODEL
- HIT and ANALYTICS
- PHYSICIAN ALIGNMENT
- FINANCIAL IMPLICATIONS
- QUALITY and COST PERFORMANCE
- SYSTEM OF CARE
- LEADERSHIP and GOVERNANCE
- PAYER and MARKET DYNAMICS

Improvement Activities
Cost
Quality
Advancing Care Information
Your Path Forward

MIPS is a zero sum game. MIPs should be seen as a means – an infrastructure – to help organizations ultimately move out of a fee-for-service model and toward aAPMs. Resist a long-term focus on optimizing performance in MIPS, and use this time create a path forward under risk-based payment models.
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