sg2 health care intelligence

Mini Summit XVI: Integrating MACRA into Your Strategic Plan

Valinda Rutledge
Senior Advisor, Sg2

Lauren Seno
Director, Sg2

June 7, 2018

Agenda

Brief MACRA Overview

Understanding MACRA Incentives

Designing a MACRA Strategy

Confidential and Proprietary © 2018 Sg2

Sg2 health care intelligence

What Is the Medicare Access and CHIP Reauthorization Act of 2015?

- The **M**edicare **A**ccess and **C**HIP **R**eauthorization **A**ct of 2015 became a law on April 14, 2015.
  - **Performance Year 1** started January 1, 2017.
  - **Payment Year 1** starts January 1, 2019.
- 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.

Confidential and Proprietary © 2018 Sg2

MACRA is Here to Stay, 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

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

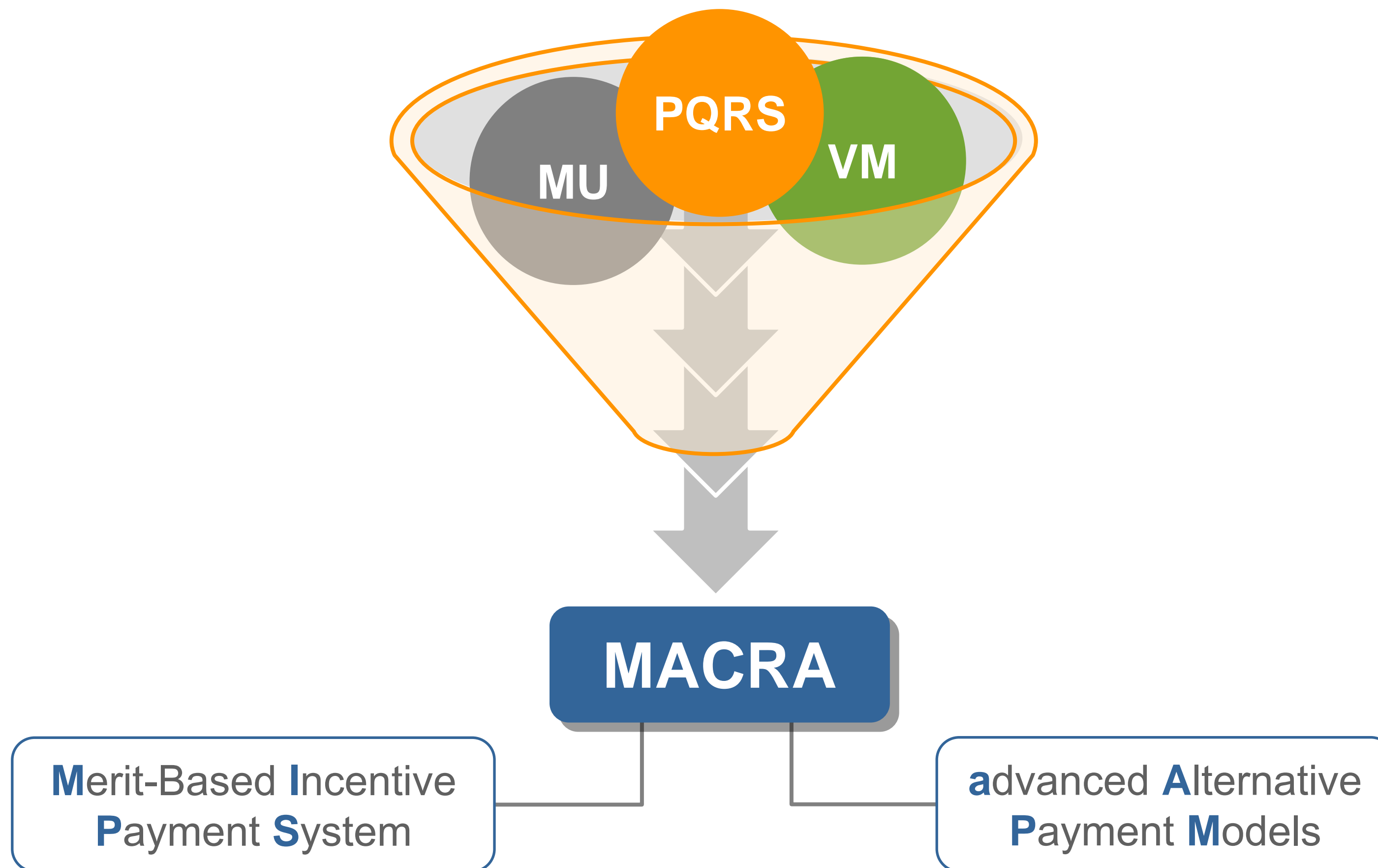
Without legislative action, CMS has limited options to eliminate major program components (MIPS) or further delay impact of MACRA

HHS = Department of Health and Human Services.

Confidential and Proprietary © 2018 Sg2

Sg2 health care intelligence

MACRA's Quality Payment Program Establishes 2 Avenues for Clinicians

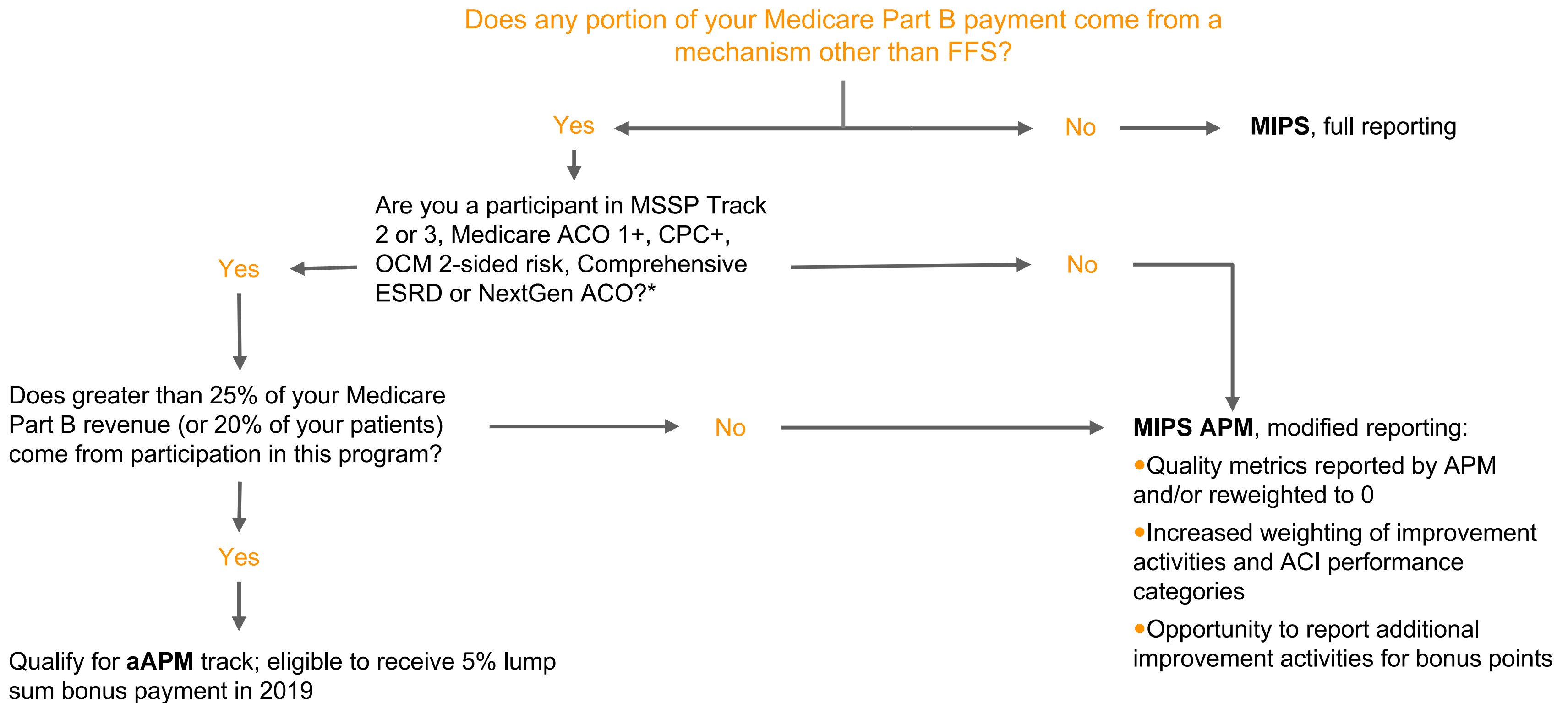


MU = meaningful use; PQRS = Physician Quality Reporting System; VM = Value-Based Payment Modifier.
Sources: CMS. Final Rule With Comment Period: Medicare Program; Merit-Based Incentive Payment System (MIPS) and Alternative Payment Model (APM) Incentive under the Physician Fee Schedule, and Criteria for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

Confidential and Proprietary © 2018 Sg2

Sg2 health care intelligence

MACRA Requires Clinicians to Make Key Decisions



*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.

Confidential and Proprietary © 2018 Sg2

Sg2 health care intelligence

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

Yes

No

MIPS, full reporting

Are you a participant in MSSP Track 2 or 3 ACO, Medicare ACO 1+, CPC+, OCM 2-sided risk, ESRD Care or NextGen ACO?

Yes

No

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

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

No

MIPS APM

Yes

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

Agenda

Brief MACRA Overview

Understanding MACRA Incentives

Designing a MACRA Strategy

Confidential and Proprietary © 2018 Sg2

Sg2 health care intelligence

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

	PAYMENT YEARS					
	2019	2020	2021	2022	2023	2024
Physician Fee Schedule	+0.5%	No Change				
MIPS Adjustments	–4% to 4x%	–5% to 5x%	–7% to 7x%	–9% to 9x%		
aAPM Incentives	Exempt from MIPS; +5% lump sum bonus					

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.

Confidential and Proprietary © 2018 Sg2

Sg2 health care intelligence

CMS Is Committed to Easing Reporting Burden for Providers, Starting With MACRA

- CMS outlined 7 objectives in the 2017 MACRA final rule. Top 3 follow:

1. Improve beneficiary outcomes and engage patients through patient-centered Advanced APM and MIPS policies
2. Enhance clinician experience through flexible and transparent program design and interactions with easy-to-use program tools
3. **Increase the availability and adoption of robust Advanced APMs**

How to respond?

Explore competencies for assuming risk.

Perform a gap analysis to move into risk as quickly as possible.

Speed is of the essence.

aAPM = advanced Alternative Payment Model; APM = Alternative Payment Model; MIPS = Merit-based Incentive Payment System

Sources: CMS. *Final Rule With Comment Period and Interim Final Rule With Comment Period: Medicare Program; CY 2018 Updates to the Quality Payment Program; and Quality Payment: Extreme and Uncontrollable Circumstances Policy for the Transition Year*. November 2, 2017; Sg2 Analysis, 2017.

Confidential and Proprietary © 2018 Sg2

Sg2 health care intelligence

Expanded Exemption Criteria Create More Incentive for Providers to Move to APMs

	2017	2018
Low-Volume Threshold	≤$30,000 Part B allowed charges OR ≤100 Part B beneficiaries	≤$90,000 Part B allowed charges OR ≤200 Part B beneficiaries

- MIPS is a zero-sum game.
  - By exempting more clinicians, the financial incentive of MIPS continues to crater—there won't be enough participants getting negative adjustments to fund meaningful pay increases for those demonstrating high performance.

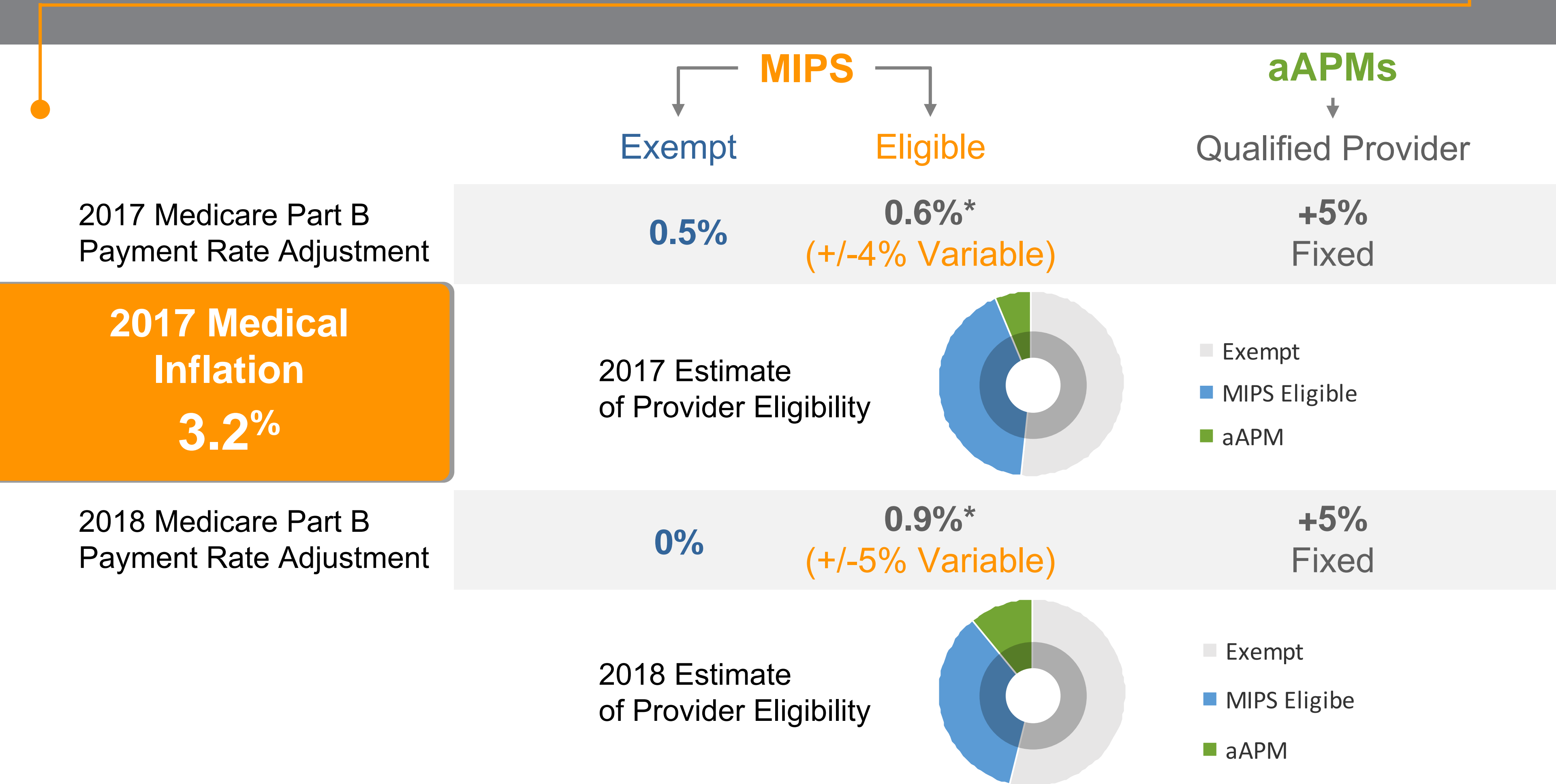
What does this mean?

Don't be drawn into complacency by expanded exemption criteria, this heightens the need to transition to APMs. Now is the time to get ready!

Sources: CMS. *Final Rule With Comment Period and Interim Final Rule With Comment Period: Medicare Program; CY 2018 Updates to the Quality Payment Program; and Quality Payment: Extreme and Uncontrollable Circumstances Policy for the Transition Year*. November 2, 2017*;* Sg2 Analysis, 2017.

Confidential and Proprietary © 2018 Sg2

Expanded Exemption Criteria Create More Incentive for Providers to Move to APMs



Note: Annual payment rate adjustment based on CMS estimate of net impact to payments, inclusive of the combined negative and positive MIPS payment adjustments and the exceptional performance payment. **Sources:** US Department of Labor: Bureau of Labor Statistics. Series: Medical care in US city average, all urban consumers, not seasonally adjusted. Accessed December 2017; CMS. *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. *Final Rule With Comment Period and Interim Final Rule With Comment Period: Medicare Program; CY 2018 Updates to the Quality Payment Program; and Quality Payment: Extreme and Uncontrollable Circumstances Policy for the Transition Year*. November 2, 2017; Sg2 Analysis, 2017.

Confidential and Proprietary © 2018 Sg2

Sg2 health care intelligence

Providers Have a Growing List of aAPMs to Qualify

INELIGIBLE

- Medicare Shared Saving Program (MSSP) Track 1
- Oncology Care Model (1-Sided Risk)
- Bundled Payments for Care Improvement

ELIGIBLE 2017–2018

- MSSP Track 2 and 3
- Oncology Care Model (Double-Sided Risk)
- Comprehensive Primary Care Plus (CPC+)
- Next-Generation ACO
- Comprehensive ESRD Care Model (Large Dialysis Organization Arrangement)

NEW IN 2018

- Medicare ACO Track 1+
- Comprehensive Care for Joint Replacement Model (CEHRT track)

ELIGIBLE IN 2019

- All-Payer Combined
- Medicare Advantage
- BPCI Advanced
- PTAC Recommended Models

CEHRT = certified electronic health record technology; ESRD = end-stage renal disease; PTAC = Physician-Focused Payment Model Technical Advisory Committee.
Sources: CMS. *Final Rule With Comment Period and Interim Final Rule With Comment Period: Medicare Program; CY 2018 Updates to the Quality Payment Program; and Quality Payment: Extreme and Uncontrollable Circumstances Policy for the Transition Year*. November 2, 2017*;* Sg2 Analysis, 2017.

Confidential and Proprietary © 2018 Sg2

Sg2 health care intelligence

All-Payer aAPM Options Available Starting 2019

- 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.

Confidential and Proprietary © 2018 Sg2

Sg2 health care intelligence

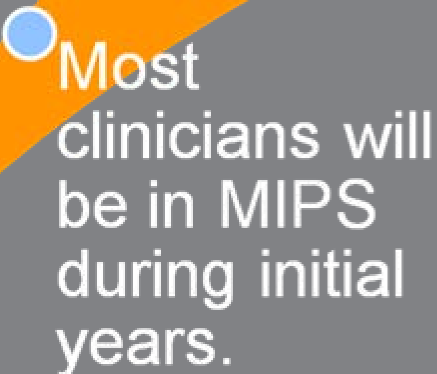
Agenda

Brief MACRA Overview

Understanding MACRA Incentives

Designing a MACRA Strategy

Sg2 health care intelligence



Most clinicians will be in MIPS during initial years.

MIPS forces the development of critical success factors required to take on risk.

Participation in aAPMs will grow in future years.

Solving the MACRA Puzzle:
Short-term Tactics and Long-term Strategies

1. **MIPS is complicated.**
2. **Physicians are interested in aAPMs.**
3. **Structure and participants in your aAPMs matter.**

MIPS is Complicated

- MIPS may sound simpler, but it is not.
- Optimizing a physician's or a group's performance requires a detailed understanding of the program rules and scoring methodology, careful attention to detail, and access to meaningful data.
- Decisions must be made regarding participation as an individual or group, what to submit, how to submit and how much to submit, with each decision impacting the next.

Confidential and Proprietary © 2018 Sg2

sg2 health care intelligence

MIPS is Complicated

Our Advice:

•Pay attention to benchmarks.

•Understand topped-out measures and obtain physician buy-in regarding measure selection early in the process.

•Take advantage of bonus points.

•Make sure to find the balance between managing the administrative burden and not falling victim to “just doing the minimum.”

•Focus on the long-term vision.

Confidential and Proprietary © 2018 Sg2

Sg2 health care intelligence

Physicians Are Interested in aAPMs

- Physicians are interested in transitioning to aAPMs because of the 5% lump sum bonus and reduced administrative burden that is involved with MIPS reporting.
- Until recently, the number of available qualifying models did not provide many opportunities for specialists.

Confidential and Proprietary © 2018 Sg2

sg2 health care intelligence

Physicians Are Interested in aAPMs

Our Advice:

•Proactively discuss aAPMs with your physicians.

•Provide education opportunities and engage them in strategic decision making.

- Intriguing caveat to BPCI Advanced: physician group practices can be episode initiators and CMS has given them precedence. Physicians can, and some will, do this without you.

Confidential and Proprietary © 2018 Sg2

Sg2 health care intelligence

Structure and Participants in Your aAPMs Matter

- aAPMs with a participant list (MSSP programs and Next Generation) are assessed at the ENTITY level with regard to the payment and beneficiary thresholds.
- aAPMs without a participant list (Comprehensive Care for Joint Replacement, BPCI Advanced) are assessed at an individual level.*
- As the participation thresholds increase, it will be harder and harder to qualify for aAPM incentives without broad participation and buy-in.

For 2018: 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

*The BPCI Advanced program has different QP determination rules for Physician Group Practices and Convener Participants.

Confidential and Proprietary © 2018 Sg2

Sg2 health care intelligence

Structure and Participants in Your aAPMs Matter

Our Advice:

•Create a multi-year transition plan that accounts for possible changes in TIN/billing structure.

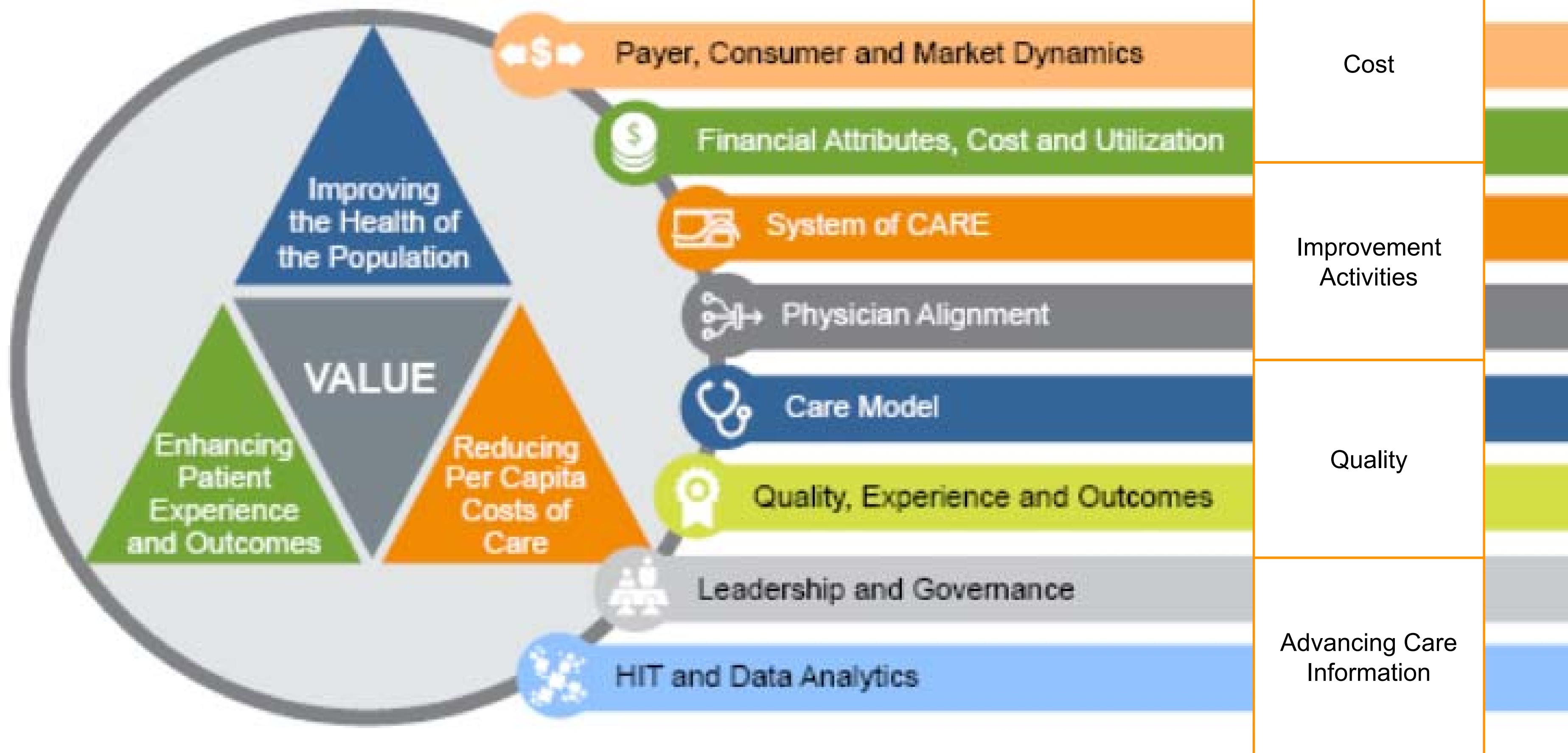
•As we move from predominantly MIPS to increasing aAPMs, systems need to have a portfolio of different risk-based products and understand how they interact.

•A defined strategy for aAPM participation will be necessary, along with coordination across all payers and strategic alignment with physicians.

Confidential and Proprietary © 2018 Sg2

Sg2 health care intelligence

Sg2's Core Competencies for Success in Value-Based Care



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.