Making MIPS Work for You: Implementing a Successful Plan for the Employed Physician Enterprise

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Director

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Agenda

- MIPS vs. APM decision
- Financial considerations
- Strategic considerations
- Getting ready for QPP
MIPS vs. APM Decision
MACRA (QPP) Refresher—Four Key Points

1. Physicians will either be in MIPS or Advanced APM for traditional Medicare (i.e., excludes Medicare Advantage)

2. Most physicians will be in MIPS (Pay For Performance, or P4P, model)
   - Program grows out of existing payment programs (PQRS, Value Modifier, Meaningful Use)
   - Measurement starts in January 2017 (pace options); payments change in 2019
   - Payment differentials are substantial +/- 4% to +/- 9% by 2022 plus exceptional performance bonus
   - Performance scored on a curve → compared to physicians nationally
   - Inflation basically flat
   - Commercial plans may mimic MIPS

3. Other physicians will be in Advanced APMs, which include downside risk and give physicians a 5% lump sum bonus

4. Start to prepare now!
3 Potential MACRA Adjustments

Option 1
- Not in an APM
  - MIPS adjustments

Option 2
- In an APM
  - MIPS adjustments
  - APM-specific risks/rewards

Option 3
- In an Advanced APM
  - APM-specific risks/rewards
  - *Only if you are a Qualifying Participant
  - 5% lump sum bonus

*APM participants receive favorable scoring in certain MIPS categories

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# Expected CMS Advanced APMs

<table>
<thead>
<tr>
<th>Payment Model</th>
<th>2017</th>
<th>Anticipated 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Track 1 MSSP</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Track 1+ MSSP</td>
<td>X</td>
<td>✓</td>
</tr>
<tr>
<td>Track 2 MSSP</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Track 3 MSSP</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Next Generation</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Comprehensive End-Stage Renal Disease (Two-sided and LDO)</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Comprehensive Primary Care Plus</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Oncology Care Model (two-sided risk arrangement)</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Bundled Payments for Care Improvement</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Comprehensive Care for Joint Replacement Model (CEHRT Track) - Proposed</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Episode Payment Model CEHRT Track - Proposed</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>New Voluntary Bundled Payment Model - Proposed</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Vermont All-Payer ACO Model</td>
<td>✓</td>
<td>✓</td>
</tr>
</tbody>
</table>

Final list of 2017 Advanced APMs to be published before Jan 1, 2017.
Final list of 2018 Advanced APMs to be published before Jan 1, 2018.

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## MACRA Strategy Options

<table>
<thead>
<tr>
<th>MACRA Strategy</th>
<th>Advantages</th>
<th>Disadvantages</th>
</tr>
</thead>
</table>
| **MIPS**       | • Familiarity with legacy programs (VM, MU, and PQRS) | • Bonus highly dependent on measure selection and peer performance  
• Downside risk up to 9% in 2022 |
| **MIPS APM**   | • Eases reporting burden  
• If partially qualifying provider, may be able to avoid MIPS reporting  
• These models less likely to involve risk  
• MIPS may yield more than 5% | • Do not get the 5% upside bonus but still significant infrastructure costs with implementing APM  
• Positive MIPS adjustments make it harder to achieve savings in APM |
| **Advanced APM** | • Qualifying providers receive a 5% lump sum bonus  
• Bonus is not counted against APM medical budget (whereas positive MIPS adjustments are counted)  
• Physicians may be attracted to an Advanced APM to avoid MIPS | • Downside risk amount can be substantial and varies by APM model  
• Can be in an Advanced APM and still not qualify as a provider; Specialists may have more difficulty qualifying  
• Requires infrastructure investment for those not already operating an APM  
• Some providers may not be ready to take on risk |

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Financial Considerations
Pulling It All Together...

Potential Revenue Differential for a 60 Physician Practice with $10,000,000 in 2017 Medicare Revenue

Figures and calculations simplified to best demonstrate MACRA concepts. Assumes maximum adjustment of +/- 9% by 2022, plus 10% additional adjustment annually for exceptional performance for top performers. Source information obtained from CMS, 2016.

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Financial Implications

- Small practices without infrastructure will initially have less of a negative impact than under PQRS and MU penalties.

- Investment in MIPS doesn’t pay off for small practices unless they already have infrastructure and/or commercial value-based payment contracts.

- Many large practices already have an EMR and report PQRS and can spread additional investment across more physicians.

- High-performing large practices may benefit from investment in MIPS due to exceptional performance funds.

- Large practices may consider moving to risk-bearing ACOs if they are already successful in shared savings arrangements.
Illustrative financial results for successful Track 1 and Track 2 ACOs are similar

<table>
<thead>
<tr>
<th>Scenarios for 60 Physicians; $10,000,000 in Medicare Physician Revenue</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Scenario 1</strong></td>
</tr>
<tr>
<td>-----------------</td>
</tr>
<tr>
<td><strong>Track 1</strong></td>
</tr>
<tr>
<td>No Savings</td>
</tr>
<tr>
<td>$10,100,000</td>
</tr>
</tbody>
</table>

### Medicare Revenue

<table>
<thead>
<tr>
<th></th>
<th>Scenario 1</th>
<th>Scenario 2</th>
<th>Scenario 3</th>
<th>Scenario 4</th>
<th>Scenario 5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Baseline Medicare Revenue</td>
<td>$10,100,000</td>
<td>$10,100,000</td>
<td>$10,100,000</td>
<td>$10,100,000</td>
<td>$10,100,000</td>
</tr>
<tr>
<td>Estimated MIPS Adjustment</td>
<td>455,000</td>
<td>455,000</td>
<td>455,000</td>
<td>455,000</td>
<td>455,000</td>
</tr>
<tr>
<td>Exceptional Performance Bonus</td>
<td>848,000</td>
<td>848,000</td>
<td>848,000</td>
<td>848,000</td>
<td>848,000</td>
</tr>
<tr>
<td>Estimated APM Bonus</td>
<td>-</td>
<td>2,557,000</td>
<td>505,000</td>
<td>505,000</td>
<td>505,000</td>
</tr>
<tr>
<td>ACO Shared Savings (Loss)</td>
<td>-</td>
<td>2,557,000</td>
<td>(2,212,000)</td>
<td>-</td>
<td>3,875,000</td>
</tr>
<tr>
<td><strong>Total Medicare Revenue</strong></td>
<td>$11,403,000</td>
<td>$13,960,000</td>
<td>$8,393,000</td>
<td>$10,605,000</td>
<td>$14,480,000</td>
</tr>
</tbody>
</table>

### Estimated Track 2 Costs

<table>
<thead>
<tr>
<th></th>
<th>Scenario 3</th>
<th>Scenario 4</th>
<th>Scenario 5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Estimated Track 2 Costs</td>
<td>500,000</td>
<td>500,000</td>
<td>500,000</td>
</tr>
</tbody>
</table>

### Net Impact of MIPS

<table>
<thead>
<tr>
<th></th>
<th>Scenario 1</th>
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<th>Scenario 4</th>
<th>Scenario 5</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net Impact of MIPS</strong></td>
<td>$11,403,000</td>
<td>$13,960,000</td>
<td>$7,893,000</td>
<td>$10,105,000</td>
<td>$13,980,000</td>
</tr>
</tbody>
</table>

1. Includes 0.5% annual increase from 2017-2019.
5. Assumes Track 1 ACOs generating savings share in $51,000 savings per physician. Assumes performance in ACO improves 0.5% each year.
6. Assumes Track 2 ACOs with losses experience $7,500 in losses per physician. Assumes performance in ACO improves 0.5% each year.
7. Assumes Track 2 ACOs generating savings generate $60,000 per physician. Assumes performance in ACO improves 0.5% each year.
8. Includes enhanced risk management capabilities and network management tools.
Strategic Considerations
ACOs must decide whether to pursue risk or leave physicians in MIPS
- Accepting downside risk may make ACOs more attractive to physicians seeking to avoid MIPS
- The 5% lump sum bonus helps ACOs whereas MIPS bonuses harm ACOs

Hospitals/health systems will need to evaluate implications for employed physician networks and independent physicians in the market
- Employed networks may benefit because of developed administrative and reporting infrastructure – additional investment may pay off in bonuses
- Physician compensation and EHR must be redesigned/aligned to promote MACRA
- More independent physicians are likely to seek employment by hospitals as small/solo practices struggle with reporting burdens

Commercial plans may adopt MIPS or MIPS-like programs, adding to the critical mass pushing value-based payments
Getting Ready for MACRA
Getting Ready for MACRA

- Engage a MIPS and/or MACRA Task Force and create an implementation plan (specific preparatory steps, responsibilities, due dates)
  - Include clinicians as well as personnel from the finance, IT, and the quality department who are educated in MACRA and related initiatives

- Assess your capabilities and historical performance by foundational category (PQRS, VM, MU)

- Consider what alignment with vendors will support MACRA success (e.g., EHR vendors)

- Consider if an Advanced APM is a good opportunity given existing capabilities

- Develop a physician enterprise plan to prepare for possible employment interest from independent physicians

- Consider redesigning compensation for employed physician network