Issue Brief

Physician Payment

November, 2016

Major Change in How Medicare Pays Physicians

Medicare will soon begin updating its payment rates for physicians based on how well they perform on outcomes, quality, and cost measures. This means some physicians could see significant increases or decreases in payment levels. The Centers for Medicare & Medicaid Services (CMS) will begin implementing the first elements of this new system in 2017 and will start making payment changes based on it in 2019.

Background

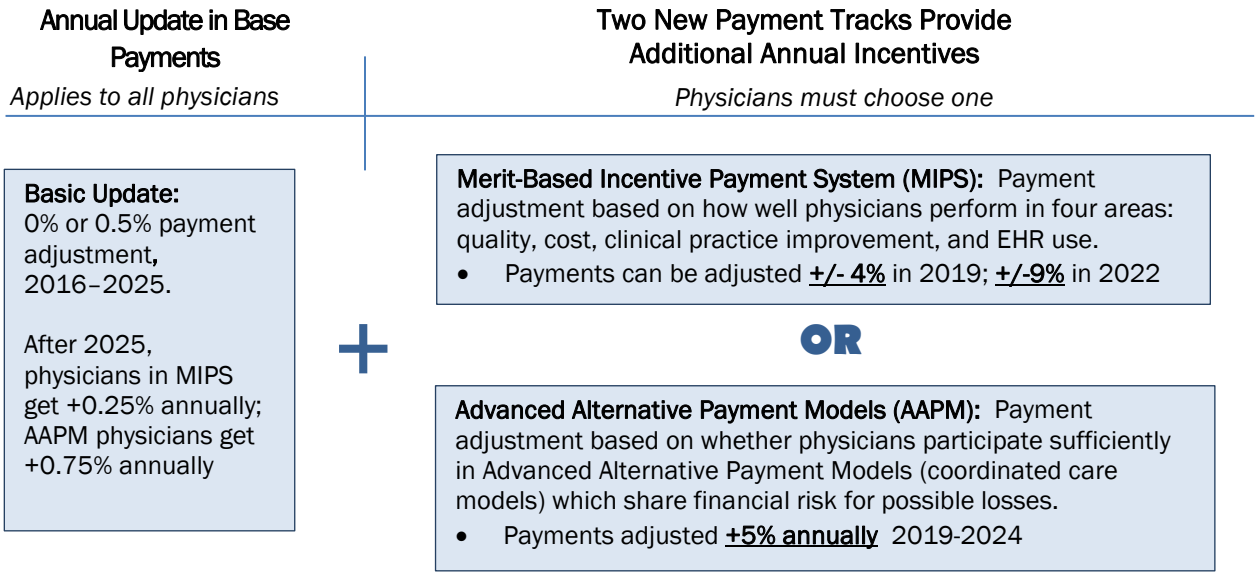
Physicians and other providers who care for Medicare patients are paid under the Physician Fee Schedule. The PFS sets payment levels based on the amount of resources used for a treatment or procedure. Each year, CMS updates those levels to reflect changes in costs, treatments, and other factors.

Medicare has traditionally used a formula known as the Sustainable Growth Rate (SGR) for making payment updates to reflect these changes. But in 2015, Congress passed the Medicare Access and CHIP Re-Authorization Act (MACRA) which repealed the SGR and introduced the new pay-for-performance system.

Basic Elements

Payment updates and adjustments under MACRA have three basic elements.

1. All physicians will receive a minimal annual update in base payments.
2. All physicians must then choose one of two new payment tracks which provides additional annual payment incentives for improving quality and cost.



How MIPS Works

Physicians are paid more for high-quality performance on outcomes, cost, and quality measures and less for lower-quality performance.

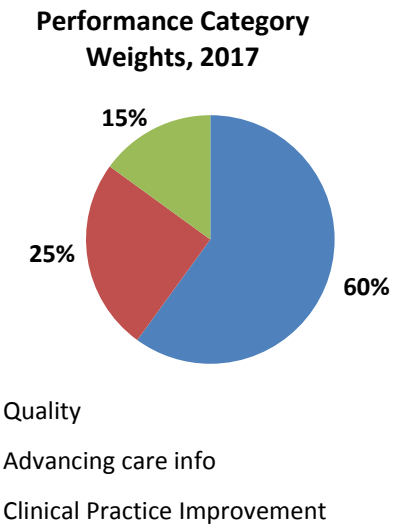
Streamlines current physician quality programs

- The existing quality programs under the Physician Fee Schedule are rolled into MIPS:
  - Physician Quality Reporting System
  - Value-Based Payment Modifier Program
  - Electronic Health Record Meaningful Use Program

Evaluates physician performance on measures in four categories

Quality

- 200+ measures in such areas as asthma, kidney disease, breast cancer, heart failure, falls
- Physicians choose 6 measures, including 1 outcomes measure, for which they report performance data
- Accounts for 60% of performance score in 2017 (which affects payment in 2019)



Advancing Care Information

- Measures reflect how physicians use electronic health records (EHR) in day-to-day practice
- Physicians report on 5 measures in such areas as secure information exchange and e-prescribing; can choose to report more
- Accounts for 25% of 2017 performance score

Clinical Practice Improvement

- Rewards clinical improvements such as care coordination, patient safety, beneficiary engagement, population health management
- Physicians must report performance on 4 of 90+ improvement activities
- Extra weight for activities that support patient-centered medical homes, transform clinical practice, or are a public health priority
- Accounts for 15% of MIPS score in 2017

Cost

- 10 episode-specific cost measures, as well as total cost per beneficiary
- CMS calculates scores based on Medicare claims; physicians do not have to report
- Accounts for 0% of 2017 performance score; will increase to 30% by payment year 2021

Calculates payment adjustments from performance scores

- Physicians receive positive, negative, or neutral adjustments based on their scores.
- Payment can be adjusted up or down by a set percentage each year, based upon the overall score.
- Maximum adjustments in 2019 are plus/minus 4%, rising to plus/minus 9% in 2022.
- During the first six years, exceptional performers may also qualify for an extra bonus.

Maximum plus/minus adjustments per year:

2019	2020	2021	2022+
4%	5%	7%	9%

How The AAPM Works

Physicians can receive significant financial incentives for participating in Advanced Alternative Payment Models which bear risk for financial loss. Such physicians are exempt from MIPS and qualify for financial bonuses.

Requires physicians to join "advanced" alternative payment models (AAPM)

CMS defines "advanced" models as those which:

1. Base payment on quality measures equivalent to those of MIPS;
2. Bear a specific degree of financial risk;
3. Require physicians to use EHRs; and
4. Operate as part of a CMS-approved payment model

Alternatively, physicians can participate in medical home models recently expanded by CMS.

Requires AAPMs to share in financial risk for losses

1. Alternative payment models qualify as AAPMs if they are required to pay CMS back when they exceed their spending targets.
2. They must also take on more than a nominal degree of financial risk.
3. CMS specifies the percentage of losses AAPMs must be willing to share.

Medicare Approves 6 payment models as AAPMs

Medicare Shared Savings ACOs, Track 2	Medicare Shared Savings ACOs, Track 3
Next Generation ACOs	Comprehensive End Stage Renal Disease Care Model
Comprehensive Primary Care Plus (CPC+)	Oncology Care Model (two-sided risk)

CMS says it anticipates adding additional models by 2018, including a new Medicare Shared Savings ACO Track 1+, which includes greater financial risk than current Track 1 ACOs, but less financial risk than current Track 2 or Track 3 ACOs.

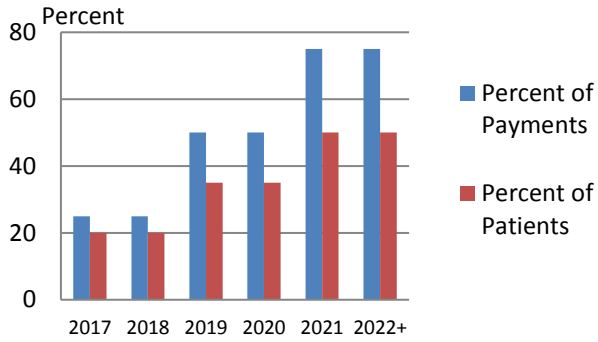
Provides payment incentives on top of AAPM incentives

- Physicians receive 5% payment bonuses from 2019–2024.
- This is separate from any payments they receive as part of their contractual arrangements with the AAPM itself.

Specifies how much physicians must participate in AAPMs

Physicians must receive a minimum percentage of their payments—or see a minimum number of patients—through AAPMs.

- For 2017 and 2018, that means Medicare patients/payments. In 2019, that includes non-Medicare payers/patients.



Key MACRA Issues

Not Just Docs

Includes all Part B providers, including physician assistants, nurse practitioners, clinical nurse specialists, and certified registered nurse anesthetists

Across Care Settings

Includes physician services wherever they practice: offices, hospitals, imaging centers, etc.

2-Year Lag

CMS adjusts payment 2 years after physicians report performance

Information technology

Essential for collecting & analyzing data; for EHR; for tracking outcomes, performance, reimbursement

Greater Financial Risk

Pushes physicians toward accepting greater financial risk

Short Timeline

- 2017=Transition year
- 2018=Full participation
- 2019=Payment changes