The Advisory Board Company

Health Care Advisory Board

MACRA: What You Need to Know Right Away About the Proposed Rule

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Three-Part MACRA[1] Webconference Series

All Open to Advisory Board Members– Register Today!

MACRA: What You Need to Know Right Now About the Proposed Rule
Monday, May 9, 2016
3-4pm ET

- Understand the basics of the MIPS[2] vs. APM[3] track
- Learn the most important (and surprising) things your organization needs to know right away

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- Receive key advice on issues such as such as maximizing pay-for-performance, navigating the transition to risk-based payment, and the future of hospital-physician alignment
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1) Medicare Access and CHIP Re-authorization ACT of 2015.
2) Merit-Based Incentive Payment System.
3) Advanced Alternative Payment Model.

Executive Summary

- On April 16, 2015, The Medicare Access and CHIP Re-Authorization Act (MACRA) of 2015 was signed into law, permanently repealing the Sustainable Growth Rate (SGR) formula and imposing a new payment methodology for Medicare Part B payments starting in 2019
- The new payment methodology includes two key components:
    1. Locks Medicare part B reimbursement rates at near-zero growth
    2. Creates two new payment tracks: The Merit-Based Incentive Payment System (MIPS) and Advanced Alternative Payment Models (APMs)
- On April 27, 2016, CMS released the proposed rule outlining how it plans to implement the Medicare payment changes stipulated in the law
- The proposal includes specific reporting requirements under the MIPS track as well as a list of payment models that qualify for the APM track:
    - **Performance period:** 2017 will be the performance period that CMS will use to determine a clinician's payment track and their payment adjustment under the MIPS in 2019
    - **MIPS**: MIPS reduces the number of measures clinicians are required to report on in some categories and allows clinicians the flexibility to select from a set of measures to report on based on relevancy to their practice
    - **APM**: The Medicare Shared Savings Program track one, the Bundled Payment for Care Improvement Program, and the Comprehensive Care for Joint Replacement (CJR) payment models do not count as advanced APMs and thus do not quality providers for the APM track; CMS only expects 4.5-12% of clinicians to qualify for the APM track in 2019
- CMS is soliciting public comment on this proposal until June 27th 2016

Source: Advisory Board Company interviews and analysis.

CMS Releases Proposed Rule On MACRA[1] Rollout

Refresher: MACRA in Brief

- Legislation passed in April 2015 repealing the Sustainable Growth Rate (SGR)
- Locks provider reimbursement rates at near-zero growth
  - 2016-2019: 0.5% annual increase
  - 2020-2025: 0% annual increase
  - 2026 and on: 0.25% annual increase or 0.75% increase depending on payment track
- Stipulates development of two new Medicare payment tracks: Merit-Based Incentive Payment System (MIPS) and Advanced Alternative Payment Models (APMs)
- Programs to be implemented on Jan 1, 2019
- On April 27, 2016 CMS released proposed rule outlining plans to implement the two tracks

Two New Payment Tracks Created by MACRA

1 Merit-Based Incentive Payment System (MIPS)

- Rolls existing quality programs[2] into one budget-neutral pay-for-performance program, in which providers will be scored on quality, resource use, clinical practice improvement, and EHR[3] use, and assigned payment adjustment accordingly

2 Advanced Alternative Payment Models (APM)

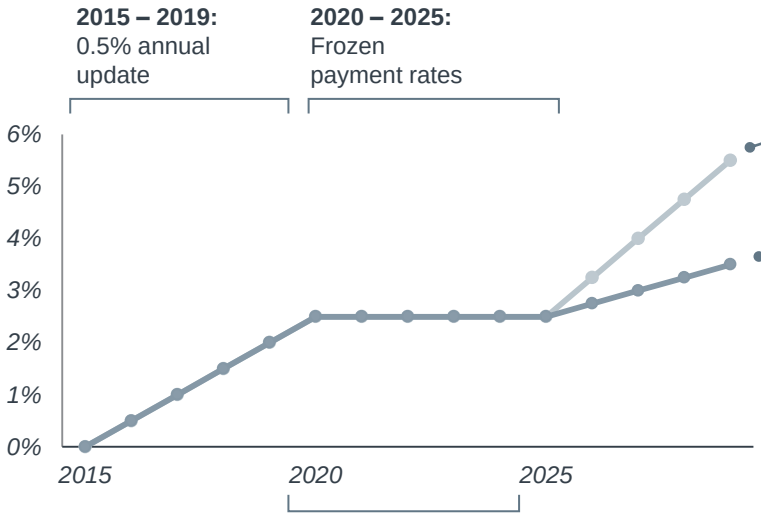
- Requires significant share of revenue in contracts with two-sided risk, quality measurement and EHR requirements
- APM track participants would be exempt from MIPS payment adjustments and would qualify for a 5 percent Medicare Part B incentive payment in 2019-2024

1) Medicare Access and CHIP Reauthorization Act.
2) Meaningful Use, Value-Based Payment Modifier, and Physician Quality Reporting System.
3) Electronic Health Record.

Source: CMS, "CY 2016 Physician Fee Schedule Final Rule," Oct 30, 2016, www.federalregister.gov; Advisory Board interviews and analysis.

Regardless of Track, Baseline Payment Holding Steady

Baseline Medicare Provider Payment Adjustments Under Each Track



Advanced Alternative Payment Models (APM): 2026 and on 0.75% annual update

The Merit-Based Incentive System (MIPS): 2026 and on 0.25% annual update

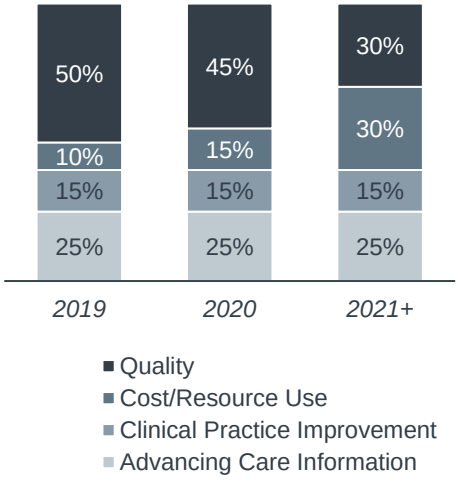
Annual Bonus for APM Participation

5% Bonus awarded each year from 2019-2024 to providers that qualify for the APM payment track

Source: 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," May 9, 2016, available at: https://s3.amazonaws.com/public-inspection.federalregister.gov/2016-10032.pdf; Advisory Board Company interviews and analysis.

MIPS[1] Requirements Coming Into Focus

Four Categories That Determine MIPS Score
Relative Weight Over Time



Category	Measurement
Quality	• Clinicians would choose to report six measures versus the nine measures currently required under the Physician Quality Reporting System (PQRS) • Over 200 measures to choose from, 80% tailored to specialists
Cost/ Resource Use	• Score based on Medicare claims; no reporting requirement for clinicians • Total per capita costs for all attributed beneficiaries and Medicare spending per beneficiary • New episode-based cost measures for specialists • Part D costs
Clinical Practice Improvement	• Clinicians would be rewarded for clinical practice improvement activities such as activities focused on care coordination, beneficiary engagement, and patient safety • Over 90 activities to choose from; some weighted higher than others • Clinicians in certain APMs and qualified Patient-Centered Medical Homes[1] receive favorable scoring
Advancing Care Information	• Replaces the Medicare EHR Incentive Program for eligible professionals (EPs) (also known as “Meaningful Use”) • Applies to all clinicians[2], unlike previous Medicare EP Meaningful Use requirements (which only applied only to Medicare physicians) • No longer requires all-or-nothing measure reporting • Requires fewer measures, providers scored on participation and performance • Opportunity to report as group or individual

1) Merit-Based Incentive Payment System.
2) Medical homes are recognized if they are accredited by: the Accreditation Association for Ambulatory Health Care; the National Committee for Quality Assurance (NCQA) PCMH recognition; The Joint Commission Designation, or the Utilization Review Accreditation Commission (URAC).
3) Eligible clinicians include physicians, physician assistants, nurse practitioners, clinical nurse specialists, certified registered nurse anesthetists, and groups that include such clinicians.

Source: 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,” May 9, 2016, available at: https://s3.amazonaws.com/public-inspection.federalregister.gov/2016-10032.pdf; Advisory Board Company interviews and analysis.

Significant Flexibility in MIPS Quality Category

MIPS requires providers to report on at least **6 quality metrics**[1] selected from over 200 options

Selections must include at least

↳ **1 outcome metric** and

↳ **1 "cross-cutting" metric**[2]

CMS will use claims data to calculate **3 population-based measures:**

- All-cause hospital readmission measure
- Acute conditions composite measure
- Chronic conditions composite measure

Bonus points are awarded for:

- Reporting extra outcome metrics
- Reporting metrics in high-priority domains[3]
- Reporting via certified EHR technology

Sample Outcomes Measures
- Hemoglobin A1C control
- Depression remission at six months
- ED visits in last 30 days of life
- Functional status change for orthopedic patients
- Surgical site infections

Sample Cross-cutting Measures
- Documentation of advanced care plan
- Tobacco use screening and intervention
- Control of high-blood pressure

1) CMS specifies exceptions for certain specialties and clinicians without six applicable metrics and/or without applicable outcome metrics.
2) "Cross-cutting" metrics are metrics broadly available to all clinicians with patient-facing encounters regardless of specialty.
3) High-priority domains are appropriate use, patient safety, efficiency, patient experience, and care coordination.

Source: 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," May 9, 2016, available at: https://s3.amazonaws.com/public-inspection.federalregister.gov/2016-10032.pdf; Advisory Board Company interviews and analysis.

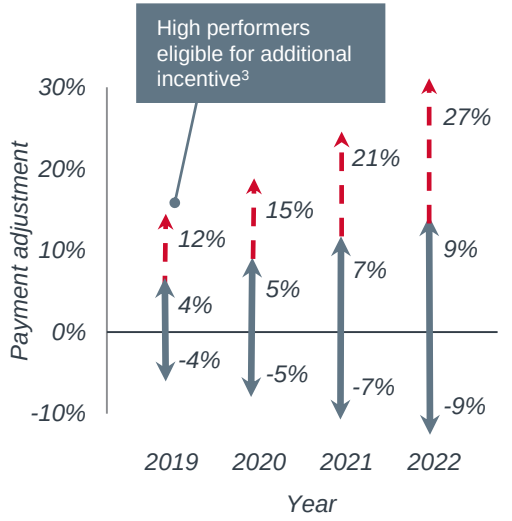
MIPS: A Zero-Sum Game for Clinicians

Stronger Performers Benefit at Expense of Those with Low Scoring/No Data

Payment Adjustment Determination

1. Providers assigned score of 0-100 based on performance across four categories
2. Provider score compared to CMS-set performance threshold[1] (PT); non-reporting groups given lowest score
3. Providers scoring above PT receive bonus; providers scoring below PT subject to penalty[2]

Maximum Provider Penalties and Bonuses



Budget neutrality adjustment: Scaling factor up to 3x may be applied to upward adjustment to ensure payout pool equals penalty pool

1) The mean or median (as selected by CMS) of the composite performance scores for all MIPS eligible professionals with respect to a prior period specified by the Secretary.
2) Bonus, penalty size correspond with how far providers deviate from the PT.
3) High performers eligible for additional incentive of up to 10% for MIPS eligible providers that exceed the 25th percentile.

Source: 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," May 9, 2016, available at: https://s3.amazonaws.com/public-inspection.federalregister.gov/2016-10032.pdf; Advisory Board Company interviews and analysis.

Solo and Small Practices Likely to be Hit Hard

Larger Practices Expected to Do Better Under the MIPS

CMS Estimate of Percentage of Eligible Clinicians Receiving MIPS Penalties, Bonuses By Practice Size

Practice Size	Percentage Eligible Clinicians Receiving MIPS Penalty	Percentage Eligible Clinicians Receiving MIPS Bonus
Solo	87.0%	12.9%
2-9	69.9%	29.8%
10-24	59.4%	40.3%
25-99	44.9%	54.5%
100+	18.3%	81.3%

785

Hours per physician that physician practices in four common specialties are spending on reporting of quality measures

~49%

Eligible providers not currently participating in PQRS program, despite existing penalties

Source: 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," May 9, 2016, available at: https://s3.amazonaws.com/public-inspection.federalregister.gov/2016-10032.pdf; "Participation continues to rise in Medicare Physician Quality Reporting System and Electronic Prescribing Incentive Program", CMS, April 23, 2015, https://www.cms.gov/Newsroom/MediaReleaseDatabase/Fact-sheets/2015-Fact-sheets-items/2015-04-23-1.html; L Casalino et al, "US Physician Practices Spend More Than $15.4 Billion Annually To Report Quality Measures", *Health Affairs*, May 2016; Advisory Board Company interviews and analysis.

Qualifying for APM[1] Track No Easy Feat

Clinicians Assessed Within Entity to Determine Advanced APM Eligibility

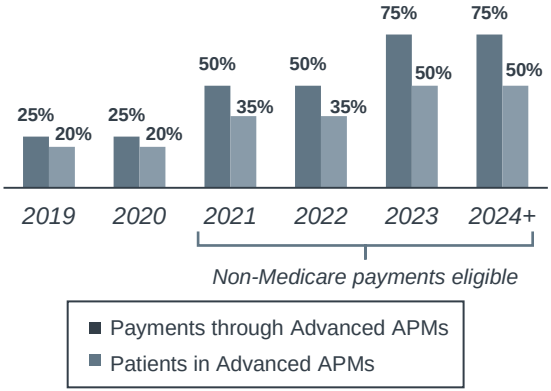
1 Participate in Advanced Alternative Payment Models

Eligibility Criteria:

- ☑ Threshold to trigger losses no greater than 4%
- ☑ Loss sharing at least 30%
- ☑ Maximum possible loss at least 4% of spending target
- ☑ Certified EHR use, quality requirements comparable to the MIPS

2 Meet Percent of Revenue or Percent of Patient Threshold Under APM

Advanced APM Qualification Thresholds



4.5% - 12% Physicians currently projected to qualify for APM track in 2019

1) Advanced Alternative Payment Models.

Source: 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," May 9, 2016, available at: https://s3.amazonaws.com/public-inspection.federalregister.gov/2016-10032.pdf; Advisory Board Company interviews and analysis.

Two Categories of CMS Payment Models Emerging

Programs That Likely Do and Do Not Qualify Providers for APM Track

Advanced APM-Ineligible Payment Models

- Bundled Payments for Care Improvement Initiative (BPCI)
- Comprehensive Care for Joint Replacement (CJR) Model
- Medicare Shared Savings Program (MSSP) Track 1 (50% sharing; upside only)

But participation in these models may positively affect MIPS payments[1]

Advanced APM-Eligible Payment Models

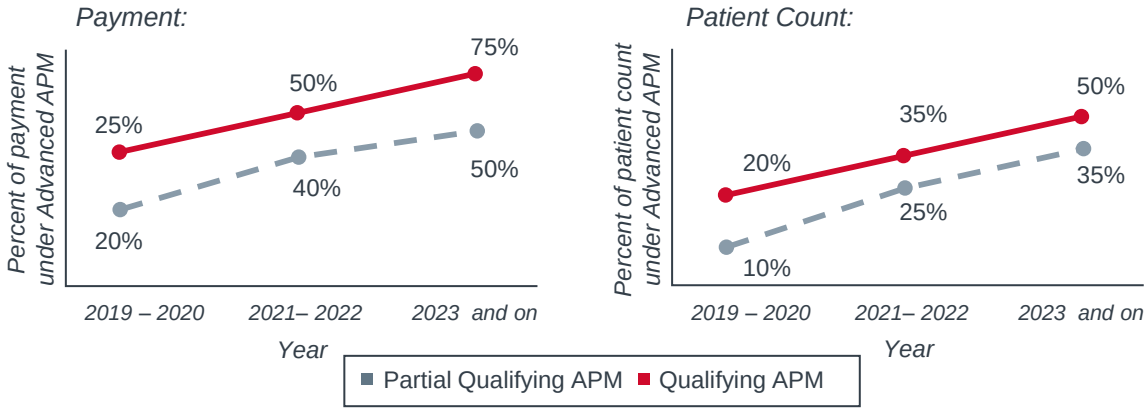
- Medicare Shared Savings Program Tracks 2 and 3
- Next Generation ACO Model
- The Oncology Care Model Two-Sided Risk Arrangement[2]
- Comprehensive ESRD[3] Care Model (Large Dialysis Organization Arrangement)
- Comprehensive Primary Care Plus (CPC+)
- Certain commercial contracts with sufficient risk, including Medicare Advantage (starting in 2021)

1) Under Clinical Practice Improvement Activities category.
2) Available in 2018.
3) End stage renal disease.

Source: 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," May 9, 2016, available at: https://s3.amazonaws.com/public-inspection.federalregister.gov/2016-10032.pdf; Advisory Board Company interviews and analysis.

Lower Thresholds Set for Partial Qualifying APMs

Payment, Patient Count Requirements for Qualifying, Partial Qualifying APM Participants



Defining Partial Qualifying APM Participants (Partial QPs)

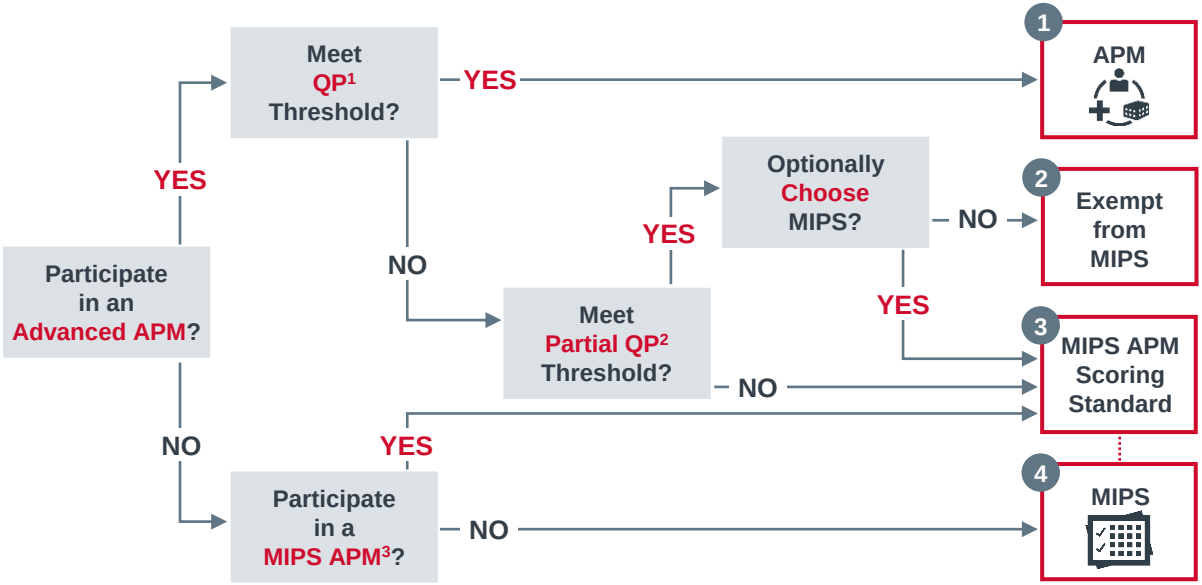
- Providers whose revenue at risk doesn't meet thresholds established for qualifying APM participants but meet slightly reduced thresholds
- These providers do not qualify for APM track (5% participation bonus and 0.75% annual update after 2026), but they do not have to participate in MIPS
- These providers can choose whether to participate in MIPS track; if decide against MIPS, will have no payment adjustment for that year

1) Eligible Clinicians.

Source: 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," May 9, 2016, available at: https://s3.amazonaws.com/public-inspection.federalregister.gov/2016-10032.pdf; Advisory Board Company interviews and analysis.

Which Track Do I Qualify For?

Four Provider Categories Emerging



1) Qualifying Participant; 25% of payments or 20% of patients tied to Advanced Alternative Payment Model in 2017.
2) Partial Qualifying Participant; 20% of payments or 10% of patients tied to Advanced Alternative Payment Model in 2017.
3) Alternative Payment Model that does not qualify as Advanced, but does qualify clinician for favorable scoring under MIPS categories.

! Circumstances That May Exclude Providers in a Given Year

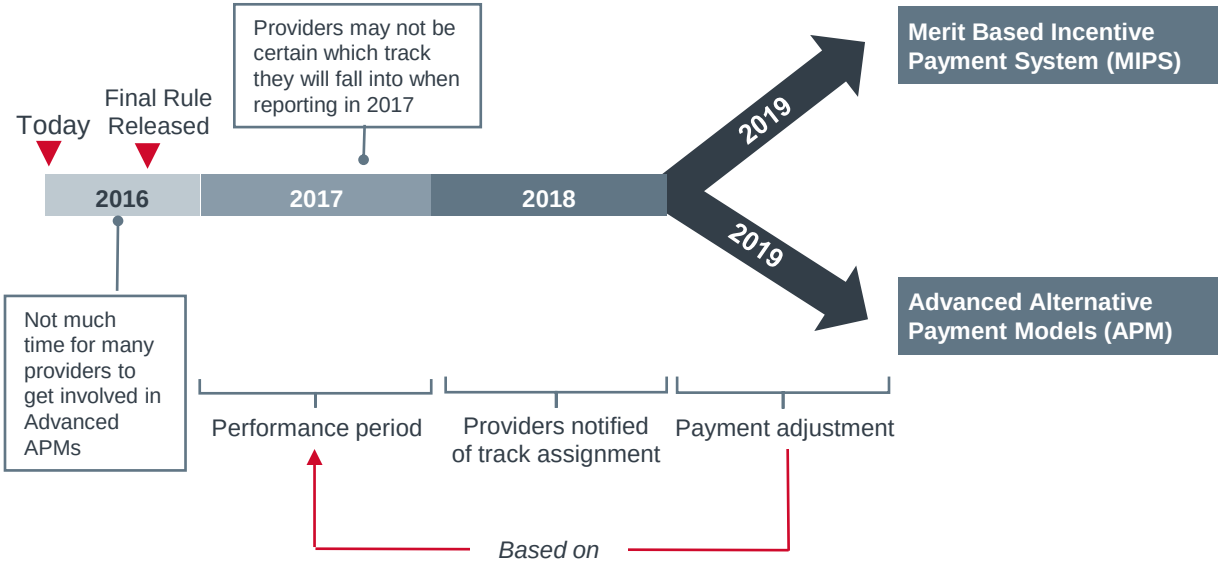
- Low total patient volume
- New Medicare provider

Source: Advisory Board research and analysis.

Not Much Time to Prepare

Not Enough Time for Most Providers to Ensure APM Eligibility in 2019

MACRA Implementation Timeline



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Summary of the MACRA Proposed Rule

Summary of Key CMS Proposals

- All clinicians will report through MIPS[1] in the first year (beginning Jan. 2017)– it will then be determined whether clinicians met the requirements for the APM[2] track
- Timeline for strategic payment model decisions to influence payment track is very short– your track and payment in 2019 is based on your 2017 status and PQRS[3] participation
- Under current proposal, almost everyone will be in MIPS track in 2019 because MSSP[4] track one, BPCI[5], and CJR[6] would NOT qualify as Advanced APMs, meaning participation in these models would *not* qualify providers for the APM track
- Under MIPS scoring, benefits of APM participation (such as MSSP track one) are higher than anticipated
- Medical Home model receives a boost– the new CPC+[7] program qualifies as an Advanced APM, and certified patient-centered medical homes contribute to favorable MIPS Clinical Practice Improvement category scoring
- There is potential for qualifying Medicare Advantage plans to play a role in Advanced APM track qualification after the first few years of the program
- Smaller practices are projected to do poorly under MIPS; 60% or more of practices under 25 providers are projected to be penalized under MIPS
- MIPS will take into account unique considerations for non-patient-facing clinicians like radiologists

1) Merit-Based Incentive Payment System.
2) Advanced Alternative Payment Model.
3) Physician Quality Reporting System.
4) Medicare Shared Savings Program.
5) Bundled Payment for Care Improvement.
6) Comprehensive Care for Joint Replacement.
7) Comprehensive Primary Care Plus.

Source: Advisory Board Company interviews and analysis.

Your Immediate To Do List

- ❑ Make certain you are successfully participating in existing Medicare physician quality and Meaningful Use programs
- ❑ Prepare your organization to enable reporting of new measures in 2017
- ❑ Understand which track (MIPS[1] vs APM[2]) your organization will likely fall into
- ❑ Educate your providers on your payment track and what it means for Medicare provider reimbursement in 2019
- ❑ Factor APM participation bonus into risk-based payment model adoption strategy
- ❑ Stay current on forthcoming CMS final MACRA rule, expected by November 1, 2016
- ❑ *Optional <u>but highly encouraged</u>:* Submit comments on the proposed rule during the 60-day comment period, due to close on June 27, 2016

1) Merit-Based Incentive Payment System.
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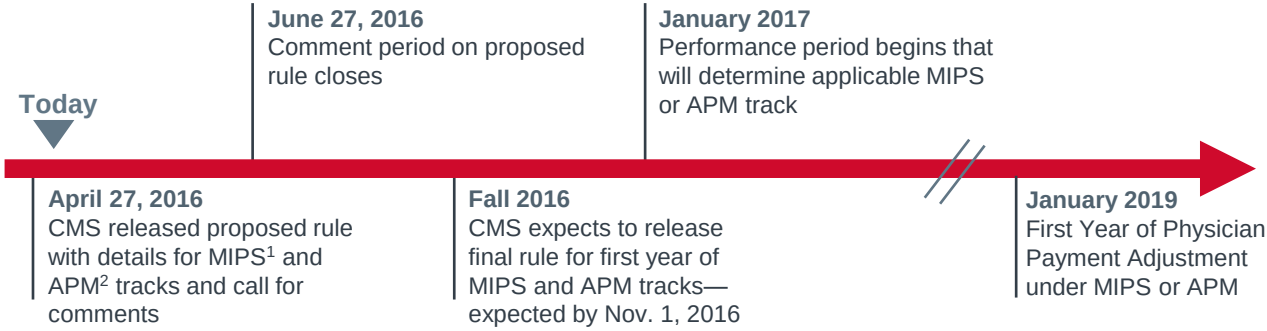
Source: Advisory Board Company interviews and analysis.

MACRA Details to be Finalized in Coming Months

MACRA Implementation Timeline



1) Merit-Based Incentive Payment System.
2) Advanced Alternative Payment Model.

Source: CMS; Advisory Board Company analysis.

Key Takeaways for Provider Organizations

Six Key Takeaways from the MACRA Proposed Rule

1. Almost everyone will be in MIPS track for the first year
2. The timeline for making big decisions is short
3. Under the MIPS, providers have a lot of flexibility in selecting performance measures that align with their practice
4. MACRA is likely to encourage further consolidation of medical groups and further formal alignment mechanisms between medical groups and health systems
5. MACRA is an accelerant toward medical group and health system's taking risk-based contracts
6. To be a qualifying APM, you have to take on downside risk

Source: Advisory Board Company analysis.

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The Advisory Board Company's MACRA Intensive

One-Day Intensive to Prepare Your Practice for the Coming Transition

New Provider Imperatives Under MACRA

Understand Policy	Assess Eligibility, Readiness	Craft Strategic Plan
• *What are the emerging Medicare policies and protocols under MACRA?* • *How do I educate executives and physicians on how these changes will impact their practice?*	• *Which track (MIPS or APM) does my organization qualify for? Is it feasible for us to pursue the APM track?* • *How prepared is my organization to participate in the relevant track?*	• *What organizational changes do we need to implement to effectively make this transition?* • *How can I position my organization for continued success?*

The Information & Guidance You Need to Inform Your Strategic Plan

Policy Update
Analysis of program requirements and updates released by CMS to get you up to speed on the details of MACRA

Organizational Briefing
Discussion examining how MACRA will impact your organization and the major strategic questions to consider

Eligibility Determination
Evaluation of organization's participation in existing quality reporting programs, ability to qualify for APM track

Readiness Assessment
Diagnostic designed to identify performance improvement opportunities and direct organizations toward a viable transition strategy

Strategic Options Discussion
Best practices for building the infrastructure required to transition; guidance on metric selection and/or strategy for pursuing APMs

Action Plan Recommendation
Suggested areas of focus and next steps to implement structural and operational changes required for successful performance

For more information, please contact Braden Lang at LangB@advisory.com

Questions?

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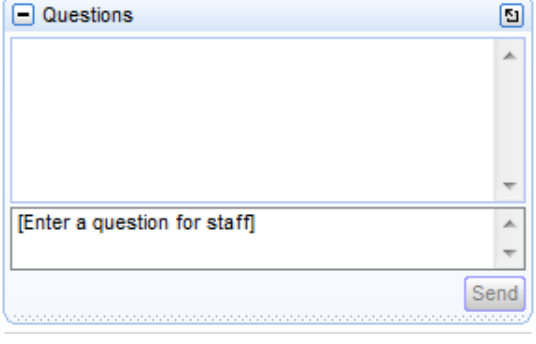

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