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

Krista Teske
Eric Cragun

May 9, 2016
Today’s Presenters

Krista Teske  
Senior Analyst  
TeskeK@advisory.com

Eric Cragun  
Senior Director  
CragunE@advisory.com

Christopher Kerns  
Executive Director  
KernsC@advisory.com
Three-Part MACRA 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 vs. APM track
- Learn the most important (and surprising) things your organization needs to know right away

MACRA: Strategic Implications for Provider Organizations
Thursday, May 26, 2016
3-4pm ET
- Receive key advice on issues such as maximizing pay-for-performance, navigating the transition to risk-based payment, and the future of hospital-physician alignment
- Evaluate the economics of physician payment transition

MACRA: Operational Action Items from the Proposed Rule
Tuesday, June 7, 2016
3-4pm ET
- Receive detailed reporting advice, including how to streamline Medicare physician reporting
- Assess key quality program management implications

Please note: Each webinar will be archived, with slide deck and recorded audio, within 24 hours of the scheduled presentation at the above hyperlinked landing pages

2) Merit-Based Incentive Payment System.
3) Advanced Alternative Payment Model.
Executive Summary


- 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 qualify 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.
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 into one budget-neutral pay-for-performance program, in which providers will be scored on quality, resource use, clinical practice improvement, and EHR 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

Regardless of Track, Baseline Payment Holding Steady

Baseline Medicare Provider Payment Adjustments Under Each Track

- **2015 – 2019:** 0.5% annual update
- **2020 – 2025:** Frozen payment rates

**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

MIPS Requirements Coming Into Focus

Four Categories That Determine MIPS Score

Relative Weight Over Time

<table>
<thead>
<tr>
<th>Category</th>
<th>Measurement</th>
</tr>
</thead>
</table>
| 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 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, 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.

Significant Flexibility in MIPS Quality Category

MIPS requires providers to report on at least 6 quality metrics selected from over 200 options. Selections must include at least 1 outcome metric and 1 “cross-cutting” metric.

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
- 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

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 threshold¹ (PT); non-reporting groups given lowest score

3. Providers scoring above PT receive bonus; providers scoring below PT subject to penalty²

Maximum Provider Penalties and Bonuses

- High performers eligible for additional incentive³

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

<table>
<thead>
<tr>
<th>Practice Size</th>
<th>Percentage Eligible Clinicians Receiving MIPS Penalty</th>
<th>Percentage Eligible Clinicians Receiving MIPS Bonus</th>
</tr>
</thead>
<tbody>
<tr>
<td>Solo</td>
<td>87.0%</td>
<td>12.9%</td>
</tr>
<tr>
<td>2-9</td>
<td>69.9%</td>
<td>29.8%</td>
</tr>
<tr>
<td>10-24</td>
<td>59.4%</td>
<td>40.3%</td>
</tr>
<tr>
<td>25-99</td>
<td>44.9%</td>
<td>54.5%</td>
</tr>
<tr>
<td>100+</td>
<td>18.3%</td>
<td>81.3%</td>
</tr>
</tbody>
</table>

Qualifying for APM\(^1\) Track No EasyFeat

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**

<table>
<thead>
<tr>
<th>Year</th>
<th>Threshold to Trigger Losses</th>
<th>Loss Sharing</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>25%</td>
<td>20%</td>
</tr>
<tr>
<td>2020</td>
<td>25%</td>
<td>20%</td>
</tr>
<tr>
<td>2021</td>
<td>50%</td>
<td>35%</td>
</tr>
<tr>
<td>2022</td>
<td>50%</td>
<td>35%</td>
</tr>
<tr>
<td>2023</td>
<td>75%</td>
<td>50%</td>
</tr>
<tr>
<td>2024+</td>
<td>75%</td>
<td>50%</td>
</tr>
</tbody>
</table>

Non-Medicare payments eligible

- Payments through Advanced APMs
- Patients in Advanced APMs

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

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

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
- 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)


©2016 The Advisory Board Company • advisory.com
Lower Thresholds Set for Partial Qualifying APMs

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

**Payment:**

<table>
<thead>
<tr>
<th>Percent of payment under Advanced APM</th>
<th>Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>20%</td>
<td>2019 – 2020</td>
</tr>
<tr>
<td>40%</td>
<td>2021– 2022</td>
</tr>
<tr>
<td>50%</td>
<td>2023 and on</td>
</tr>
<tr>
<td>75%</td>
<td></td>
</tr>
</tbody>
</table>

**Patient Count:**

<table>
<thead>
<tr>
<th>Percent of patient count under Advanced APM</th>
<th>Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>10%</td>
<td>2019 – 2020</td>
</tr>
<tr>
<td>20%</td>
<td>2021– 2022</td>
</tr>
<tr>
<td>35%</td>
<td>2023 and on</td>
</tr>
<tr>
<td>50%</td>
<td></td>
</tr>
</tbody>
</table>

**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.

Which Track Do I Qualify For?

Four Provider Categories Emerging

1. Meet QP\(^1\) Threshold?
   - YES
   - Participate in an Advanced APM?
     - YES
     - Meet QP\(^1\) Threshold?
       - YES
       - Participate in a MIPS APM\(^3\)?
         - YES
         - Exempt from MIPS
         - NO
         - Meet Partial QP\(^2\) Threshold?
           - YES
           - Optionally Choose MIPS?
             - NO
             - MIPS APM Scoring Standard
             - NO
             - MIPS
   - NO
   - PartialQualifying Participant; 20% of payments or 10% 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. Optional 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 Enough Time for Most Providers to Ensure APM Eligibility in 2019

**MACRA Implementation Timeline**

- **2016**: Final Rule Released
- **2017**: Providers notified of track assignment
- **2018**: Performance period
- **2019**: Payment adjustment

**Merit Based Incentive Payment System (MIPS)**

- Providers may not be certain which track they will fall into when reporting in 2017.

**Advanced Alternative Payment Models (APM)**

- Not much time for many providers to get involved in Advanced APMs.

Summary of Key CMS Proposals

• All clinicians will report through MIPS¹ in the first year (beginning Jan. 2017)—it will then be determined whether clinicians met the requirements for the APM² 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 PQRS³ participation.

• Under current proposal, almost everyone will be in MIPS track in 2019 because MSSP⁴ track one, BPCI⁵, and CJR⁶ 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 (MIPS¹ vs APM²) 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 but highly encouraged: 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.
2) Advanced Alternative Payment Model.
MACRA Details to be Finalized in Coming Months

MACRA Implementation Timeline

Today

April 27, 2016
CMS released proposed rule with details for MIPS¹ and APM² tracks and call for comments

June 27, 2016
Comment period on proposed rule closes

Fall 2016
CMS expects to release final rule for first year of MIPS and APM tracks—expected by Nov. 1, 2016

January 2017
Performance period begins that will determine applicable MIPS or APM track

January 2019
First Year of Physician Payment Adjustment under MIPS or APM

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

Source: CMS; Advisory Board Company analysis.
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
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

MACRA: Strategic Implications for Provider Organizations

**Thursday, May 26, 2016**
3-4pm ET

- Receive key advice on issues such as maximizing pay-for-performance, navigating the transition to risk-based payment, and the future of hospital-physician alignment
- Evaluate the economics of physician payment transition

MACRA: Operational Action Items from the Proposed Rule

**Tuesday, June 7, 2016**
3-4pm ET

- Receive detailed reporting advice, including how to streamline Medicare physician reporting
- Assess key quality program management implications

---

Please note: Each webinar will be archived, with slide deck and recorded audio, within 24 hours of the scheduled presentation at the above hyperlinked landing pages.

---

2) Merit-Based Incentive Payment System.
3) Advanced Alternative Payment Model.
# The Advisory Board Company’s MACRA Intensive

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

### New Provider Imperatives Under MACRA

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

### 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](mailto:LangB@advisory.com)
Questions?

How to Ask a Question

To ask the presenter, please type your question into the “Questions” box on your GoTo panel and press send.
Webconference Survey

Please take a minute to provide your thoughts on today’s presentation.

Thank You!

Please note that the survey does not apply to webconferences viewed on demand.