Some MACRA and Payment Reform Basics

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The Medicare Access and CHIP Reauthorization Act of 2015 (MACRA)

“Stabilizes” fee updates

- Repeals the SGR, averting a 25% cut in fees, with a schedule of fixed, annual updates
- July 2015-2019: annual fee update 0.5%, 2020-2025 0%
  - Payment increases (and decreases) take place through the MIPS (Merit-based incentive payment system)
- Before 2025, 5 percent bonuses and exemption from MIPS for physicians who qualify as participating in AAPMs (advanced alternative payment models)
- After 2025, 0.25% annual update; 0.75% if in an AAPM
- **These fixed, stable fee updates will likely produce an increasing gap between practice costs and revenues (given fairly flat service use in recent years)**

The Merit-based Incentive Payment System

- Combines the 3 current incentive programs:
  - Physician Quality Reporting System (PQRS) – quality
  - Value-Based Modifier (VBM) – quality & resource use
  - Meaningful Use (EHR), which CMS relabeled as Advancing Care Information
- And adds a fourth, into a combined 4-part MIPS program
  - Clinical Practice Improvement Activities
- Applies to payments after January 1, 2019 – the current programs are in use till then. Note that the increased financial impacts are delayed compared to prior law
- Excludes physicians:
  - In their first year
  - With < 100 Medicare beneficiaries
  - With < $30,000 in Medicare allowed charges (was $10,000 in proposed rule)
  - The result is that almost 400,000 physicians are not initially subject to MIPS penalties (and bonuses)

MIPS assessment categories
(percentages when fully phased in in 2022)

- Quality -- 30%
- Resource Use -- 30%
- Advancing Care Information -- 25%
- Clinical Practice Improvement Activities --15%
  - Such as expanding practice areas, population management, care coordination, beneficiary engagement, patient safety
- For year 1, 2019, (with data collection starting 2017), CMS will not include any resource use rather than the 10% called for in statute, so instead will increase the quality component to 60%

MIPS payment adjustments

- Negative adjustments capped
  - Those at 0-25% of threshold get maximum negative adjustment
    - 2019: - 4%
    - 2020: - 5%
    - 2021: - 7%
    - 2022: - 9%
- Positive adjustments
  - Maximum: 3 X annual cap for the negative adjustment – so theoretically as much as 27% more if >25% above performance threshold
    - But total extra is funded at $500 million/ year going forward
    - The negative adjustments + the $500 million fund the bonuses – providers have to decide whether they are better off in MIPS or AAPMs – the prospect of as much as 27% upside is quite enticing. BUT …..

CMS/LAN APM Framework

HHS Jan 26, 2015 Announcement of Goals and Timeline for Value Payments

- 30% of traditional Medicare payments *tied to* value thru APMs (categories 3,4) by the end of 2016, and 50% by 2018
- 85% *tied to* value (categories 2-4) by 2016 and 90% by 2018
- Note that these assessments of value-based payment do not reflect the percentage of spending related to value, just whether any part of the payment approach has performance measurement and incentives for reducing spending -- even upside only

A few observations about the CMS/LAN Framework

- Emphasizes theoretical incentives in payment methods, mostly ignoring the design and operational issues that determine whether payment models work as intended
- Assumes that value derives only from 1) use of quality measures and 2) “non-nominal” risk-bearing
- In short, the LAN Framework that classified 28 distinct payment models is useful for presenting a logical taxonomy based on structural features (measures and risk) but errs in implying that value follows the same continuum
- Any payment method can be designed to produce more or less value – and that includes classic fee-for-service, in this case, the Medicare Physician Fee Schedule