MACRA Quality Payment Program

Medicare Physician Payment Reform

Intersections for Health Plans and Systems

Health Plan Alliance

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Agenda

1. What Problem Is Medicare Trying to Solve?
2. MACRA Quality Payment Program
3. Considerations for Health Plans and Health Systems

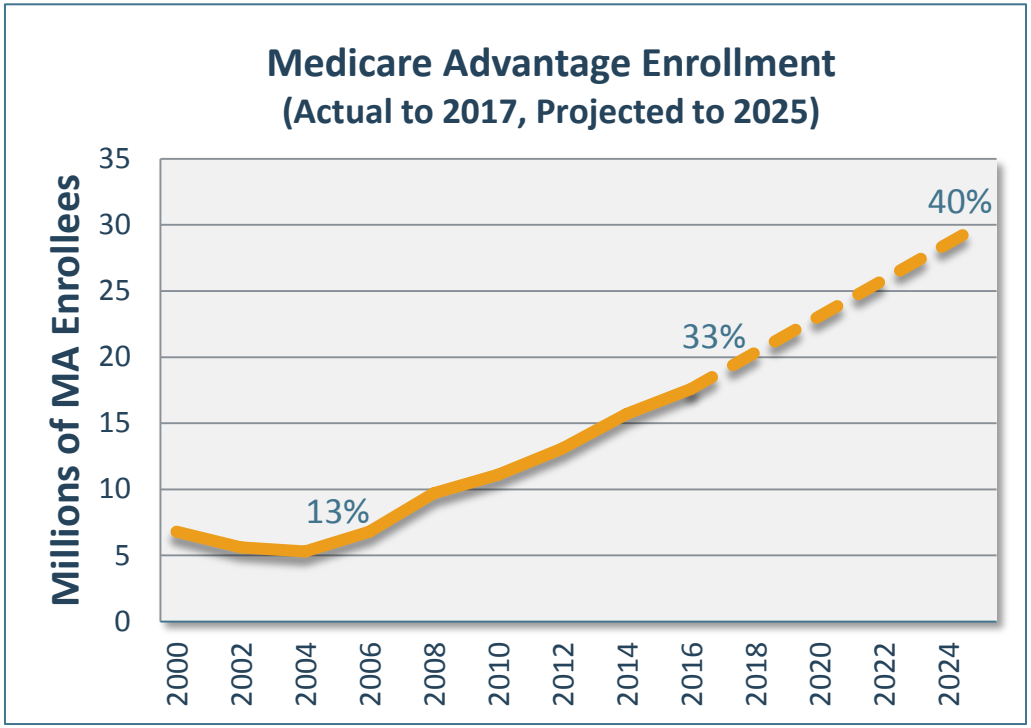
What Problem Is Medicare Trying to Solve?

Medicare Will Always Have Fee-for-Service

Managed Care Rises, But Will Stay Below 50% for a Long Time

Government needs solutions for Original Medicare

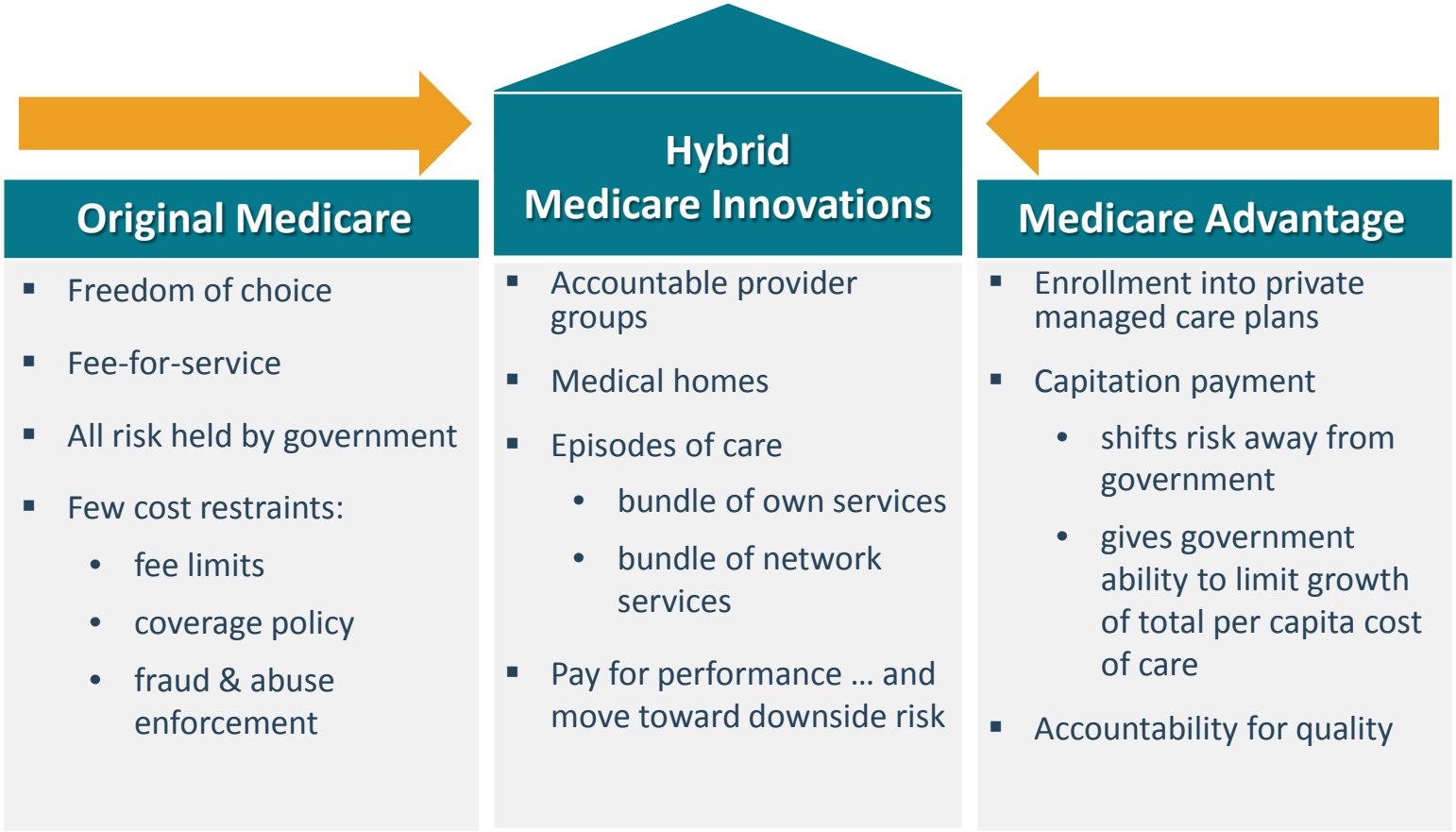
- Original fee-for-service is default for new Medicare enrollees
- No provision in Medicare law permits limiting beneficiaries' freedom of choice
- Full privatization of Medicare via premium support model (aka vouchers) is Speaker Ryan's dream but unlikely to gain passage



Sources: CMS, Congressional Budget Office

Medicare's Hunt for Solutions

Search for Fixes to 2/3 of Medicare Still in Fee-for-Service



Will Value-Based Purchasing Keep Going?

Transition Will Continue Despite Government's Anti-ACA Sentiment

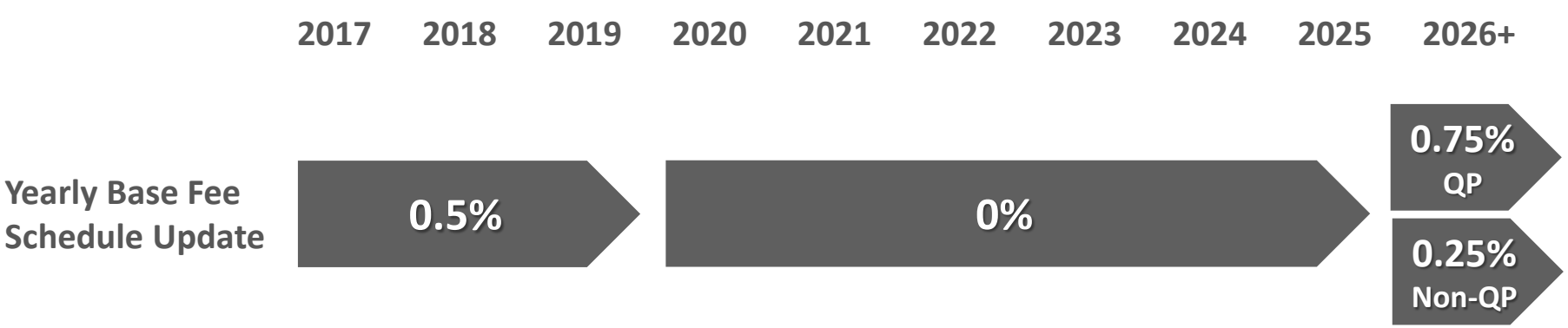
- MACRA enacted in 2015 with strong bi-partisan support
  - Replaced Sustainable Growth Rate formula for regulating Medicare physician fees
  - Relieved Congress of repeatedly having to pass "doc fix" legislation – up to $25 billion yearly
  - Aim to promote value in original Medicare
- Affordable Care Act provision promoting VBP ***is not*** targeted by Congress for repeal
  - "To test innovative payment and service delivery models to reduce program expenditures . . . while preserving or enhancing quality of care"
  - Center for Medicare & Medicaid Innovation
  - HHS Secretary power to mandate provider participation in demonstrations and to expand successful demonstrations to whole of Medicare

But, HHS Secretary Tom Price has signaled intent to slow implementation

MACRA Quality Payment Program

MACRA Quality Payment Program

Medicare Physician Fee Schedule Timeline and Pathways



Merit-Based Incentive Payment System (MIPS)

MIPS Add-on Or Subtraction (+/-) to Base Fees

4% | 5% | 7% | 9% | ?

- 3X scaling factor for top performers if award funds available
- Additional incentive for "exceptional performers" ($500 mil.)

Alternative Payment Models (APM)

Advanced APM Bonus Award for Qualifying Participant (QP)

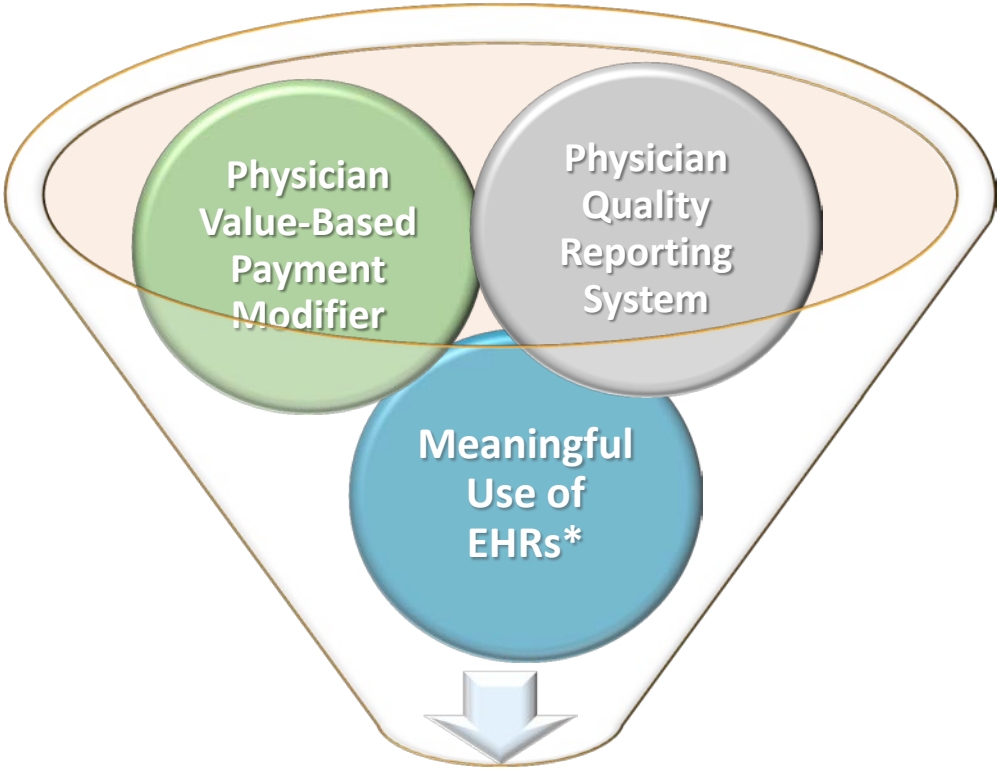
5% Bonus on Prior Year Part B Total Fees | ?

Partial QP – No APM bonus but exempt from MIPS penalty

MIPS Overview

Melds Several Quality Programs to Link FFS Payment to Value

- Current penalties sunset end of 2018
- Meaningful Use, Value-Based Modifier, Physician Quality Reporting System ("PQRS") fold into single program
- Timing
  - ***Performance*** starts in **2017**
  - ***Payment adjustments*** start in **2019**



Merit-Based Incentive Payment System

* Medicare EHR incentive program for eligible hospitals and Medicaid EHR incentive program for eligible professionals will continue

Clinicians Affected By MIPS

Who Will Participate?

- **MIPS applies to** physicians, nurse practitioners, clinical nurse specialists, physician assistants and certified registered nurse anesthetists
  - CMS may add other health care professionals in 2021 and beyond:

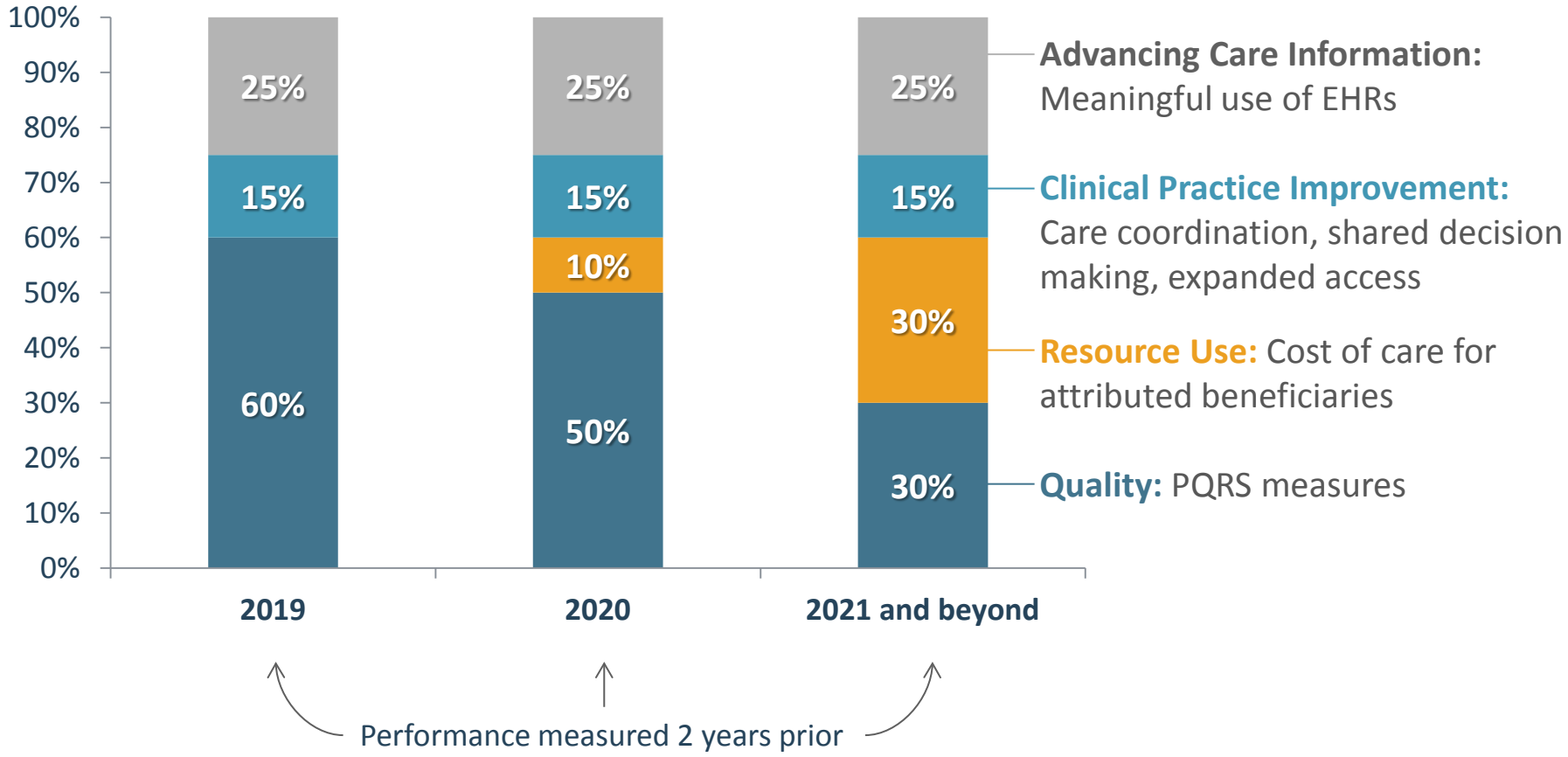
    Physical or occupational therapists, speech-language pathologists, audiologists, certified nurse midwives, clinical social workers, clinical psychologists, registered dietitians or nutrition professionals

- **MIPS does not apply to**:
  - Participants in Advanced APMs who qualify for bonus payment
  - Clinicians in their first year of Medicare Part B participation
  - Clinicians below low-volume threshold:

Medicare billings < $30,000	**OR**	≤ 100 Medicare patients

MIPS Composite Performance Scores

4 Components – Weighting Shifts Over Time



Advanced APMs

Overview

- Advanced APMs must require participating clinicians to:
  - Take on "***more than nominal financial risk***"
  - Report quality measures comparable to MIPS measures
  - Use certified EHR technology ("CEHRT")
- In general, financial risk occurs if CMS:
  - withholds payment,
  - reduces payment rates, or
  - requires an Advanced APM Entity to make payments to CMS if actual expenditures exceed expectations

APMs with no downside risk do not qualify as Advanced APMs

What Models Are Advanced APMs?

Initially, Only CMS-Driven Models and Initiatives Count

- 2017
  - Medicare Shared Savings Program Tracks 2, 3
  - Next Generation ACO
  - Comprehensive ESRD Care Model (2-sided risk)
  - Comprehensive Primary Care Plus
  - Oncology Care Model (2-sided risk)
- 2018, CMS expects these models will be Advanced APMs:
  - MSSP ACO Track 1+
  - New voluntary bundled payment model
  - CJR and Cardiac episode payment models
    - Track 1 (CEHRT)
  - Vermont Medicare ACO initiative

"More Than Nominal" Financial Risk

Two Ways to Measure; Standards for 2017 and 2018

Revenue-Based

8% of average estimated total Medicare Parts A and B revenues of participating APM Entities

Example:

APM Entity's Medicare Parts A and B revenue = **$10 million**

- At least **$800,000** of APM Entity's revenue must be at risk

Benchmark-Based

3% of expected expenditures for which APM Entity is responsible under the APM

Example:

Benchmark spending for services and population in APM = **$25 million**

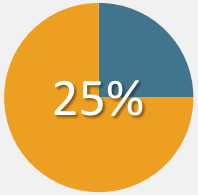
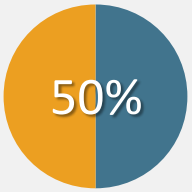
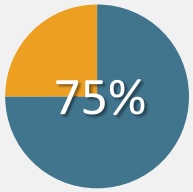
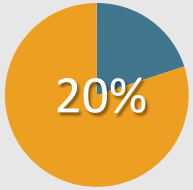
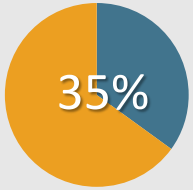
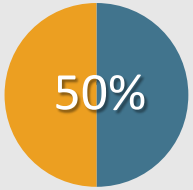
- At least **$750,000** of APM Entity's expenditures must be at risk

"Significant Share" of Clinician Revenue

Criterion to Be Considered Qualifying APM Participant

Clinicians must receive "***significant share***" of volume through participation in an Advanced APM to be Qualifying APM Participant ("QP") eligible for 5% bonus

- Clinicians must meet payment or patient requirements

Significant Participation in Advanced APMs			
Performance Year	**2017-2018**	**2019-2020**	**2021 & Beyond**
Percentage of **Payments** through Advanced APM			
Percentage of **Patients** through Advanced APM			

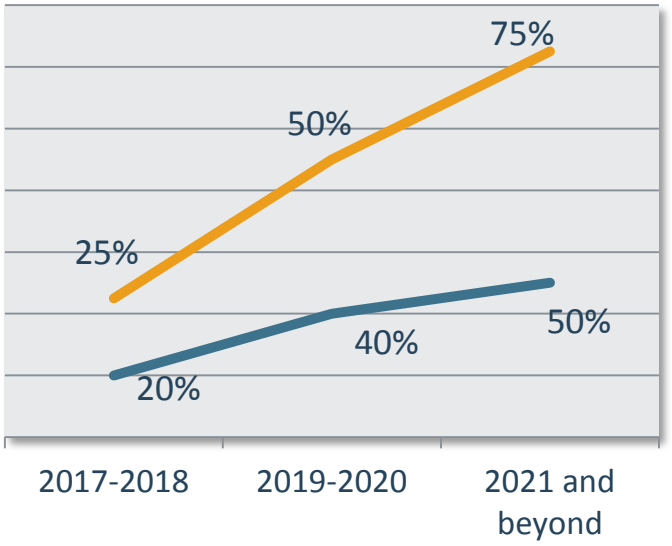
QP vs. Partial QP Thresholds

Partial Qualifying Mechanism for Clinicians That Fall a Bit Short

Allows clinicians participating in an Advanced APM that fall short of QP goals to report MIPS measures and receive corresponding incentives, or to decline to participate in MIPS

- Partial QPs receive favorable scoring under the MIPS CPIA performance category
- Streamlined MIPS reporting and scoring

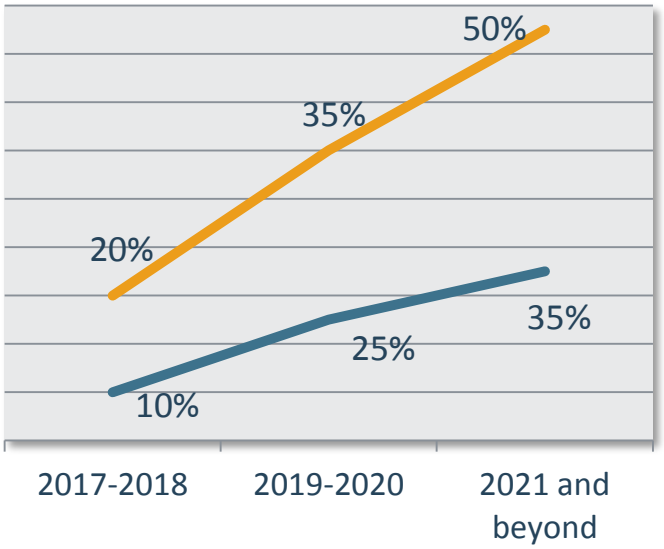
Percent of Payment Under Advanced APM



Minimum QP Threshold

Minimum Partial QP Threshold

Percent of Patient Count Under Advanced APM

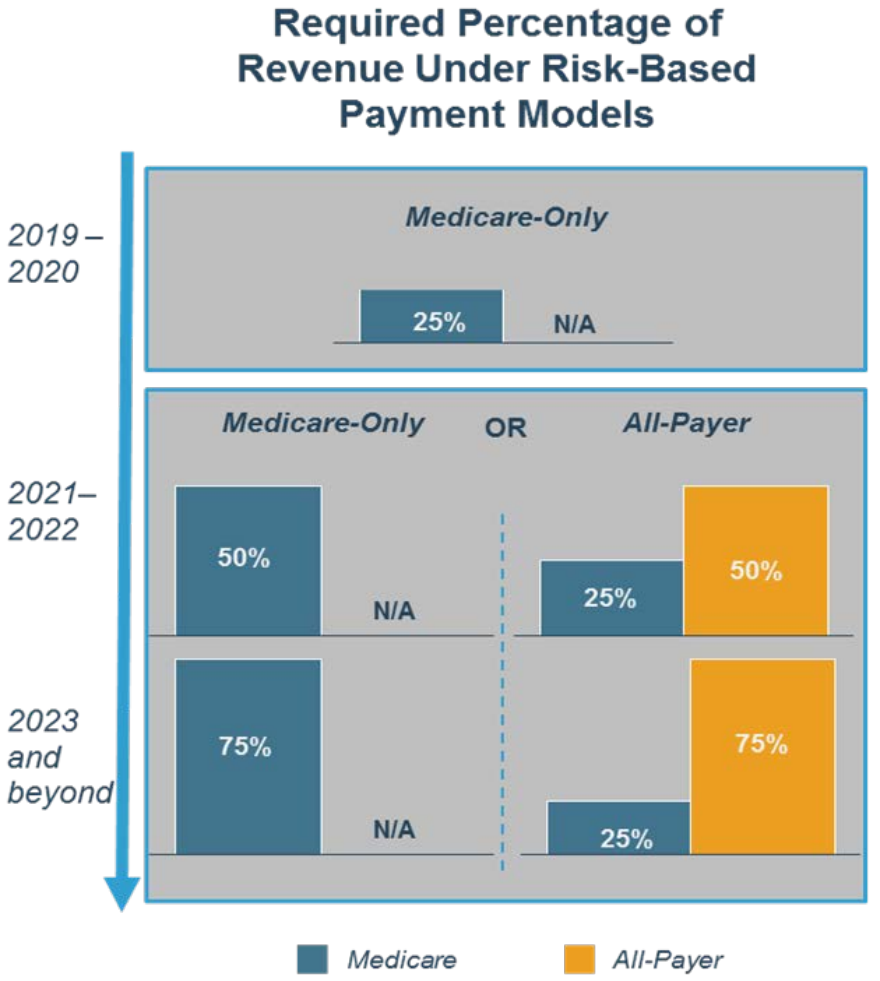


Other Payer Advanced APMs Come Later

Begin Payment Year 2021

Beginning with Payment Year 2021, the threshold for receiving a "***significant share***" of revenue through participation in an advanced APM may be reached through a combination of Medicare FFS and **other non-Medicare-FFS payer** arrangements

- Medicare Advantage
- Commercial
- Medicaid managed care



Other Payer Advanced APMs

Criteria Similar But Not Same

- Starting 2021 (based on 2019 performance) participation in Other Payer Advanced APMs may allow clinicians to qualify for 5% APM bonus payment
- Other Payer Advanced APMs must meet 3 criteria:
  - Require use of CEHRT by at least 50% of clinicians in APM Entity
  - Tie payment to quality measures comparable to MIPS quality measures
    - Evidence-based
    - At least 1 outcome measure
  - Include a payment arrangement that:
    - Requires participants to bear more than nominal financial risk if actual aggregate expenditures exceed expected aggregate expenditures, or
    - Is a Medicaid Medical Home Model

More than Nominal Financial Risk for Other Payer Advanced APMs:

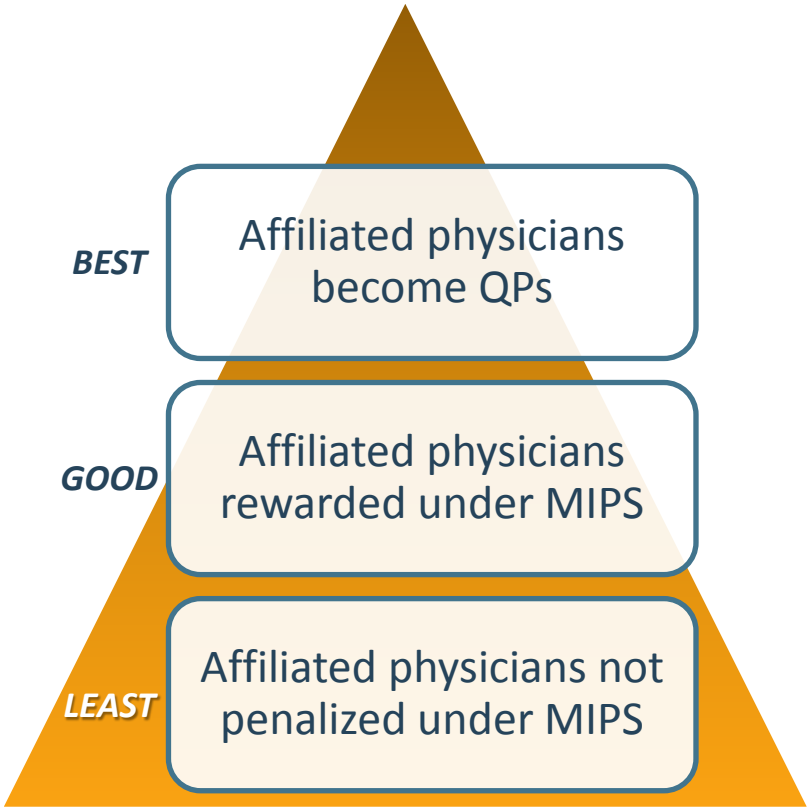
- APM Entity shares in at least ***30% of losses*** in excess of expected expenditures
- Maximum possible APM Entity loss is at least ***4% of expected expenditures***

Considerations for Health Plans and Health Systems

Why Should You Care? (Part 1)

Most Direct Impact Is on Physicians in Medicare FFS

- Physicians paid better by Medicare FFS are best for health systems and health plans
  - Health systems that employ docs see direct revenue effects
  - Health plans may enjoy …
    - Less pressure from physicians for higher rates to make up for poor Medicare pay
    - Potentially higher quality scores: MA stars, HEDIS
- Syncing up on VBP gets everyone aligned toward same overall goal … including in non-Medicare segments



Why Should You Care? (Part 2)

Your Actions Can Help Physicians

Enhance MIPS Opportunities

- Strengthen use of CEHRT
- Support clinical practice improvement activities
- Choose measures to report that will yield highest scores
- Help lower total per capita cost of care for attributed Medicare patients

Build Out Advanced APMs

- If your health system has an ACO that takes downside risk, or engages in bundled payments, this could help participating physicians attain QP status
- Starting in 2019, your health plan could qualify as an Other Payer Advanced APM

Potential Pitfalls

Understand Costs and Risks of Any MACRA Optimization Strategy

- Health system and/or health plan investment may not pay off fully
  - Expense of building infrastructure, other supports for clinicians
  - Possibility of negligible upside, especially near term
- Putting physicians in position to take risk for TCOC loss: they might lose
- Possible health system impact of physicians gaining on TCOC: less hospital revenue
- Uncertainty of policy/payment regime long term
  - Politicians lose resolve, do new version of “doc fix”
  - Control of government changes hands

BUT, IS THERE REALLY ANY GOING BACK?

Health Plan & Health System Intersections

Opportunities to Collaborate to Win with MACRA

JOINT ACTION AGENDA – For Discussion

- Deploy health plan's population health management capabilities into health system enterprises in FFS segment
  - Predictive analytics – identifying individuals most able to benefit from intervention
  - Whole-person, longitudinal care coordination – including care transitions
  - Insurance functionality – from actuarial to member services
- Through your MA plan, give physicians experience managing health of a population and ensuring appropriate reimbursement by engaging in appropriate risk coding
- Prioritize performance on measures applicable in both managed care (MA star ratings) and MACRA-impacted FFS
- Jointly use physicians' MIPS scores in recruiting and credentialing … once MIPS scores take hold and are reliable