MACRA and the Evolving Health Care Landscape

Jarrod Fowler, M.H.A.
FMA Director of Health Care Policy and Innovation
The Medicare Access and CHIP Reauthorization Act of 2015 (MACRA)
Passed Congress with overwhelming bipartisan, bicameral support
Signed into law April 16, 2015
Repealed the Sustainable Growth Rate (SGR)
The Medicare Access and CHIP Reauthorization Act of 2015 (MACRA)

- Passed Congress with overwhelming bipartisan, bicameral support
- Signed into law April 16, 2015
- Repealed the sustainable growth rate (SGR)
- Overhauls Medicare's physician payment system
- Major provisions take effect next year
- Proposed rule published in April

The Sustainable Growth Rate (SGR)

- Established in 1997 to control the cost of Medicare payments to physicians

IF

| Overall physician costs | > | Target Medicare expenditures |

PHYSICIAN PAYMENTS CUT ACROSS THE BOARD

Each year, Congress passed temporary “doc fixes” to avert cuts (no fix in 2015 would have meant a 21% cut in Medicare payments to clinicians)
<table>
<thead>
<tr>
<th>Year</th>
<th>Physician Medicare Economic Index Increase</th>
<th>Physician Update</th>
</tr>
</thead>
<tbody>
<tr>
<td>Actual:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2002</td>
<td>2.6%</td>
<td>-4.8%</td>
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<tr>
<td>2003</td>
<td>3.0%</td>
<td>1.4%</td>
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<tr>
<td>2004</td>
<td>2.9%</td>
<td>1.8%</td>
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<tr>
<td>2005</td>
<td>3.1%</td>
<td>1.5%</td>
</tr>
<tr>
<td>2006</td>
<td>2.8%</td>
<td>0.2%</td>
</tr>
<tr>
<td>2007</td>
<td>2.1%</td>
<td>0.0%</td>
</tr>
<tr>
<td>2008</td>
<td>1.8%</td>
<td>0.5%</td>
</tr>
<tr>
<td>2009</td>
<td>1.6%</td>
<td>1.1%</td>
</tr>
<tr>
<td>2010</td>
<td>1.2%</td>
<td>1.3%</td>
</tr>
<tr>
<td>2011</td>
<td>0.4%</td>
<td>0.9%</td>
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<tr>
<td>2012</td>
<td>0.6%</td>
<td>0.0%</td>
</tr>
<tr>
<td>2013</td>
<td>0.8%</td>
<td>0.0%</td>
</tr>
<tr>
<td>2014</td>
<td>0.8%</td>
<td>0.5%</td>
</tr>
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</table>
Figure 2. Illustrative comparison of relative Medicare, Medicaid, and private health insurance prices for physician services under current law.
The Basics

- Repeals the SGR. Replaces it with small, predetermined annual fee schedule updates.

- Consolidates Medicare Part B mandatory pay-for-performance programs into the Merit-Based Incentive Payment System (MIPS).
  - PQRS, Meaningful Use, Value-Based Payment Modifier

- Encourages participation in alternative payment models (APMs). However, MACRA does not require participation in an ACO or any other APM.
The Basics

• Overhauls the Medicare Part B physician payment system
• Repeals the SGR
• Consolidates P4P programs into MIPS
• Incentivizes Advanced APMs
• Known referred to by CMS as the Quality Payment Program

• Major provisions take effect next year

• Proposed rule published in April

• Final rule due by November.
• Many details subject to change
### The Basics
• Repeals the SGR. Replaces it with small, predetermined annual fee schedule updates.

• Consolidates Medicare’s mandatory pay-for-performance programs into a single payment modifier known as the Merit-Based Incentive Payment System (MIPS).

• Encourages participation in alternative payment models (APMs). However, MACRA does not require participation in an ACO or other APM.

### Fee Schedule Updates
<table>
<thead>
<tr>
<th>Year</th>
<th>Fee Schedule Updates</th>
</tr>
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<tbody>
<tr>
<td>2015 and earlier</td>
<td>0.5</td>
</tr>
<tr>
<td>2016</td>
<td>0.5</td>
</tr>
<tr>
<td>2017</td>
<td>0.5</td>
</tr>
<tr>
<td>2018</td>
<td>0.5</td>
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<tr>
<td>2019</td>
<td>0</td>
</tr>
<tr>
<td>2020</td>
<td>0</td>
</tr>
<tr>
<td>2021</td>
<td>0</td>
</tr>
<tr>
<td>2022</td>
<td>0</td>
</tr>
<tr>
<td>2023</td>
<td>0</td>
</tr>
<tr>
<td>2024</td>
<td>0</td>
</tr>
<tr>
<td>2025</td>
<td>0</td>
</tr>
<tr>
<td>2026 and later</td>
<td>0.75 QAPMCF*</td>
</tr>
<tr>
<td></td>
<td>0.25 N-QAPMCF**</td>
</tr>
</tbody>
</table>

### MIPS
- **Quality**: 4% in 2016, 5% in 2017, 7% in 2018, 9% in 2019 and later
- **Resource Use**
- **Clinical Practice Improvement Activities**
- **Meaningful Use of Certified EHR Technology**
- **PQRS, Value Modifier, EHR Incentives**

### Certain APMs
- **Qualifying APM Participant**
  - Medicare Payment Threshold Excluded from MIPS

- **5% Incentive Payment**
- **Excluded from MIPS**

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*Qualifying APM conversion factor
**Non-qualifying APM conversion factor*
The Basics

• Repeals the SGR. Replaces it with small, predetermined annual fee schedule updates.
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• PQRS, Meaningful Use, Value-Based Payment Modifier
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- Repeals the SGR. Replaces it with small, predetermined annual fee schedule updates.
- Consolidates Medicare's mandatory pay-for-performance programs into a single payment modifier known as the Merit-Based Incentive Payment System (MIPS).
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- Encourages participation in alternative payment models (APMs). However, MACRA does not require participation in an ACO or other APM.

MIPS Will Impact Most Practices

Your practice is subject to MIPS unless you fall into an exemption category:

**MIPS will apply to 90+% of physicians in 2017**

**Physician Exemptions from MIPS**

1. **New Medicare Physicians**
2. **Low Volume Medicare Physicians:** Medicare billing charges of <$10,000 per year and 100 or fewer Medicare patients per year
3. **Qualified Participants in Advanced APMs:** you participate in an Advanced Alternative Payment Model, such as:
   - Track 2 and Track 3 MSSP ACOs
   - CPC+ (not available in Florida)
   - Next Generation ACO Model
   - Comprehensive ESDR Care
The Merit-Based Incentive Payment System (MIPS)

- Components: Quality (PQRS), Advancing Care Information (MU), resource use / cost (VBM), and clinical practice improvement activities

- 100-point composite score – scores below threshold generate penalties. Scores above the threshold generate bonuses.

- First scheduled performance year – 2017

- First payment year – 2019

- Eligible clinicians includes physicians, ARNPs, PAs – may be expanded in future periods.
The Merit-based Incentive Payment System (MIPS)

- Consolidates existing PFP programs into a single payment modifier
- Components: Clinical quality (PQRS), meaningful use, resource use (VBM), and clinical practice improvement activities
- First scheduled performance year – 2017
- First payment year – 2019
- Eligible clinicians includes physicians, ARNPs, PAs – may be expanded in future periods

### MIPS Timeline

<table>
<thead>
<tr>
<th>2017</th>
<th>2018</th>
<th>July</th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Performance Period (Jan-Dec)</td>
<td>Reporting and Data Collection</td>
<td>2nd Feedback Report (July)</td>
<td>Targeted Review Based on 2017 MIPS Performance</td>
<td>MIPS Adjustments in Effect</td>
</tr>
<tr>
<td>1st Feedback Report (July)</td>
<td></td>
<td></td>
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</table>

**Analysis and Scoring**
The Merit-based Incentive Payment System (MIPS)

- Consolidates existing PFP programs into a single payment modifier
- Components: Clinical quality (PQRS), meaningful use, resource use (VBM), and clinical practice improvement activities
- First scheduled performance year: 2017
- First payment year: 2019
- Eligible clinicians includes physicians, ARNPs, PAs - may be expanded in future periods

Year 1 Performance Category Weights for MIPS

- Quality 50%
- Advancing Care Information 25%
- Clinical Practice Improvement Activities 15%
- Resource Use 10%
<table>
<thead>
<tr>
<th>CPS Category</th>
<th>Reporting Requirements for Practices</th>
<th>Submission Method</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Quality</strong></td>
<td>• Pick 6 out of 100 measures to report (think PQRS)</td>
<td>• Claims</td>
</tr>
<tr>
<td></td>
<td>• <strong>EX:</strong> Diabetes: Hemoglobin A1c (HbA1c) Poor Control</td>
<td>• EHR</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Qualified Registry</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Group reporting option</td>
</tr>
<tr>
<td><strong>Advancing Care</strong></td>
<td>• Half credit for measure reporting</td>
<td>• Attestation</td>
</tr>
<tr>
<td><strong>Information</strong></td>
<td>• Numerator/denominator yes/no for six measures</td>
<td>• EHR</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Qualified Registry</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Group reporting option</td>
</tr>
<tr>
<td><strong>Clinical Practice</strong></td>
<td>• 90+ activities to choose from</td>
<td>• Attestation</td>
</tr>
<tr>
<td><strong>Improvement</strong></td>
<td>• Full credit for medical homes</td>
<td>• EHR and Registry</td>
</tr>
<tr>
<td><strong>Activities</strong></td>
<td>• Half credit for certain non-Advanced APM participants</td>
<td>• Group reporting option</td>
</tr>
<tr>
<td></td>
<td>• <strong>EX:</strong> Extended office hours</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• <strong>EX:</strong> Timely communication of test results</td>
<td></td>
</tr>
<tr>
<td><strong>Resource Use</strong></td>
<td>• Per capita costs</td>
<td>• No reporting required</td>
</tr>
<tr>
<td></td>
<td>• Episode costs</td>
<td></td>
</tr>
</tbody>
</table>
MIPS Adjustments

4%  
2019

5%  
2020

7%  
2021

9%  
2022 and after

Source: CMS
Advanced Alternative Payment Models (A-APMs)

- MACRA incentivizes participation in A-APMs
- Qualifying A-APM participants are exempt from MIPS
- Will initially include two-sided risk-bearing ACOs, CPC+, Comprehensive ESRD Care Model (Large Dialysis Organization Arrangement)
- Track 1 MSSP ACOs and bundled payments excluded

### Relationship between CPS and Payment

- **Payment Adjustment Factors**
- **CPS Range:** 0-100
- **EPs BELOW** performance threshold have negative adjustment
- **EPs ABOVE** performance threshold have positive adjustment
- Additional Payment for Exceptional Performance
- Line adjusted by scaling factor (4% x scaling factor)
- Additional Performance Threshold = 25% of possible CPS scores above Performance Threshold

- **0-1/4 of CPS Performance Threshold**
  - All receive – 4 percent

- **Performance Threshold**
Advanced Alternative Payment Models (A-APMs)

- MACRA incentivizes participation in A-APMs
- Qualifying A-APM participants are exempt from MIPS
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Medicare Payments at Risk

Estimated Impact to Practices from MIPS (2019)

- 87% of solo practices
- 70% of practices with 2–9 EPs
- 45% of practices with 25–99 EPs
- 18% of practices with 100+ EPs
<table>
<thead>
<tr>
<th>Year</th>
<th>P4P Penalties</th>
<th>Max Combined P4P Penalties</th>
<th>Max VBM Bonuses</th>
<th>Annual Updates</th>
<th>Max MIPS Penalties</th>
<th>Max MIPS Bonuses</th>
<th>Annual Updates</th>
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</thead>
<tbody>
<tr>
<td>2017</td>
<td>MU -3%, PQRS -2%, VBM -4%</td>
<td>-9%</td>
<td>Unknown (VBM)</td>
<td>Unknown</td>
<td>No change</td>
<td>No change</td>
<td>0.5%</td>
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<tr>
<td>2018</td>
<td>MU -4%, PQRS -2%, VBM -4% or more</td>
<td>-10% or more</td>
<td>Unknown (VBM)</td>
<td>Unknown</td>
<td>No change</td>
<td>No change</td>
<td>0.5%</td>
</tr>
<tr>
<td>2019</td>
<td>MU -5%, PQRS -2%, VBM -4% or more</td>
<td>-11% or more</td>
<td>Unknown (VBM)</td>
<td>Unknown</td>
<td>-4%</td>
<td>4% or more</td>
<td>0.5%</td>
</tr>
<tr>
<td>2020</td>
<td>MU -5%, PQRS -2%, VBM -4% or more</td>
<td>-11% or more</td>
<td>Unknown (VBM)</td>
<td>Unknown</td>
<td>-5%</td>
<td>5% or more</td>
<td>0%</td>
</tr>
<tr>
<td>2021</td>
<td>MU -5%, PQRS -2%, VBM -4% or more</td>
<td>-11% or more</td>
<td>Unknown (VBM)</td>
<td>Unknown</td>
<td>-7%</td>
<td>7% or more</td>
<td>0%</td>
</tr>
<tr>
<td>2022</td>
<td>MU -5%, PQRS -2%, VBM -4% or more</td>
<td>-11% or more</td>
<td>Unknown (VBM)</td>
<td>Unknown</td>
<td>-9%</td>
<td>9% or more</td>
<td>0%</td>
</tr>
</tbody>
</table>
Advanced Alternative Payment Models (A-APMs)

- MACRA incentivizes participation in A-APMs
  - 5% flat bonus from 2019 through 2024
  - Higher fee schedule updates in 2026 and beyond

- Qualifying A-APM participants are exempt from MIPS

- Will initially include two-sided risk-bearing ACOs, CPC+, Comprehensive ESRD Care Model (Large Dialysis Organization Arrangement)

- Track 1 MSSP ACOs and bundled payments excluded
Advanced Alternative Payment Models (APMs)

- Qualifying APM participants are exempt from MIPS
- MACRA incentivizes participation in APM
- Will initially include risk-bearing ACOs, CPC+, some other models
- Track 1 MSSP ACOs and bundled payments excluded

As defined by MACRA, Advanced APMs must meet the following criteria:

- The APM requires participants to use certified EHR technology.
- The APM bases payment on quality measures comparable to those in the MIPS quality performance category.
- The APM either: (1) requires APM Entities to bear more than nominal financial risk for monetary losses; OR (2) is a Medical Home Model expanded under CMMI authority.
The proposed rule includes a list of models that would qualify under the terms of the proposed rule as Advanced APMs. These include:

- Comprehensive ESRD Care Model (Large Dialysis Organization arrangement)
- Comprehensive Primary Care Plus (CPC+)
- Medicare Shared Savings Program—Track 2
- Medicare Shared Savings Program—Track 3
- Next Generation ACO Model
- Oncology Care Model Two-Sided Risk Arrangement (available in 2018)

### Medicare Option – Payment Amount Method

<table>
<thead>
<tr>
<th>Payment Year</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
<th>2022</th>
<th>2023</th>
<th>2024+</th>
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<tr>
<td>QP Payment Amount Threshold</td>
<td>25%</td>
<td>25%</td>
<td>50%</td>
<td>50%</td>
<td>75%</td>
<td>75%</td>
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<tr>
<td>Partial QP Payment Amount Threshold</td>
<td>20%</td>
<td>20%</td>
<td>40%</td>
<td>40%</td>
<td>50%</td>
<td>50%</td>
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### Medicare Option – Patient Count Method

<table>
<thead>
<tr>
<th>Payment Year</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
<th>2022</th>
<th>2023</th>
<th>2024+</th>
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<tbody>
<tr>
<td>QP Patient Count Threshold</td>
<td>20%</td>
<td>20%</td>
<td>35%</td>
<td>35%</td>
<td>50%</td>
<td>50%</td>
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<tr>
<td>Partial QP Patient Count Threshold</td>
<td>10%</td>
<td>10%</td>
<td>25%</td>
<td>25%</td>
<td>35%</td>
<td>35%</td>
</tr>
</tbody>
</table>
Key Issues with MACRA:

- Lack of payment updates that keep pace with inflation
- Program particularly burdensome for small practices
- Need to carefully and thoughtfully implement
  - Narrow definition of A-APMs
  - Onerous program requirements
  - Need for flexibility
  - Need to listen to physicians
Illustrative Comparison of Medicare Prices for Physicians’ Services MACRA relative to the MEI
Big Announcement from CMS on Sept 8

• On September 8, Andy Slavitt announced that CMS would offer flexibility to physicians in the first year of MACRA.

• While details are scant and a final rule is still forthcoming, the announcement appears to offer all physicians a chance to avoid penalties in the first year of the program.

• Result of strong pushback from the provider community

• Not a delay – MIPS still going into effect next year
Big Announcement from CMS on Sept 8

Three new options for avoiding penalties under MIPS in the first year of the program.

- Option 1: “Test” the program by reporting “some” data. May submit data after January 1st. No mention of bonuses.

- Option 2: Report data for part of the calendar year. May begin reporting after January 1st. “Small” bonuses will be available under this option.

- Option 3: Report data for the full calendar year as would otherwise be required. “Modest” bonuses will be available under this option.

- Need for clarification. Very positive news at face value.
MACRA: What to Think About

- Financial impact
  - Cost of compliance vs. reward
- MIPS does not apply to Medicare Advantage
  - Contractual negotiations will continue to determine pay
  - Increased MA volume an option? 31% penetration in Duval
- Opportunities to prepare
  - Review quality options
  - Review CPIA options
  - Free resources
MACRA: Key Points In Summary

- Nearly all physicians subject to MIPS
- Start data for reporting: 2017
- Flexibility under the program announced
  - More opportunities to avoid penalties in the first year of the program. Don’t bet on extensions.
- Final rule due by November 1st
- Implementation will continue
Health Policy and the 2016 Elections

• Defined by uncertainty

• Big ideas and limited details
More Questions Than Answers

Competing priorities and limited political capital
  • SCOTUS vacancy
  • Tax policy, economic policy, immigration policy
  • 2018 midterms

Lack of clear, definitive plans
  • Legislative language
  • Scoring
  • Compromise

The House & Senate must pass identical legislation
  • Who will control the Senate?
  • Filibusters? Filibuster Reform? Reconciliation?
  • Likely Republican House majority

Myriad opportunities for executive action
  • Medicaid waivers, 1332 waivers
  • Executive power
Republican Health Policy Issues

Repeal and replace the ACA
- Which plan? GOP “A Better Way” / Sessions-Cassidy
- Immense pressure to take action and “get it right”
  - Impact on the budget – CBO scoring
  - Impact on the newly insured
  - Consensus

Common GOP health policy proposals:
- Repeal of employer and individual mandates
- Repeal of ACA imposed taxes
- Relax restrictions on “essential minimum coverage”
- Promote and expand health savings accounts
- Reform Medicaid - per capita allotments and expanded state flexibility
- Purchase of coverage across state lines
- Universal refundable tax credits – not contingent on income
- No limits on preexisting conditions for those that maintain “continuous coverage”
- Caps on tax exclusion for employer-sponsored coverage
Democratic Health Policy Issues

Continuation of the ACA
- Entrenchment of existing law
- Continued pressure on states to expand Medicaid
- Pressure to expand protections - capping drug costs, fixing the “family glitch”
- Pressure to stabilize exchanges
- Republican House / mixed public opinion
- Midterm Senate outlook: Indiana, Missouri, Montana, North Dakota, West Virginia

Public Option
- Available to whom?
- Negotiate or fix fees?
- State flexibility or national uniformity?
- The only option?

Drug prices
- How should Medicare “negotiate”?
- CBO: minimal savings without an aggressive approach
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- CBO: minimal savings without an aggressive approach

Current Status of State Medicaid Expansion Decisions

NOTES: Current status for each state is based on KCMU tracking and analysis of state executive activity. *AR, IA, IN, MI, MT, and NH have approved Section 1115 waivers. WI covers adults up to 100% FPL in Medicaid, but did not adopt the ACA expansion.
More Questions Than Answers

Competing priorities and limited political capital

- SCOTUS vacancy
- Tax policy, economic policy, immigration policy
- 2018 midterms

No clear, definitive plans

- Legislation
- Scoring
- Compromise

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Myriad opportunities for executive action

- Medicaid waivers, 1332 waivers
- Limits of executive power

Real Clear Politics Poll Average

Public Approval of Health Care Law

<table>
<thead>
<tr>
<th>Poll</th>
<th>Date</th>
<th>Sample</th>
<th>For/Favor</th>
<th>Against/Oppose</th>
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<tr>
<td>RCP Average</td>
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<td>39.2</td>
<td>48.8</td>
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<td>Pew Research</td>
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<td>44</td>
<td>54</td>
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<td>Rasmussen Reports</td>
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<td>1000 LV</td>
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<td>CBS/NY Times</td>
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<td>1276 A</td>
<td>41</td>
<td>52</td>
<td>Against/Oppose +11</td>
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All Public Approval of Health Care Law Polling Data
Thank You