# Moving From Volume to Value —

## An Overview of the Payment Methods under the Proposed MACRA Rule

BY J. RYAN WILLIAMS

WHEN CONGRESS FINALLY ELIMINATED THE SGR, WHICH WAS THE MEDICARE PAYMENT FORMULA FOR PHYSICIAN SERVICES THAT CAUSED MUCH ANXIETY AND FRUSTRATION FOR PHYSICIANS EVERY DECEMBER, IT SET THE STAGE FOR A MASSIVE SHIFT IN THE WAY MEDICARE PAYS PHYSICIANS FOR THEIR SERVICES. THE MEDICARE ACCESS AND CHIP REAUTHORIZATION ACT (MACRA) REQUIRES MEDICARE TO BEGIN PAYING PHYSICIANS BASED IN PART ON THE "VALUE" OF THE SERVICES THEY PROVIDE. MANY BELIEVE THIS IS THE END OF TRADITIONAL FEE-FOR-SERVICE, VOLUME-BASED PAYMENTS.

**MACRA'S OVERALL GOAL** is to establish a system of Medicare physician fee payments focused on better care, smarter spending and healthier people. To help achieve this goal, CMS recently released a proposed rule implementing MACRA. This proposed rule sheds light on the specifics and details of MACRA's new physician payment system. Here are some highlights of the MACRA proposed rule:

+ The Medicare physician fee schedule will increase 0.5% annually through 2019;
+ There are two distinct payment methods — MIPS (Merit-Based Incentive Payment System) and APM (Alternative Payment Model);
+ The APM method offers the most upside potential, at least initially;
+ For those physicians who qualify for the APM method, they receive an upfront, lump sum annual payment of 5% of their previous year's Medicare Part B payments through 2019;
+ Under APM, physicians must currently participate in a PCMH-accredited organization or an arrangement whereby the physicians assume more than nominal downside risk;
+ CMS indicated that participation in the CPC+ initiative, the Medicare Shared Savings Program (Track 2 or 3 only), or a next generation ACO would qualify physicians for APM; and
+ Most physicians will default to MIPS (according to CMS, only 5% of all physicians will qualify for APM, leaving the remainder in MIPS);
+ MIPS is a combination of various existing incentive arrangements — PQRS, value-based modifier and meaningful use (these incentive arrangements will sunset December 31, 2016);
+ Under MIPS, physicians will receive payment adjustments (incentives or penalties) based on their performance in four categories — Quality (formerly, PQRS), Advancing Care Information (formerly, meaningful use), Clinical Practice Improvement Activities (CPIA), and Resource Use (formerly, value-based modifier);
+ The amount of the payment adjustment will depend on the physician's overall composite score and can be as high as 37% (depending on budget neutrality) or as low as -4%; and
+ CMS will establish the benchmark score and payment adjustments will be scaled accordingly — the more a physician exceeds the benchmark, the higher the adjustment, etc.

The most important concept to keep in mind now is the timing aspects associated with MIPS and APM. While the payment adjustments will not appear until 2019, each physician's performance year starts with 2017. Payment adjustments in 2019 will be based on 2017 performance. On top of this, CMS is not expected to release the final MACRA Rule until November. This doesn't leave much time to plan and prepare.

Physicians and their advisors must immediately start to critically assess the pathway for 2017. If a physician wants to participate in APM, the physician may need to make arrangements in the next few months to join a qualified ACO or other arrangement. Likewise, for physicians who plan or default to MIPS, they should start gathering and critically assessing PQRS, meaningful use, and value-based modifier information to gauge their projected performance in MIPS.

The MACRA Rule is heavy and the MIPS and APM methods are complicated, especially since the result is a dramatic change to the physician reimbursement landscape. Time is of the essence. Change is coming. Anyone who delays seeking an in-depth working knowledge of the MIPS and APM methods will be making a strategic mistake.

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