

MACRA

Medicare Payment Reform and the Implications to Medicare Advantage Plans

November 2018

PRESENTED BY
Bob Moné, FSA, MAAA
Liz Myers, FSA, MAAA

Agenda

- MACRA Background
 - Quality Payment Program (QPP)
 - Merit-based Incentive Payment System (MIPS)
 - Advanced Alternative Payment Models (AAPM)
- Downstream Impact to Medicare Advantage

MACRA Background

MACRA

- MACRA has the potential to impact the reimbursements of the majority of providers who care for Medicare FFS beneficiaries
 - According to the CMS, “91% of all clinicians eligible for MIPS participated in the 2017 performance period.”
- Understanding what MACRA will require of providers, what it may do to their reimbursements, and how it may impact their practice patterns, is crucial to all payers who contract with providers

MACRA

- The Medicare Access and CHIP Reauthorization Act of 2015 (**MACRA**) is bipartisan federal legislation signed into law on April 16, 2015. The law does many things, but most importantly it establishes new ways to pay physicians for caring for Medicare beneficiaries.
- MACRA is complex (2,400 page final rule)
- Quality Payment Program (qpp.cms.gov) created by MACRA

Regulatory Process

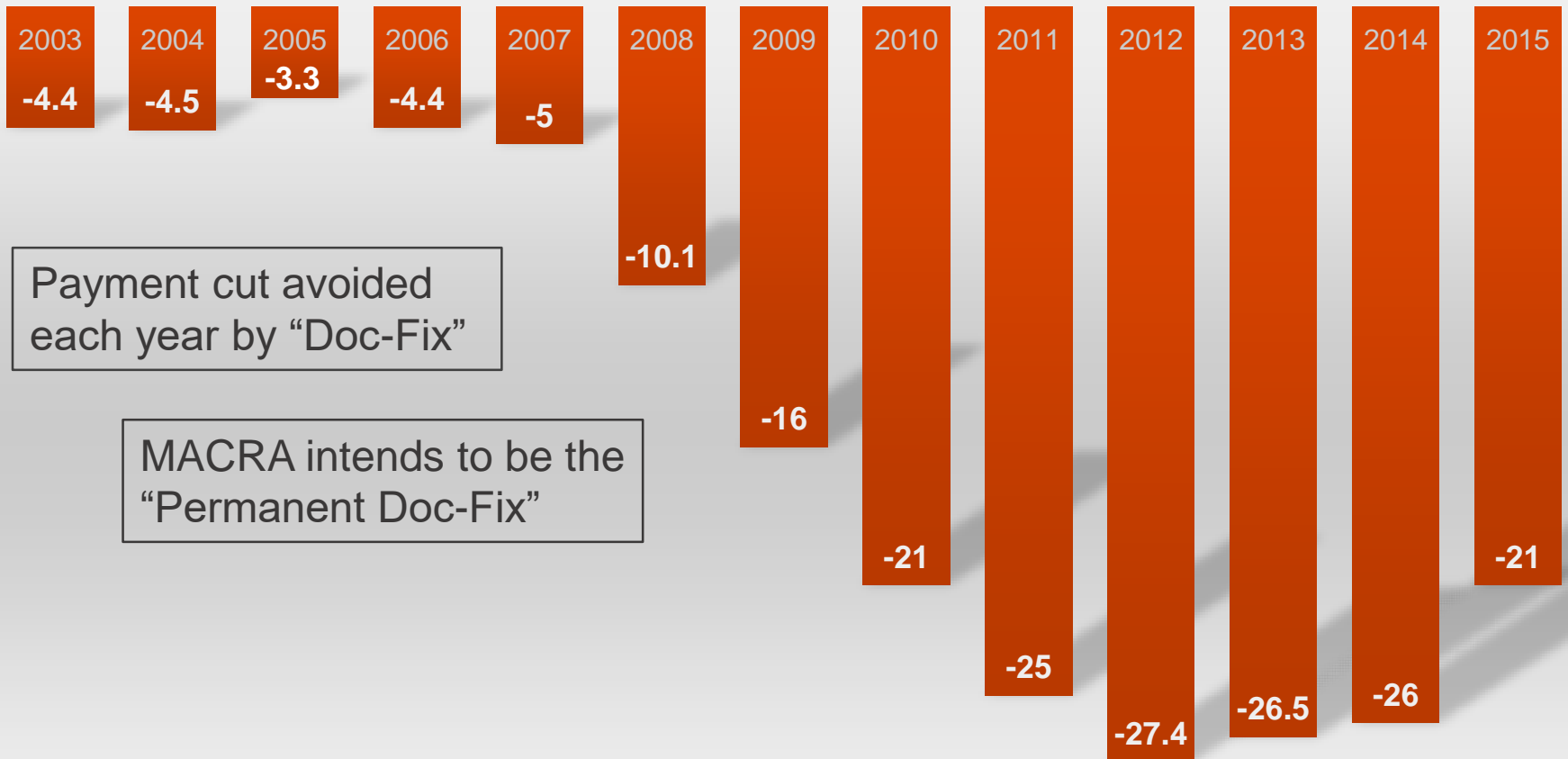


- 2017 was a transitional performance period, meaning participation was not mandatory but encouraged, and for those that participated, partial participation was allowed.
- All providers must report at least one quality measure, improvement activity, or advancing care information (ACI) metric to avoid negative adjustment for 2019.

What MACRA Does

- Ends the Sustainable Growth Rate formula
- Movement away from FFS reimbursement
 - Combines 3 P4P programs into one
 - Encourages providers to join Advanced APMs
 - Creates opportunity for commercial and Medicaid payers to design Advanced APMs
 - Ties performance and value to reimbursement

SGR Scheduled Payment Updates



MACRA Provider Choices

MIPS

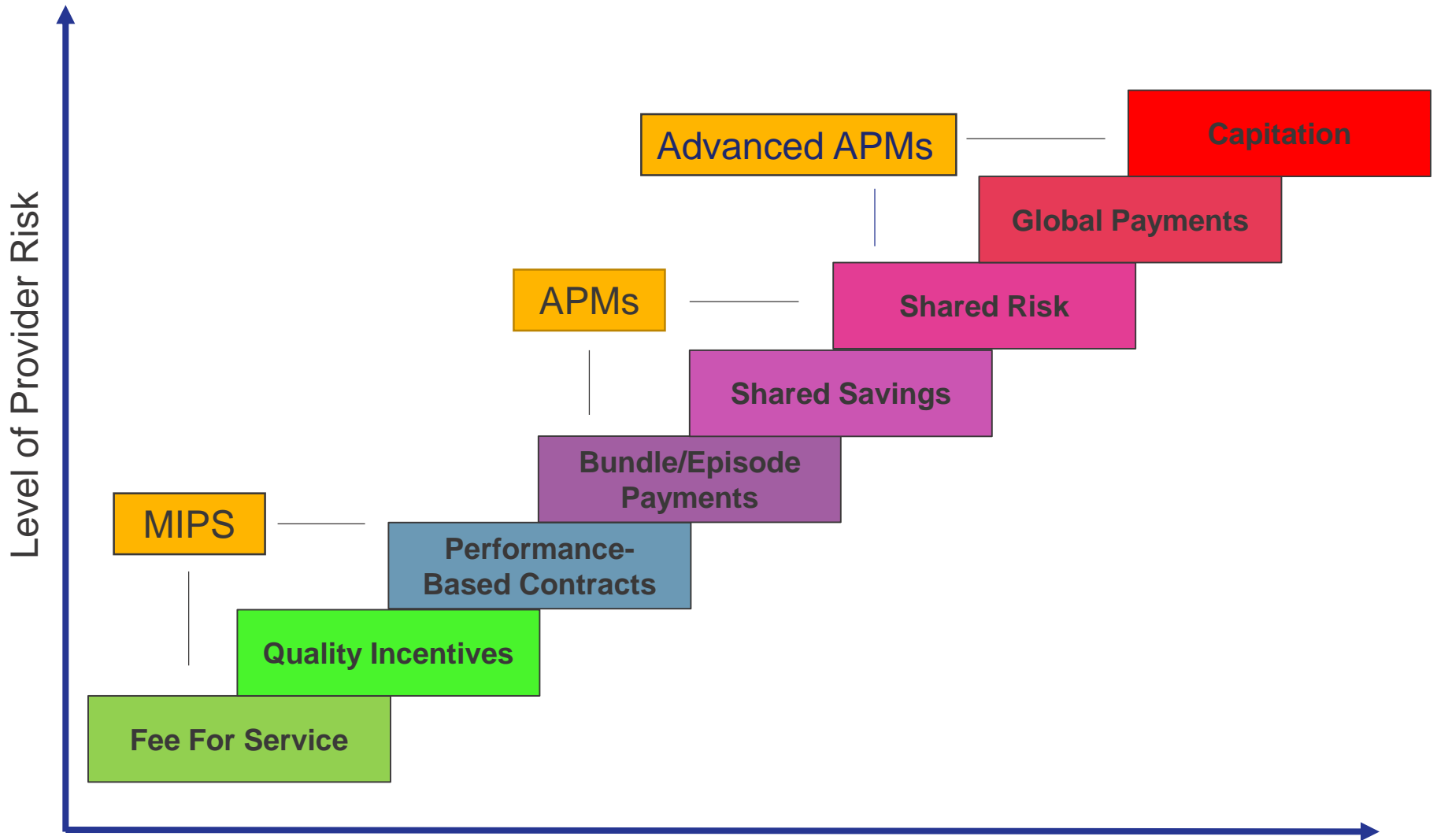
(Merit-based
Incentive Payment
System)

- Fee schedule adjustments based on performance (+/-)
- Adjustment based on performance in four domains

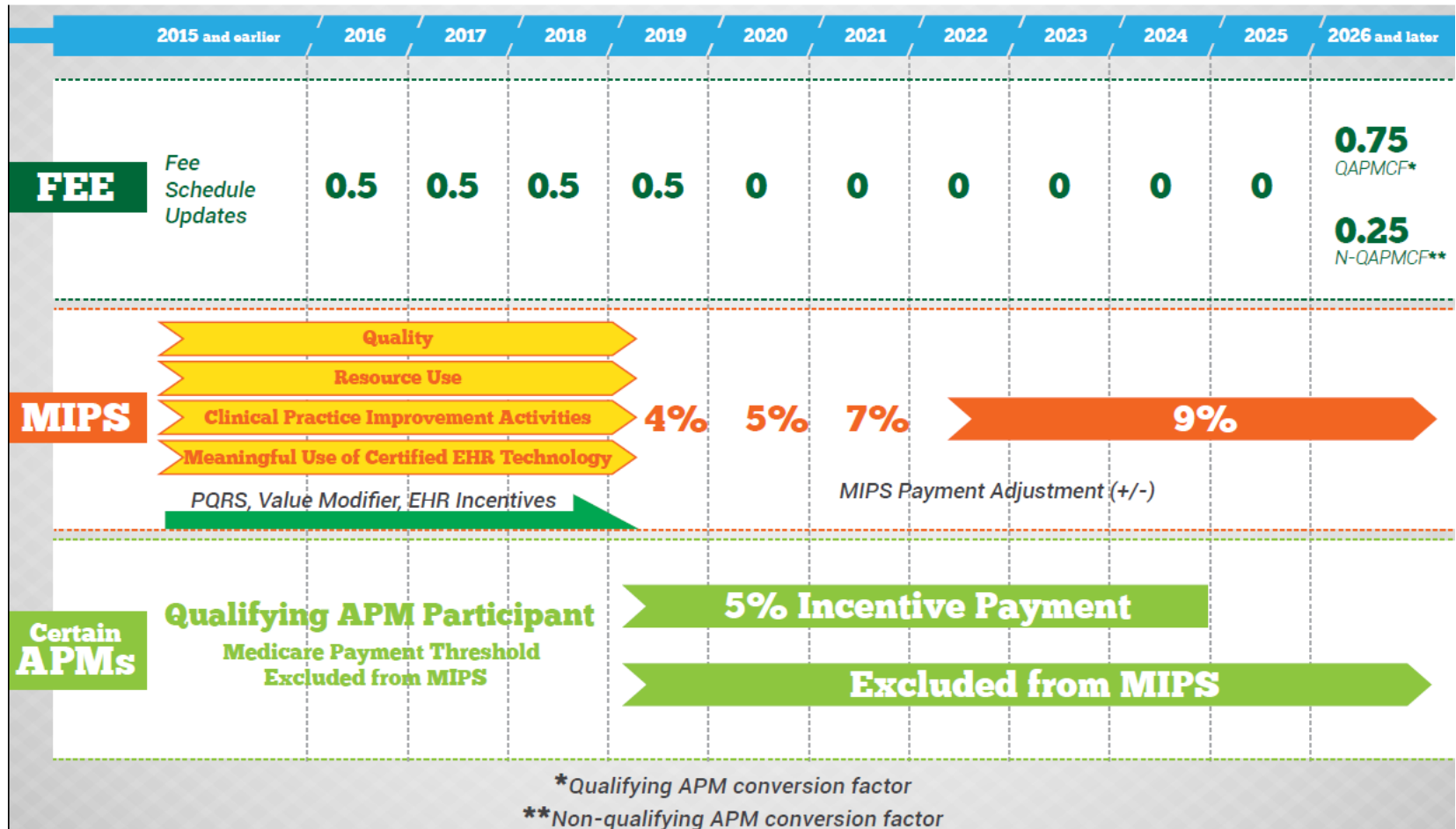
Alternative Payment Models

- Incentive Payment of 5%
- Exempt from MIPS
- Higher fee schedule increases starting in 2026

Spectrum of Value Based Models



MACRA Payment Timeline*

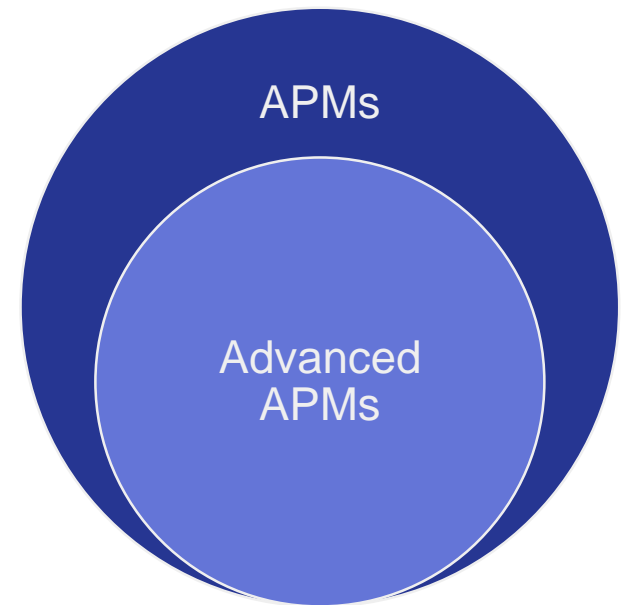


* From CMS presentation

Advanced Alternative Payment Models (AAPM)

Alternative Payment Models

- An Alternative Payment Model is a payment approach, developed in partnership with the clinician community, that provides added incentives to clinicians to provide high quality and cost efficient care. APMs can apply to a specific clinical condition, a care episode, or a population.
- APMs may offer significant opportunities to eligible clinicians who are not immediately able or prepared to take on the additional risk and requirements of Advanced APMs.



Advanced APM Participation Thresholds

If a provider participates in an Advanced APM, they will earn a 5% incentive payment in 2019 based on 2017 participation if:

- 25% of Medicare FFS Part B payments are made through an Advanced APM, or
- 20% of their Medicare FFS patients are seen through an Advanced APM.

These thresholds increase in subsequent years, but lag between participation and incentive remains the same:

% through APM	2018 (for 2020)	2019 (for 2021)	2020 (for 2022)	2021 (for 2023)	2022+ (for 2024+)
Payments	25%	50%	50%	75%	75%
Members	20%	35%	35%	50%	50%

Advanced APMs – All Payer Combination

- For 2019 (payment year 2021) CMS is implementing the previously finalized policy and will allow all payer types to be included in the 2019 Payer Initiated Process.
 - Other payer types that can submit payment arrangements for consideration as Other Payer AAPMs include:
 - Medicaid
 - Medicare Advantage Plans
 - CMS Multi-Payer Models
 - Other Commercial and Private Payers
- Providers can now qualify under an AAPM based on participation in Medicare and non-Medicare AAPMs.

Advanced Alternative Payment Models

- AAPMs enable clinicians and practices to earn greater rewards for taking on some risk related to their patient's outcomes (quality, cost, satisfaction).
- It is important to understand that the Quality Payment Program does not change the design of any particular APM. Instead, it creates extra incentives for a sufficient degree of participation in AAPMs.

AAPM Provider Revenue Impacts

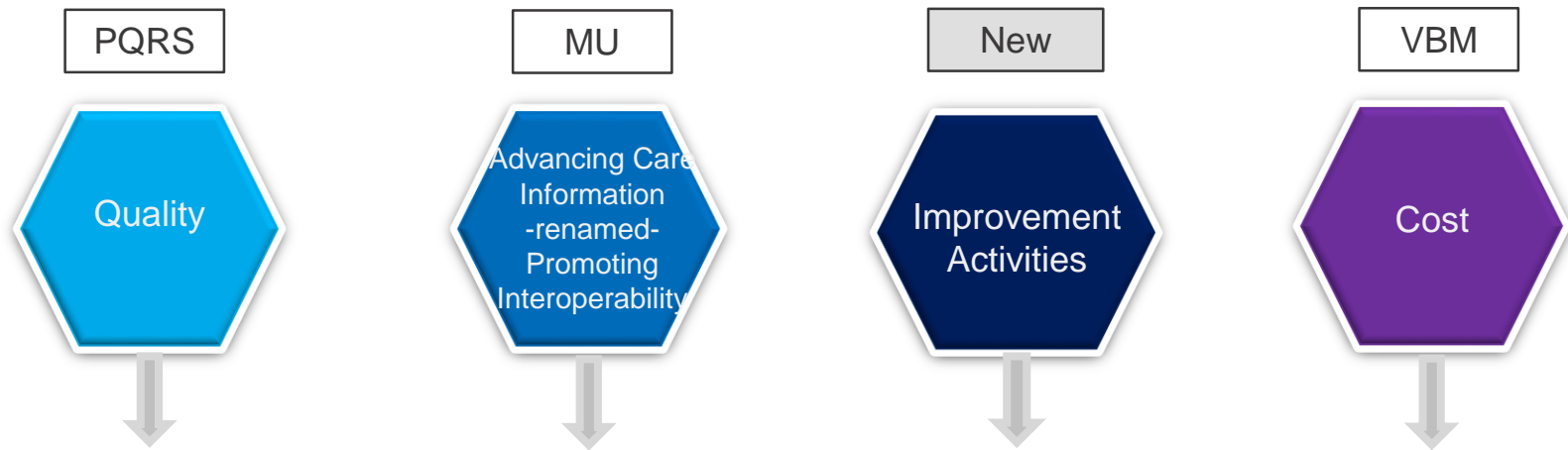
AAPM specific outcomes
+
5% lump sum MACRA incentive

Implications for Medicare Advantage Plans

- Providers looking to achieve AAPM status through an All Payer Combination may push health plans to contract under a payment arrangement eligible to be considered an AAPM.
 - May be a good time to move providers to risk sharing based arrangements to improve plan's financials.
- Considerations for Medicare Advantage members who receive their health care from a provider considered an AAPM, and paid using the Provider Fee Schedule:
 - Is the 5% lump sum MACRA Incentive considered part of the fee schedule? Providers would argue 'yes,' but health plans could argue 'no' since the lump sum is paid outside of the fee schedule.

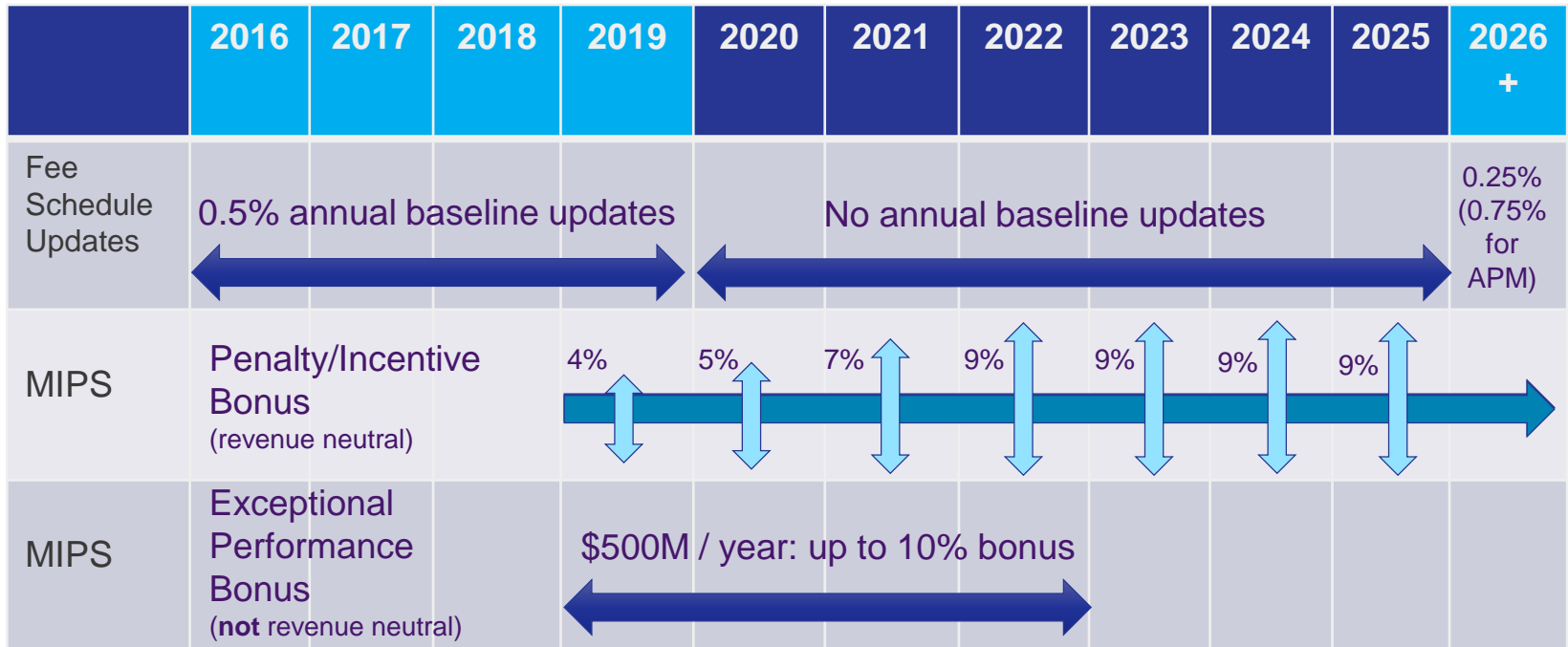
Merit-Based Incentive Payment System (MIPS)

MIPS Unifies Three Programs



Merit Based Incentive Payment System (MIPS)

MIPS Payment Adjustments



MIPS Component Weights (2018)



Quality

Expected to decrease to 30% by 2019



Promoting Interoperability

Stays Flat at 25%



Improvement Activities

Stays Flat at 15%



Cost

Expected to grow to 30% by 2019

CMS User Group Call: April 12, 2018

- **Question:** How much of the 2019 growth rate is explained by the expected payments for MIPS bonuses?
- **Answer:** Similarly, we expect that the calendar year 2019 incurred MIPS bonus payments to add 0.7 percent to the physician trend. Collectively, the MACRA and MIPS added about 0.25 percent to the 2019 FFS growth rate.

Implications for Medicare Advantage Plans

- Considerations for Medicare Advantage members who receive their health care from a provider paid under MIPS:
 - If a health plan contracts with providers based on the physician fee schedule:
 - Should the Penalty/Incentive Bonus be included in the calculation?
 - It is revenue neutral, so the providers could argue that including this adjustment over all of the health plan's members should be revenue neutral to the health plan (on average).
 - Providers receiving a negative adjustment would, obviously, disagree with this logic.
 - Should the Exceptional Performance Bonus be included in the calculation?
 - This is not revenue neutral and would only increase costs.
 - Note that county payment rates include an adjustment for these bonuses (see prior slide). Providers would argue that not passing it through is unfair.
 - How does your health plan contract with its physicians?
 - % of Medicare Fee Schedule
 - % of Physician Fee Schedule
 - % of Medicare Revenue

Final Thoughts

Considerations for Medicare Advantage Plans

- Using AAPM Participation or MIPS Results as a Tool for Network Management
 - If all of a plan's contracted providers are receiving negative MIPS adjustments, that speaks to a low quality network. And the converse would be true as well.
 - Participation in an AAPM could also be an indicator of higher quality care, and willingness to more aggressively manage care for a population. Both desirable traits for payers.

Considerations for Medicare Advantage Plans (cont'd)

- AAPM development
 - MA plans could create Advanced APM-type models with providers that can bear risk
- Reimbursement
 - X% of Medicare
 - Potential MIPS adjustments (+/-4% to +/-9%)
 - Potential AAPM bonus payments (+5%)
- MA Related Party – How compare to non-related party contracts?

Considerations for Medicare Advantage Plans (cont'd)

- MA Part C Star measures overlap with APM and MIPS measures
- Health plans should examine opportunities to collaborate with provider groups as they adapt to new payment and risk arrangements
- Greater consolidation may put pressure on unit cost trends
- Health systems may decide to become provider-sponsored plans

Thank you!

Bob Moné FSA, MAAA
bob.mone@wakely.com

Liz Myers FSA, MAAA
liz.myers@wakely.com

Appendix

References

- <https://qpp.cms.gov/>
- <https://qpp.cms.gov/participation-lookup/about>
- <https://www.cms.gov/Medicare/Quality-Payment-Program/Resource-Library/Resource-library.html>
- <https://www.cms.gov/Medicare/Quality-Initiatives-Patient-Assessment-Instruments/Value-Based-Programs/MACRA-MIPS-and-APMs/MACRA-MIPS-and-APMs.html>
- <http://www.aafp.org/practice-management/payment/medicare-payment/faq.html>
- <https://www.federalregister.gov/documents/2017/11/16/2017-24067/medicare-program-cy-2018-updates-to-the-quality-payment-program-and-quality-payment-program-extreme>
- <https://www.cms.gov/Medicare/Health-Plans/MedicareAdvtgSpecRateStats/Downloads/ActuarialBidQuestions2019.pdf>