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MACRA and Rural Hospitals

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MACRA AND RURAL HOSPITALS

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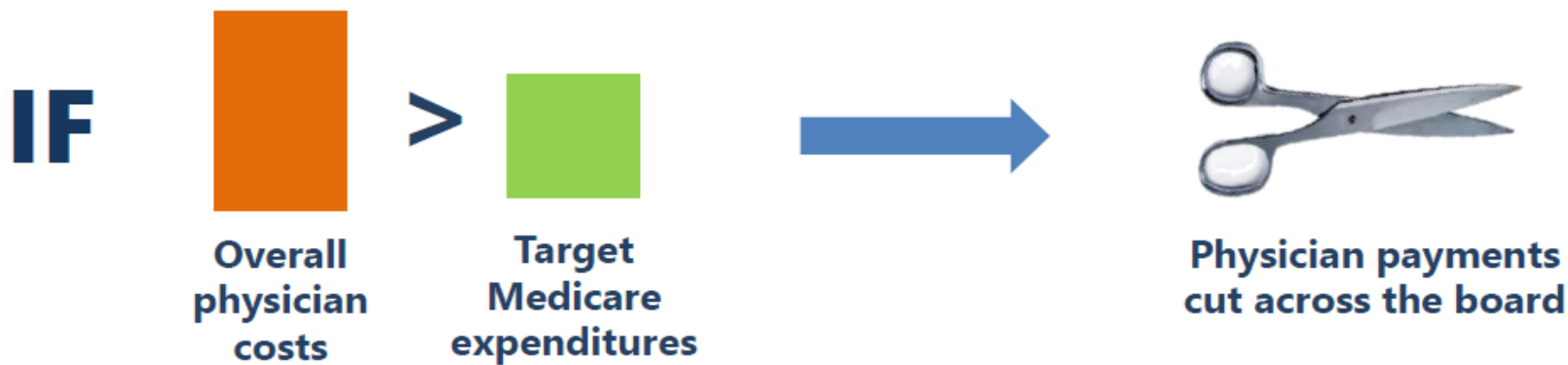
INTRODUCTION

- **2015 United States Healthcare Industry**
 - Medicare spending reached \$642 Billion
 - National Health Expenditure climbed to \$3.2 Trillion
 - Sustainable Growth Rate (SGR) was the Medicare physician reimbursement algorithm

The Sustainable Growth Rate

Medicare payment prior to 2019 – **Fee-for-service** payment system where clinicians are paid based on volume of services not value

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



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)

History



Patient Protection Affordable Care Act (PPACA) Signed Into Law in March 2010
AKA "Obama Care" or "ACA"



Meaningful Use Stage 3 Delay and Stage 2 Modification to Help with Attestation



2009

2010

2011

2015

2016



American Reinvestment and Recovery Act (ARRA) And the Accompanying Health Information Technology For Economic and Clinical Health (HITECH)



Meaningful Use Stage 1 Attestation Begins



MACRA Signed into Law on April 16, 2015 which includes the Elimination of the Sustainable Growth Rate and the Addition of MIPS to Help Combine Incentive Programs



INTRODUCTION

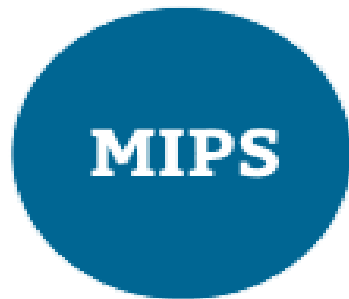
Medicare Access and Reauthorization Act of 2015 (MACRA)

- Bipartisan act that repealed and permanently replaced SGR
- Shifted reimbursement from volume to value
- Intended to link 90% of Medicare Fee-For-Service payments to quality and 50% all Medicare payments to APMs.
- Created two reimbursement tracks for physicians termed Merit-Based Incentive Payments (MIPS) and Alternative Payment Methods (APMs)
- Started January 1, 2017.

The Quality Payment Program policy will:

- Reform Medicare Part B payments for more than 600,000 clinicians
- Improve care across the entire health care delivery system

Clinicians have two tracks to choose from:



The Merit-based Incentive Payment System (MIPS)

If you decide to participate in traditional Medicare, you may earn a performance-based payment adjustment through MIPS.

OR



Advanced Alternate Payment Models (APMs)

If you decide to take part in an Advanced APM, you may earn a Medicare incentive payment for participating in an innovative payment model.

Definitions

- Children's Health Insurance Program (CHIP) - Signed into law in 2009 and promised a new day for children's health care quality, especially for those 45 million children covered by Medicaid and CHIP programs.
- Merit Based Incentive Payment System (MIPS) - Combines parts of the Physician Quality Reporting System (PQRS), Value-based Payment Modifier (VBM), and the Medicare Electronic Health Record (EHR) incentive program into one single program.

Definitions

- Value Based Payment Modifier - (VM) - Created under the ACA, it provides for differential payment to a physician or group of physicians under the Medicare Physician Fee Schedule (PFS) based upon the quality of care furnished compared to the cost of care during a performance period. Key is that this is driven by the PQRS data and NOT by volume
- Medicare Access & CHIP Reauthorization Act - (MACRA) also know colloquially as the 'permanent doc fix'. Key - Bundles PQRS, Value Based Payment Modifier, Meaningful Use, and Improvement Activities (New) under the Merit Based Incentive Payment System (MIPS). Key is this repeals the Medicare Sustainable Growth Rate.

INTRODUCTION

Merit-Based Incentive Payments (MIPS)

- Medicare change of FFS payments to value based.
- Condensed physician quality reporting system (PQRS), value-based quality modifiers (VM), and Medicare meaningful use (MU)
- Scores physicians on 0-100 scale based on four performance categories
- Majority of providers will default to MIPS
- Exemptions include physicians who have seen less than 100 Medicare patients, billed less than \$30,000 to Medicare, or participation in Advanced APM

INTRODUCTION

Rural Hospitals

- Predicted to have to support and assist local providers
- Decreased admission rates and outpatient procedures
- Rely heavily on government payments due to size, location, limited resources, high volume of Medicare patients, and small financial reserves

PURPOSE

- The purpose of this research was to study MACRA and to determine how its implementation would financially impact rural hospitals

RESULTS

Merit-Based Incentive Payment Systems (MIPS)

- Physicians will be scored based on weighted four categories: Quality, Resource Use, Clinical Improvement Activities, Meaningful Use of EHR.
- The weight of each category will change in 2021.
- 2019 weights: Quality – 50%, Resource Use – 10%, Clinical Improvement Activities - 15%, Meaningful Use of EHR – 25%
- 2021 weights: Quality – 30%, Resource Use – 30%, Clinical Improvement Activities – 15%, Meaningful Use of EHR – 25%

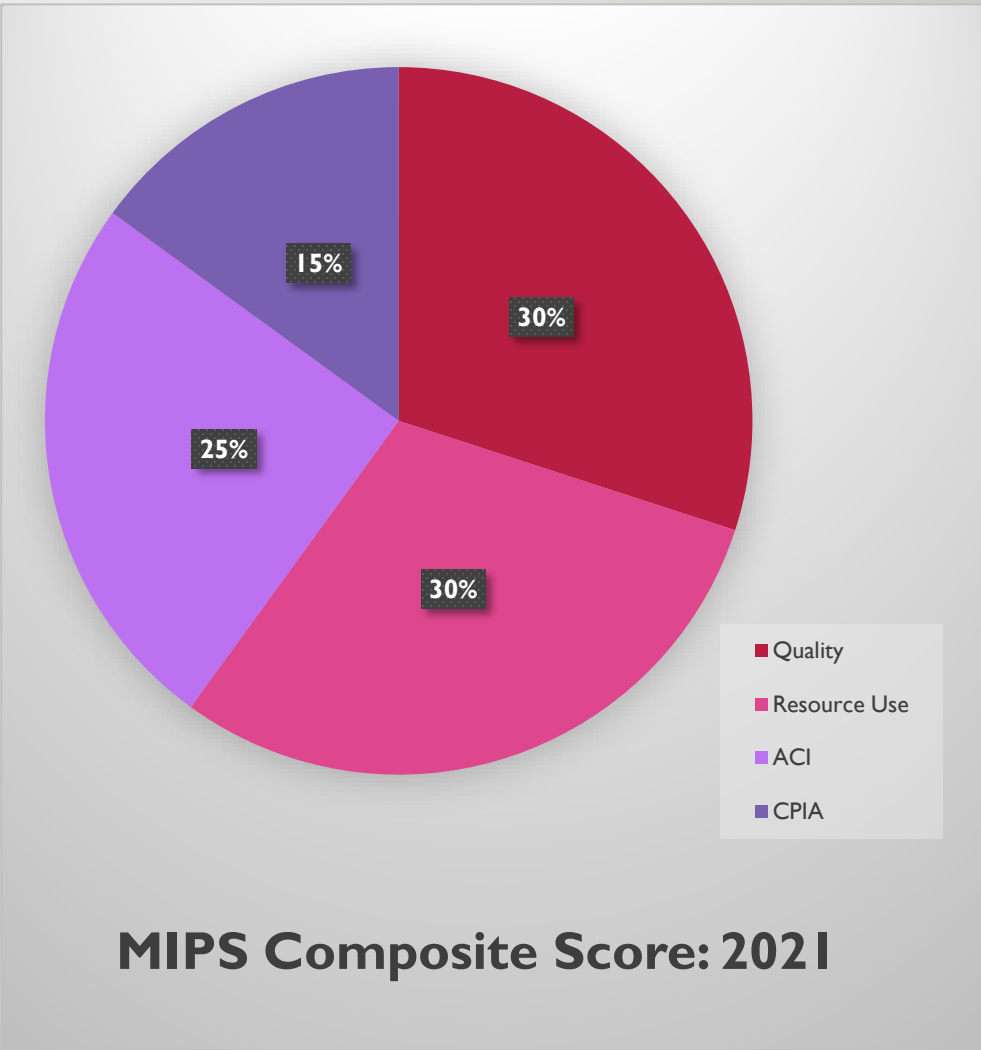
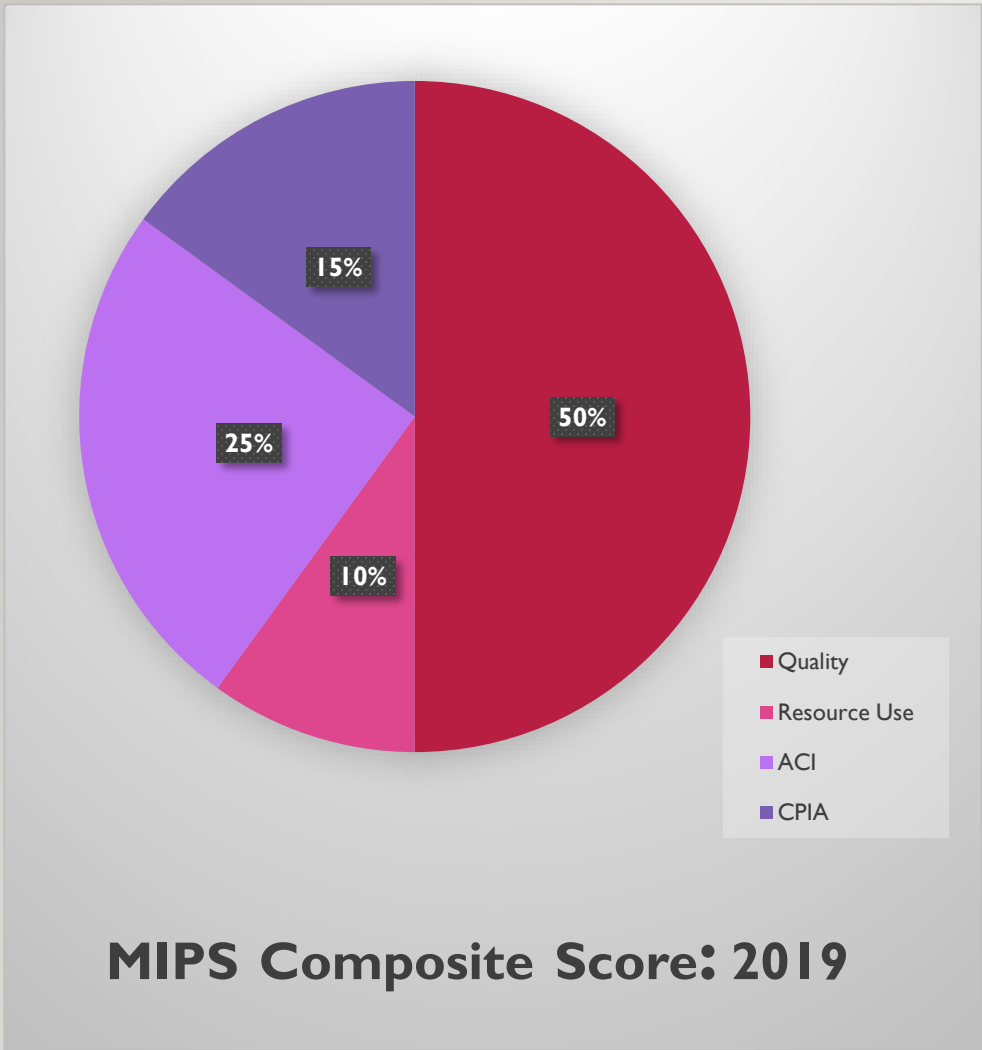


Figure 1
Reference: (CMS, n.d.)

Figure 2
Reference: (CMS, n.d.)

MIPS CALCULATION

Final Score =

$$\left[\begin{array}{l} \text{Clinician Quality} \\ \text{performance} \\ \text{category score x} \\ \text{actual Quality} \\ \text{performance} \\ \text{category weight} \end{array} \right] + \left[\begin{array}{l} \text{Clinician Cost} \\ \text{performance} \\ \text{category score x} \\ \text{actual Cost} \\ \text{performance} \\ \text{category weight} \end{array} \right] + \left[\begin{array}{l} \text{Clinician} \\ \text{Improvement} \\ \text{Activities} \\ \text{performance} \\ \text{category score x} \\ \text{actual} \\ \text{Improvement} \\ \text{Activities} \\ \text{performance} \\ \text{category weight} \end{array} \right] + \left[\begin{array}{l} \text{Clinician} \\ \text{Advancing Care} \\ \text{Information} \\ \text{performance} \\ \text{category score x} \\ \text{actual Advancing} \\ \text{Care Information} \\ \text{performance} \\ \text{category weight} \end{array} \right] \times 100$$

MIPS



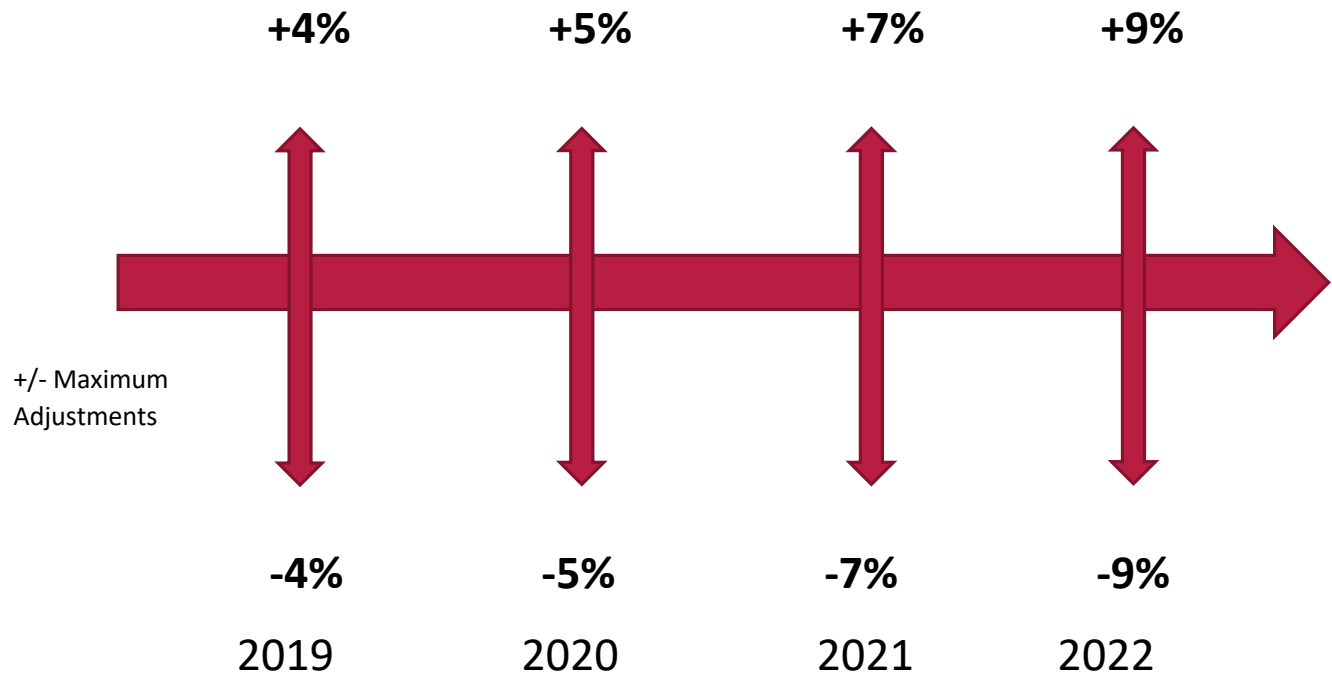
- Moves Medicare Part B clinicians to a performance-based payment system
- Provides clinicians with flexibility to choose the activities and measures that are most meaningful to their practice
- Reporting standards align with Advanced APMs wherever possible

**This is a new category.*

RESULTS

MIPS (continued)

- Reimbursements begin 2019 based on 2017 data
- Annual fee update of 0.25% in 2026 and beyond
- Adjustment ranges change each year until 2022
 - 2019: -4% to +4%
 - 2020: -5% to +5%
 - 2021: -7% to +7%
 - 2022: -9% to +9%



Merit-Based Incentive Payment System

Figure 3
Reference: (CMS, n.d.)

RESULTS

CMS Reimbursement Projections for 2019

- 87% solo-practices - negative adjustment
 - 70% practices with 2-9 providers - negative adjustment
 - 81% practices with over 100 physicians - positive adjustments
-
- These predictions have led to the idea that many small, local primary care physicians will want to merge into larger corporations for protection from MACRA.
 - Rural hospitals have not been predicted to compete well with larger corporations.

RESULTS

Merit-Based Incentive Payment Systems and Rural Hospitals

- Rural hospitals have faced challenges meeting some of the requirements that were in place before MACRA, such as MU of EHR.
- Since rural hospitals have already faced these challenges, the value-based purchasing models have been predicted to be a challenge as well.
- Special MIPS participation and reporting requirements were designed by CMS for rural clinicians.
- To help with the implementation of MIPS, several assistance programs have also been created to encourage rural hospitals to participate.

DISCUSSION

MACRA and Rural Hospitals

- The majority of small and independent practices have been projected to be impacted negatively by MACRA; therefore, hospitals have been expected to have to provide support and assistance to local clinicians to avoid reduced admissions and outpatient procedures.
- Rural hospitals have not been predicted to compete well with large corporations. Large hospitals and organizations such as Davita will recruit and retain physicians who have left their practice.
- An expected one-time payment of 3.2% to inpatient hospitals was reduced to 0.5% annually between the years of 2018-2023.

DISCUSSION

- Although the long-term effects of MACRA have not been able to be studied, MACRA has the prospective to negatively impact rural hospitals financially.
- MACRA has potential risks and benefits for physicians associated with its two reimbursement payment methods.
- The estimated negative reimbursements and set reductions to hospital reimbursement have supported the idea that physicians and all healthcare organizations need to be aware and prepared for MACRA.

Questions?

RESULTS

Advanced Alternative Payment Models

- Favorable scoring under MIPS
- Advanced APMs exempt from MIPS
- Advanced Criteria: Quality based payment measures similar to MIPS, utilization certified EHR, bear nominal financial risk
- Goal: 30% of Medicare payments APMs by 2016 & 50% by 2018
- 0.75% increase in reimbursements for Advanced APM providers in 2026 and beyond
- Eligible physicians would receive 5% lump sum bonus annually 2019-2024

INTRODUCTION

Alternative Payment Model (APM)

- Favorable scoring under MIPS
- Advanced APMs not subjected to MIPS
 - Comprehensive ESRD Care
 - Comprehensive Primary Care Plus (CPC+)
 - Next Generation ACO Model
 - Shared Savings Program – Track 2
 - Shared Savings Program – Track 3
 - Oncology Care Model (OCM)
 - Comprehensive Care for Joint Replacement (CJR) Payment Model (Track 1- CEHRT)
 - Vermont Medicare ACO Initiative (as part of the Vermont All-Payer ACO Model)
- Qualifying APMs would receive lump sum bonuses

DISCUSSION

- Physicians have been given the choice to be included in two different payment tracks: MIPS and APMs
- Most providers have been expected to fall under MIPS
- MIPS has offered physicians either a large reward or a large penalty based upon their clinical performance
- Individual physician performances have been set to be evaluated and compared to the performance of other clinicians
- Physicians who have participated in eligible APMs earn positive reimbursement rates, higher annual fee updates and bonus payments; however, these physicians have to take more financial risks than MIPS provider