MACRA – The Financial & Strategic Impact for 2018

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Overview

Objectives:

- Learn about key elements of the MACRA legislation
- Understand the strategic choices before health systems and the financial ramifications
  - MIPS
  - AAPM
  - MIPS – APM
- Determine the variables important to your organization

Themes:

- MACRA is designed to move providers toward population health and will likely be successful
- MACRA has strategic implications and the greatest impact may come from indirect consequences, not assessed penalties or bonuses
- Providers should explore all options and not assume they must default into a given strategic path
- Every potential strategic direction, except doing nothing and accepting the maximum penalties, requires a significant lift

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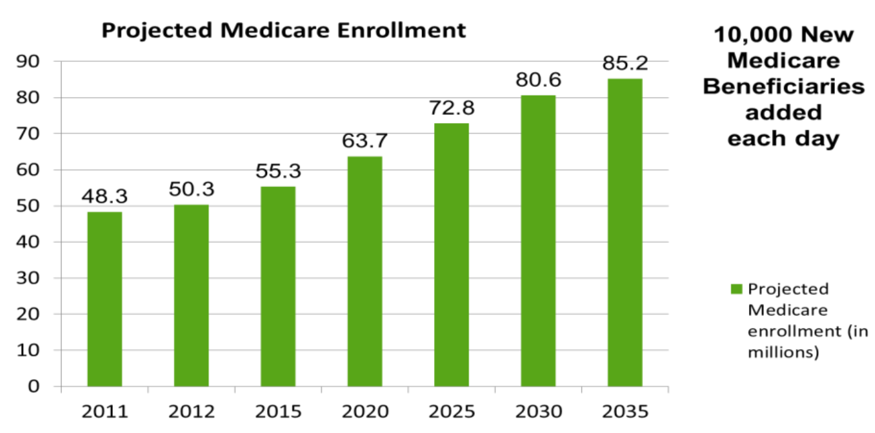
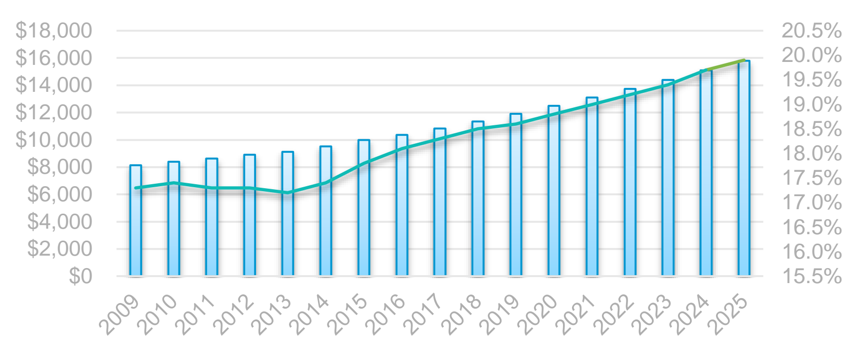
Market Pressures

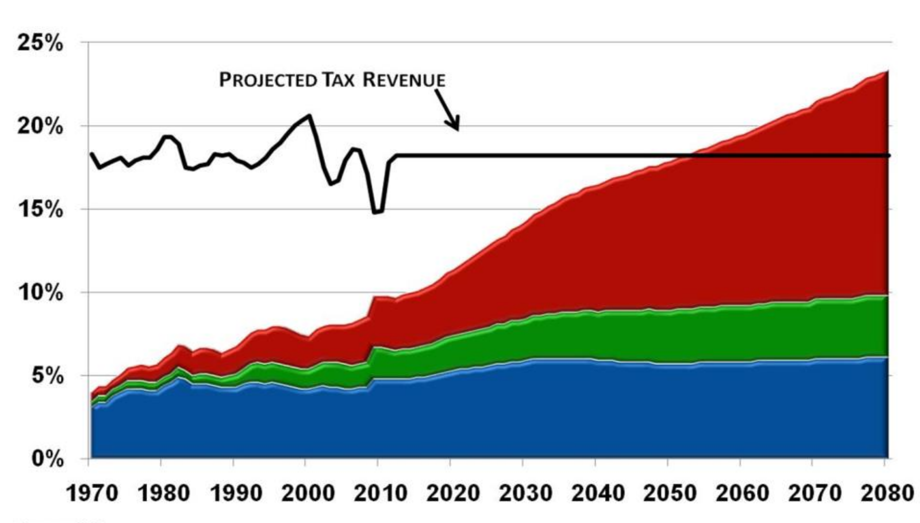
1. Aging Population



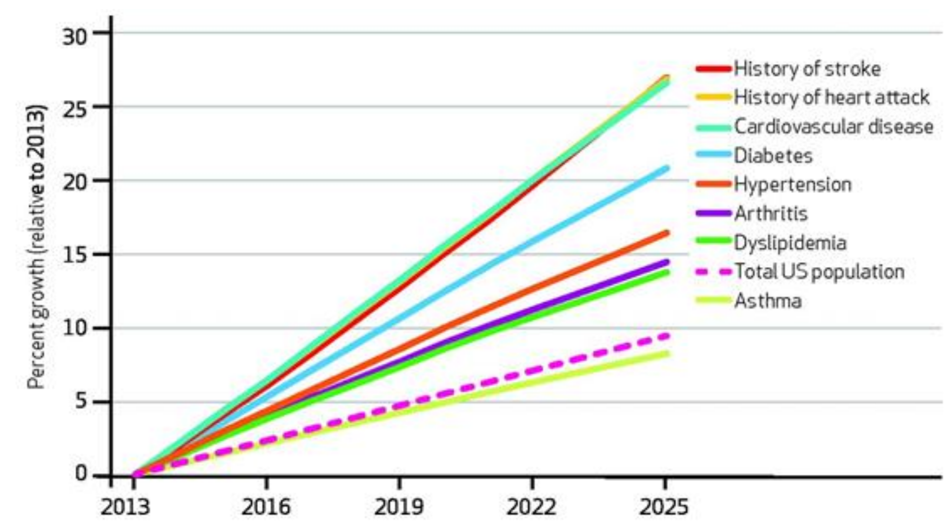
2. Significant Spend Increase



3. Not Fiscally Sustainable



4. Chronic Conditions



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Fee For Service Population Health Management

Projection for 2017

Percent of Medicare Beneficiaries

100.0%
90.0%
80.0%
70.0%
60.0%
50.0%
40.0%
30.0%
20.0%
10.0%
0.0%

	2010	2011	2012	2013	2014	2015	2016	2017
Trad	76.…	75.4%	67.9%	64.8%	61.7%	54.7%	51.3%	49.5%
MA	23.6%	24.2%	25.6%	27.5%	29.1%	30.9%	32.5%	32.2%
ACO	0.0%	0.4%	6.5%	7.7%	9.2%	14.4%	16.3%	18.3%

Sources:
https://innovation.cms.gov/Files/fact-sheet/nextgenaco-fs.pdf
http://www.markfarrah.com/healthcare-business-strategy/An-Analysis-of-2017-Medicare-Business-Competition.aspx
FFS 2015#: 38 (http://www.cbo.gov/sites/default/files/cbofiles/attachments/44205-2015-03-Medicare.pdf) - 7.9M (the ACO population)= 30.1M
ACO 2016 #: 8.9M (http://www.hhs.gov/about/news/2016/01/11/new-hospitals-and-health-care-providers-join-successful-cutting-edge-federal-initiative.html)
MA 2015#: 17M (http://www.cbo.gov/sites/default/files/cbofiles/attachments/44205-2015-03-Medicare.pdf)

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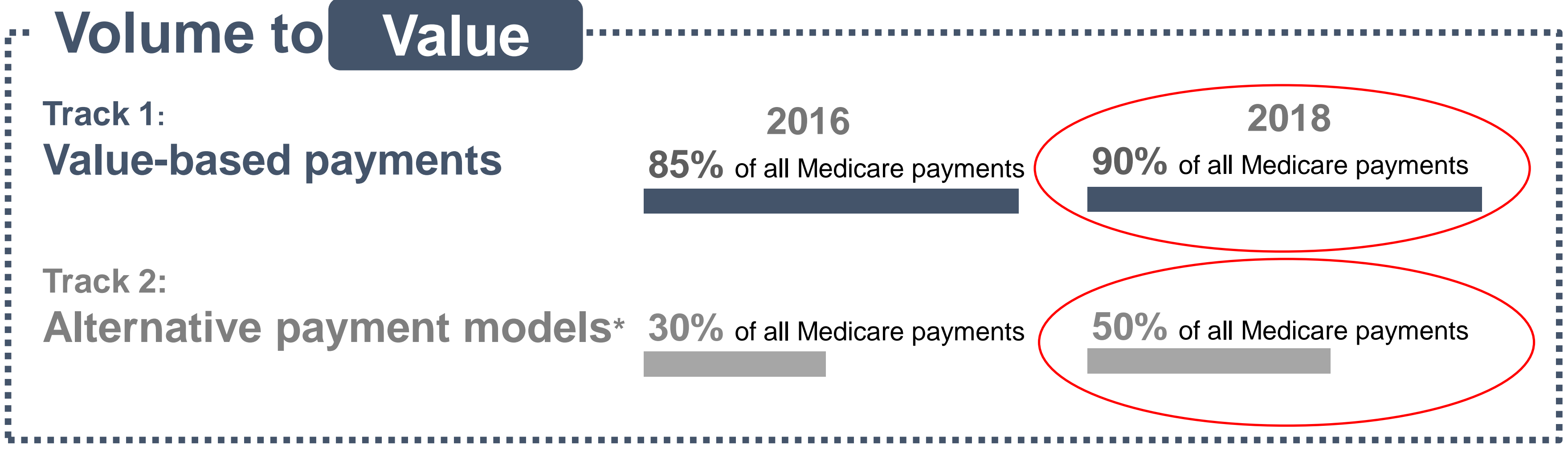
Better Care. Smarter Spending. Healthier People



Focus Areas	Description
Incentives	▪ Promote value-based payment systems – Test new alternative payment models – Increase linkage of Medicaid, Medicare FFS, and other payments to value ▪ Bring proven payment models to scale
Care Delivery	▪ Encourage the integration and coordination of clinical care services ▪ Improve population health ▪ Promote patient engagement through shared decision making
Information	▪ Create transparency on cost and quality information ▪ Bring electronic health information to the point of care for meaningful use

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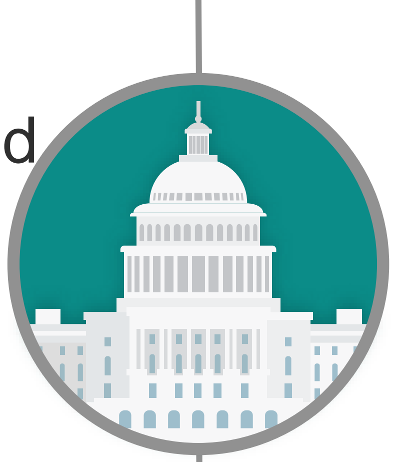
The MACRA Challenge

The MACRA legislation was made into law in 2015, Interim Final regulations were released in October of 2016 and the first performance period began in January, 2017



The short time span between rulemaking and implementation, and the lack of high quality data, means providers must make decisions with less than perfect information

"MACRA is the burning platform for progress in care delivery, just as the ACA was in health care coverage,"
- Andy Slavitt, former Acting Administrator of CMS

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MACRA Readiness – Early Observations

MACRA & MIPS=

incentive movement toward population health; a carrot, not a stick

Simply understanding

MIPS and successfully reporting will be a major driver of performance in the early years

Health systems

which build Advanced APMs may have some employed clinicians remain in MIPS

MACRA, by itself does not

change the underlying economics of health system management but is a potential tool for physician alignment

The AAPM bonus

may not equal the total cost of developing a two-sided risk ACO

Track 1+ contains less

risk than Tracks 2 & 3, but has no more upside potential than Track 1

AAPMs may have unintended

consequence of lowering specialty physician participation

Independent physicians,

may feel threatened by MIPS and drawn toward AAPMs, with or without hospital partners

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MACRA Reform Timeline

(Medicare Access And CHIP Reauthorization Act Of 2015)

2015 2016 2017 2018 2019 2020 2021 2022 2023 2024 2025 2026

Permanent repeal of SGR

Updates in physician payments

0.5% (7/2015-2019) | 0% (2020-2025)

PQRS
Meaningful Use
Value-based Payment Modifier

MIPS Track

Measurement period

Merit-Based Incentive Payment System (MIPS) adjustments

2019	2020	2021	2022 & beyond
+/-4%	+/- 5%	+/- 7%	+/- 9%

MIPS exceptional performance adjustment; ≤ 10% Medicare payment (2019-2024)

0.25% update

AAPM Track

Measurement period

Advanced APM participating providers exempt from MIPS; receive annual 5% bonus (2019-2024)

0.75% update

MIPS APM Track

Measurement period

Non-Advanced APM participating in MIPS with enhanced scoring and reporting; Potential to move to AAPM

0.25% update

*Pay for reporting will continue past 2018 for eligible professionals that are unable to participate in MIPS, however this group has yet to be defined.

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Thinking Strategically About MACRA

MIPS	MIPS + Non-Qualified Alternative Payment Model (APM)	Advanced Alternative Payment Models (AAPM)
Providers who do not meet exclusion criteria and are not part of an APM	Providers participating in a non-Advanced APM or partially qualified QPs	Providers participating in an Advanced APM and meet volume thresholds
TOTAL MIPS TRACK	**TOTAL NON-QUALIFIED APM TRACK**	**TOTAL QUALIFIED APM TRACK**

57% of organizations change the preliminary strategic direction after an assessment – with 75% deciding to take less risk than originally thought

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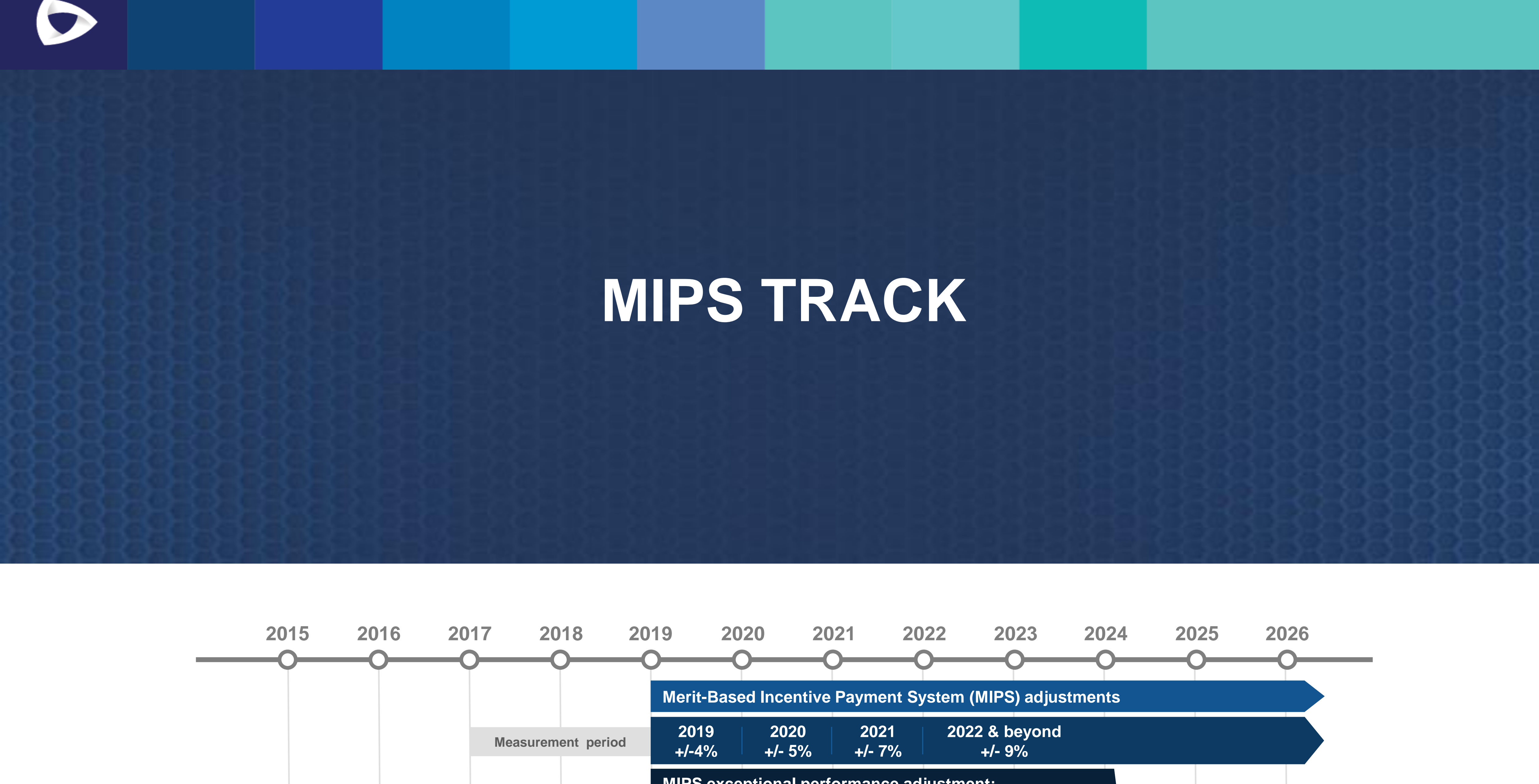

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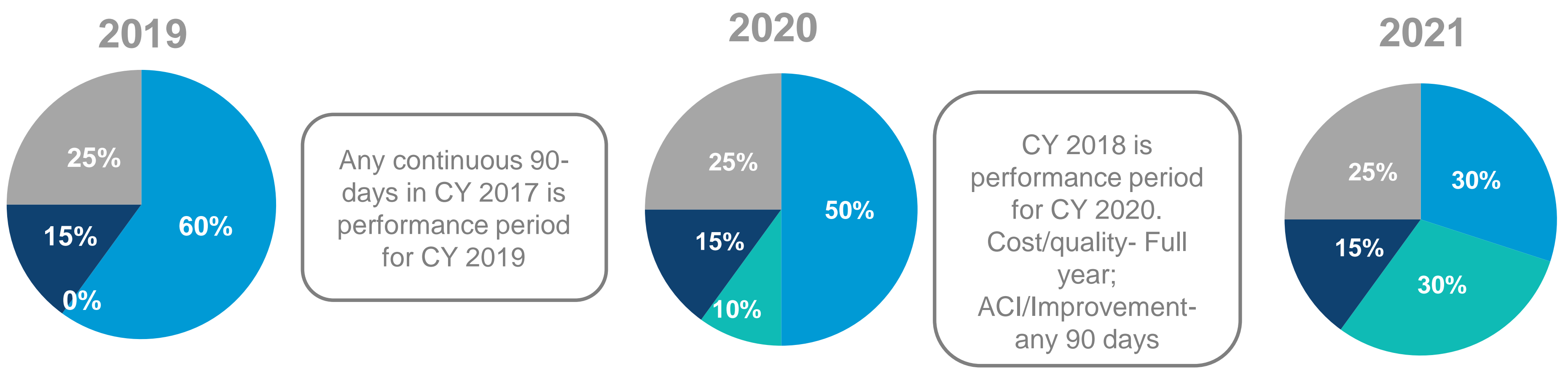
MIPS: Eligible Clinicians – Proposed 2018

Years 1 and 2	Years 3+ (potential)
▪ Physician, ▪ Physician Assistants, ▪ Nurse Practitioners, ▪ Certified-Nurse Specialists, ▪ Certified Registered Nurse Anesthetists	▪ Physical or occupational therapist, ▪ Speech-language pathologists, ▪ Audiologists, ▪ Nurse midwives, ▪ Clinical social workers, ▪ Clinical psychologists, ▪ Dieticians, ▪ Nutritional professionals

- Exclusions
  - New Medicare-enrolled eligible clinicians
    - Enrolled during the performance year
    - Not previously part of a group or billing under a different TIN
    - Eligibility determined quarterly
  - Clinicians below the low-volume threshold
    - $90,000 or less in charges **OR**
    - Provides care to 200 beneficiaries or fewer
    - **Allow opt-in beginning in 2019**
    - **Seeking comments on a threshold based on items and services provided (e.g. patient encounters or procedures)**
  - Qualifying/ Partial Qualifying Advanced APM Participants

- Non-Patient Facing MIPS ECs
  - Individuals: 100 or fewer patient-facing encounters
  - Groups/Virtual Groups: More than 75% of NPIs in TIN meet the individual threshold
  - Determination made in two-segment analysis
- ASC/HHA/Hospice/HOPD: MIPS adjustment does not apply to facility payment
- CAHs: MIPS adjustment applies but not to facility payment
- RHC/FQHC: MIPS adjustment does not apply

Merit-based Incentive Payment System (Current Law)



- **Quality** — PQRS Measures, PQIs (Acute and Chronic), Readmissions
- **Cost**— MSPB, Total Per Capita Cost, Episode Payment
- **Advancing care information** — Meaningful Use Objectives and Measures
- **Improvement activities** — Expanded access, population management, care coordination, beneficiary engagement, patient safety, social and community involvement, health equity, emergency preparedness, behavioral and mental health integration and Alternative payment models.

- **Sets performance targets in advance, when feasible**
- **Sets performance threshold at 3; median or mean in later years.**
- **Improvement scores in later years**

2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026

Performance Period 1

Merit-Based Incentive Payment System (MIPS) adjustments

2019	2020	2021	2022 & beyond
+/-4%	+/- 5%	+/- 7%	+/- 9%

MIPS exceptional performance adjustment; ≤ 10% Medicare payment (2019-2024)

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Example of Health System MIPS Potential Impact:
Asymmetrical Risk Corridor for 5 Years

Potential Penalty | Potential Bonus

Year	Downside	MIPS	MIPS Neutral	Exceptional
2019	-4% / -$213,077	+4% / $213,077		+14% / $745,769
2020	-5% / -$266,346	+5% / $266,346	+15% / $799,038	+25% / $1,331,730
2021	-7% / -$372,885	+7% / $372,885	+21% / $1,118,654	+31% / $1,651,346
2022	-9% / -$479,423	+9% / $479,423	+27% / $1,438,269	$1,970,961
2023	-9% / -$479,423	+9% / $479,423	+27% / $1,438,269	$1,970,961

?

■ Downside ■ MIPS ■ MIPS Neutral ■ Exceptional

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CMS Predictions on MACRA Impact
(Pre-Revision)

Solo and small practices will get hit hardest under the new incentive payment system

Practice size	Eligible clinicians	Percentage likely to be penalized	Percentage likely to get bonus
Solo	102,788	**87%**	**12.9%**
2-9	123,695	**69.9%**	**29.8%**
10-24	81,207	**59.4%**	**40.3%**
25-99	147,976	**44.9%**	**54.5%**
100 or more	305,676	**18.3%**	**81.3%**
Overall	761,342	**45.5%**	**54.1%**

Source: CMS

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MIPS Reporting Options for 2017

Do not submit data for 2017	Submit minimal data for 2017	Submit partial data for 2017	Submit full data for 2017
• Automatic **-4%** payment adjustment	• 1 quality; 1 Improvement Activities (IA); or 4/5 required Advancing Care Information (ACI) measures	• 1+ quality; 1+ IA; • or 5+ required ACI measures • 90-day minimum • Possible + adjustment	• Full quality, IA, and ACI • Full 90 days, ideally full year • *Maximize + adjustment*
Downward Payment Adjustment	**Zero Payment Adjustment**	**Upward Payment Adjustment (based on performance)**	

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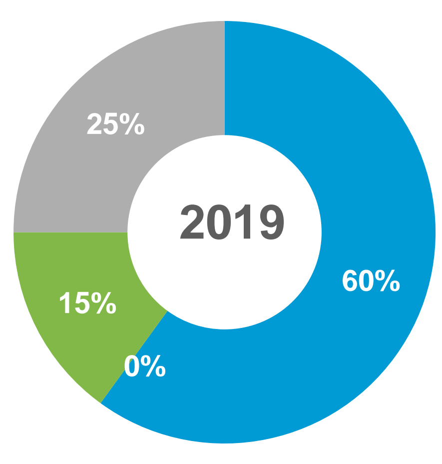
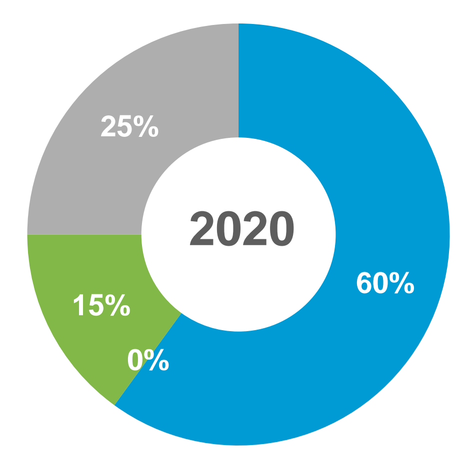
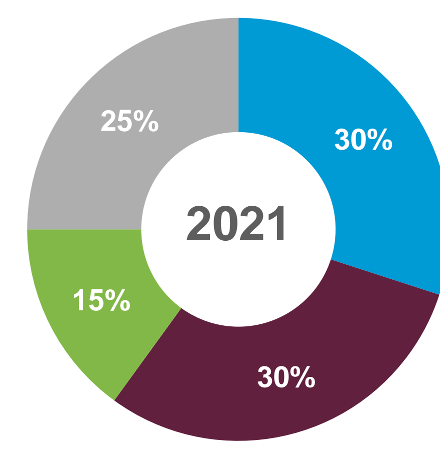
MIPS Overview - Proposed 2018







- **Quality** — PQRS Measures, Readmissions
- **Cost** — MSPB, Total Per Capita Cost, ~~Episode-based spending measures~~
- **Advancing care information** — Modified Meaningful Use Objectives & Measures
- **Improvement activities** — Expanded access, population management, care coordination, beneficiary engagement, patient safety, social and community involvement, health equity, emergency preparedness, behavioral and mental health integration and Alternative payment models

- **Sets performance targets in advance, when feasible**
- **Sets performance threshold at 3; 15 in 2020 and median or mean in later years.**
- **Improvement scores for cost and quality in 2020 and beyond**

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Proliferation of Medicare ACO

List of 69 ACOs on Following Pages

- MSSP Track 1
- MSSP Track 3
- NGACO

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Medicare ACOs on Map

MSSP Track 1

# on Map	Name	City	State	Track	Start Date	# Beneficiaries
1	Illinois Health Partners ACO, LLC	Downers Grove	IL	1	2014	66,870
2	UCMCNACO, LLC	Chicago	IL	1	2017	2017 Starter
3	Springfield Clinic ACO, LLC	Springfield	IL	1	2015	11,961
4	AMITA Health Accountable Care Organization, LLC	Arlington Heights	IL	1	2013	40,412
5	Advocate Physician Partners Accountable Care, Inc.	Rolling Meadows	IL	1	2012	149,633
6	Independent Physicians' ACO of Chicago LLC	Chicago	IL	1	2013	15,044
7	Medicare Value Partners	Des Plaines	IL	1	2013	35,836
8	CHS ACO	Westmont	IL	1	2012	9,433
9	HSHS ACO, L.L.C.	Springfield	IL	1	2016	2016 Starter
10	CHWN ACO	Crystal Lake	IL	1	2015	12,691
11	IL-RCCO	Princeton	IL	1	2015	14,193
12	Northwestern Medicine Physician Partners ACO	Oak Brook	IL	1	2015	19,095
13	Primaria ACO, LLC	Chicago	IL	1	2017	2017 Starter
14	VillageMD New Hampshire ACO, LLC	Chicago	IL	1	2017	2017 Starter
15	Christie Clinic Physician Services, LLC	Champaign	IL	1	2013	6,107
16	Ingalls Care Network, LLC	Harvey	IL	1	2014	5,785
17	Franciscan AHN ACO, LLC	Mishawaka	IN	1	2012	31,622
18	Franciscan Union ACO	Indianapolis	IN	1	2013	15,470
19	Franciscan Alliance ACO	Indianapolis	IN	1	2015	60,203
20	Indiana Care Organization LLC	Indianapolis	IN	1	2013	9,711
21	American Health Network of Ohio PC	Indianapolis	IN	1	2013	7,362
22	Franciscan Riverview Health ACO	Mishawaka	IN	1	2015	5,548
23	South Bend Clinic Accountable Care	South Bend	IN	1	2014	7,993
24	Indiana Lakes ACO	Goshen	IN	1	2013	8,141
25	Reliance ACO LLC	Farmington Hills	MI	1	2014	21,881
26	POM ACO	Ann Arbor	MI	1	2013	135,455
27	McLaren High Performance Network, LLC	Auburn Hills	MI	1	2017	2017 Starter
28	USMM ACCOUNTABLE CARE PARTNERS, LLC	Troy	MI	1	2015	16,411
29	Physician Direct Accountable Care Organization LLC	Sylvan Lake	MI	1	2014	8,605
30	Prime Accountable care , LLC	Southfield	MI	1	2016	2016 Starter
31	SEMAC	Dearborn	MI	1	2012	12,309
32	Oakwood Accountable Care Organization, LLC	Dearborn	MI	1	2012	12,610

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Medicare ACOs on Map

# on Map	Name	City	State	Track	Start Date	# Beneficiaries
33	The Accountable Care Organization, Ltd.	Farmington Hills	MI	1	2014	28,543
34	GGC ACO, LLC	Flint	MI	1	2014	6,456
35	Federation ACO, LLC	Portage	MI	1	2017	2017 Starter
36	Genesys PHO, L.L.C.	Flint	MI	1	2015	16,561
37	Northern Michigan Health Network	Traverse City	MI	1	2014	20,021
38	PMC ACO	Flint	MI	1	2014	7,060
39	UOP ACO, LLC	Dearborn	MI	1	2017	2017 Starter
40	Trillium Health, LLC	Traverse City	MI	1	2017	2017 Starter
41	Connected Care, LLC	Port Huron	MI	1	2015	8,615
42	NewHealth Collaborative	Akron	Ohio	1	2012	27,205
43	Integrated Health Collaborative, LLC	Canton	Ohio	1	2016	2016 Starter
44	ProMedica Health Network, Inc.	Toledo	Ohio	1	2016	2016 Starter
45	NOMS ACO, LLC	Sandusky	Ohio	1	2013	6,675
46	Cleveland Clinic Medicare ACO, LLC	Independence	Ohio	1	2015	64,541
47	University Hospitals Coordinated Care Organization	Shaker Heights	Ohio	1	2012	55,282
48	Healthcare Solutions Network	Cincinnati	Ohio	1	2017	2017 Starter
49	Adena Healthcare Collaborative, LLC	Chillicothe	Ohio	1	2015	8,583
50	OICP	Zanesville	Ohio	1	2016	2016 Starter
51	Cleveland Quality Healthnet	Richmond Heights	Ohio	1	2014	5,416
52	Northwest Ohio ACO, LLC	Toledo	Ohio	1	2013	14,437
53	Mercy Health Corporation	Janesville	WI	1	2014	11,319
54	Marshfield Clinic, Inc.	Marshfield	WI	1	2013	31,547
55	UW Health ACO, Inc.	Madison	WI	1	2013	29,280

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Medicare ACOs on Map

MSSP Track 3

# on Map	Name	City	State	Track	Start Date	# Beneficiaries
1	OSF Healthcare System	Peoria	IL	3	2017	2017 Starter
2	CHA ACO, LLC	South Bend	IN	3	2014	13,703
3	Trinity Health Integrated Care	Livonia	MI	3	2017	2017 Starter
4	Mercy Health Select, LLC	Cincinnati	OH	3	2012	74,213
5	MetroHealth Care Partners	Cleveland	OH	3	2014	9,925
6	Aurora Accountable Care Organization LLC	Milwaukee	WI	3	2017	2017 Starter

NGACO

# on Map	Name	City	State
1	Indiana University Health	Indianapolis	IN
2	Trinity Health ACO Inc.	Livonia	MI
3	Michigan Pioneer ACO, LLC	Southfield	MI
4	Henry Ford Physician Accountable Care Organization	Detroit	MI
5	Premier Health ACO of Ohio	Dayton	OH
6	ProHealth Solutions, LLC	Waukesha	WI
7	Bellin Health DBA Physician Partners, Ltd. (PPL)	Green Bay	WI
8	ThedaCare ACO LLC	Appleton	WI

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Advanced APM Overview

2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026

Track 2

Measurement period

Advanced APM participating providers exempt from MIPS; receive annual 5% bonus (2019-2024)

.75% update 2026

Greater update vs. Track 1 program

Advanced Alternative Payment Models (APM) Entities must:

1 | Use certified EHR technology,

2 | Pay based on MIPS comparable measures

3 | Bear more than “nominal” financial risk for losses

Inclusion in Advanced APMs triggers exclusion from MIPS.

Threshold of payments in an Advanced APM:

Performance Year	2017	2018	2019	2020	2021	2022 and later
Percentage of Medicare Payments through an Advanced APM	25%	25%	50%	50%	75%	75%
Percentage of Medicare Patients through an Advanced APM	20%	20%	35%	35%	50%	50%

- Total payments exclude payments made by the Secretaries of Defense/Veterans Affairs and Medicaid payments in states without medical home programs or Medicaid APMs.

* Minimum of 25% of Medicare payments must be in APM, unless partial qualifying at 20% with no 5% bonus and a choice of MIPS

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What Qualifies for Advanced APM

Comprehensive ESRD Care (CEC)

Comprehensive Primary Care Plus (CPC +)

Medicare Shared Savings Program tracks 2 & 3*

Next Generation ACO Model

Oncology Care Model (OCM) two-sided risk arrangement

Proposed for 2018

- **Medicare Shared Savings Program track 1+***
- Comprehensive Care for Joint Replacement
- New voluntary bundled payments program

* Known to Have Upcoming Open Enrollment & Encompasses Majority of Medical Staff

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Significant Dollars at Risk to Qualify

POTENTIAL IMPACT OF MSSP – 2 SIDED RISK

Performance if Operating as MSSP Track 3

Theoretical | Theoretical | Market Average | Market Average

Benefic
Expend
Actual E
% Saving
Savings
Quality
Sharing
Saving
% of Targ
*Expend
Attachm
Reinsur
ACO Re
Est. Re
Net Imp
*Based

30

ACO Performance in Arkansas

Service Area
Arkansas
Arkansas and Other S
Combined

ACO Name
Arkansas Health Netw
Arkansas Accountabl
Arkansas High Perfor
Mercy ACO, LLC
Aledade Primary Care
Central US ACO, LLC
Arkansas High Perfor
Mercy Health ACO, LL
Arkansas High Perfor

29

Lift to Maintain AAPM Status

Number
Provide

Internal Medicine
Family Practice
Cardiology
Orthopedics
General Surgery
Pulmonology
Oncology
Urology
Nephrology
Infectious Disease
Total

22

Contracting Assessment

Population Health Management Collaborative

Pre-assessment terms request:

Topic	Question	Payer Contract 1	Payer Contract 2
Basic Characteristics	Which payer / health plan is this agreement with?	XXXXXXX	XXXXXXX
	What was the initial start date of this agreement?	1/1/17	6/1/15
	When does this agreement expire/renew?	1/1/20	Evergreen
	What population is this agreement for (i.e. Medicare Advantage, Commercial, Managed Medicaid)?	Commercial	Medicare Advantage
Population Attribution	How many beneficiaries are covered / attributed under this agreement?	60,000	20,000
	How are patients attributed to your providers?	PCP Attribution/Claims	PCP attribution/Claims
	If a PPO product, how long is "look back" period for patient assignment?	24 months	12 months
	What happens if an assigned member does not have any claims history?	No attribution to ACO	No attribution to ACO
Performance Period Reconciliation Savings Terms and Methodology	How long is the "run out" period following the performance period? 90 days?	7 months	8 months
	How long is the audit and final distribution period?	Not defined	Not defined
	What is the percentage split between the health plan and your organization for any savings?	40% ACO/60% XXXX - Quality impacts savings	50% ACO/50% XXXX – Quality impact savings

Convert to 3 year period

Artificially lowers benchmark; Need to be attributed or benchmark raised

Too long a gap to engage providers

22

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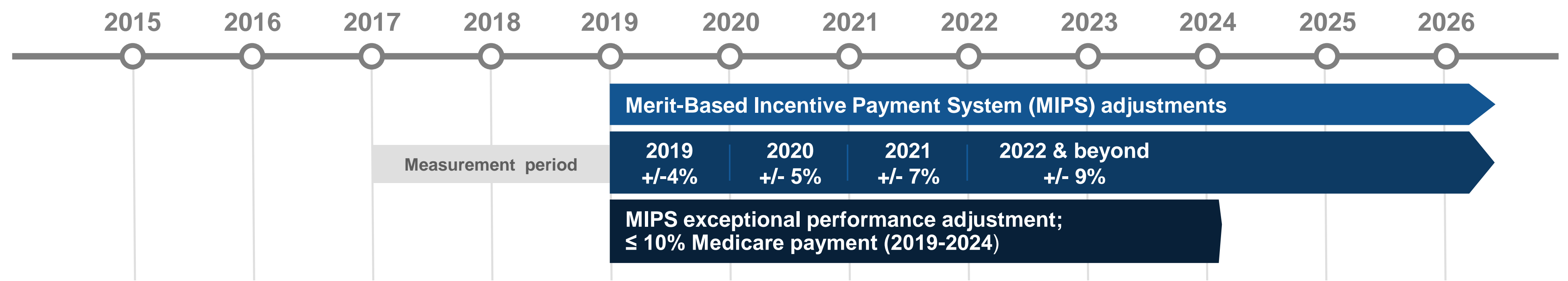
MIPS – APM Track



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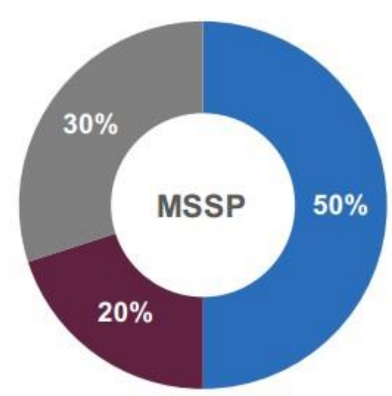
The Intersection of MSSP and MIPS



Quality: 50%

- Measures reported by APM
- Shared Savings Program ACOs submit quality measures to the CMS Web Interface on behalf of their MIPS eligible clinicians
- The MIPS quality performance category requirements and benchmarks will be used to determine the MIPS quality performance category score at the ACO level

Advancing Care Information: 30%

- All MIPS eligible clinicians participating in the APM entity group submit through this category according to the MIPS requirements
- Their performance is assessed as the weighted average score for TINs, which will yield one ACO group score

Improvement Activities: 20%

- All MIPS eligible clinicians participating in the APM entity group submit through this category according to the MIPS requirements
- They automatically receive half the points
- Models awarded full points: Shared Savings, Next Gen, Comprehensive ESRD Care, Oncology Care Model, CPC+
- Their performance is assessed as the weighted average score for TINs, which will yield one ACO group score

Cost: 0%

- Not Assessed

CMS Preliminary Rule

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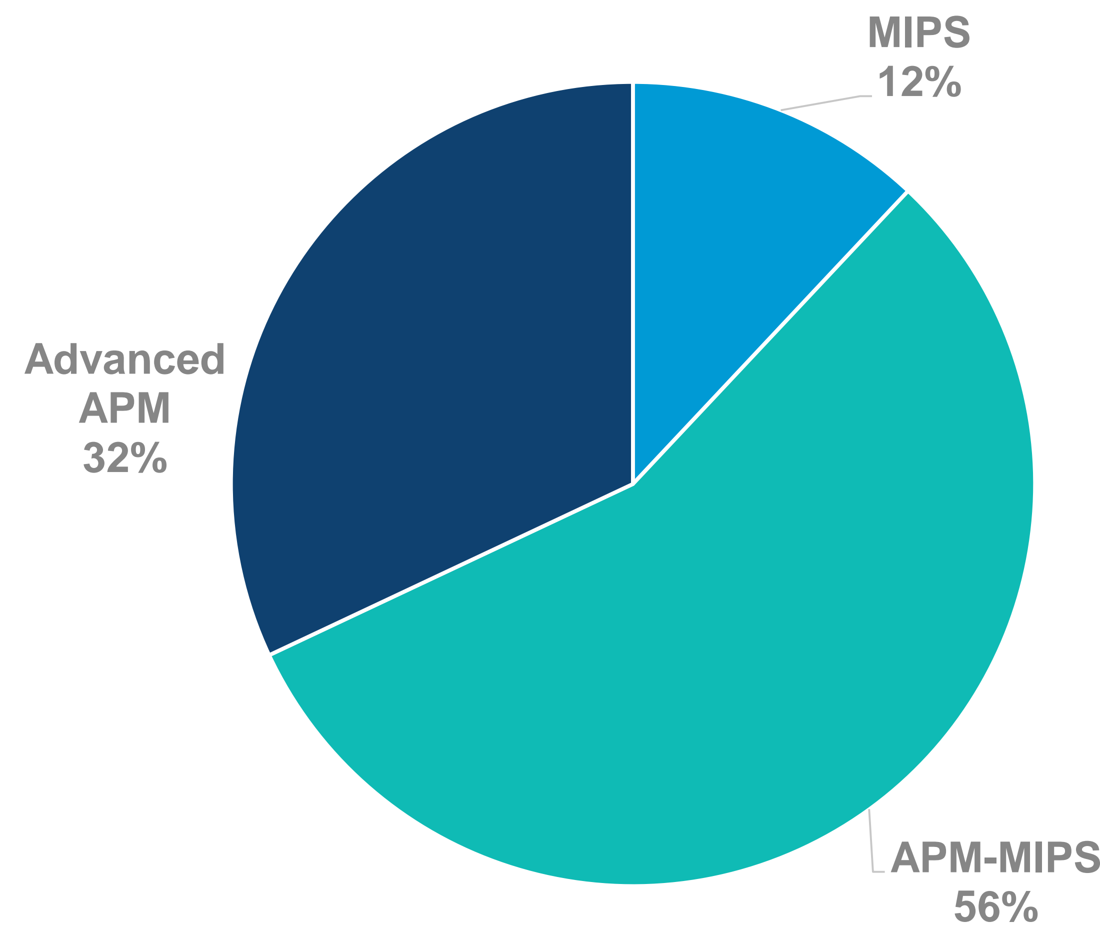
Results from First 25 Assessments



40% of clients believe they have reached a conclusion before the assessment begins

Of those, 60% change course after seeing the numbers

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Next Steps Depend Upon Strategy

MIPS

- Educate all providers on MIPS
- Monitor and enhance employed provider performance on MIPS
- Provide or help with reporting solutions for independent providers
- Begin work on performance of second tier of participating providers starting in year 3

MIPS-APM

- Begin development of APM
- Approach independent providers that may be interested in joining
- Conduct market assessment to identify areas of high utilization
- Join Premier's Population Health Collaborative
- Monitor and enhance performance on MIPS/ APM measures

Advanced APM

- Select model & Conduct due diligence
- Begin development of AAPM
- Define network of providers
- Consider development of additional MIPS-APM to create glide path for providers new to pop health
- Determine organizational ability to assume risk and need for reinsurance
- Identify all payer contracts that will help with AAPM qualification and develop action plan

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#1 in Value Based Care Consulting

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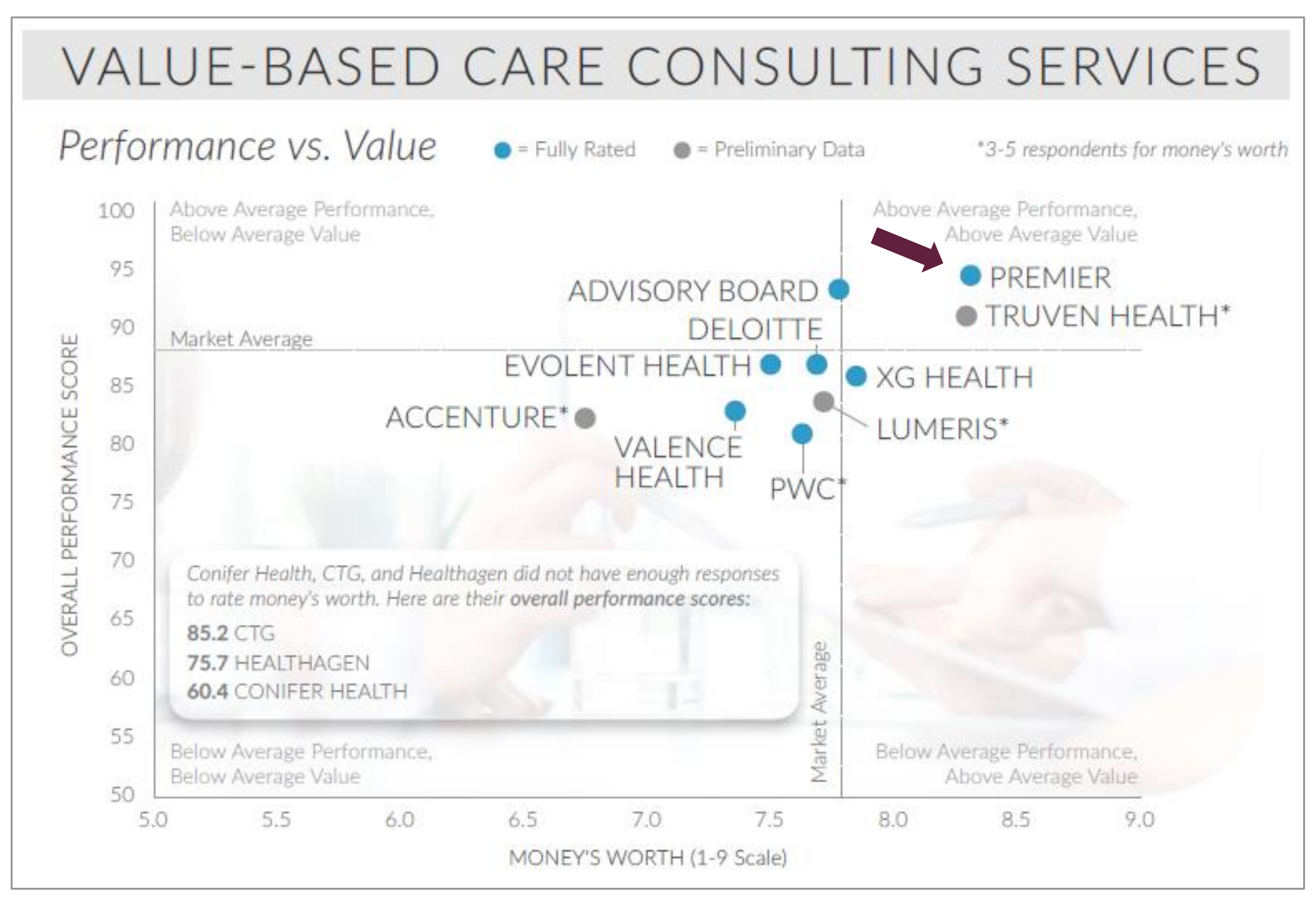

"Value-based care. Making the shift: who can help?"

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QUESTIONS?

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