# *Precision* Value Based Management

OVERVIEW OF VBM STRUCTURE, PENALITES & REWARDS

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## What are the financial and reputational impacts of MIPS?

### Overview of Financial Impacts

MACRA defines two types of financial impacts for Medicare Part B clinicians participating in MIPS:

- A small, annual inflationary adjustment to the Part B fee schedule
- MIPS value-based payment adjustments (incentives or penalties) based on the MIPS 100-point final score

The Medicare Part B inflationary adjustment is an annual +0.5% increase for the payment years 2016 to 2019, which is the first payment year for MIPS associated with the first performance year (2017). There is no inflationary adjustment from 2020 to 2025. A subsequent annual inflationary adjustment of +0.25% applies to the payment year 2026 and thereafter.

The potential MIPS incentives and penalties driven by the MIPS score are much more substantial than the inflationary adjustments. The following table shows the top-to-bottom Part B payment adjustment impact range in the initial program years:

The maximum penalty increases to 9% of Part B payments beginning in the 2020 performance year. The maximum incentive is the sum of the maximum base incentive and the maximum exceptional performance bonus, which depend on respective scaling factors, X and Y. We explain below how the predictions and estimates shown in the table were derived.

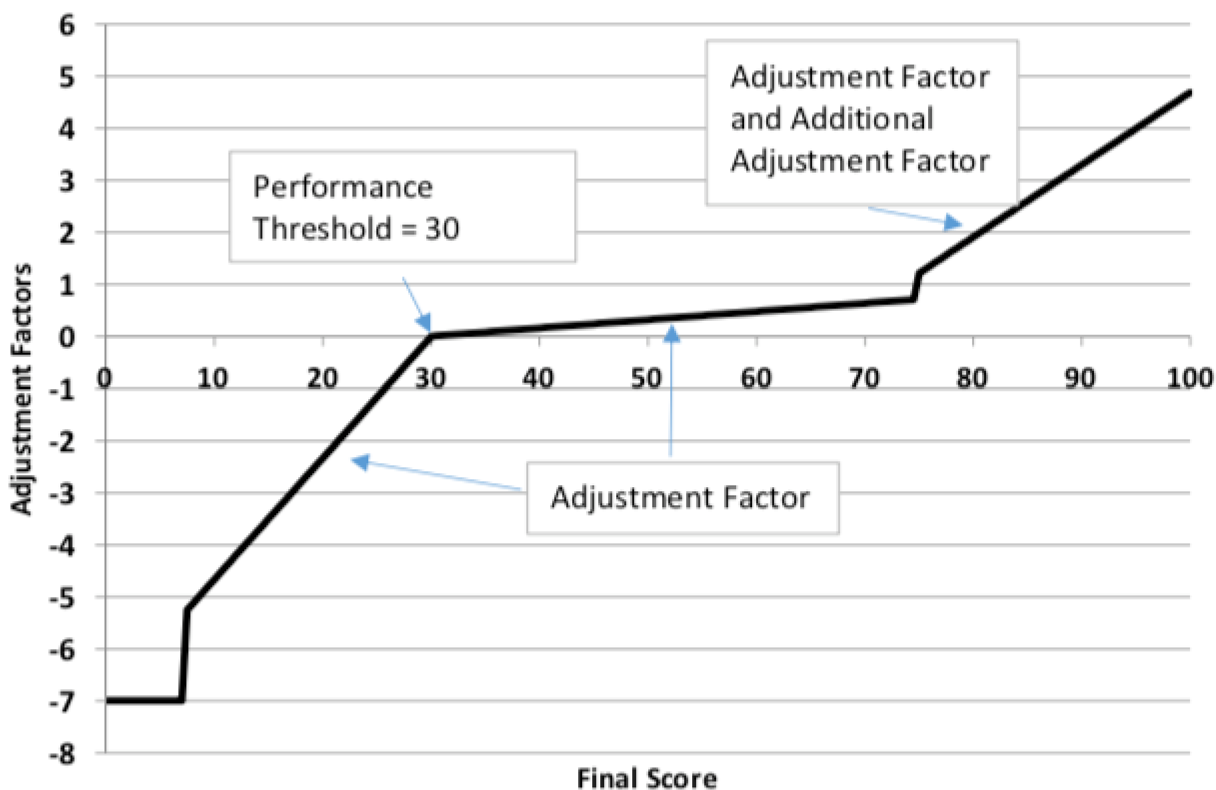
CMS calculates X (the “budget-neutrality factor”) such that the national base incentive pool is set equal to the national penalty dollars assessed. Through this mechanism, those earning incentives are effectively being paid by those receiving penalties for substandard performance. For the 2022 performance year, CMS is required to configure the program such that about half of clinicians would be assessed penalties, making X ~ 1 and the maximum base incentive approximately +9%. X is capped at 3.0, such that the theoretical maximum base incentive for the 2020 performance year would be +9% * 3.0 = 27%.

CMS calculates Y by allocating $500M per year (available each year through 2022) to an exceptional performance bonus pool for high performers based on scoring rules described further below. As shown in the table above, CMS predicts Y = 0.358 for the 2019 performance year, yielding a maximum exceptional performance bonus of 3.58%. Furthermore, CMS predicts that 59% of 800,000 MIPS eligible clinicians (470,000 clinicians) will earn an exceptional performance bonus (minimum of 0.5% adjustment) for 2019 performance.

Due to the authority MACRA grants CMS to make it easier to avoid penalties for the initial 2017 and 2018 performance years, the 2017 maximum base plus exceptional performance incentive was lower than expected at 1.88%, and is predicted by CMS to be 2.05% for 2018 (references: 2017 MIPS feedback reports and 2018 QPP Final Rule). However, to prepare providers to reach the required ± 9% payment adjustment by the 2022 performance year, CMS is significantly increasing the difficulty of the program in 2019 such that the estimated maximum incentive is 4.69%, a 150% increase from that of 2017.

## Translating MIPS Scores into Payment Adjustments

To illustrate the precise relationship between MIPS scores and Medicare Part B payment adjustments, the 2019 QPP Final Rule ("Figure 3") contains CMS' projection for how MIPS scores will translate into Medicare Part B payment adjustments for the 2019 performance year and associated 2021 payment year:




*2019 QPP Final Rule, Figure 3, p1449*

For each performance year, CMS sets a performance threshold (PT) number of points at which a provider earning PT points receives 0% adjustment to their Medicare Part B payments – no penalty, no incentive. As shown in Figure 3, CMS has set PT = 30 points for 2019. In the slanted parts of the adjustment line, every incremental tenth-of-a-point corresponds to a proportional change in payment adjustment. The maximum penalty is assessed if a clinician scores below ¼ of PT (equal to 7.5 points for 2019). On the other hand, if a clinician scores at or above the exceptional performance bonus threshold (EPBT; set to 75

for 2019, as seen in Figure 3), then the exceptional bonus is applied in proportion to the amount by which the MIPS score exceeds the EPBT.

The Bipartisan Budget Act mandates that CMS must gradually increase PT each year towards becoming the national historical mean or median in the 2022 performance year, which CMS estimates would likely be over 65 points (reference: 2019 QPP Final Rule, p1411).

To deliver a deeper understanding of the financial impact of MIPS as it applies to your unique environment, we provide a free MIPS financial calculator for analyzing the results of different scenarios and assumptions on predicted MIPS payment adjustments.

## Reputational Impacts of MIPS

CMS publishes an array of clinician-identifiable performance measures through its Physician Compare website for consumers to browse and third-party physician rating websites to procure for free. As consumers spend more out-of-pocket for their healthcare, they are seeking more transparency into clinician quality and the cost-value equation. A study found that 65% of consumers are aware of online physician rating sites and that 36% of consumers had used a ratings site at least once[1]. In addition, 3rd-party consumer rating sites have found high correlations between revenues and consumer ratings. For instance, a 1-star difference on a 5-star rating scale on Yelp drives a 5% to 9% difference in service provider revenues[2] due to impacts on customer acquisition. For a given change in provider performance in a value-based program such as MIPS, this level of revenue impact due to the influence of publicly-reported scores on consumer choice can be much larger than that due to payer reimbursement variations[3].

MACRA requires CMS to publish each eligible clinician's annual MIPS score and performance category scores within approximately 12 months after the end of the relevant performance year. Consequently, more than half-a-million 2017 MIPS scores will be publicly available in early 2019, all identifiable by clinician and group. Third-party consumer websites will be able to access the data files containing scores and clinician ratings against national peers on a scale of 0 to 100. In addition, a 5-star rating scale will be applied to every MIPS quality measure for purpose of peer comparisons.

Although MIPS financial adjustments can change annually based on clinician performance, damage to a clinician's online public reputation may take years to reverse. Conversely, high publicly-reported scores can become a persistent strategic advantage over competitors.

## The MIPS Score Follows the Clinician

The financial and reputational impacts stemming from the MIPS score are irrevocably attached to a clinician, even if the clinician changes organizations. If a clinician earns a MIPS score for 2018 and moves to another organization in 2019, the new organization will inherit the MIPS payment adjustment applied in 2020 based on the 2018 score earned by the clinician at the previous organization. This fact impacts how organizations should credential and contract with clinicians and may impact an organization's ability to attract the best and brightest if group scores are not competitive. In addition, every historical MIPS score earned

by a clinician is a permanent part of the publicly-reported record released and maintained by CMS, effectively making MIPS scores an increasingly significant portion of a clinician's resume.

[1]JAMA, 2014; 311(7):734-735.

[2]The Impact of Online Reviews on Customers' Buying Decisions, July 2015

[3]The ABCs of MIPS: The Hidden Impacts of MIPS, May 18, 2017.