



July 24, 2018

TO: Members, Subcommittee on Health

FROM: Committee Majority Staff

RE: Hearing entitled “MACRA and MIPS: An Update on the Merit-based Incentive Payment System”

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## I. INTRODUCTION

The Subcommittee on Health will hold a hearing on Thursday, July 26, 2018, at 10:00 a.m. in 2123 Rayburn House Office Building. The hearing is entitled “MACRA and MIPS: An Update on the Merit-based Incentive Payment System.”

## II. WITNESS

- Dr. Frank Opelka, M.D., Medical Director of Quality and Health Policy, American College of Surgeons;
- Dr. David O. Barbe, M.D., MHA, Immediate Past President, American Medical Association
- Dr. Parag D. Parekh, M.D., MPA, American Society of Cataract and Refractive Surgery
- Dr. Kurt Ransohoff, M.D., Chairman of the Board, America’s Physician Groups
- Dr. Ashok Rai, M.D., American Medical Group Association

This will be the Committee’s fourth oversight hearing related to the Medicare Access and CHIP Reauthorization Act of 2015 (MACRA). The focus of the hearing will be on the implementation of one of the two tracks eligible professionals can be reimbursed under MACRA, specifically the “Merit-based Incentive Payment System” (MIPS) quality program. Members will hear from witnesses on the remaining importance of fee for service as an option for certain physicians in the traditional Medicare program as we continue our transition to new models of care. We will review the legacy quality programs and how MACRA combined and streamlined them into MIPS. Additionally, we will discuss reforms recently enacted on a bipartisan basis within the Bipartisan Budget Agreement of 2018 to ensure maximum physician participation in the MIPS program.

### **III. BACKGROUND**

#### **General Overview**

After years of bipartisan work to repeal the Sustainable Growth Rate (SGR), Congress passed the Medicare Access and CHIP Reauthorization Act of 2015 to repeal the SGR and reform Medicare provider payments. MACRA passed the U.S. House of Representatives on March 26, 2015, by a vote of 392-37 and the Senate on April 14, 2015, by a vote of 92-8. The President signed MACRA into law on April 16, 2015 (P.L. 114-10). In addition to permanently repealing the SGR formula, this bipartisan legislation provided stability in Medicare base payments for the following four and a half years. MACRA established a new single quality reporting system out of the multiple legacy reporting systems, sunseting them and their associated penalty structures. This new single system is designed to make it easier for providers to report on and deliver high quality, value based care.

MACRA reforms how providers interact with the Medicare program. In response to years of criticism from stakeholders, MACRA not only adjusts how providers are reimbursed for the services they provide, but also develops new quality measures and means of evaluating and integrating new practice models into the system. In doing so, MACRA brings much needed transparency to the development and operation of the Medicare provider relationship.

#### **The “Merit-based Incentive Payment System” (MIPS) quality program**

Starting in 2019, the legacy quality incentive programs that existed prior to MACRA, including the Physician Quality Reporting System (PQRS), Meaningful Use (MU), and the value-based payment modifier (VBM), will be combined and streamlined into a single new value based payment system. Utilizing tools like certified EHR technology and qualified clinical data registries, eligible professionals will transition to MIPS as the sole quality reporting system. As part of this adjustment, the penalties associated with the old incentive programs expired. Now, under MIPS, eligible professional’s reimbursement will be adjusted based on four categories: quality, resource use, MU, and clinical practice improvement activities.

Each eligible professional reporting to MIPS will be given a composite score base on their performance in these categories on a scale of 0-100. Assessments are made only on categories that are applicable to each eligible professional, and categories can be reweighted as needed. Each year, the Secretary establishes a performance threshold based on past performance of all participating eligible professionals in the form of the mean or median composite score. Until the first mean or median can be determined, MACRA granted the Secretary authority to establish the performance threshold for the first two years of the program, set at 3 for 2018 and 15 for 2019. The Centers for Medicare and Medicaid Services (CMS) reports that 91 percent of eligible clinicians participated in the 2017 MIPS performance period<sup>1</sup>. On July 12, 2018 CMS released the Proposed Rule for the Quality Payment Program for Year 3. The rule proposes to expand eligible clinicians for the MIPS program to include physical therapists, occupational

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<sup>1</sup> <https://www.cms.gov/Medicare/Quality-Payment-Program/Resource-Library/2019-QPP-proposed-rule-fact-sheet.pdf>

therapists, clinical social workers and clinical psychologists. It also allows otherwise exempt MIPS clinicians to still report to MIPS in an opt-in basis. Finally, the rule proposes to increase the threshold to 30 points.

Based on their relative performance compared to this threshold, eligible professionals will be informed of how they performed in the prior period and the performance threshold they must meet to be eligible for incentive payments and to avoid penalties. Scoring above the performance threshold results in eligibility for bonus payments, while scoring below results in negative adjustments. Both the bonuses and negative adjustments are relative to the difference between the participants score and the performance threshold, those payments are distributed in a budget neutral manner and are relative to the distance from the threshold. There are other incentives in play too; for example, providers who make notable gains in performance also will be financially rewarded. Additionally, there is a high performance category for eligible professionals to qualify for additional bonus payment. This sliding scale approach abandons the all or nothing approach that many providers have criticized in current reporting systems.

### **The Bipartisan Budget Act of 2018 (BBA18)**

As part of BBA18, there was a set of technical changes to MACRA. The Secretarial authority to set the performance threshold was extended three more years, for the Secretary to ensure a gradual and incremental transition to the mean or median of performance. Three years of flexibility was also given to CMS regarding the phase in of counting resource use at 30%. The Secretary has flexibility to go to 30% at any point over the next three years but is not required to do so but cannot fall below the 10% currently being counted. Additionally, the BBA adjustment will limit the application of the performance-based payment adjustment to services paid under the physician payment schedule. Finally, it also allows the Physician-Focused Payment Model Technical Advisory Committee (PTAC) to provide initial feedback to stakeholders regarding alternative payment models submitted for consideration.

## **IV. STAFF CONTACTS**

If you have any questions regarding this hearing, please contact James “J.P.” Paluskiewicz, Jay Gulshen, or Josh Trent with the Committee staff at (202) 225-2927.