

UNDERSTANDING THE VALUE-BASED PAYMENT MODIFIER

Highlights from the Proposed 2015 Physician Fee Schedule (PFS) Rule

What is the Value-Based Payment Modifier?

The physician value-based payment modifier (Value Modifier) is required by the Affordable Care Act. It provides for differential payment to physicians under the Medicare Physician Fee Schedule (PFS) based upon quality and cost performance compared to national benchmarks.

Who does it impact?

The Value Modifier applies to ALL physicians and physician groups that bill Medicare under the PFS; the Proposed 2015 PFS rule proposes to expand application to non-physician eligible professionals (EPs)¹

When does it apply?

2015: impacts payment for groups of 100 or more based on CY 2013 performance

2016: impacts payment for groups of 10 or more based on CY 2014 performance

2017: impacts payment for ALL physicians based on CY 2015 performance

How is performance determined?

Quality: measures reported through the PQRS (Physician Quality Reporting System)

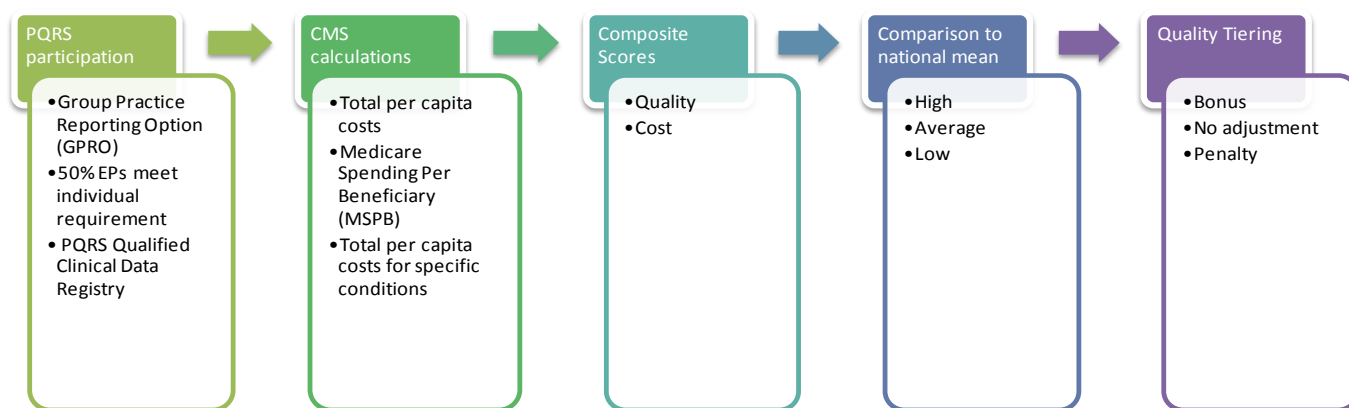
Cost: Medicare Parts A and B costs (including drugs) for attributed beneficiaries²; **Part D costs are EXCLUDED**

¹ non-physician EPs include: physician assistants, nurse practitioners, clinical nurse specialists, certified registered nurse anesthetists, certified nurse-midwives, clinical social workers, clinical psychologists, registered dietitians, nutrition professionals physical or occupational therapists, qualified speech-language pathologists and qualified audiologists.

² attributed to the provider that renders the most primary care services (based on charges) for that beneficiary; primary care services include office-based evaluation and management (E/M) visits

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Exhibit 1: How the Value Modifier Works



How does the Value Modifier impact PFS payments?

Payments may be downwardly adjusted (penalty), upwardly adjusted (bonus) or remain neutral (no adjustment) based on cost and quality performance:

1. **Quality:** All non PQRS reporters (Category 2) incur a downward payment adjustment. The proposed maximum CY 2017 downward payment adjustment for failure to report quality measures is minus four percent (-4.0%). This is an increase from the CY 2016 payment adjustment of minus two percent (-2.0%).
2. **Cost:** All PQRS reporters (Category 1) are then subject to mandatory quality tiering - a process by which cost/quality performance is ranked high, low or average and payment adjustments assigned accordingly.

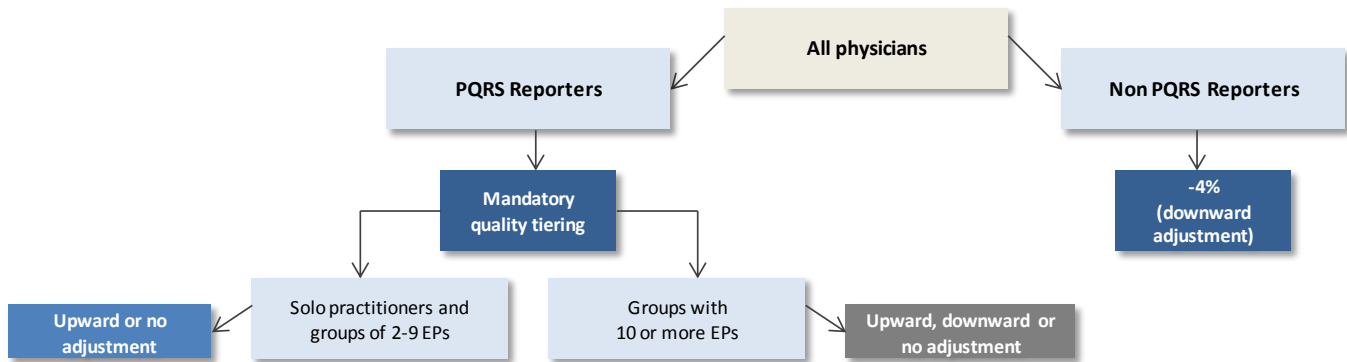
Exhibit 2: Quality Tiering

Quality/Cost	Low Cost	Average Cost	High Cost
High Quality	+4x	+2x	No adjustment
Average Quality	+2x	No adjustment	-2.0%
Low Quality	No adjustment	-2.0%	-4.0%

NOTE: In CY 2017, downward payment adjustments will not apply to groups of 2-9 or solo practitioners.

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Exhibit 3: Proposed CY 2017 Value Modifier



The Value Modifier applies to items and services paid under the Medicare PFS. It **DOES NOT apply to drugs**. CMS applies any penalties or bonus payments at the TIN (tax identification number) level, thus beneficiary cost-sharing is not affected. **Value Modifier penalties are ADDITIVE** to those incurred for failure to successfully participate in other Medicare quality programs (e.g., PQRS, meaningful use).

How can practices prepare?

- 1) Participate in PQRS: it is the vehicle for reporting quality measures that apply to the Value Modifier.
- 2) Access the practice's Quality and Resource Use Report (QRUR): review it for quality and cost information to assess how the practice may fare under the Value Modifier.
- 3) Stay informed regarding program requirements: the final 2015 PFS rule will establish the final requirements for the CY 2017 payment adjustment year.

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Resources

- CMS QRUR information (2013 reports are expected to be distributed in late summer, 2014): <https://www.cms.gov/Medicare/Medicare-Fee-for-Service-Payment/PhysicianFeedbackProgram/2012-QRUR.html>
- CMS Value-Based Payment Modifier web page: <https://www.cms.gov/Medicare/Medicare-Fee-for-Service-Payment/PhysicianFeedbackProgram/ValueBasedPaymentModifier.html>
- CMS Physician Quality Reporting System web page: <http://www.cms.gov/Medicare/Quality-Initiatives-Patient-Assessment-Instruments/PQRS/index.html>

Source:

CMS, Medicare Program; Revisions to Payment Policies Under the Physician Fee Schedule, Clinical Laboratory Fee Schedule, Access to Identifiable Data for the Center for Medicare and Medicaid Innovation Models, and Other Revisions to Part B for CY 2015, Proposed Rule, 79 Fed. Reg. 40,318 (July 11, 2014).

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