

## **CMS PROPOSAL FOR NEW MEDICARE PAYMENT SYSTEM COULD LEAD TO LARGE PAYMENT VARIABILITY FOR SPECIALISTS**

New analysis from Avalere finds that payments to certain physician specialists could increase or decrease by as much as 16% for their 2018 performance under the Merit-based Incentive Payment System (MIPS). The adjustments could take effect if the Centers for Medicare & Medicaid Services (CMS) finalizes a proposal to change how payments to clinicians are calculated under MIPS. For most types of physicians, these payment adjustments would only range between +/- 5%, as provided for under the Medicare Access and CHIP Reauthorization Act of 2015 (MACRA).

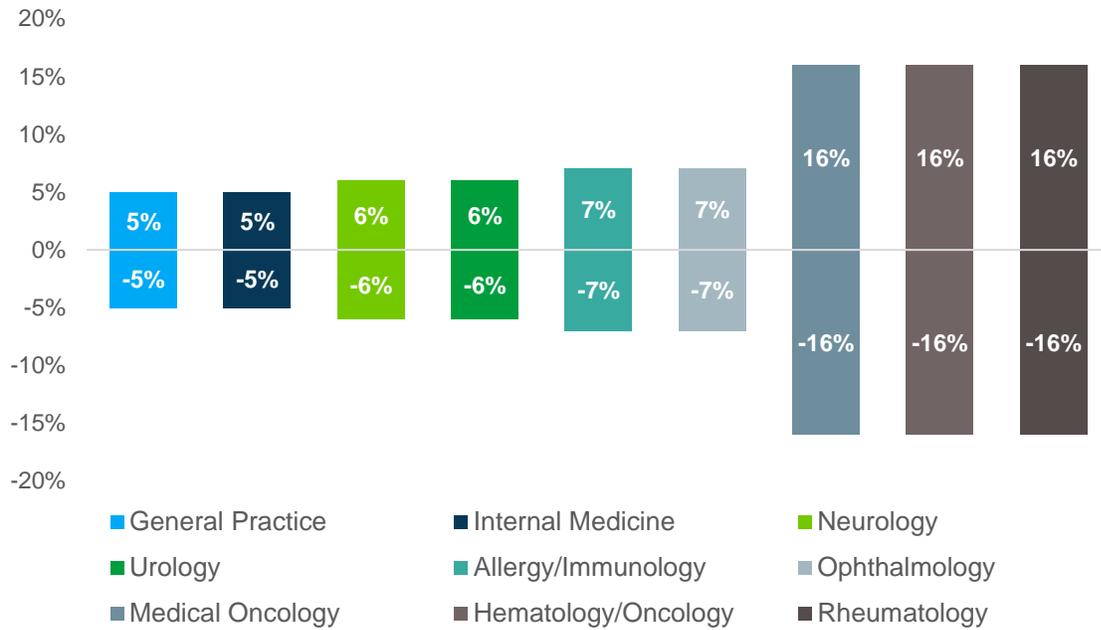
On January 1, 2017, MACRA transitioned to MIPS, which will make Medicare Part B physician payment adjustments based on a composite performance score. In a proposed rule released on June 20, CMS seeks to change the calculation of the MIPS payment adjustment to include Medicare payments for Part B drugs. According to Avalere experts, including Part B drug payments in this calculation could substantially change the payment adjustment for certain physicians.

“Certain specialists administer more Part B drugs than others and, therefore, may be exposed to significant financial risk and payment swings year-over-year under the CMS proposal,” said John Feore, director at Avalere. “If the proposal is finalized, these specialists could see substantially higher payment penalties or rewards than their counterparts who administer fewer Part B drugs.”

Avalere’s research finds certain types of specialists, including rheumatologists, oncologists, and ophthalmologists bill for more Part B drugs than their counterparts in primary-care focused specialties. As a result, Part B drugs represent a larger percentage of total billed Medicare allowed charges for these specialists. Under the CMS proposal, Avalere found that some specialists could see payment adjustments as high as +/-16% for MIPS performance year 2018 (see Figure 1).



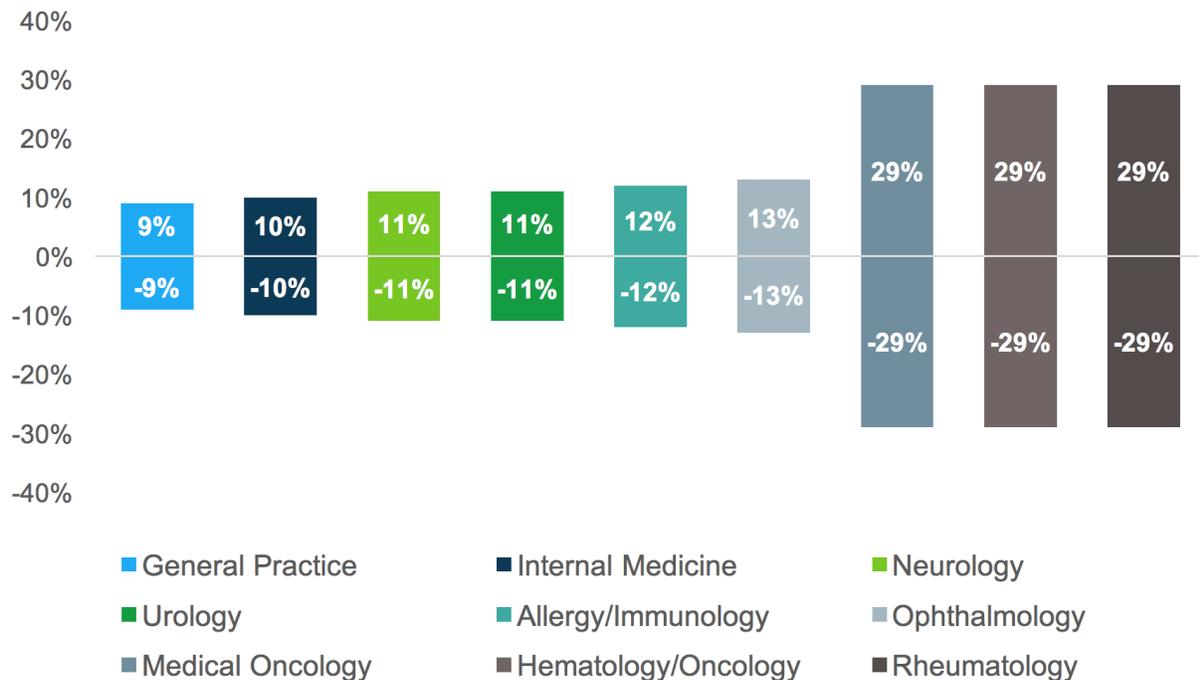
**Figure 1. Maximum MIPS Payment Adjustment for Performance Year 2018 Under CMS Proposal**



Under the CMS proposal, the magnitude of risk for certain types of specialists would continue to increase as the MIPS program reaches full implementation. In performance year 2020, the payment adjustments could reach as high as +/- 29% for rheumatologists and oncologists (see Figure 2).



**Figure 2. Maximum MIPS Payment Adjustment for Performance Years 2020 and Beyond**



If finalized, this policy would mark a significant shift in CMS’ approach to payment adjustments. Payment adjustments for the legacy programs that MIPS sought to replace, like the Physician Quality Reporting System and Meaningful Use, have applied only to Medicare physician fee schedule services and not to Part B drugs.

“Many specialists may not have an alternative to the MIPS track due to limited opportunities for specialists to join an Advanced Alternative Payment Model,” said Richard Kane, senior director at Avalere.

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**Methodology**

Using the 2015 Medicare Physician Supplier Procedure Summary File, Avalere estimated for each specialty type the share of Medicare Part B allowed charges attributable to Part B drug payments. To estimate the share attributable to drug costs, Avalere assumed physician drug acquisition costs equaled ASP across all Part B drugs. To estimate the max/min MIPS payment adjustment as a share of physician revenue, Avalere multiplied the max/min MIPS payment adjustment factors by total allowed Part B charges and divided that amount by physician revenue (Medicare allowed charges - ASP drug costs).



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