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What is MACRA?

New Medicare payment law will drive the future of health care payment and delivery system reform

The Medicare Access and CHIP Reauthorization Act of 2015 (MACRA) fundamentally changes how Medicare payments to health care professionals will be updated in the future. The law puts significant revenue at stake for health systems and health plans that employ health care professionals and will likely spur further consolidation. In addition, the law's incentives for health care professionals to enter into risk-bearing, coordinated care models could create opportunities for both health systems and health plans to enter into new arrangements with physicians under Medicare and set the stage for similar initiatives in other government programs and the commercial market.

Pushing toward Alternative Payment Models (APMs)

MACRA repealed the Sustainable Growth Rate (SGR) formula for physician payments and sets updates to the Medicare Physician Fee Schedule for all years in the future. It also establishes a path toward a new payment system that will more closely align reimbursement with new quality and outcomes measures. The path provides significant financial incentives for health care providers to participate in risk-bearing, coordinated care models and move away from the fee-for-service reimbursement system. Only health care professionals who meet or exceed certain revenue thresholds through eligible APM entities beginning in 2018 will qualify for temporary financial bonuses and higher payment updates.

The large population of health care professionals who initially might not meet the thresholds for revenue through eligible APMs will participate in the Merit-based Incentive Payment System (MIPS), which will require significant new reporting processes. Under MIPS, health care professionals will be scored based on their performance relative to other professionals participating in the program. Their scores will be posted publicly and will determine whether they receive positive or negative payment adjustments every year beginning in 2019.

Because the law increases the thresholds for revenue through eligible APM entities from 25% for 2019 to

75% for 2023 and subsequent years, some health care professionals could find themselves moving in and out of MIPS depending on how much revenue they receive through eligible APM entities. As a result, most health care professionals should prepare for the MIPS requirements while they work to increase the revenue they receive through eligible APM entities in order to qualify for higher payment updates.

Key considerations

- Because MACRA will drive participation in risk-bearing, coordinated care models, health systems and health plans should assess how these new payment models might affect their revenue, physician and consumer engagement strategy and competitive position.
- Organizations currently participating in ACOs or other coordinated care delivery models must determine if the underlying payment arrangements meet the law's criteria for downside risk and payments linked to quality in order for participating professionals to receive financial bonuses and higher payment updates.

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- Publicly available scores based on new quality and performance measures will be available to compare health care professionals to their peers and could affect their reputations, negotiations with health plans, and talent recruiting strategies.
- MACRA will underscore the need for health care professionals to have in place consistent, complete and accurate coding practices to ensure that they are being reimbursed appropriately and being recognized for care delivered as part of a risk-bearing, coordinated care model.

Next steps

It is critically important for health systems and health plans that employ health care professionals to take steps now to assess how the law might affect their revenue and strategic priorities. Some important steps for organizations to take include:

- **Financial modeling:** Organizations should evaluate the payer mix for services reimbursed under the Medicare Physician Fee Schedule to determine how they might be affected by major changes to Medicare payment policy and and how these changes may extend to their broader Medicare, Medicaid, and commercial payer mix in the future.
- **APM eligibility analysis:** Health care professionals need to measure how much of their Medicare revenue currently comes from risk-bearing, coordinated-care models that appear likely to meet MACRA's requirements for eligible APM entities.
- **APM strategy:** Organizations may want to consider developing new eligible APM entities to satisfy the law's requirements. Organizations should assess their preparedness for managing risk and the state of their EHRs as they determine whether to develop an eligible APM entity against the law's aggressive timelines.
- **MIPS readiness:** Health care professionals should evaluate their preparedness for new reporting requirements and quality and performance measures that will help determine whether they receive a negative or positive payment adjustment beginning in 2019.

Stakeholders should keep abreast of the critical regulations that the Administration is releasing over the next six to 12 months in order to be prepared to adapt to new requirements and processes that will start to be rolled out as soon as July 2016.

Contact Us

Anne Phelps
Deloitte Advisory Principal
US Health Care Regulatory Leader
Deloitte & Touche LLP
Washington, D.C.
Email: annephelps@deloitte.com
Follow Anne on Twitter: @AnnePhelpsDC

Daniel Esquibel
Deloitte Advisory Senior Manager
Deloitte & Touche LLP
Washington, D.C.
Email: desquibel@deloitte.com

Ryan Haggerty
Deloitte Advisory Senior Manager
Deloitte & Touche LLP
Philadelphia, PA
Email: rhaggerty@deloitte.com

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