Advising the Congress on Medicare issues

Per-beneficiary payment for primary care

Julie Somers, Kevin Hayes, and Katelyn Smalley

April 3, 2014

MEDPAC

Recap of Commission's discussions on a per-beneficiary payment for primary care

- Primary care bonus payment expires end of 2015
- November meeting – initial discussion on replacing it with a per-beneficiary payment
- March meeting – longer discussion on per-beneficiary payment including design issues and funding
- June report – preparing a chapter on per-beneficiary payment for primary care

Today's Agenda

- Review outline of June report chapter
  - Comments or clarifications
  - Additional issues to include
- No recommendations in June
- For the fall, well-positioned to consider recommendations on a per-beneficiary payment for primary care

Outline of June report chapter on a per-beneficiary payment for primary care

- Per-beneficiary payment for primary care to replace expiring primary care bonus
- Design issues
  - Payment amount
  - Attributing a beneficiary to a practitioner
  - Practice requirements
- Funding sources

Design issue: payment amount

Consider primary care bonus in 2012

- 10 percent bonus to primary care practitioners
- Bonus payments totaled $664 million
- 200,000 practitioners eligible (20 percent)
- Bonus payment per practitioner
  - $3,400 on average
  - $9,300 average for top quartile of distribution

Design issue: payment amount

- Convert primary care bonus to a per-beneficiary payment for primary care
  - $664 million
  - 21.3 million beneficiaries
  - $31.17 per beneficiary
  - $2.60 per beneficiary per month
- Payment amount could be higher and could rise over time
- Beneficiary would not pay cost sharing

Design issue: Attributing a beneficiary to a practitioner

- Beneficiary designates practitioner
- CMS attributes beneficiaries to practitioners based on who furnished majority of primary care services
  - Prospectively
  - Retrospectively

Design issue: Attributing a beneficiary to a practitioner

- Beneficiary designates practitioner
  - Encourage beneficiary-practitioner dialogue
  - But beneficiary could designate one practitioner as primary care practitioner, and receive care from another practitioner throughout the year, also
  - Beneficiary may feel pressured to sign designation forms

Design issue: Attributing a beneficiary to a practitioner

- CMS *prospectively* attributes beneficiary to practitioner
  - Attribution at beginning of year
  - Based on primary care services in previous year
  - Practitioner paid throughout year, facilitating front-end investment in infrastructure
  - But, practitioners could be paid for beneficiaries no longer under their care

Design issue: Attributing a beneficiary to a practitioner

- CMS *retrospectively* attributes beneficiary to practitioner
  - Attribution at end of year
  - Based on primary care services in actual performance year
  - Practitioner only paid for beneficiaries under his/her care
  - But, payment likely made after year's end

Design issue: practice requirements

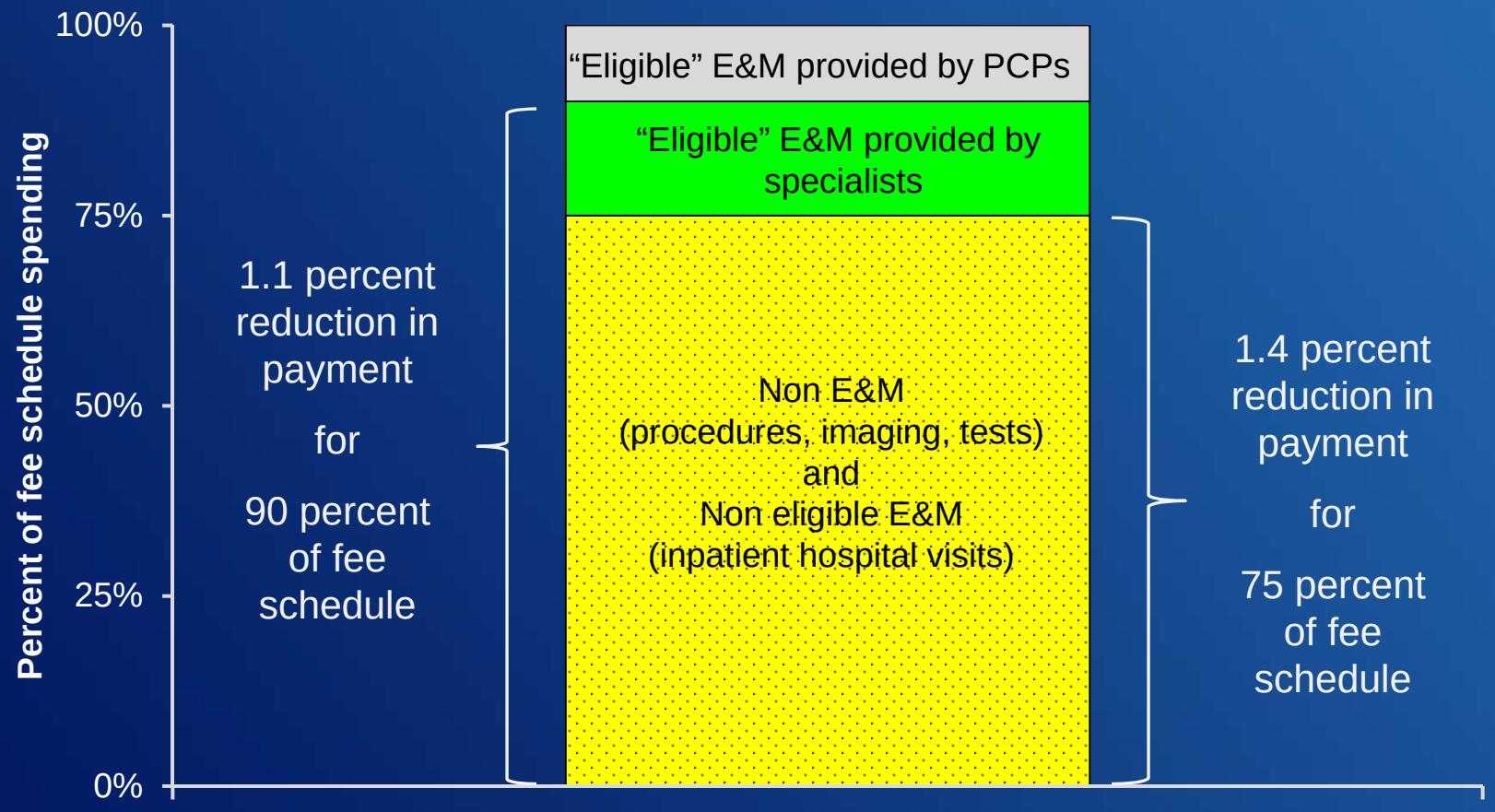
- Types of requirements
  - Improving access
  - Adopting a team-based approach to care
  - Staffing mix
- Add to cost and may not add value
- Experience with medical homes to-date
- Achieving compliance: attestation by practice or verification by 3rd party

Funding source: Background

Requirements for primary care bonus:

- *Eligible primary care services*
  - Subset of evaluation and management services
  - Office visits, nursing facility visits; excludes visits to inpatients
- *Eligible primary care practitioners*
  - Certain specialties (e.g., family practice, nurse practitioner)
  - At least 60 percent of allowed charges from eligible primary care services

Funding source: for monthly, per-beneficiary payment of $2.60



Note: E&M (evaluation and management services), PCPs (eligible primary care practitioners).

Funding source: Reducing payments for overpriced services

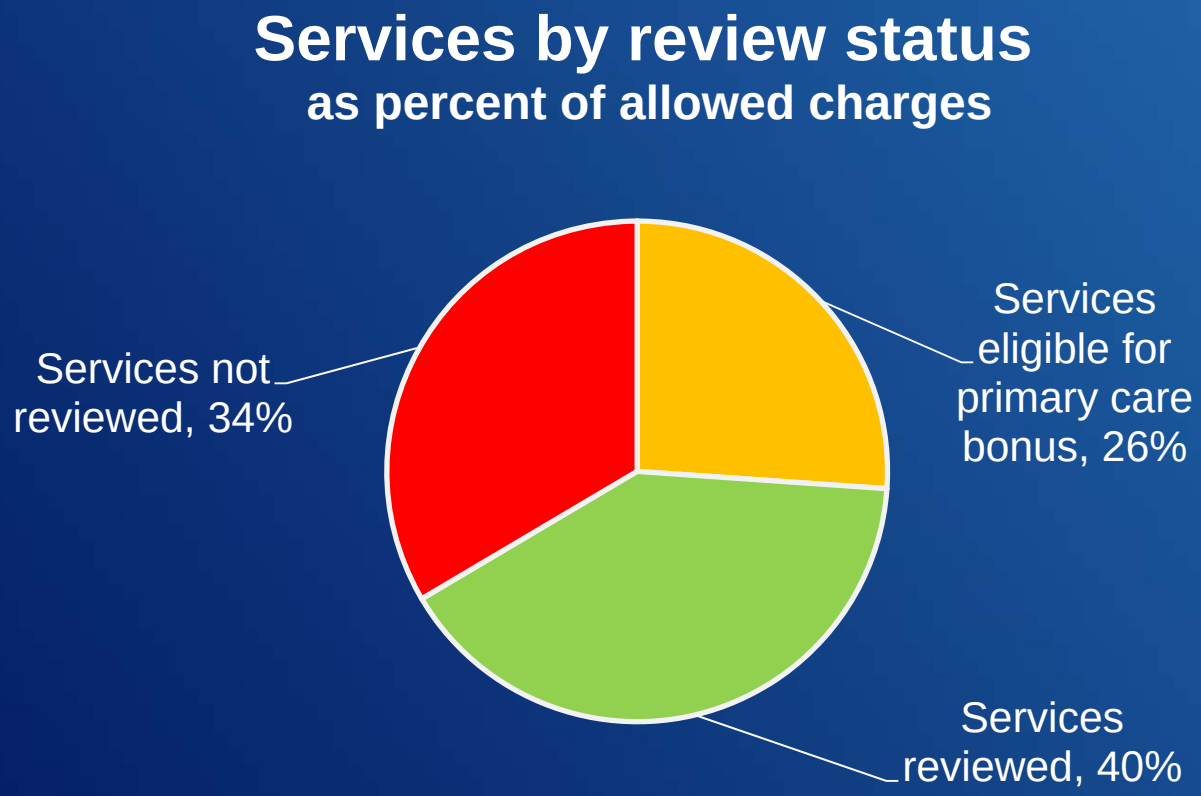
- Series of Commission recommendations
  - Identify & reduce payments of overpriced services
  - Achieve reductions of at least 1.0 percent of fee schedule spending each year for 5 years
- Could fund monthly, per-beneficiary payments rising annually over 5 years

Year 1	Year 2	Year 3	Year 4	Year 5
$2.60	$5.20	$7.80	$10.40	$13.00

Funding source: Reducing payments for overpriced services (cont.)

- PPACA requires validation of fee schedule's RVUs
  - Commission has recommended collection of validation data from efficient practices
  - CMS beginning to develop methods, working with contractors
- In the interim, current potentially misvalued services initiative is a source of savings

Further savings possible under potentially misvalued services initiative



Note: Percentages are each category's share of total fee-schedule allowed charges. Services reviewed are those listed in fee-schedule final rules for 2009 to 2014 as new, revised, or potentially misvalued.

Source: CMS final rules and utilization file for 2014 impacts.

Revisiting services already reviewed

- Results, work RVUs
  - Decreased: 485 services
  - Increased or maintained: 551 services
- RUC reduced time estimates, but did not reduce work RVUs by same proportion
  - Time estimates reduced by 18 percent
  - Work RVUs reduced by 7 percent

Funding source: Target savings from overpriced services

- Absent change in current policy, savings redistributed equally across fee schedule
  - Under-priced, accurately-priced, and overpriced services all receive same percentage increase
- Under improved approach, savings redistributed to per-beneficiary payment
  - Would do more to rebalance fee schedule

Outline of June report chapter on a per-beneficiary payment for primary care

- Per-beneficiary payment for primary care to replace expiring primary care bonus
- Design issues
  - Payment amount
  - Attributing a beneficiary to a practitioner
  - Practice requirements
- Funding sources

Issues in chapter for discussion

- Per-beneficiary payment
  - Amount
  - Source of funding
- Beneficiary attribution
  - Beneficiary designates practitioner
  - CMS attributes beneficiaries to practitioners
    - Prospectively
    - Retrospectively
- Practice requirements
  - Payment contingent on requirements?
  - If so, discuss specific requirements in chapter?