Guide to MIPS 2017, Part 5: Calculating Bonuses and Penalties

Can you afford to ignore the Merit-Based Incentive Payment System (MIPS)? The program, which launched this year, has significant ramifications for reimbursement. Fortunately, there is still time to get up to speed on the new regulations and to sign up for the IRIS Registry (see “Use the Academy’s Resources,” page 55).

Your MIPS final score for 2017 will impact your 2019 Medicare reimbursement. The Centers for Medicare & Medicaid Services (CMS) will use your 2017 final score to determine both:

- your 2019 payment adjustment factor, which can be positive, neutral, or negative, depending on whether your final score exceeds, meets, or falls below the 3-point performance threshold; and
- your 2019 additional payment adjustment factor, which rewards those who meet or exceed the 70-point additional performance threshold.

Here’s an overview of how those adjustment factors are calculated.

How CMS Determines Whether You Get a Bonus or a Penalty

First, CMS calculates your 2017 final score, which for most physicians can range from 0 to 100 points. It is a composite score that will be based on your scores in 3 performance categories, which will usually be weighted as follows:

- Your quality score contributes up to 60 points to your final score. The quality performance category replaces the Physician Quality Reporting System (PQRS).
- Your advancing care information (ACI) score contributes up to 25 points. The ACI performance category replaces the electronic health record (EHR) meaningful use program.
- Your improvement activities score contributes up to 15 points. This is an entirely new performance category.

Note: In unusual cases, the weighting of these performance categories may vary (see “When You Don’t Have an EHR System” on page 55).

CMS compares your 2017 final score against the 3-point performance threshold to determine your 2019 payment adjustment factor. If your final score is:

- 0 points, your payment adjustment factor is –4%;
- 3 points or fewer, your payment adjustment factor is 0%;
- 3 points to 6 points, your payment adjustment factor is 0% to 4%;
- 7 points or more, your payment adjustment factor is 4% to 10%.

In future years, the performance threshold will go up. CMS has said that it will increase the performance threshold in each of the next 2 performance years. By the 2019 performance year, CMS plans to set the performance threshold high enough that half of MIPS participants will fall below it (and get a negative payment adjustment in 2021) and half will be above it (and get a positive payment adjustment).

Easy to Avoid the Penalty During Initial Year

The new regulations present you with a significant learning curve, and the –4% payment penalty poses a serious financial risk. To reduce that risk during the program’s inaugural year, CMS included several provisions that will help you to avoid the penalty.

Most importantly, CMS set a performance threshold of just 3 points. And you can meet that threshold by reporting 1 quality measure on 1 patient just 1 time. This is because, during MIPS’ first performance year, CMS has assigned a floor of 3 points to each quality measure, and you can earn those points even if you don’t meet quality reporting’s case minimum requirements and data completeness criteria (though you must meet those 2 reporting thresholds if you want to earn more than 3 points for a quality measure; see “Part 2, How to Report Quality Performance” in the February 2017 EyeNet). Note: Although it is possible to avoid the penalty with very limited reporting—an option that CMS refers to as the “test pace” of MIPS participation—you are urged to increase your chances of penalty avoidance by reporting on more than 1 quality measure and by participating in more than 1 performance category.

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• 3 points, your payment adjustment factor is neutral (no penalty, no bonus); or
• more than 3 points, you will get a small positive payment adjustment factor, based on a linear sliding scale (see purple line in “Payment Bonus” chart).

CMS also compares your 2017 final score against the 70-point additional performance threshold to see if you get a 2019 additional payment adjustment factor. If your final score is:
• 70 points or more, you get an additional payment adjustment factor, based on a linear sliding scale. (The orange sliding scale in the “Payment Bonus” chart represents the sum of the payment adjustment factor and the additional payment adjustment factor.)

CMS plans to publish your MIPS scores online. Your scores for the various performance categories will be posted on the Physician Compare website, which is open to the public.

Payment Adjustment Factor, the 3-Point Threshold, and Budget Neutrality

The payment adjustment factor will result in bonuses for some clinicians and penalties for others. This process is designed to be budget neutral, which means that bonuses for those with final scores above 3 points will be funded by penalties for those with scores below that threshold.

Initially, the maximum negative payment adjustment factor is –4%. During MIPS’ inaugural year—because of the special allowances that were made (see “Easy to Avoid the Penalty During Initial Year”)—the first year’s penalty is effectively all or nothing. If your final score is 0 points, you’ll incur the maximum –4% payment penalty; but with minimal reporting of just 1 quality measure, you’ll score enough points to meet the performance threshold and avoid a penalty.

During the first 4 payment years, the maximum penalty will steadily increase. The maximum negative payment adjustment factor is scheduled to increase as follows:
• –4% for the 2019 payment year (2017 performance year)
• –5% for 2020
• –7% for 2021
• –9% for 2022

To ensure budget neutrality, the maximum positive payment adjustment factor will be determined after each performance year is over. For the first 4 payment years, the maximum payment adjustment factor will be as follows:
• +4% x scaling factor for the 2019 payment year (2017 performance year)
• +5% x scaling factor for 2020
• +7% x scaling factor for 2021
• +9% x scaling factor for 2022

CMS will use a scaling factor that is greater than 0 but not greater than 3 to ensure budget neutrality. In 2018, after calculating the 2017 final scores of all MIPS participants, CMS will determine the scaling factor—and thus the maximum positive payment adjustment factor—for the 2019 payment year.

Bonuses will be based on a linear sliding scale. If your final score meets or exceeds the 3-point performance threshold, your payment adjustment factor will be based on a linear sliding scale, starting at 0% for a final score of 3 points and increasing to the maximum payment adjustment factor for a final score of 100 points. The “Payment Bonus” chart shows an example of what that scale might look like (see the purple line).

Due to budget neutrality, the sliding scale is expected to be quite flat during year 1. It is easy to avoid the penalty in 2017, and this means that the bonus pool for the 2019 payment adjustments will be relatively small; consequently, the scaling factor will be low, the maximum positive payment adjustment factor will be low, and the gradient of the sliding scale will be low. (The purple line on the “Payment Bonus” chart uses a scaling factor of 0.12 for illustrative purposes only; as mentioned earlier, the actual scaling factor won’t be known until 2018.)

Example. Suppose the scaling factor that is used to ensure budget neutrality turns out to be 0.12. The maximum payment adjustment factor would be 0.48% (4.0 x 0.12). This would be applied to you if you have a 2017 final score of 100 points and would be the upper limit of the sliding scale.
Use 2017 to get up to speed, before CMS starts ramping up the financial rewards and risks. Over the next few years, the bonus pool will increase dramatically, funded by a sharp increase in payment penalties. This growth in penalties will be because:

- reporting requirements will become more stringent (for instance, the 3-point floor for quality measures is likely to disappear);
- quality measures that are “topped out” may be eliminated;
- the performance threshold will be raised (by performance year 2019, half of participants are expected to fall below the performance threshold); and
- the maximum penalty will rapidly increase (~9% by performance year 2020/payment year 2022).

### Additional Adjustment Factor: Tap into a $500M–Bonus Pool by Scoring at Least 70 Points

The 70-point additional performance threshold sets the bar for exceptional performance. If your 2017 final score is 70 points or higher, an additional payment adjustment factor will be applied to your 2019 Medicare payments. If you don’t have an EHR system, reaching this threshold will be an extreme challenge (see “When You Don’t Have an EHR System”).

Not budget neutral. These additional bonuses are funded by an additional $500 million per year that is being provided during the first 6 payment years of the program. The money will be paid out during payment years 2019-2024, based on final scores during performance years 2017-2022.

This extra bonus will be based on a linear sliding scale. CMS won’t define that linear sliding scale until after the performance year is over. The regulations state that the scale is likely to be +0.5% at the lower end (if your final score is 70 points) and it can’t exceed +10% at the higher end (if your final score is 100 points). CMS may reduce that +10%—upper limit using a scaling factor. The “Payment Bonus” chart shows a hypothetical sliding scale (orange line) that represents the sum of the payment adjustment factor and the additional payment adjustment factor.

### Example.

In 2018, after CMS has calculated the final scores for all the MIPS participants, it calculates what scaling factor would be needed to distribute the $500 million–bonus pool among those who scored at least 70 points. Suppose it determines that this scaling factor is 0.0625. This means that the maximum additional payment adjustment factor is reduced from +10% to +0.625% (10.0 x 0.0625). This would be applied if you have a 2017 final score of 100 points.

### How the Bonuses and Penalties Will Be Applied

You can opt to report and be scored as an individual or as part of a group.

- If you are scored as an individual, CMS will use both your Tax Identification Number (TIN) and National Provider Identifier (NPI) to distinguish you as a unique MIPS participant. If you are scored as part of a group, the group’s TIN will be used for your identifier.

- Payment adjustments are always applied at the TIN/NPI level. CMS will apply the payment adjustments at the TIN/NPI level, regardless of whether you received a final score as an individual or as part of a MIPS group.

The payment adjustment will follow you to your next practice. Your 2017 final score will determine your 2019 payment adjustment, and—unlike PQRS—this is the case even if you move to a new practice after the 2017 performance year is over. In other words, when CMS applies your payment adjustment in 2019, it will look at the 2017 final score that was associated with the TIN you were using in 2017, not the 2017 final score that is associated with your new practice’s TIN.

**How the payment adjustments will be applied.** CMS will start applying the MIPS payment adjustments in 2019. They will be applied throughout the year to each claim that you submit.

### Use the Academy’s Resources

Make sure you are signed up for the IRIS Registry. This summer, the IRIS Registry (aaoad.org/iris-registry) will open its portal and updated dashboard to support MIPS reporting.

Please note: There is a June 1 deadline to sign up for automated reporting of MIPS quality measures via EHR/IRIS Registry integration. (For additional IRIS Registry deadlines, see pages 61-62.)

- Bookmark the MIPS web pages. Visit aaoad.org/mips, which includes subspecialty-specific resources, and aaoad.org/medicare.
- Check for weekly updates. Each Thursday, check your email for the Washington Report Express.
- Use the AAOE’s listservs. AAOE members can share MIPS tips with colleagues via E-Talk and E-Retina (go to aaoad.org/aaoe and click “Listservs”).
- Read EyeNet’s Guide to MIPS. Visit aaoad.org/eyenet to learn about the MIPS basics (January), and about how to report quality (February), ACI (March), and improvement activities (April).

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### When You Don’t Have an EHR System

In most cases, if you don’t have an EHR system, your ACI score will be 0 points. This means that your maximum possible final score would be 75 points (up to 60 points for quality and up to 15 points for improvement activities).

In limited circumstances, you might not be scored on ACI. You may, for example, have been prevented from reporting the ACI measures because of extreme and uncontrollable circumstances, such as a natural disaster that destroyed your EHR system. In that case, it would be unfair for CMS to give you an ACI score of 0. Instead, CMS doesn’t assign you an ACI score, and it bases your final score on the other 2 performance categories, with your quality score contributing up to 85 points and your improvement activities score up to 15 points. (For other circumstances in which you may be exempt from ACI, see “Guide to MIPS 2017, Part 3: How to Report Advancing Care Information” in the March 2017 EyeNet.)