FIVE STEPS TO BUILDING A "MACRA READY" PHYSICIAN COMPENSATION PLAN

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The Medicare Access and CHIP Reauthorization Act (MACRA) is changing how the government reimburses for physician services. Under the Merit Based Incentive Payment System (MIPS), many physician groups, both in private practice or hospital-owned, across the country are facing adjustments in their professional fee revenue based on their performance in certain key performance areas. This change calls for a reconsideration of provider compensation strategies to ensure that incentives are aligned. Even if your organization is exempt from MIPS by participating in an Advanced Alternative Payment Model (APM), it is important to act now to ensure your physician compensation plan is ready for the post-MACRA world. Follow these five steps to ensure you are on your way to a MACRA-ready physician compensation plan.

1. **Review Your Current Physician Compensation Plan and Reimbursement Market**
   Most current compensation plans focus solely or largely on rewarding physicians for wRVU generation. This model made perfect sense in the past, as reimbursement was entirely driven by volume. wRVU production models are not obsolete in a post-MACRA environment; however, they need to be modified to ensure incentives are aligned with post-MACRA requirements. This factor means that there must be a balanced value on not just how much a physician does, but how well he does the work. MACRA should not be the only consideration; other changes in reimbursement in the local market should be assessed to determine necessary actions and their extent.

2. **Review Your Physician Compensation, Productivity, and Reimbursement Data**
   This step cannot be overlooked. Your organization should know how much money is coming in and how much is being paid under your current compensation model by provider. In the post-MACRA world, more wRVU generation could equal greater losses. We recommend the assessment of wRVU productivity, collections, and compensation to productivity ratios for all providers to gain a granular understanding of how physician compensation is currently functioning in your organization. Next, we recommend reviewing current and future payer contracts, any state initiatives involving reimbursement, and the payer mix in your market. In markets experiencing accelerated shifts toward capitation, this financial information increases in importance, as a new compensation model needs to consider how much money is available for physician compensation at the outset.

3. **Review the CMS/MIPS Website and Determine What You Can Measure**
   The CMS/MIPS website is a helpful tool for examining what the requirements will be for each organization and individual physicians under MIPS. Use the site as a basic checklist of what your organization will be required to track and report. The ability to track and report data, especially quality metrics, will be essential to avoid future decreases in

reimbursement and take advantage of any potential incentives. If your organization is already tracking and reporting measures for PQRS, you will likely find similarities in the measures listed as high priority by CMS. Collaborating with physicians in each specialty group to choose the right metrics has proven to be an effective approach. Physicians can help to sort through the high priority measures that will meet CMS requirements while having the best impact on patient care. Including your IT and Quality teams in this conversation will also help to determine which measures are easiest to track and report.

4. **Build a Physician Compensation Plan Tailored to Your Organization**
   Once you have a good understanding of your current plan, data, and capabilities, it is time to develop a revised compensation model. The model that works best for your organization will depend on the results of the analysis completed in steps one through three. The following sub-steps outline basic guidance on developing the right model.
   a. Determine the most appropriate compensation structure.
   b. Choose the best performance metrics.
   c. Review market data and set the model components at market-based rates.
   d. Estimate the financial impact of the new model at current levels of productivity and compare to the total funds available for physician compensation.
   e. Make any necessary adjustments to the model for financial viability.

5. **Implement the Plan and Monitor Progress**
   Implementing a new compensation model can be more complicated than the design process due to the potential economic impact it may have on existing providers. Thus, implementation strategies work best if new models can be shadowed for a period, at least six months, prior to full implementation. This time helps educate providers on the tenets of the new model and allows them to get comfortable with the change before the new model goes into full effect. During this shadowing period, adjustments can be made to the economics of the model and to which performance metrics are being measured and reported. Once all adjustments are made, and the model is producing the desired results, the new model is ready to implement. After implementation, monitor the outcomes of the compensation plan, compare the results to projections, and assess the financial viability of the model considering future changes in the reimbursement market.

Conclusion

The post-MACRA world is a complicated and difficult environment, but there are both penalties and incentives to be had soon. Building a MACRA-ready physician compensation plan will help your organization navigate the challenging transition from volume to value while increasing your chances of gaining incentives and avoiding penalties. The most important matter is to get started and take the first step.

Please share your thoughts about these five steps and any questions you may have about how they can help your organization by contacting Justin Chamblee, CPA, Senior Vice President, at jchamblee@cokergroup.com or Jon Morris, JD, Senior at jmorris@cokergroup.com or by calling 678-832-2021.