

## **CHQPR Calls for Delay in Medicare Value-Based Payment Modifier and Urges Rapid Implementation of True Physician Payment Reforms**

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**Pittsburgh, PA (September 10, 2014)** – Based on a detailed analysis showing “serious problems . . . that could harm the most vulnerable Medicare beneficiaries while failing to achieve Congressional goals of promoting higher quality, more affordable healthcare,” the Center for Healthcare Quality and Payment Reform (CHQPR) is urging the Centers for Medicare and Medicaid Services (CMS) to drop its plans to use cost measures in the Value-Based Payment Modifier in 2015. Rather than cutting physician payments based on flawed measures of efficiency, CHQPR recommends that CMS use its statutory authority to implement true payment reforms that would enable physicians to improve care delivery in ways that would reduce spending without harming patients.

“At a time when payment reform is urgently needed in the Medicare program, the cost measures in the Value-Based Payment Modifier would make the payment system worse, not better,” said Harold D. Miller, President and CEO of the Center for Healthcare Quality and Payment Reform. “Penalizing physicians for costs they cannot control and making it more difficult for seniors with health problems to obtain the care they need is not what Congress meant by ‘value-based payment.’ Instead, CMS should be implementing the kinds of payment systems physicians need to deliver higher-quality, lower-cost care.”

In [detailed comments submitted to CMS on its proposed regulations for the Value-Based Payment Modifier](#), CHQPR described how the cost measures CMS is planning to use would:

1. Discourage physicians from accepting new patients who have not been receiving adequate primary and preventive care;
2. Discourage physicians from providing care coordination services for patients who have complex problems and who receive services from multiple physicians and other providers;
3. Discourage physicians from caring for patients who are poor, have functional limitations, or live in rural areas;
4. Penalize physicians for keeping their patients healthy;
5. Penalize physicians for services they did not deliver or order, including services they were not even aware their patients received;
6. Fail to hold physicians accountable for delivery of unnecessary and inappropriate services;
7. Penalize physicians for delivering recommended services to their patients;
8. Penalize physicians for treating patients with injuries, cancer, acute illnesses, and complications resulting from care by other providers;
9. Reduce payments to primary care physicians relative to specialists; and
10. Penalize physicians for working in particular types of multi-specialty groups.

“These problems are caused by serious flaws in the attribution and risk adjustment methodologies CMS is using for assigning patients and costs to physicians,” said Miller. “In fact, the methodology violates the requirements established by Congress for adequate risk adjustment in the Value-Based Payment Modifier. Since Congress has not required implementation of the Value-Based Payment Modifier until 2017, we urge

CMS to delay implementation of at least the cost measurement components of the Value-Based Payment Modifier, if not the entire Modifier program, until then.”

Although CHQPR provided CMS with methods of solving the most serious problems with the cost measures, it emphasized that no matter what improvements are made to the methodology, the Value-Based Payment Modifier will do relatively little to improve quality or reduce costs because it does not solve the fundamental problems in Medicare’s current methods of paying physicians and other providers.

“The Value-Based Payment Modifier merely adjusts payment amounts rather than fixing the underlying fee-for-service system. CMS must move more quickly to implement completely different payment systems – bundled payments, warrantied payments, episode payments, condition-based payments, and global payment – that will enable physicians to deliver better quality care at lower cost,” said Miller.

Miller noted that Congress has already given CMS the authority to implement better payment models, not just through the Center for Medicare and Medicaid Innovation, but as voluntary options for physicians and other providers in the regular Medicare program. Section 1899(i)(3) of the Social Security Act authorizes CMS to implement ‘any payment model that the Secretary determines will improve the quality and efficiency of items and services furnished under this title’ for groups of providers who are ‘willing to become accountable for the quality, cost, and overall care’ of Medicare beneficiaries assigned to them.

“Unfortunately, CMS has failed to fully implement this provision of the law,” said Miller. “The only thing CMS has done to implement Section 1899 is create a shared savings payment system that has the same problems as the Value-Based Payment Modifier. It fails to remove the serious barriers to higher-value care delivery created by the current Medicare payment system and it uses the same flawed attribution and risk adjustment methodologies that CMS is proposing to use in the Value-Based Payment Modifier.”

“Instead of adding more and more penalties to the payment system, CMS should work in partnership with physicians and other healthcare providers to design and implement payment changes that will support higher-quality, lower-cost care,” Miller said. “By removing the current barriers physicians face in delivering higher-value care, CMS can create a win-win-win: better care for beneficiaries and lower spending for Medicare while maintaining the financial viability of physician practices, hospitals, and other healthcare providers.”

Examples of the problems caused by the Value-Based Payment Modifier and methods of solving them are contained in the [detailed letter CHQPR sent to CMS Administrator Marilyn Tavenner](#), a copy of which can be obtained on the CHQPR website ([www.CHQPR.org](http://www.CHQPR.org)). Additional information on the problems with the “value-based purchasing” systems being used by Medicare and other payers and a description of how to move to true value-based payment systems are available in a recent CHQPR report titled *Measuring and Assigning Accountability for Healthcare Spending: Fair and Effective Ways to Analyze the Drivers of Healthcare Costs and Transition to Value-Based Payment*, which can be downloaded from the CHQPR website at [www.CHQPR.org/reports.html](http://www.CHQPR.org/reports.html).

The Center for Healthcare Quality and Payment Reform is a national policy center that facilitates improvements in healthcare payment and delivery systems. Since its founding in 2008, CHQPR has become a nationally-recognized source of unbiased information and assistance on payment and delivery reform. CHQPR’s publications are among the most widely used and highly regarded resources on payment reform and accountable care in the country. CHQPR has provided information and technical assistance to Congress, to federal agencies such as CMS and MedPAC, to national organizations such as the American Medical Association, the Council of Medical Specialty Societies, and the National Governors Association, and to physicians, hospitals, employers, health plans, and government agencies in more than 30 states and metropolitan regions to help them design and implement successful payment and delivery system reforms. More information on CHQPR and its work is available on its website at [www.CHQPR.org](http://www.CHQPR.org).