

## § 414.1200

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under part 414 subparts D and F for the item or the single payment amount established under the DMEPOS competitive bidding program provided that payment for such item is not included in the payment amount for other CORF services paid under paragraphs (a) or (d).

(d) *Payment for drugs and biologicals.* Drugs and biologicals that are CORF services under § 410.100(j) of this chapter, are paid the lesser of 80 percent of the following:

(1) The actual charge for the service provided that payment for such item is not included in the payment amount for other CORF services paid under paragraphs (a) or (c); or

(2) The amount determined using the same methodology for drugs (as defined in § 414.704 of this chapter) described in section 1842(o)(1) of the Act provided that payment for such *drug* is not included in the payment amount for other CORF services paid under paragraphs (a) or (c).

(e) *Payment for CORF services when no fee schedule amount for the service.* If there is no fee schedule amount established for a CORF service, payment for the item or service will be the lesser of 80 percent of:

(i) The actual charge for the service provided that payment for such item or service is not included in the payment amount for other CORF services paid under paragraphs (a), (c), or (d) of this section.

(ii) The amount determined under the fee schedule established for a comparable service as specified by the Secretary provided that payment for such item or service is not included in the payment amount for other CORF services paid under paragraphs (a), (c), or (d) of this section.

### Subpart N—Value-Based Payment Modifier Under the Physician Fee Schedule

SOURCE: 77 FR 69368, Nov. 16, 2012, unless otherwise noted.

#### § 414.1200 Basis and scope.

(a) *Basis.* This subpart implements section 1848(p) of the Act by establishing a payment modifier that provides for differential payment starting

in 2015 to a group of physicians and starting in 2017 to a group and a solo practitioner under the Medicare Physician Fee Schedule based on the quality of care furnished compared to cost during a performance period.

(b) *Scope.* This subpart sets forth the following:

(1) The application of the value-based payment modifier.

(2) Performance and payment adjustment periods.

(3) Reporting mechanisms for the value-based payment modifier.

(4) Alignment of PQRS quality of care measures with the quality measures for the value-based payment modifier.

(5) Additional measures for groups and solo practitioners.

(6) Cost measures.

(7) Attribution for quality of care and cost measures.

(8) Scoring methods for the value-based payment modifier.

(9) Benchmarks for quality of care measures.

(10) Benchmarks for cost measures.

(11) Composite scores.

(12) Reliability of measures.

(13) Payment adjustments.

(14) Value-based payment modifier quality-tiering scoring methodology.

(15) Limitation of review.

(16) Inquiry process.

[77 FR 69368, Nov. 16, 2012, as amended at 79 FR 68005, Nov. 13, 2014]

#### § 414.1205 Definitions.

As used in this subpart, unless otherwise indicated—

*Accountable care organization (ACO)* has the same meaning given this term under § 425.20 of this chapter.

*Certified registered nurse anesthetist (CRNA)* has the same meaning given this term under section 1861(bb)(2) of the Act.

*Critical access hospital* has the same meaning given this term under § 400.202 of this chapter.

*Electronic health record (EHR)* has the same meaning given this term under § 414.92 of this chapter.

*Eligible professional* has the same meaning given this term under section 1848(k)(3)(B) of the Act.

*Federally Qualified Health Center* has the same meaning given this term under §405.2401(b) of this chapter.

*Group of physicians (Group)* means a single Taxpayer Identification Number (TIN) with 2 or more eligible professionals, as identified by their individual National Provider Identifier (NPI), who have reassigned their Medicare billing rights to the TIN.

*Performance period* means the calendar year that will be used to assess the quality of care furnished compared to cost.

*Performance rate* means the calculated rate for each quality or cost measure such as the percent of times that a particular clinical quality action was reported as being performed, or a particular outcome was attained, for the applicable persons to whom a measure applies as described in the denominator for the measure.

*Physician* has the same meaning given this term under section 1861(r) of the Act.

*Physician assistant (PA), nurse practitioner (NP), and clinical nurse specialist (CNS)* have the same meanings given these terms under section 1861(aa)(5) of the Act.

*Physician Fee Schedule* has the same meaning given this term under part 410 of this chapter.

*Physician Quality Reporting System* means the system established under section 1848(k) of the Act.

*Risk score* means the beneficiary risk score derived from the CMS Hierarchical Condition Categories (HCC) model.

*Solo practitioner* means a single Taxpayer Identification Number (TIN) with one eligible professional who is identified by an individual National Provider Identifier (NPI) billing under the TIN.

*Taxpayer Identification Number (TIN)* has the same meaning given this term under §425.20 of this chapter.

*Value-based payment modifier* means the percentage as determined under §414.1270 by which amounts paid to a group or solo practitioner under the Medicare Physician Fee Schedule established under section 1848 of the Act are adjusted based upon a comparison

of the quality of care furnished to cost as determined by this subpart.

[77 FR 69368, Nov. 16, 2012, as amended at 79 FR 68005, Nov. 13, 2014; 80 FR 71382, Nov. 16, 2015]

#### **§414.1210 Application of the value-based payment modifier.**

(a) The value-based payment modifier is applicable:

(1) For the CY 2015 payment adjustment period, to physicians in groups with 100 or more eligible professionals based on the performance period described at §414.1215(a).

(2) For the CY 2016 payment adjustment period, to physicians in groups with 10 or more eligible professionals based on the performance period described at §414.1215(b).

(3) For the CY 2017 payment adjustment period and each subsequent calendar year payment adjustment period, to physicians in groups with 2 or more eligible professionals and to physicians who are solo practitioners based on the performance period for the payment adjustment period as described at §414.1215.

(4) For the CY 2018 payment adjustment period, to nonphysician eligible professionals who are physician assistants, nurse practitioners, clinical nurse specialists, and certified registered nurse anesthetists in groups with 2 or more eligible professionals and to physician assistants, nurse practitioners, clinical nurse specialists, and certified registered nurse anesthetists who are solo practitioners based on the performance period for the payment adjustment period as described at §414.1215.

(b) *Exceptions.* (1) Groups of physicians that are participating in the Medicare Shared Savings Program, the testing of the Pioneer ACO model, or other similar Innovation Center or CMS initiatives shall not be subject to any adjustments under the value-based payment modifier for CY 2015 and CY 2016.

(2) *Application of the value-based payment modifier to participants in the Shared Savings Program.*

(i) For the CY 2017 payment adjustment period and each subsequent calendar year payment adjustment period, the value-based payment modifier is

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applicable to physicians in groups with 2 or more eligible professionals and to physicians who are solo practitioners that participate in an ACO under the Shared Savings Program during the performance period for the payment adjustment period as described at § 414.1215. The value-based payment modifier for a group or solo practitioner that participates in an ACO under the Shared Savings Program during the performance period is determined based on paragraphs (b)(2)(i)(A) through (D) of this section.

(A) The cost composite is classified as “average” under § 414.1275(b).

(B) For groups and solo practitioners that participate in a Shared Savings Program ACO that successfully reports quality data as required by the Shared Savings Program under § 425.504 of this chapter, the quality composite score is calculated under § 414.1260(a) using quality data reported by the ACO for the performance period through the ACO GPRO Web interface as required under § 425.504(a)(1) of this chapter or another mechanism specified by CMS and the ACO all-cause readmission measure. Groups and solo practitioners that participate in two or more ACOs during the applicable performance period receive the quality composite score of the ACO that has the highest numerical quality composite score. For the CY 2018 payment adjustment period, the CAHPS for ACOs survey also will be included in the quality composite score. For the CY 2017 and 2018 payment adjustment periods, for groups and solo practitioners who participate in a Shared Savings Program ACO that does not successfully report quality data as required by the Shared Savings Program under § 425.504 and who meet the requirements to avoid the PQRS payment adjustment for CY 2018 by reporting to the PQRS outside the ACO, the quality composite is classified as “average” under § 414.1275(b).

(C) For the CY 2017 payment adjustment period, the value-based payment modifier adjustment will be equal to the amount determined under § 414.1275 for the payment adjustment period, except that if the ACO (or groups and solo practitioners that participate in the ACO) does not successfully report quality data as described in paragraph

(b)(2)(i)(B) of this section for the performance period, such adjustment will be equal to –4% for groups of physicians with 10 or more eligible professionals and equal to –2% for groups of physicians with two to nine eligible professionals and for physician solo practitioners. If the ACO has an assigned beneficiary population during the performance period with an average risk score in the top 25 percent of the risk scores of beneficiaries nationwide, and a group of physician or physician solo practitioner that participates in the ACO during the performance period is classified as high quality/average cost under quality-tiering for the CY 2017 payment adjustment period, the group or solo practitioner receives an upward adjustment of  $+3 \times$  (rather than  $+2 \times$ ) if the group has 10 or more eligible professionals or  $+2 \times$  (rather than  $+1 \times$ ) for a solo practitioner or the group has two to nine eligible professionals.

(D) For the CY 2018 payment adjustment period, the value-based payment modifier adjustment will be equal to the amount determined under § 414.1275 for the payment adjustment period, except that if the ACO (or groups and solo practitioners that participate in the ACO) does not successfully report quality data as described in paragraph (b)(2)(i)(B) of this section for the performance period, such adjustment will be equal to the downward payment adjustment amounts described at § 414.1270(d)(1). If the ACO has an assigned beneficiary population during the performance period with an average risk score in the top 25 percent of the risk scores of beneficiaries nationwide, and a group or solo practitioner that participates in the ACO during the performance period is classified as high quality/average cost under quality-tiering for the CY 2018 payment adjustment period, the group or solo practitioner receives an upward adjustment of  $+3 \times$  (rather than  $+2 \times$ ) if the group of physicians has 10 or more eligible professionals,  $+2 \times$  (rather than  $+1 \times$ ) for a physician solo practitioner or if the group of physicians has two to nine eligible professionals, or  $+2 \times$  (rather than  $+1 \times$ ) for a solo practitioner who is a nonphysician eligible professional or

if the group consists of nonphysician eligible professionals.

(E) For the CY 2017 payment adjustment period and each subsequent calendar year payment adjustment period, the value-based payment modifier for groups and solo practitioners that participate in an ACO under the Shared Savings Program during the applicable performance period is determined as described under paragraph (b)(2) of this section, regardless of whether any eligible professionals in the group or the solo practitioner also participate in an Innovation Center model during the performance period.

(F) For groups and solo practitioners that participate in a Shared Savings Program ACO that successfully reports quality data as required by the Shared Savings Program under §425.504 of this chapter, the same value-based payment modifier adjustment will be applied in the payment adjustment period to all groups based on size as specified under §414.1275 and solo practitioners that participated in the ACO during the performance period.

(ii) For the CY 2018 payment adjustment period and each subsequent calendar year payment adjustment period, the value-based payment modifier is applicable to nonphysician eligible professionals in groups with 2 or more eligible professionals and to nonphysician eligible professionals who are solo practitioners that participate in an ACO under the Shared Savings Program during the performance period for the payment adjustment period as described at §414.1215. The value-based payment modifier for nonphysician eligible professionals is determined in the same manner as for physicians as described under paragraphs (b)(2)(i)(A) through (D) of this section.

(3) *Application of the value-based payment modifier to participants in the Pioneer ACO Model and the Comprehensive Primary Care Initiative.* (i) For the CY 2017 payment adjustment period, the value-based payment modifier is waived under section 1115A(d)(1) of the Act for physicians in groups with 2 or more eligible professionals and for physicians who are solo practitioners that participate in the Pioneer ACO Model or the Comprehensive Primary Care (CPC) Initiative during the perform-

ance period for the payment adjustment period as described at §414.1215.

(ii) For the CY 2018 payment adjustment period, the value-based payment modifier is waived under section 1115A(d)(1) of the Act for physicians and nonphysician eligible professionals in groups with 2 or more eligible professionals and for physicians and nonphysician eligible professionals who are solo practitioners that participate in the Pioneer ACO Model or the Comprehensive Primary Care (CPC) Initiative during the performance period for the payment adjustment period as described at §414.1215.

(iii) For purposes of the value-based payment modifier, a group or solo practitioner is considered to be participating in the Pioneer ACO Model or CPC Initiative if at least one eligible professional billing under the TIN in the performance period for the payment adjustment period as described at §414.1215 is participating in the Pioneer ACO Model or CPC Initiative in the performance period.

(4) *Application of the value-based payment modifier to participants in other similar Innovation Center models.* (i) For the CY 2017 payment adjustment period, the value-based payment modifier is waived under section 1115A(d)(1) of the Act for physicians in groups with 2 or more eligible professionals and for physicians who are solo practitioners that participate in other similar Innovation Center models during the performance period for the payment adjustment period as described at §414.1215.

(ii) For the CY 2018 payment adjustment period, the value-based payment modifier is waived under section 1115A(d)(1) of the Act for physicians and nonphysician eligible professionals in groups with 2 or more eligible professionals and for physicians and nonphysician eligible professionals who are solo practitioners that participate in other similar Innovation Center models during the performance period for the payment adjustment period as described at §414.1215.

(iii) For purposes of the value-based payment modifier, a group or solo practitioner is considered to be participating in a similar Innovation Center

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model if at least one eligible professional billing under the TIN in the performance period for the payment adjustment period as described at § 414.1215 is participating in the similar model in the performance period.

(c) *Group size and composition determination.* (1) The list of groups of physicians subject to the value-based payment modifier for the CY 2015 payment adjustment period is based on a query of PECOS on October 15, 2013. For each subsequent calendar year payment adjustment period, the list of groups and solo practitioners subject to the value-based payment modifier is based on a query of PECOS that occurs within 10 days of the close of the Physician Quality Reporting System group registration process during the applicable performance period described at § 414.1215. Groups are removed from the PECOS-generated list if, based on a claims analysis, the group did not have the required number of eligible professionals, as defined in paragraph (a) of this section, that submitted claims during the performance period for the applicable calendar year payment adjustment period. Solo practitioners are removed from the PECOS-generated list if, based on a claims analysis, the solo practitioner did not submit claims during the performance period for the applicable calendar year payment adjustment period.

(2) Beginning with the CY 2016 payment adjustment period, the size of a group during the applicable performance period will be determined by the lower number of eligible professionals as indicated by the PECOS-generated list or claims analysis.

(3) For the CY 2018 payment adjustment period, the composition of a group during the applicable performance period will be determined based on whether the group includes physicians, physician assistants, nurse practitioners, clinical nurse specialists, certified registered nurse anesthetists, and/or other types of nonphysician eligible professionals as indicated by the PECOS-generated list or claims analysis.

[77 FR 69368, Nov. 16, 2012, as amended at 78 FR 74820, Dec. 10, 2013; 79 FR 68005, Nov. 13, 2014; 80 FR 71382, Nov. 16, 2015; 81 FR 80555, Nov. 15, 2016]

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##### **§ 414.1215 Performance and payment adjustment periods for the value-based payment modifier.**

(a) The performance period is calendar year 2013 for value-based payment modifier adjustments made in the calendar year 2015 payment adjustment period.

(b) The performance period is calendar year 2014 for value-based payment modifier adjustments made in the calendar year 2016 payment adjustment period.

(c) The performance period is calendar year 2015 for value-based payment modifier adjustments made in the calendar year 2017 payment adjustment period.

(d) The performance period is calendar year 2016 for value-based payment modifier adjustments made in the calendar year 2018 payment adjustment period.

[77 FR 69368, Nov. 16, 2012, as amended at 78 FR 74820, Dec. 10, 2013; 80 FR 71383, Nov. 16, 2015]

##### **§ 414.1220 Reporting mechanisms for the value-based payment modifier.**

Solo practitioners and groups subject to the value-based payment modifier (or individual eligible professionals within such groups) may submit data on quality measures as specified under the Physician Quality Reporting System using the reporting mechanisms for which they are eligible.

[78 FR 74820, Dec. 10, 2013, as amended at 79 FR 68006, Nov. 13, 2014]

##### **§ 414.1225 Alignment of Physician Quality Reporting System quality measures and quality measures for the value-based payment modifier.**

All of the quality measures for which solo practitioners and groups (or individual eligible professionals within such groups) are eligible to report under the Physician Quality Reporting System in a given calendar year are used to calculate the value-based payment modifier for the applicable payment adjustment period, as defined in § 414.1215, to the extent a solo practitioner or a group (or individual eligible professionals within such group) submit data on such measures.

[79 FR 68006, Dec. 13, 2014]

**§ 414.1230 Additional measures for groups and solo practitioners.**

The value-based payment modifier includes the following additional quality measures (outcome measures) as applicable for all groups and solo practitioners subject to the value-based payment modifier:

(a) A composite of rates of potentially preventable hospital admissions for heart failure, chronic obstructive pulmonary disease, and diabetes. The rate of potentially preventable hospital admissions for diabetes is a composite measure of uncontrolled diabetes, short term diabetes complications, long term diabetes complications and lower extremity amputation for diabetes.

(b) A composite of rates of potentially preventable hospital admissions for dehydration, urinary tract infections, and bacterial pneumonia.

(c) Rates of an all-cause hospital readmissions measure, except for groups with between two to nine eligible professionals and solo practitioners starting with the CY 2017 payment adjustment period.

[77 FR 69368, Nov. 16, 2012, as amended at 79 FR 68007, Nov. 13, 2014; 80 FR 71383, Nov. 16, 2015]

**§ 414.1235 Cost measures.**

(a) *Included measures.* Beginning with the CY 2016 payment adjustment period, costs for groups and solo practitioners subject to the value-based payment modifier are assessed based on a cost composite comprised of the following 6 cost measures (only the measures identified in paragraphs (a)(1) through (5) of this section are included for the value-based payment modifier for the CY 2015 payment adjustment period):

(1) Total per capita costs for all attributed beneficiaries.

(2) Total per capita costs for all attributed beneficiaries with diabetes.

(3) Total per capita costs for all attributed beneficiaries with coronary artery disease.

(4) Total per capita costs for all attributed beneficiaries with chronic obstructive pulmonary disease.

(5) Total per capita costs for all attributed beneficiaries with heart failure.

(6) Medicare Spending per Beneficiary associated with an acute inpatient hospitalization.

(b) *Included payments.* Cost measures enumerated in paragraph (a) of this section include all fee-for-service payments made under Medicare Part A and Part B.

(c) *Cost measure adjustments.* (1) Payments under Medicare Part A and Part B will be adjusted using CMS' payment standardization methodology to ensure fair comparisons across geographic areas.

(2) The CMS-HCC model (and adjustments for ESRD status) is used to adjust standardized payments for the measures listed at paragraphs (a)(1) through (5) of this section.

(3) The beneficiary's age and severity of illness are used to adjust the Medicare Spending per Beneficiary measure as specified in paragraph (a)(6) of this section.

(4) Beginning with the CY 2016 payment adjustment period, the cost measures of a group and solo practitioner subject to the value-based payment modifier are adjusted to account for the group's and solo practitioner's specialty mix, by computing the weighted average of the national specialty specific expected costs and comparing this to the group's actual risk adjusted costs. Each national specialty-specific expected cost is weighted by the proportion of Part B payments incurred by each specialty within the group.

(5) The national specialty-specific expected costs referenced in paragraph (c)(4) of this section are derived by calculating, for each specialty, the weighted average of the risk-adjusted costs computed across all groups, where the weight for each group is equal to the number of beneficiaries attributed to the group, times the number of eligible professionals in the group with the relevant specialty, times the proportion of eligible professionals in the group with the relevant specialty.

[78 FR 74821, Dec. 10, 2013, as amended at 79 FR 68007, Nov. 13, 2014; 80 FR 71383, Nov. 16, 2015]

**§ 414.1240 Attribution for quality of care and cost measures.**

(a) Beneficiaries are attributed to groups and solo practitioners subject to the value-based payment modifier using a method generally consistent with the method of assignment of beneficiaries under § 425.402 of this chapter, for measures other than the Medicare Spending per Beneficiary measure.

(b) For the Medicare Spending per Beneficiary (MSPB) measure, an MSPB episode is attributed to the group or the solo practitioner subject to the value-based payment modifier whose eligible professionals submitted the plurality of claims (as measured by allowable charges) under the group's or solo practitioner's TIN for Medicare Part B services, rendered during an inpatient hospitalization that is an index admission for the MSPB measure during the applicable performance period described at § 414.1215.

[79 FR 68007, Nov. 13, 2014]

**§ 414.1245 Scoring methods for the value-based payment modifier using the quality-tiering approach.**

For each quality of care and cost measure, a standardized score is calculated for each group and solo practitioner subject to the value-based payment modifier by dividing—

- (a) The difference between their performance rate and the benchmark, by
- (b) The measure's standard deviation.

[77 FR 69368, Nov. 16, 2012, as amended at 79 FR 68007, Nov. 13, 2014]

**§ 414.1250 Benchmarks for quality of care measures.**

(a) The benchmark for quality of care measures reported through the PQRS using the claims, registries, QCDR, or web interface is the national mean for that measure's performance rate (regardless of the reporting mechanism) during the year prior to the performance period. In calculating the national benchmark, solo practitioners' and groups' (or individual eligible professionals' within such groups) performance rates are weighted by the number of beneficiaries used to calculate the solo practitioners' or groups' (or individual eligible professionals' within such groups) performance rate. Begin-

ning with the CY 2016 performance period, eCQMs reported via EHRs are excluded from the overall benchmark for quality of care measures and separate eCQM benchmarks will be developed. The eCQM benchmark is the national mean for the measure's performance rate during the year prior to the performance period. In calculating the national benchmark, solo practitioners' and groups' (or individual eligible professionals' within such groups) performance rates are weighted by the number of beneficiaries used to calculate the solo practitioners' or groups' (or individual eligible professionals' within such groups) performance rate.

(b) The benchmark for each outcome measure under § 414.1230, is the national mean for that measure's performance rate during the year prior to the performance period. In calculating the national benchmark, solo practitioners' and groups' (or individual eligible professionals' within such groups) performance rates are weighted by the number of beneficiaries used to calculate the solo practitioners' or groups' (or individual eligible professionals' within such groups) performance rate.

[79 FR 68007, Nov. 13, 2014, as amended at 80 FR 71384, Nov. 16, 2015]

**§ 414.1255 Benchmarks for cost measures.**

(a) For the CY 2015 payment adjustment period, the benchmark for each cost measure is the national mean of the performance rates calculated among all groups of physicians for which beneficiaries are attributed to the group of physicians that are subject to the value-based payment modifier. In calculating the national benchmark, groups of physicians' performance rates are weighted by the number of beneficiaries used to calculate the group of physician's performance rate.

(b) Beginning with the CY 2016 payment adjustment period, the benchmark for each cost measure is the national mean of the performance rates calculated among all groups and solo practitioners that meet the minimum number of cases for that measure under § 414.1265(a). In calculating the national

benchmark, groups and solo practitioners' performance rates are weighted by the number of beneficiaries used to calculate the group or solo practitioner's performance rate.

[78 FR 74821, Dec. 10, 2013, as amended at 79 FR 68007, Nov. 13, 2014; 80 FR 71384, Nov. 16, 2015]

#### §414.1260 Composite scores.

(a)(1) The standardized score for each quality of care measure is classified into one of the following equally weighted domains to determine the quality composite:

- (i) Patient safety.
- (ii) Patient experience.
- (iii) Care coordination.
- (iv) Clinical care.
- (v) Population/community health.
- (vi) Efficiency.

(2) If a domain includes no measure or does not reach the minimum case size in §414.1265, the remaining domains are equally weighted to form the quality of care composite.

(b)(1) The standardized score for each cost measure is grouped into two separate and equally weighted domains to determine the cost composite:

- (i) Total per capita costs for all attributed beneficiaries: Total per capita costs measure and Medicare Spending Per Beneficiary measure; and
- (ii) Total per capita costs for all attributed beneficiaries with specific conditions: Diabetes, coronary artery disease, chronic obstructive pulmonary disease, or heart failure (four measures).

(2) Measures within each domain are equally weighted.

[77 FR 69368, Nov. 16, 2012, as amended at 78 FR 74821, Dec. 10, 2013]

#### §414.1265 Reliability of measures.

To calculate a composite score for a quality measure or a cost measure, a group or solo practitioner subject to the value-based payment modifier must have 20 or more cases for that measure.

(a) In a performance period, if a group or solo practitioner has fewer than 20 cases for a measure, that measure is excluded from its domain and the remaining measures in the domain are given equal weight.

(1) Starting with the CY 2017 payment adjustment period, the exception to this paragraph (a) is the all-cause hospital readmissions measure described at §414.1230(c). In a performance period, if a group has fewer than 200 cases for this all-cause hospital readmissions measure, that measure is excluded from its domain and the remaining measures in the domain are given equal weight.

(2) Starting with the CY 2017 payment adjustment period, the Medicare Spending Per Beneficiary measure described at §414.1235(a)(6) is an exception to this paragraph (a). In a performance period, if a group or a solo practitioner has fewer than 125 episodes for this MSPB measure, that measure is excluded from its domain and the remaining measures in the domain are given equal weight.

(b)(1) For the CY 2015 payment adjustment period, if a reliable quality of care composite or cost composite cannot be calculated, payments will not be adjusted under the value-based payment modifier.

(2) Beginning with the CY 2016 payment adjustment period, a group and a solo practitioner subject to the value-based payment modifier will receive a quality composite score that is classified as "average" under §414.1275(b)(1) if such group and solo practitioner do not have at least one quality measure that meets the minimum number of cases under paragraph (a) of this section.

(3) Beginning with the CY 2016 payment adjustment period, a group and a solo practitioner subject to the value-based payment modifier will receive a cost composite score that is classified as "average" under §414.1275(b)(2) if such group and solo practitioner do not have at least one cost measure that meets the minimum number of cases under paragraph (a) of this section.

[77 FR 69368, Nov. 16, 2012, as amended at 79 FR 68007, Nov. 13, 2014; 80 FR 71384, Nov. 16, 2015]

#### §414.1270 Determination and calculation of Value-Based Payment Modifier adjustments.

(a) For the CY 2015 payment adjustment period:



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(1) *Downward payment adjustments.* A downward payment adjustment will be applied to a group of physicians subject to the value-based payment modifier if—

(i) Such group neither self-nominates for the PQRS GPRO and reports at least one measure, nor elects the PQRS administrative claims option for CY 2013 as defined in § 414.90(h).

(A) Such adjustment will be –1.0 percent.

(B) [Reserved]

(ii) Such group elects that its value-based payment modifier be calculated using a quality-tiering approach, and is determined to have poor performance (low quality and high costs; low quality and average costs; or average quality and high costs).

(A) Such adjustment will not exceed –1.0 percent as specified in § 414.1275(c)(1).

(B) [Reserved]

(2) *No payment adjustments.* There will be no value-based payment modifier adjustment applied to a group of physicians subject to the value-based payment modifier if such group either:

(i) Self-nominates for the PQRS GPRO and reports at least one measure; or

(ii) Elects the PQRS administrative claims option for CY 2013 as defined in § 414.90(h).

(3) *Upward payment adjustments.* If a group of physicians subject to the value-based payment modifier elects that the value-based payment modifier be calculated using a quality-tiering approach, upward payment adjustments are determined based on the projected aggregate amount of downward payment adjustments determined under paragraph (a)(1) of this section and applied as specified in § 414.1275(c)(1).

(b) For the CY 2016 payment adjustment period:

(1) A downward payment adjustment of –2.0 percent will be applied to a group of physicians subject to the value-based payment modifier if, during the applicable performance period as defined in § 414.1215, the following apply:

(i) Such group does not self-nominate for the PQRS GPRO and meet the criteria as a group to avoid the PQRS

payment adjustment for CY 2016 as specified by CMS; and

(ii) Fifty percent of the eligible professionals in such group do not meet the criteria as individuals to avoid the PQRS payment adjustment for CY 2016 as specified by CMS.

(2) For a group of physicians comprised of 100 or more eligible professionals that is not included in paragraph (b)(1) of this section, the value-based payment modifier adjustment will be equal to the amount determined under § 414.1275(c)(2).

(3) For a group of physicians comprised of between 10 and 99 eligible professionals that is not included in paragraph (b)(1) of this section, the value-based payment modifier adjustment will be equal to the amount determined under § 414.1275(c)(2), except that such adjustment will be 0.0 percent if the group of physicians is determined to be low quality/high cost, low quality/average cost, or average quality/high cost.

(4) If at least fifty percent of the eligible professionals in the group meet the criteria as individuals to avoid the PQRS payment adjustment for CY 2016 as specified by CMS, and all of those eligible professionals use a qualified clinical data registry and CMS is unable to receive quality performance data for them, the quality composite score for such group will be classified as “average” under § 414.1275(b)(1).

(c) For the CY 2017 payment adjustment period:

(1) A downward payment adjustment of –2.0 percent will be applied to a group with two to nine eligible professionals and a solo practitioner and a downward payment adjustment of –4.0 percent will be applied to a group with 10 or more eligible professionals subject to the value-based payment modifier if, during the applicable performance period as defined in § 414.1215, the following apply:

(i) Such group does not meet the criteria as a group to avoid the PQRS payment adjustment for CY 2017 as specified by CMS; and

(ii) Fifty percent of the eligible professionals in such group do not meet the criteria as individuals to avoid the PQRS payment adjustment for CY 2017 as specified by CMS; or

(iii) Such solo practitioner does not meet the criteria as an individual to avoid the PQRS payment adjustment for CY 2017 as specified by CMS.

(2) For a group comprised of 10 or more eligible professionals that is not included in paragraph (c)(1) of this section, the value-based payment modifier adjustment will be equal to the amount determined under §414.1275(c)(3)(i).

(3) For a group comprised of between two to nine eligible professionals and a solo practitioner that are not included in paragraph (c)(1) of this section, the value-based payment modifier adjustment will be equal to the amount determined under §414.1275(c)(3)(ii).

(4) If at least fifty percent of the eligible professionals in the group meet the criteria as individuals to avoid the PQRS payment adjustment for CY 2017 as specified by CMS, and all of those eligible professionals use a qualified clinical data registry and CMS is unable to receive quality performance data for them, the quality composite score for such group will be classified as “average” under §414.1275(b)(1).

(d) For the CY 2018 payment adjustment period:

(1) A downward payment adjustment of –1.0 percent will be applied to a solo practitioner, a group with two to nine eligible professionals, and a group consisting only of nonphysician eligible professionals subject to the value-based payment modifier and no physicians; and a downward payment adjustment of –2.0 percent will be applied to a group with 10 or more eligible professionals and at least one physician if, during the applicable performance period as defined in §414.1215, the following apply:

(i) For groups:

(A) Such group does not meet the criteria as a group to avoid the PQRS payment adjustment for CY 2018 as specified by CMS; and

(B) Fifty percent of the eligible professionals in such group do not meet the criteria as individuals to avoid the PQRS payment adjustment for CY 2018 as specified by CMS.

(ii) For solo practitioners, such solo practitioner does not meet the criteria as an individual to avoid the PQRS payment adjustment for CY 2018 as specified by CMS.

(2) For a group composed of 10 or more eligible professionals that is not included in paragraph (d)(1) of this section, the value-based payment modifier adjustment will be equal to the amount determined under §414.1275(c)(4)(i).

(3) For a group composed of between two to nine eligible professionals and a solo practitioner that are not included in paragraph (d)(1) of this section, the value-based payment modifier adjustment will be equal to the amount determined under §414.1275(c)(4)(ii).

(4) For a group and a solo practitioner consisting of nonphysician eligible professionals that are not included in paragraph (d)(1) of this section, the value-based payment modifier adjustment will be equal to the amount determined under §414.1275(c)(4)(iii).

(5) If at least 50 percent of the eligible professionals in the group meet the criteria as individuals to avoid the PQRS payment adjustment for CY 2018 as specified by CMS, and all of those eligible professionals use a qualified clinical data registry and CMS is unable to receive quality performance data for them, the quality composite score for such group will be classified as “average” under §414.1275(b)(1).

[78 FR 74821, Dec. 10, 2013, as amended at 79 FR 68007, Nov. 13, 2014; 80 FR 71384, Nov. 16, 2015; 82 FR 53363, Nov. 15, 2017]

**§414.1275 Value-based payment modifier quality-tiering scoring methodology.**

(a) The value-based payment modifier amount for a group and a solo practitioner subject to the value-based payment modifier is based upon a comparison of the composite of quality of care measures and a composite of cost measures.

(b) Quality composite and cost composite are classified into high, average, and low categories based on whether the composites are statistically above, not different from, or below the mean composite scores.

(1) Quality composites that are one or more standard deviations above the mean are classified into the high category. Quality composites that are one or more standard deviations below the mean are classified into the low category.

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(2) Cost composites that are one or more standard deviations below the mean are classified into the low category. Cost composites that are one or more standard deviations above the

mean are classified into the high category.

(c)(1) The following value-based payment modifier percentages apply to the CY 2015 payment adjustment period:

**CY 2015 VALUE-BASED PAYMENT MODIFIER AMOUNTS FOR THE QUALITY-TIERING APPROACH**

Quality/cost	Low cost	Average cost	High cost (percent)
High quality .....	+ 2.0x*	+ 1.0x*	+ 0.0
Average quality .....	+ 1.0x*	+ 0.0%	–0.5
Low quality .....	+ 0.0%	–0.5%	–1.0

\* Groups of physicians eligible for an additional + 1.0x if (1) reporting Physician Quality Reporting System quality measures through the GPRO web-interface or CMS-qualified registry, and (2) average beneficiary risk score is in the top 25 percent of all beneficiary risk scores.

(2) The following value-based payment modifier percentages apply to the CY 2016 payment adjustment period:

**CY 2016 VALUE-BASED PAYMENT MODIFIER AMOUNTS FOR THE QUALITY-TIERING APPROACH**

Quality/cost	Low cost	Average cost	High cost (percent)
High quality .....	+ 2.0x*	+ 1.0x*	+ 0.0
Average quality .....	+ 1.0x*	+ 0.0%	–1.0
Low quality .....	+ 0.0%	–1.0%	–2.0

\* Groups of physicians eligible for an additional + 1.0x if reporting Physician Quality Reporting System quality measures and average beneficiary risk score is in the top 25 percent of all beneficiary risk scores.

(3) The following value-based payment modifier percentages apply to the CY 2017 payment adjustment period:

(i) For groups with 10 or more eligible professionals:

**CY 2017 VALUE-BASED PAYMENT MODIFIER AMOUNTS FOR THE QUALITY-TIERING APPROACH FOR GROUPS WITH 10 OR MORE ELIGIBLE PROFESSIONALS**

Cost/quality	Low quality	Average quality	High quality
Low Cost .....	+ 0.0%	* + 2.0x	* + 4.0x
Average Cost .....	– 2.0%	+ 0.0%	* + 2.0x
High Cost .....	– 4.0%	– 2.0%	+ 0.0%

\* Groups eligible for an additional + 1.0x if reporting Physician Quality Reporting System quality measures and average beneficiary risk score is in the top 25 percent of all beneficiary risk scores, where 'x' represents the upward payment adjustment factor.

(ii) For groups with two to nine eligible professionals and solo practitioners:

**CY 2017 VALUE-BASED PAYMENT MODIFIER AMOUNTS FOR THE QUALITY-TIERING APPROACH FOR GROUPS WITH TWO TO NINE ELIGIBLE PROFESSIONALS AND SOLO PRACTITIONERS**

Cost/quality	Low quality	Average quality	High quality
Low Cost .....	+ 0.0%	* + 1.0x	* + 2.0x
Average Cost .....	+ 0.0%	+ 0.0%	* + 1.0x
High Cost .....	+ 0.0%	+ 0.0%	+ 0.0%

\* Groups and solo practitioners eligible for an additional + 1.0x if reporting Physician Quality Reporting System quality measures and average beneficiary risk score is in the top 25 percent of all beneficiary risk scores, where 'x' represents the upward payment adjustment factor.

(4) The following value-based payment modifier percentages apply to the CY 2018 payment adjustment period, for physicians, physician assistants, nurse practitioners, clinical nurse specialists, and certified registered nurse

anesthetists who are solo practitioners or who are in groups of any size:

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## CY 2018 VALUE-BASED PAYMENT MODIFIER AMOUNTS FOR THE QUALITY-TIERING APPROACH FOR PHYSICIANS, PHYSICIAN ASSISTANTS, NURSE PRACTITIONERS, CLINICAL NURSE SPECIALISTS, AND CERTIFIED REGISTERED NURSE ANESTHETISTS

Cost/quality	Low quality	Average quality	High quality
Low Cost .....	+0.0%	*+1.0x	*+2.0x
Average Cost .....	+0.0%	+0.0%	*+1.0x
High Cost .....	+0.0%	+0.0%	+0.0%

\* Eligible for an additional +1.0x if reporting Physician Quality Reporting System quality measures and average beneficiary risk score is in the top 25 percent of all beneficiary risk scores, where 'x' represents the upward payment adjustment factor.

(d)(1) Groups of physicians subject to the value-based payment modifier that have an attributed beneficiary population with an average risk score in the top 25 percent of the risk scores of beneficiaries nationwide and for the CY 2015 payment adjustment period elect the quality-tiering approach or for the CY 2016 payment adjustment period are subject to the quality-tiering approach, receive a greater upward payment adjustment as follows:

(i) Classified as high quality/low cost receive an upward adjustment of + 3x (rather than + 2x); and

(ii) Classified as either high quality/average cost or average quality/low cost receive an upward adjustment of + 2x (rather than + 1x).

(2) Groups and solo practitioners subject to the value-based payment modifier that have an attributed beneficiary population with an average risk score in the top 25 percent of the risk scores of beneficiaries nationwide and for the CY 2017 payment adjustment period are subject to the quality-tiering approach, receive a greater upward payment adjustment as follows:

(i) Classified as high quality/low cost receive an upward adjustment of + 5x (rather than + 4x) if the group has 10 or more eligible professionals or + 3x (rather than + 2x) if a solo practitioner or the group has two to nine eligible professionals; and

(ii) Classified as either high quality/average cost or average quality/low cost receive an upward adjustment of + 3x (rather than + 2x) if the group has 10 or more eligible professionals or + 2x (rather than + 1x) if a solo practitioner or the group has two to nine eligible professionals.

(3) Groups and solo practitioners subject to the value-based payment modifier that have an attributed beneficiary

population with an average risk score in the top 25 percent of the risk scores of beneficiaries nationwide and for the CY 2018 payment adjustment period are subject to the quality-tiering approach, receive a greater upward payment adjustment as follows:

(i) Classified as high quality/low cost receive an upward adjustment of +3x (rather than +2x); and

(ii) Classified as either high quality/average cost or average quality/low cost receive an upward adjustment of +2x (rather than +1x).

[77 FR 69368, Nov. 16, 2012, as amended at 78 FR 74822, Dec. 10, 2013; 79 FR 68008, Nov. 13, 2014; 80 FR 71385, Nov. 16, 2015; 82 FR 53363, Nov. 15, 2017]

**§ 414.1280 Limitation on review.**

(a) There shall be no administrative or judicial review under section 1869 of the Act, section 1878 of the Act, or otherwise of all of the following:

(1) The establishment of the value-based payment modifier.

(2) The evaluation of the quality of care composite, including the establishment of appropriate measure of the quality of care.

(3) The evaluation of costs composite, including establishment of appropriate measures of costs.

(4) The dates of implementation of the value-based payment modifier.

(5) The specification of the initial performance period and any other performance period.

(6) The application of the value-based payment modifier.

(7) The determination of costs.

(b) [Reserved]

**§ 414.1285 Informal inquiry process.**

After the dissemination of the annual Physician Feedback reports, a group and a solo practitioner may contact

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CMS to inquire about its report and the calculation of the value-based payment modifier.

[77 FR 69368, Nov. 16, 2012, as amended at 79 FR 68008, Nov. 13, 2014]

## Subpart O—Merit-Based Incentive Payment System and Alternative Payment Model Incentive

SOURCE: 81 FR 77537, Nov. 4, 2016, unless otherwise noted.

### § 414.1300 Basis and scope.

(a) *Basis.* This subpart implements the following provisions of the Act:

(1) Section 1833(z)—Incentive Payments for Participation in Eligible Alternative Payment Models.

(2) Section 1848(k)—Quality Reporting System.

(3) Section 1848(m)—Incentive Payments for Quality Reporting.

(4) Section 1848(q)—Merit-based Incentive Payment System.

(b) *Scope.* This subpart part sets forth the following:

(1) The circumstances under which eligible clinicians are not considered MIPS eligible clinicians with respect to a year.

(2) How individual MIPS eligible clinicians can have their performance assessed as a group.

(3) The data submission methods and data submission criteria for each of the MIPS performance categories.

(4) Methods for calculating a performance category score for each of the MIPS performance categories.

(5) Methods for calculating a MIPS final score and applying the MIPS payment adjustment to MIPS eligible clinicians.

(6) Requirements for an APM to be designated an “Advanced APM.”

(7) Methods for eligible clinicians and entities participating in Advanced APMs to meet the participation thresholds to become Qualifying APM Participants (QPs) and Partial QPs.

(8) Methods and processes for counting participation in Other Payer Advanced APMs in making QP and Partial QP determinations.

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(9) Methods for calculating and paying the APM Incentive Payment to QPs.

(10) Criteria for Physician-Focused Payment Models (PFPMs).

[81 FR 77537, Nov. 4, 2016, as amended at 86 FR 65669, Nov. 19, 2021]

### § 414.1305 Definitions.

As used in this section, unless otherwise indicated—

*Additional performance threshold* means the numerical threshold for a MIPS payment year against which the final scores of MIPS eligible clinicians are compared to determine the additional MIPS payment adjustment factors for exceptional performance.

*Advanced Alternative Payment Model (Advanced APM)* means an APM that CMS determines meets the criteria set forth in § 414.1415.

*Affiliated practitioner* means an eligible clinician identified by a unique APM participant identifier on a CMS-maintained list who has a contractual relationship with the APM Entity for the purposes of supporting the APM Entity’s quality or cost goals under the Advanced APM.

*Affiliated practitioner list* means the list of Affiliated Practitioners of an APM Entity that is compiled from a CMS-maintained list.

*Aligned Other Payer Medical Home Model* means an aligned other payer payment arrangement (not including a Medicaid payment arrangement) operated by a payer formally partnering in a CMS Multi-Payer Model that is a Medical Home Model through a written expression of alignment and cooperation, such as a memorandum of understanding (MOU) with CMS, and is determined by CMS to have the following characteristics:

(1) The other payer payment arrangement has a primary care focus with participants that primarily include primary care practices or multispecialty practices that include primary care physicians and practitioners and offer primary care services. For the purposes of this provision, primary care focus means the inclusion of specific design elements related to eligible clinicians practicing under one or more of the following Physician Specialty Codes: 01 General Practice; 08 Family Medicine;