



March 7, 2017

FACT SHEET

2017 Value Modifier Results

Physician Practices Receive Upward, Neutral, or Downward Adjustments to their Medicare Payments in 2017 based on Performance on Quality and Cost Measures

The Value Modifier rewards physicians and groups of physicians who provide high quality and cost-effective care, while encouraging improvement for those who are determined to have lower performance and encouraging participation in the Physician Quality Reporting System (PQRS) for those that do not report quality measures to PQRS. CMS applies an upward, downward, or neutral Value Modifier payment adjustment to 2017 Medicare Physician Fee Schedule (PFS) payments to physicians based on the performance of their practice on quality and cost measures during the 2015 performance period. The Value Modifier provides neutral payment adjustments based on performance for the overwhelming majority of physicians and only adjust payments upward or downward for above or below average statistically significant performance on the quality and cost of care provided to patients.

This document contains the payment adjustment factor used to determine upward adjustments and the distribution of payment adjustments for the third year of the Value Modifier. The 2017 Value Modifier's quality tiering methodology was phased in, for the first time, to all physicians in groups with 2 or more eligible professionals (EPs) and physician solo practitioners based on performance in 2015. The Value Modifier sunsets at the end of 2018.

The Value Modifier payment adjustment for high-performing physician practices (i.e. physician groups and physician solo practitioners) is based on the payment adjustment factor that is determined after the close of the performance period and is based on the aggregate amount of downward payment adjustments. The payment adjustment factor in 2017 is +15.48%¹. The Office of the Actuary made assumptions about the outcome of pending informal reviews along with other behavioral adjustments when calculating the payment adjustment factor.² Additional information on the methodology used to calculate the payment adjustment factor for 2017 is available in the document entitled, "2017 VM AF OACT memo," available [here](#)

In 2017, almost two-thirds of physicians are receiving either a neutral or upward payment adjustment under the Value Modifier based on their practices meeting minimum quality

¹ The precise 2017 payment adjustment factor is +15.4756527356%.

² The numbers in this report reflect PQRS and Value Modifier informal review decisions as of January 11, in addition to subsequent decisions for 17 TINs who were considered large enough to have a meaningful impact on the calculation of the payment adjustment factor. There are 4,240 groups and solo practices with at least one Physician Quality Reporting System (PQRS) informal review pending and 424 groups and solo practices with at least one Value Modifier informal review pending, as of January 11, 2017.

reporting requirements or performing well on quality and cost measures. One-third of physicians are in practices that did not meet minimum quality reporting requirements and therefore received an automatic downward adjustment under the Value Modifier in 2017.

Specifically, for practices that are determined to meet minimum quality reporting requirements (i.e. Category 1), 12,176 physicians are in practices that exceeded the program’s benchmarks in quality and cost efficiency and will receive an upward adjustment to payments ranging from 1 to 5 times the adjustment factor under the Medicare PFS; 554,129 physicians will receive a neutral adjustment (no payment change) because of their practice’s performance or due to their practice size or having insufficient data; and 26,973 physicians will receive a downward adjustment of “-2.0%” or “-4.0%” to their Medicare payments under the Medicare PFS in 2017 based on their practice’s performance. Since 2017 is the first year that the Value Modifier applies to solo practice physicians and physician groups of 2-9 EPs, they are held harmless from downward adjustments based on performance but would receive downward adjustments for not meeting minimum reporting requirements.

For practices that did not meet minimum quality reporting requirements (i.e. Category 2), a “-2.0%” (for practices of 2-9 EPs and solo practices) or “-4.0%” (for practices of 10 EPs or more) automatic downward adjustment will also be applied to 2017 Medicare PFS payments. In 2017, 291,830 physicians are Category 2 practices because (1) they (or their Accountable Care Organizations, for practices participating in the Shared Savings Program) did not report quality data as a group through the PQRS Group Practice Reporting Option and avoid the 2017 PQRS payment adjustment; (2) 50 percent or more of the EPs in the group did not report quality data as individuals and avoid the 2017 PQRS payment adjustment; or (3) they did not report as physician solo practitioners and avoid the 2017 PQRS payment adjustment as individuals.

The following table shows the breakdown of upward, neutral, and downward payment adjustments by number of physician practices (physician groups or physician solo practitioners identified by their TIN) and physicians. The table also details how many groups and physicians received an additional upward adjustment for performing well while treating the most complex Medicare beneficiaries.

	Physician Practices		Total Physicians	
	#	%	#	%
Due to Category 1 status and performance				
Downward	875	0.4%	26,973	3.0%
Neutral	72,475	34.7%	554,129	62.6%
All Upward	2,396	1.1%	12,176	1.4%
Additional +1.0x upward adjustment*	725	0.3%	6,639	0.8%
Due to Category 2 status				
Downward	133,086	63.7%	291,830	33.0%
All TINs subject to the Value Modifier	208,832	100.0%	885,108	100.0%

* Physicians receiving an additional +1.0x adjustment factor to their Medicare Physician Fee Schedule payments for treating high-complexity Medicare beneficiaries.

Physician practices can find information about their quality and cost performance in their [2015 Annual Quality and Resource Use Reports](#) that were made available last fall.

For physician practices receiving an upward payment adjustment to payments under the 2017 Value Modifier, the Medicare Administrative Contractors will begin applying the adjustments to claims for those practices, as identified by their Medicare Taxpayer Identification Numbers (TIN), beginning in March 2017 and will reprocess any calendar year 2017 claims for those TINs with dates of service that were paid prior to this date. Practices receiving downward adjustments began receiving them in January.

In 2018, the Value Modifier will continue to apply to all physician groups and solo practice physicians and will begin applying to nurse practitioners, physician assistants, clinical nurse specialists, and certified registered nurse anesthetists, based on their performance in 2016.

The tables on the following pages show a breakdown of payment adjustments based on quality-tiering, in total (Table 1) and then by group size category (Tables 2 and 3).

Table 1: 2017 Value Modifier payment adjustments for all physicians in Category 1 physician groups and solo practices based on quality-tiering

	Low Quality	Average Quality	High Quality
Low Cost	0.0% (155)	+1.0x = +15.48% (76) +2.0x* = +30.95% (473) +3.0x* = +46.43% (2,414)	+2.0x* = +30.95% (28) +3.0x* = +46.43% (32) +4.0x = +61.90% (0) +5.0x* = +77.38% (69)
Average Cost	0.0% **/-2.0% (22,784)	0.0% (542,071)	+1.0x = +15.48% (2,542) +2.0x* = +30.95% (3,612) +3.0x* = +46.43% (2,930)
High Cost	0.0% **/-4.0% (4,492)	0.0% **/-2.0% (11,252)	0.0% (348)

*Physicians in these TINs were eligible for an additional +1.0x adjustment to their Medicare payments for treating high-complexity beneficiaries.

** Physicians in TINs with 1-9 EPs do not receive downward adjustments under quality-tiering in 2017.

Table 2: The 2017 Value Modifier payment adjustments for all physicians in **Category 1** physician groups with 2-9 EPs and physician solo practitioners based on quality-tiering

	Low Quality	Average Quality	High Quality
Low Cost	0.0% (6)	+1.0x = +15.48% (76) +2.0x* = +30.95% (90)	+2.0x = +30.95% (28) +3.0x* = +46.43% (32)
Average Cost	0.0%** (8,835)	0.0% (108,455)	+1.0x = +15.48% (2,542) +2.0x* = +30.95% (1,104)
High Cost	0.0%** (887)	0.0%** (1,833)	0.0% (63)

*Physicians in these TINs were eligible for an additional +1.0x adjustment to their Medicare payments for treating high-complexity beneficiaries.

** Physicians in TINs with 1-9 EPs do not receive downward adjustments under quality-tiering in 2017.

Table 3: The 2017 Value Modifier payment adjustments for all physicians in **Category 1 physician groups with 10 or more EPs** based on quality tiering

	Low Quality	Average Quality	High Quality
Low Cost	0.0% (149)	+2.0x = +30.95% (383) +3.0x* = +46.43% (2,414)	+4.0x = +61.90% (0) +5.0x* = +77.38% (69)
Average Cost	-2.0% (13,949)	0.0% (433,616)	+2.0x = +30.95% (2,508) +3.0x* = +46.43% (2,930)
High Cost	-4.0% (3,605)	-2.0% (9,419)	0.0% (285)

*Physicians in these TINs were eligible for an additional +1.0x adjustment to their Medicare payments for treating high-complexity beneficiaries.

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