

# Case Study: Value-Based Payments



*Now is the time to begin participating in PQRS to avoid penalties in 2015 and beyond.*

By Linda Sowers

### Key Takeaways:

- The Physician Quality Reporting System (PQRS) allows radiologists to earn bonuses for successfully reporting quality metrics.
- In 2015, PQRS will shift from paying bonuses for quality reporting to assessing financial penalties for not participating.
- Two radiologists discuss the value of participating in PQRS, including quality improvement, financial bonuses, avoiding future penalties, and preparing for a future of pay-for-performance.

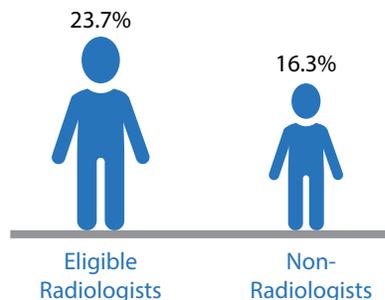
The nation's largest physician pay-for-performance program, the Physician Quality Reporting System (PQRS), is fostering the transition from a traditional fee-for-service model to value-based payments that reward quality performance. Implemented by the Centers for Medicare and Medicaid Services (CMS) in 2007, PQRS is a voluntary program aimed at encouraging physicians across the U.S. to report on quality measures. Since its inception, the system has been providing incentive payments (bonuses) to physicians who satisfactorily report data on quality measures for services provided to Medicare Part B fee-for-service beneficiaries.

### Embracing PQRS

In the face of shrinking reimbursements and soaring business costs, more and more radiologists are participating in PQRS as a way to replace a portion of lost revenues. According to a study of PQRS program data from 2007 to 2010 conducted by the Harvey L. Neiman Health Policy Institute<sup>1</sup>, the number of radiologists who successfully qualified for incentives under PQRS increased each year — representing fivefold growth over the four-year period.

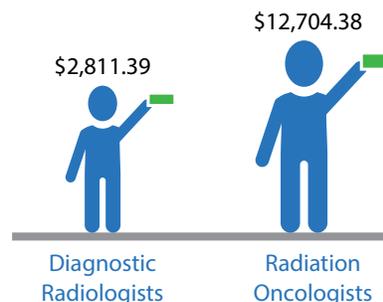
Notably, the radiologists who used registry-reporting systems were more successful at earning bonuses than those using claims-based reporting. The analysis of 2010 physician data revealed several other important insights about PQRS participation and success:

### 2010 INCENTIVES



- In 2010, 23.7 percent of eligible radiologists qualified for incentives, compared to just 16.3 percent for non-radiologists.

### MEAN 2010 BONUSES



- Mean 2010 incentive bonuses ranged from \$2,811.39 for diagnostic radiologists to \$12,704.38 for radiation oncologists.

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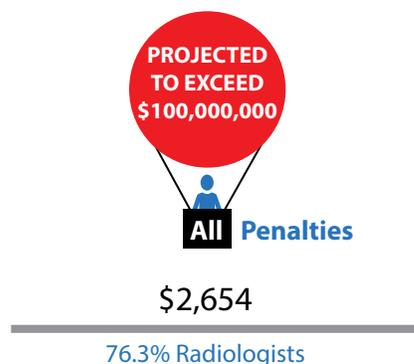
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## 2016 MEAN PENALTIES



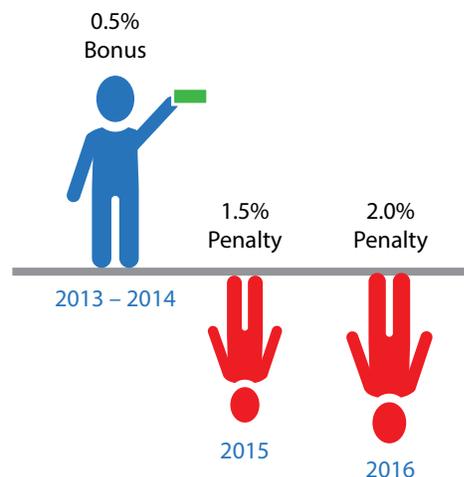
- An estimated 76.3 percent of radiologists would be subject to mean penalties of at least \$2,654 in 2016. Collectively, these penalties are projected to exceed \$100 million.

## PQRS Incentive and Penalty Amounts

In 2015, PQRS will shift from paying incentives (or bonuses) for successful reporting of quality measures to assessing a penalty for not participating in the PQRS program. Quality reporting performance in the 2013 PQRS reporting year will be the basis for determining the penalty in 2015. For physicians who do not participate in PQRS in 2013, a penalty of 1.5 percent will be applied to their Part B Medicare reimbursements in 2015. The bonuses and penalties for 2013 to 2016 are as follows:

- 2013–2014: 0.5 percent bonus for successful participation
- 2015: 1.5 percent penalty (applied based on 2013 reporting) for non-participation
- 2016: 2.0 percent penalty (applied based on 2014 reporting) for non-participation

## INCENTIVE/PENALTIES



For more details about how to obtain a PQRS incentive in 2013 and avoid the 2015 penalty, visit [bit.ly/ACR-PQRS](http://bit.ly/ACR-PQRS).

## Gaining Real Experience

David J. Seidenwurm, MD, FACR, neuroradiologist at the Radiological Associates of Sacramento in California, has been participating in PQRS from its early days. “In a time of decreasing reimbursement, PQRS is financially worth doing,” he says. In Seidenwurm’s practice, the decision to participate in PQRS was straightforward: “We wanted to gear up our administrative mechanisms and foster the mindset across our entire staff that quality matters and adhering to national performance standards is important. We picked measures that were relevant to our practice, which gave us an opportunity to improve our quality in measurable ways.”

The results of participating in PQRS have been significant. “Our practice covers numerous imaging centers and hospital departments, so we worked to develop consistent policies and procedures to meet the quality standards, and we got everybody on board,” Seidenwurm explains. “We elected to report through the registries, which turned out to be the best way for our practice to do it. We improved our quality, and we got our bonus.”

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Another early PQRS participant, Paul A. Larson, MD, FACR, former ACR vice president, former chair of the ACR Commission on Quality and Safety, partner at Radiology Associates of the Fox Valley in Wisconsin, agrees that the program creates significant value. "We decided to participate in PQRS because there was financial gain. Our billing company made a commitment to the infrastructure needed, so the process was straightforward for us," he says. "Without any great expense on our part, we could earn more money. It was obviously worth doing."

Beyond the financial gain available from participating in PQRS, Larson's practice also recognized that pay-for-performance would be the wave of the future, and they identified PQRS as a low-risk way to gain experience with value-based payment models. "In the future, pay-for-performance may not be isolated to just one Medicare program," he notes. "As pay-for-performance becomes more prevalent, learning how to navigate the programs successfully and set up infrastructure — even if it costs you something in the short term — will be very beneficial in the long run."

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### Getting the Ball Rolling

What many radiologists discover when embarking on the PQRS process is that they are already doing most of the activities that are being measured. "Like any other quality assurance project, the first thing you need to do is take an inventory of what your practice is already doing," says Seidenwurm. "More than likely, you have the quality processes in place, but you're just not getting credit for them, because you're not reporting them in the prescribed way. With PQRS, you might get paid for boasting about what you're already doing."

In addition to quality measures, proper billing procedures are an important component to achieving PQRS success. "To get the ball rolling on PQRS measurement, it's primarily a matter of deciding to do it, then having the billing mechanisms in place to report the add-on codes that are relevant to the PQRS measures," explains Larson. "You need to report successfully on at least three measures per physician

in order to get the bonus, and your billing people are really the key."

It is important to note that an individual physician must report on at least three measures (or one measures group) that are relevant to their practice. If there are only one or two measures that apply to a radiologist's practice, it is still possible to obtain a bonus by reporting those measures accurately.

Many people assume that to report about quality, you must first have met the measure. "With PQRS, there's a difference between successful reporting and reporting success," notes Larson. "To achieve successful reporting, you need to record the failures as well as the successes. That's also the way to track and improve quality."

To achieve successful reporting and gain the bonuses, Larson's advice is to report on every indicator available to radiologists. "Initially, there were only two or three measures to report, so it was clear to do all of them. Even now — with only five or six that apply to most radiologists — we've taken the tactic of reporting on them all. If you report on five, and you're successful at three, you get your bonus. But if you file the report with only three measures and you fail on one, you miss the bonus. Why take that chance? Go ahead and report on everything for everybody, just to make sure you're covered."

$$\text{Value} = \frac{\text{"Outcomes"}}{\text{Cost}}$$

### Revisiting Past Decisions

For radiologists who previously considered participating in PQRS but determined it didn't make financial sense for their practice, now is the time to reassess due to upcoming penalties that will kick in beginning in 2015 and will be based on 2013 reporting. Financial losses will mount quickly if a physician is subject to the 1.5 percent penalty against Part B Medicare reimbursements in 2015.

Larson adds another reason that radiologists should consider jumping on the PQRS bandwagon now: "PQRS may not be in your favor financially today, but what happens if the pay-for-performance system expands to other insurers or if the penalty goes beyond 2 percent in a few years? Then it makes financial sense. But it's probably easier to get started now, while the program is still relatively simple. Later, it might be much harder to put together the infrastructure. If you start now, it will be easier to grow at relatively low future expense than to create even more complex reporting mechanisms in the future."

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Beyond that, Seidenwurm believes that pay-for-performance is the right thing to do for the health-care system and for patients. "The fee-for-service model is on its way out because it encourages excessive utilization, and there's no difference between doing a bad job or a good one," he says. "Radiologists should welcome value-based payment programs like PQRS, because they're bringing the health-care system in the direction we want it go, which is improving patient care. Plus, with the CMS Physician Compare website ([bit.ly/PhysCompare](http://bit.ly/PhysCompare)), there will also be public disclosure about who is participating in this federal quality measure and who isn't, so we're respecting the patients' right to know about the quality of their doctors."

### Making the System More Relevant

Beyond making financial assessments, Larson notes that another issue radiologists have had to consider when deciding whether or not to participate in the PQRS program is that only a few of the current PQRS measures may be relevant to their specialty. Regardless, he urges all radiologists to participate now and to collaborate to make the system better. "These are the measures we have; you've got to do them," he emphasizes. "For the time being, this is a way we can earn a little more money for our practices now and avoid future penalties. Along the way, we can work together to move from the measures we have into new measures that may be more meaningful to a radiology practice."

The ACR is at the forefront of the efforts to establish quality standards and guidelines to improve radiologist performance and patient outcomes. For more information about the PQRS, please visit [bit.ly/ACRPQRS](http://bit.ly/ACRPQRS) and [bit.ly/ACRMetrics](http://bit.ly/ACRMetrics). For a link to a recorded webinar about how to participate, visit [bit.ly/ACRPQRS](http://bit.ly/ACRPQRS).

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1. Duszak R Jr., Burleson J, Seidenwurm D, Silva E III. "Medicare's Physician Quality Reporting System: Early National Radiologist Experience and Near-Future Performance Projections." *JACR* 2013;10 (2):114-21.

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