



MEDICARE PLAN PAYMENT GROUP

DATE: November 8, 2018

TO: All Medicare Advantage Organizations, Cost Plans, PACE Organizations, and Demonstrations

FROM: Jennifer Harlow /s/
Deputy Director, Medicare Plan Payment Group

SUBJECT: **Application of the Merit-based Incentive Payment System (MIPS) Payment Adjustment to Medicare Advantage Out-of-Network Payments – File Layout and Additional Guidance**

On April 27, 2018, CMS issued a memorandum that provided guidance to Medicare Advantage organizations (MAOs) regarding the application of the Merit-based Incentive Payment System (MIPS) payment adjustment to their payments to non-contract MIPS eligible clinicians.

This memorandum supplements our original guidance by providing the file layout for the MIPS payment adjustment data file. In addition, this memorandum clarifies and adds to our earlier guidance concerning the calculation of member cost-sharing and plan liability under a Medicare Advantage (MA) plan that uses a coinsurance method of cost-sharing.

MIPS Payment Adjustment Data File

Our April 27, 2018 memorandum explained that for each MIPS payment year (starting with 2019), CMS will upload to the Health Plan Management System (HPMS) (<https://hpms.cms.gov>) a data file that contains the information MAOs can use to determine the amount of the MIPS payment adjustment that applies to each MIPS eligible clinician's payments for Medicare Part B covered professional services. The data file will be added to the "Incentive Payments" section of the HPMS Data Extract Facility (HPMS Home > Data Extract Facility > Incentive Payments). We continue to expect that the MIPS payment adjustment data file for 2019 will be made available at the end of 2018, after CMS has completed targeted reviews of MIPS payment adjustment factors.

File Layout

The MIPS payment adjustment data file will consist of four data elements:

- National Provider Identifier (NPI)
- Taxpayer Identification Number (TIN)
- MIPS Adjustment Percentage

- A marker (“Percentage Indicator”) indicating that the MIPS Adjustment Percentage is positive (“P”) or negative (“N”)

For more detailed information on the file layout, see Appendix A.

Additional Guidance on Cost-Sharing

In our April 27, 2018 memorandum, we explained that when a MIPS eligible clinician furnishes services to an MA plan member on a non-contract basis, the combined payment that the clinician receives from the MA plan and the plan member must be no less than the total MIPS-adjusted payment amount that the clinician would have received under Medicare FFS. MA plan enrollees are responsible for plan-allowed cost-sharing for out-of-network services.

Our April 27, 2018 memorandum noted that for MA plans that use a coinsurance method of cost-sharing, MA plan members may be required to pay the coinsurance percentage multiplied by the total MIPS-adjusted Physician Fee Schedule (PFS) allowed amount. We subsequently received several requests for clarification as to whether MA plans that use a coinsurance method of cost-sharing would be permitted to apply the MIPS adjustments by increasing or decreasing the plan’s share of the payment for covered non-contract Part B professional services, while holding beneficiary cost-sharing constant. Under this alternative approach, member cost-sharing would be calculated by multiplying the coinsurance percentage by the PFS allowed amount *prior to application of the MIPS adjustment*. Plan liability would then be equal to the total MIPS-adjusted payment amount minus enrollee cost-sharing.

Appendix B to this memorandum provides examples of how member cost-sharing and plan liability would be calculated under the approach discussed in our April 27 memorandum (Approach 1) and the alternative approach outlined above (Approach 2). MAOs are permitted to calculate member cost-sharing under either approach. We note, however, that we expect bid pricing to be consistent with whichever approach a plan sponsor uses to operationalize the MIPS adjustments.

Additional Information

For questions about the information in this memorandum, please contact Sean O’Grady at sean.ogradey@cms.hhs.gov.

Appendix A

MIPS Payment Adjustment Data File Layout

File Position	Format	Data Element	Comment
1 - 10	X(10)	NPI	
11 - 19	X(9)	TIN	
20 - 24	9(3)V99	MIPS Adjustment Percentage	<p>This field shows the MIPS adjustment percentage. Additional adjustments for exceptional performance, where applicable, are included in the adjustment percentage.</p> <p>The percentage includes two numbers after the decimal place. For example, "00975" indicates an adjustment percentage of 9.75%.</p>
25	X(1)	Percentage Indicator	<p>This field will have a value of "P" or "N".</p> <p>"P" indicates that the MIPS adjustment percentage is positive. "N" indicates the MIPS adjustment percentage is negative.</p>

Appendix B

MIPS Positive Adjustment Example: 30% coinsurance

Step 1: Calculate total MIPS-adjusted payment amount under Medicare FFS	
MIPS adjustment percentage:	+4%
PFS allowed amount:	\$100.00
Medicare-paid amount:	80% * \$100.00 = \$80.00
MIPS-adjusted Medicare-paid amount:	104% * \$80.00 = \$83.20
Medicare FFS cost-sharing:	20% * \$100.00 = \$20.00
Total MIPS-adjusted payment amount:	\$83.20 + \$20.00 = \$103.20
Step 2: Calculate member cost-sharing and plan liability	
<i>Approach 1: Calculating member cost-sharing as a percentage of MIPS-adjusted payment amount</i>	
Member cost-sharing:	30% * \$103.20 = \$30.96
MA plan liability:	70% * \$103.20 = \$72.24
<i>Approach 2: Calculate member cost-sharing as a percentage of PFS allowed amount</i>	
Member cost-sharing:	30% * \$100.00 = \$30.00
MA plan liability:	\$103.20 - \$30.00 = \$73.20

MIPS Negative Adjustment Example: 30% coinsurance

Step 1: Calculate total MIPS-adjusted payment amount under Medicare FFS	
MIPS adjustment percentage:	-4%
PFS allowed amount:	\$100.00
Medicare-paid amount:	80% * \$100.00 = \$80.00
MIPS-adjusted Medicare-paid amount:	104% * \$80.00 = \$76.80
Medicare FFS cost-sharing:	20% * \$100.00 = \$20.00
Total MIPS-adjusted payment amount:	\$76.80 + \$20.00 = \$96.80
Step 2: Calculate member cost-sharing and plan liability	
<i>Approach 1: Calculate member cost-sharing as a percentage of MIPS-adjusted payment amount</i>	
Member cost-sharing:	30% * \$96.80 = \$29.04
MA plan liability:	70% * \$96.80 = \$67.76
<i>Approach 2: Calculate member cost-sharing as a percentage of PFS allowed amount</i>	
Member cost-sharing:	30% * \$100.00 = \$30.00
MA plan liability:	\$96.80 - \$30.00 = \$66.80