Sustainability—illustrative alternative—preliminary draft 1.1

1) **Define the issue or assumption being discussed**

   a) MACRA made various changes to lower the growth in payments to hospital and physicians including various incentive programs. These payment changes have a cumulative impact as the factors are applied each year. The prior SGR requirement was eliminated. The various payment levels and bonuses in MACRA are likely to have many medium-term and long-term impacts on the financial position of Medicare.

   b) Some of the changes terminate in 2025.

   c) Implementation of MACRA and Title III of the ACA is still underway. This includes various programs intended to encourage providers to work towards better care, smarter spending, and healthier members, but, the emphasis, details, and impact are unclear. For example, 2025 versions of these programs will be different from the 2016 versions. Progress, if any, on smarter spending would impact the financial projections.

   d) These types of changes is also occurring in other parts of the industry. The combined impact of federal, state, and private sector changes on providers and provider behavior is just starting. The combined impact of Medicare and other sectors may or may not change the financial performance of the industry.

2) **Why is it potentially relevant and material to the Medicare Trustees Report?**

   a) The Report forecasts the long-term financial status of Medicare and reflects the financial performance across the health industry. MACRA makes major changes in the fees paid to providers.

   b) These payment changes has a direct impact on the fees paid to providers that can be directly measured. However, these fees are likely to have other impacts on provider behavior, the overall health system, and utilization. It will also affect various Title III programs related to provider organizations and incentive payments. The projection typically estimates of the impact of these type of programs.

   c) The medium-term and long-term impact on the projection is a very complicated question.

3) **How is it currently reflected in the Medicare Trustees Report?**

   i) The initial reaction after the passage of MACRA was to create an alternative illustration.

   ii) Alternative illustrations had been used previously for the impact of the SGR. The SGR also dealt with provider payment, but the SGR was different since it could have short term implications including the current fiscal year. And, legislative action to change the SGR had frequently happened).

   iii) There is a sense that MACRA payment programs will have an impact in later time periods, rather than the current period.

4) To your knowledge, has this issue been considered by prior Medicare Technical Panels?

i) No. MACRA is a new law since the last Technical Panel. However, prior Medicare Technical Panels did give significant input to treatment of the SGR.

5) What are the potential alternatives to be considered and potential advantages and disadvantages of each

a) Overall direction—the following are various major questions and observations that could guide a decision on the overall direction. This is a straw man to discuss with the panel.

   i) Is there a clear long term challenge given lower payment increases?

   ii) Projection always reflect the direct implications of payments changes. Should the projection include the indirect implications (that behavior and utilization will change)?

   iii) How should these issues be presented

      (a) Single forecast ((which could include the direct and indirect implications discussed in ii above

      (b) Separate illustrative alternative (same scale as before)?

      (c) Shortened illustrative alternative (discuss the impact but not the full illustrative alternative)

b) Technical questions—questions to impact the numbers in the report

   i) Should the impact of the termination of some program elements in 2025 be explicit in the forecast?

   ii) When will the financial impact start

      (1) For physicians?

      (2) For hospitals?

   iii) Prior SGR analysis included an adjustment for utilization increases if large fee cuts occurred? Should a similar adjustment be used for these projection (with or without an alternative projection?

   iv) Given the importance of this issue, should the panel recommend certain monitoring, deeper analysis, and investigation after the end of the panel.