ALTERNATIVE PAYMENT MODELS

2026 ISSUE BRIEF

MGMA supports policies that allow group practices to choose to move away from fee-for-service and into value-based payment arrangements, such as Alternative Payment Models (APMs). We encourage policies that launch new voluntary APMs across all specialties, designed to offer participants appropriate support, incentives, reimbursement, and flexibility.

BACKGROUND

The Medicare Access & CHIP Reauthorization Act (MACRA) was signed into law in 2015 to promote value-based principles. MACRA created two participation options: the Merit-based Incentive Payment System (MIPS) and APMs.

APMs fundamentally change how care is delivered and paid for and require participants to be accountable for patient costs and outcomes. To incentivize and reward participation in APMs, MACRA provided a financial bonus for qualifying participants of 5% of the previous year's Medicare Part B payments for the 2019 through 2022 performance years. To receive the bonus, in addition to participation in an eligible APM, a clinician must meet qualifying participant (QP) thresholds by obtaining a certain percentage of Medicare payments or seeing a certain percentage of Medicare patients through the APM. The incentive bonus was extended, and the QP threshold was frozen through limited one-year intervals through the 2024 performance year. Their expiration in 2025 led to financial challenges and uncertainty for existing and prospective value-based care participants. Congress passed legislation this year, which reinstated the incentive payment at 3.1% and reverted the QP threshold to 2024 levels for the 2026 performance year. While the reinstatement provides temporary relief, it perpetuates the year-to-year uncertainty.

APM DEVELOPMENT

APMs can be developed by the Center for Medicare & Medicaid Innovation (CMMI) or private sector entities, such as physicians, that submit models for review to the Physician-Focused Payment Model Technical Advisory Committee (PTAC). PTAC evaluates submissions and can recommend them to CMMI for testing.

While PTAC can evaluate and endorse APMs, CMMI has sole responsibility for testing and implementing APMs and for expanding models that meet cost-savings and/or quality goals.

CMMI has yet to implement or test any of the models PTAC has recommended, which undermines the private sector's work and misses the opportunity to test and offer additional APMs. Despite the development of new APMs in recent years, there are still too few available, leaving certain specialties without participation options and stymying progress toward value-based healthcare reform. Many of CMMI's newly developed APMs are also mandatory and require rapid implementation timelines, which creates challenges for participants. Medical groups should not be required to participate in untested, unproven models with an unknown value proposition.

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WHO BENEFITS FROM APMs?

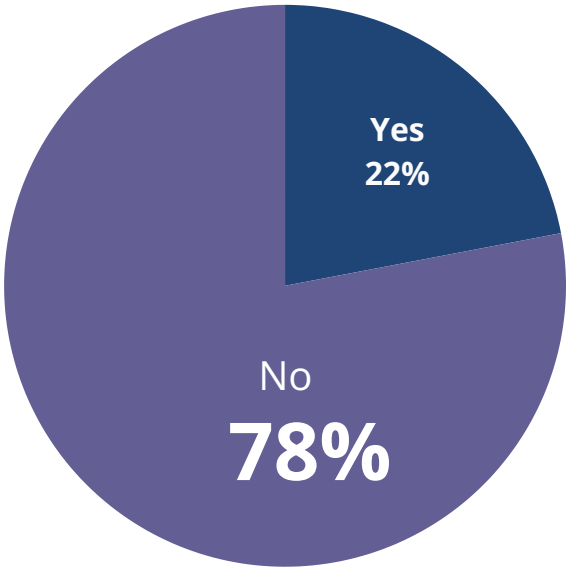
Patients: improved care quality, greater care coordination

Payers: enjoy savings generated from more efficient care and better patient outcomes

Providers: rewarded for enhancing care quality for their patients and reducing costs

The movement to a reimbursement system focused on value aligns providers' incentives, payers', and patients' by paying providers for delivering cost-effective, quality-driven care rather than simply increasing the volume of services provided. This realignment of priorities resolves mismatches in a fee-for-service payment system, where payers prefer practitioners who deliver care at lower cost, patients prefer higher-quality care, and practitioners are, from an economic standpoint, incentivized to increase service volume without regard to quality or patient outcomes.

DOES MEDICARE OFFER AN ADVANCED APM THAT IS CLINICALLY RELEVANT TO YOUR PRACTICE?



Source: MGMA's Annual Regulatory Burden Report

ADVOCACY PRIORITIES

- Support the development of new, voluntary physician-led APMs that meet the needs of practices of varying types, sizes, and specialties to drive more widespread participation inherently
- Extend the incentive bonus for APM participation through the 2030 performance year
- Lower the QP thresholds and allow CMS the flexibility to adjust them to ensure the criteria to achieve QP status is not set arbitrarily high
- Provide support for participants through upfront investments, resources, and tools
- Design and implement APMs that provide sufficient support for group practice participants, as well as appropriate financial incentives and regulatory flexibilities

With a membership of more than 70,000 medical practice administrators, executives, and leaders, MGMA represents more than 15,000 medical groups in which more than 350,000 physicians practice. These groups range from small private practices in rural areas to large regional and national health systems and cover the full spectrum of physician specialties and organizational forms.

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