Medicare penalty relief follows quality reporting mix-up

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An ICD-10-CM coding update mix-up could have potentially led to unfairly applied physician penalties under the Physician Quality Reporting System (PQRS) and the Value-Based Payment Modifier program for the 2016 reporting period. Following AMA work with the Centers for Medicare and Medicaid Services (CMS) on the matter, the agency announced that it will not apply penalties to affected practices.

Due to the delayed transition to ICD-10-CM and a several-year freeze of the codes to make sure the transition went smoothly, the October 2016 update was unusually large and affected several quality-measure specifications. The update also took place in the middle of the 2016 PQRS reporting period.

Many of the ICD-10-CM codes involved were not finalized until August 2016 and the PQRS measure specifications were not updated to include those changes. Because of that, the PQRS measure specifications did not include the new codes. The AMA noticed that this coding update could have an impact on physicians and worked with CMS to reach a fair resolution to ensure physicians are not adversely penalized in 2018 due to the 2016 PQRS measure specifications failing to incorporate the updated information.

The solution: CMS will not apply the 2018 PQRS penalty, as applicable, to any eligible professional (EP) or group practice that failed to satisfactorily report from Oct. 1 to Dec. 31, 2016. And the Value-Based Modifier Payment program will consider EPs as successful if they meet PQRS reporting requirements.

However, CMS still expects physicians to report quality measures for 2016 PQRS, regardless of whether doctors believe they will feel the impact of the October ICD-10-CM update changes. After the close of the 2016 PQRS reporting period, CMS will analyze and review data submissions to determine which EPs and group practices were affected. Those practices will be removed from the PQRS penalty category before the release of the 2016 feedback reports.


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The majority of the coding changes of concern and impacted quality measures were related to diabetes, pregnancy, cardiology, oncology, mental health and eye-disease diagnoses. The affected measures also differ depending on which reporting mechanism a physician uses.

CMS released a frequently-asked-questions document outlining the scope of the issue.

The agency also has revised and updated its 2017 electronic Clinical Quality Measure (eCQM) specifications. The original release of the 2017 eCQM specifications in 2016 did not include the October ICD-10 update. If reporting eCQMs in 2017, a practice should contact its vendor to verify they have updated their electronic health record with the revised and updated eCQM specifications.