

**A Guide for Understanding the  
2007 Physician Quality Reporting Initiative (PQRI) Incentive Payment  
August 15, 2008**

This document is a supplement to the CMS 2007 PQRI Feedback Report User Guide (available at <https://www.qualitynet.org/imeserver/pqri/documents/PQRI%20Reports%20User%20Guide.pdf>).

**NOTE: Only Medicare Part B claims which contained an individual National Provider Identifier (NPI) were included in the 2007 incentive payment calculation. Medicare Part B Claims which contained a legacy UPIN and no NPI were NOT included in the 2007 incentive payment calculation.**

Incentive amounts were calculated using the following steps for each incentive-eligible provider (NPI within a practice [i.e., NPI/TIN]). Incentive payments were aggregated for all NPIs within the TIN and distributed at the TIN level in a lump-sum payment.

<b>Step 1: Apply the 1% Completion Factor</b>
<ul style="list-style-type: none"> <li>The 2007 Physician Fee Schedule (PFS) total allowed charges were increased by 1% to account for claims which were submitted by professionals on or before February 29, 2008, but were not included in the National Claims History (NCH) database as final-action claims when the data were obtained for 2007 PQRI analyses.</li> </ul>
<b>Step 2: Calculate the Average Payment per Measure (APM) [NOTE: Only relevant to incentive payments that were capped]</b>
<ul style="list-style-type: none"> <li>The CMS national APM was calculated and used for calculating an individual Eligible Provider's (EP) Cap amount.</li> <li>The APM is the same value for all measures and all eligible providers.</li> <li>The APM applies to and was calculated for all PFS-allowed charges on claims which included one or more valid reporting instances.</li> <li>The sum was calculated for all identified PFS-allowed charges on claims with valid reporting instances ONCE per claim (using unduplicated claim's charges).</li> <li>The sum of national charges was divided by the number of reporting instances identified.</li> </ul>
<b>Step 3: Calculate the Cap for Each Incentive-Eligible NPI/TIN</b>
<ul style="list-style-type: none"> <li>2007 PQRI had a Cap (maximum) on the incentive amount.</li> <li>For each incentive-eligible NPI/TIN, the Cap was calculated as: <ul style="list-style-type: none"> <li>Cap = 3 x APM x Instances of quality-measure reporting <ul style="list-style-type: none"> <li>- Includes both a "valid" and "attributable" reporting instance (defined on page 2).</li> </ul> </li> </ul> </li> <li>Cap amount was calculated for all incentive-eligible NPI/TINs, but only applied to a small percentage of EP's whose Cap was smaller than their 1.5% of total allowed PFS charges.</li> <li>The eligible NPI/TIN incentive payment amount was the lesser of the 1.5% of the Medicare Physician Fee Schedule (PFS) allowable charges for the NPI/TIN and the Cap amount calculated for the NPI/TIN.</li> </ul>
<b>Step 4: Calculate the Incentive for Each Incentive-Eligible NPI/TIN</b>
<ul style="list-style-type: none"> <li>All PFS allowed charges (with the 1% completion factor) on claims for incentive-eligible NPI/TIN combinations were identified for inclusion or exclusion (See list below).</li> <li>The 1.5% incentive amount was calculated by: <ul style="list-style-type: none"> <li>Adding PFS-allowed charge amounts for each NPI/TIN, then x 0.015.</li> <li>NPI/TIN incentive = Lesser of the Cap or 1.5% incentive amount</li> </ul> </li> </ul> <p><b>NOTE: Only Medicare Part B claims which contained an individual National Provider Identifier (NPI) were included in the 2007 incentive payment calculation. Medicare Part B Claims which contained a legacy UPIN and no NPI were NOT included in the 2007 incentive payment calculation.</b></p>

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***Identified Inclusion for PFS Charges:***

- First expense date and last expense date were between 7/1/2007 and 12/31/2007
- NCH processing date on or before 2/29/2008
- Claim must be marked as “final” in the Part B claims database (Note: Split claims in the NCH file exceeding 13 HCPCS service lines were rejoined)
- Line items identified by HCPCS and modifier(s) were subject to the PFS
- Technical components of diagnostic services and anesthesia services (note: radiopharmaceuticals will be included in the basis of total allowed charges on which the 1.5% bonus is calculated)

***Identified Exclusions for PFS Charges:***

- Denied claims or denied line items
- Amount billed above the PFS for assigned and non-assigned claims
- Clinical laboratory services
- Pharmaceuticals billed by physicians
- Rural Health Center/Federally Qualified Health Center services
- Ambulatory Surgical Center (ASC) facility charges

**Key Terms as Used in PQRI Analysis and Documentation:**

“TIN” – Taxpayer Identification Number or “Tax ID Number”

For PQRI, “TIN” includes all of the following types of identifiers:

- (1) Individual Social Security Number/Social Security Account Number (SSN/SSAN);
- (2) Employer Identification Number (EIN), also known as a “Tax ID Number”, typically held by businesses or other organizations with employees; and
- (3) Individual Taxpayer Identification Number (I-TIN), issued by the IRS to individuals who do not need an EIN and do not wish to use their individual SSN/SSAN for certain business transactions.

**NPI – National Provider Identifier**

Only Type I NPIs represent individual EPs. Type II NPIs, issued to group practices and institutional providers, are not used in PQRI incentive eligibility or amount calculation. Group-level identifiers are used for the 2007 PQRI solely by the Medicare Carrier or A/B Medicare Administrative Contractor (MAC). The Carrier or A/B MAC then routes to each TIN the sum of incentives earned by satisfactorily-reporting individual EP’s billing PFS services under that TIN for the 2007 PQRI reporting period.

**NPI/TIN**

The key unit of analysis for the 2007 PQRI incentive payment eligibility and amount is the individual NPI within a TIN. *(If an individual EP furnished services for which reimbursement is claimed under more than one TIN, the professional’s PQRI reporting rates and allowed charges are analyzed under each TIN separately).*

**Valid Instance of PQRI Reporting**

A PQRI measure’s quality-data (CPT Category II or G-) code submitted on a claim that also contained any combination of applicable CPT Category I service code and ICD-9-CM diagnosis code that defines a reportable instance for the measure, as identified by the measure’s detailed specifications. *(The full, detailed specifications for all 2007 PQRI quality measures, as implemented in 2007, are available for download from the CMS PQRI web site at:*

[http://www.cms.hhs.gov/apps/ama/license.asp?file=/PQRI/downloads/2007PQRIMeasure\\_Specifications.pdf](http://www.cms.hhs.gov/apps/ama/license.asp?file=/PQRI/downloads/2007PQRIMeasure_Specifications.pdf).)

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**Attributable Instance of PQRI Reporting**

A PQRI measure's quality-data (CPT Category II or G-) code that is appropriately identified on the claim by the individual (Type I) NPI of the professional reporting the measure.

**PFS Allowed Charges**

For purposes of PQRI analysis, Part B Physician Fee Schedule (PFS) allowed charges are listed in the Incentive Payment Summary. For more information on the PFS and Physician Reimbursement Rules, please refer to the CMS website at [http://www.cms.hhs.gov/PQRI/05\\_StatuteRegulationsProgramInstructions.asp#TopOfPage](http://www.cms.hhs.gov/PQRI/05_StatuteRegulationsProgramInstructions.asp#TopOfPage).

**Calculation of Incentive Earned by Individual EPs Satisfying 2007 PQRI Reporting Criteria:**

The incentive earned by each individual EP satisfying reporting criteria for 2007 is the *lesser* of *either*: 1.5% of the EP's total allowed charges for all PFS-covered professional services billed under the individual's NPI during the July-December, 2007 reporting period;

**or**

EP's total valid instances of PQRI reporting (NPI correctly submitted quality-data code) x the national-average per-measure payment amount x 300%.

See posted FAQs on the CMS web site for more information: #8262, #8267, #8270, #8285, #8337, #8878, #9159, and #9341. The site is updated frequently so review often to see newly posted FAQs and other related PQRI reference materials.

*(Note for 2008 PQRI: the MMSEA authorizes a PQRI incentive payment for reporting on services furnished in 2008, and specifies that the Cap does not apply to any incentives earned for reporting under 2008 PQRI).*