



RISK ADJUSTMENT 101

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Why should we care?

- Increasingly we are being told we will need to take on more risk
- Payers use risk adjustment to set budgets and payments
- New payment arrangements include varying components of risk
 - ACOs, Medicare Advantage, full-risk contracts
- We don't need to fear risk contracts, but we do need to understand how risk works

No margin, no mission!

-Sister Irene Kraus, Daughters of Charity

Think about coding

- How we communicate with the insurance company about how much work we have done.
- If not accurate, you are telling the insurer that you are doing less work than you actually are
- This translates into less payment, sometimes MUCH less payment

Types of coders

- Undercoders – 50% 99212; 50% 99213
- Lazy coders – almost all 99213
- Appropriate coders – 10% 99212, 58% 99213, 32% 99214

Effects of Appropriate Coding on Income

Code	99212 - \$52.75	99213 - \$88.85	99214 - \$121.62
	Undercoder	Lazy	Correct
Collections	\$255,559	\$320,712	\$345,534
Overhead	\$175,000	\$175,000	\$175,000
Net Income	\$80,559	\$145,712	\$170,534

How does it work under Risk Adjustment?

- Projected costs are risk-adjusted based on burden of disease
- CMS, BCBS, etc. can only determine the burden of disease based on our dx coding
- If you don't code it.... the patients don't have it!
- And therefore, from the insurer perspective, they expect the costs to be lower.

Risk Adjustment 101 - Overview

- Risk adjustment is a method for adjusting expenditures to account for differences in expected health costs of individuals
- CMS uses a prospective payment method, which adjusts the budget for health care costs to reflect the specific population.
- Demographic data (age, sex, eligibility) as well as health status (diagnoses codes submitted by claims to CMS) of a Medicare Advantage population are used to determine the reimbursement to the health plan to care for their members.
 - ***Higher risk scores = higher amount (\$\$\$) budgeted for members.***

Risk Adjustment 101 - Overview

- Why adjust?
 - To account for changes in severity and case mix over time and to more accurately set ACO performance targets.
 - Recognize ACOs that care for complex patients, and not create incentives for ACOs to avoid these populations.
- CMS uses both Hierarchical Condition Category (CMS-HCC) and RxHCC for risk adjustment of the CMS Medicare Advantage population – more description to come....
- ACO expenditures are Risk Adjusted using the same methodology as Medicare Advantage, but to a lesser degree (3-5% of budget)
- Other insurers utilize a variety of alternative methods, such as DxCG, a type of risk adjustment that reimburses based on chronic condition diagnoses.

Risk Adjustment 101 - History

- **Prior to 2003**

- Payments to the health plan were based on demographics – male, female, age, zip code

- **2003**

- MRA payment methodology was started in 2003
- Mandated by the Balance Budget Act of 1997

- **2003 – 2007**

- Between 2003 and 2007 phase in project
- Since 2007, budgets/payment has been based on a formulaic calculation:

CMS Payment Formula

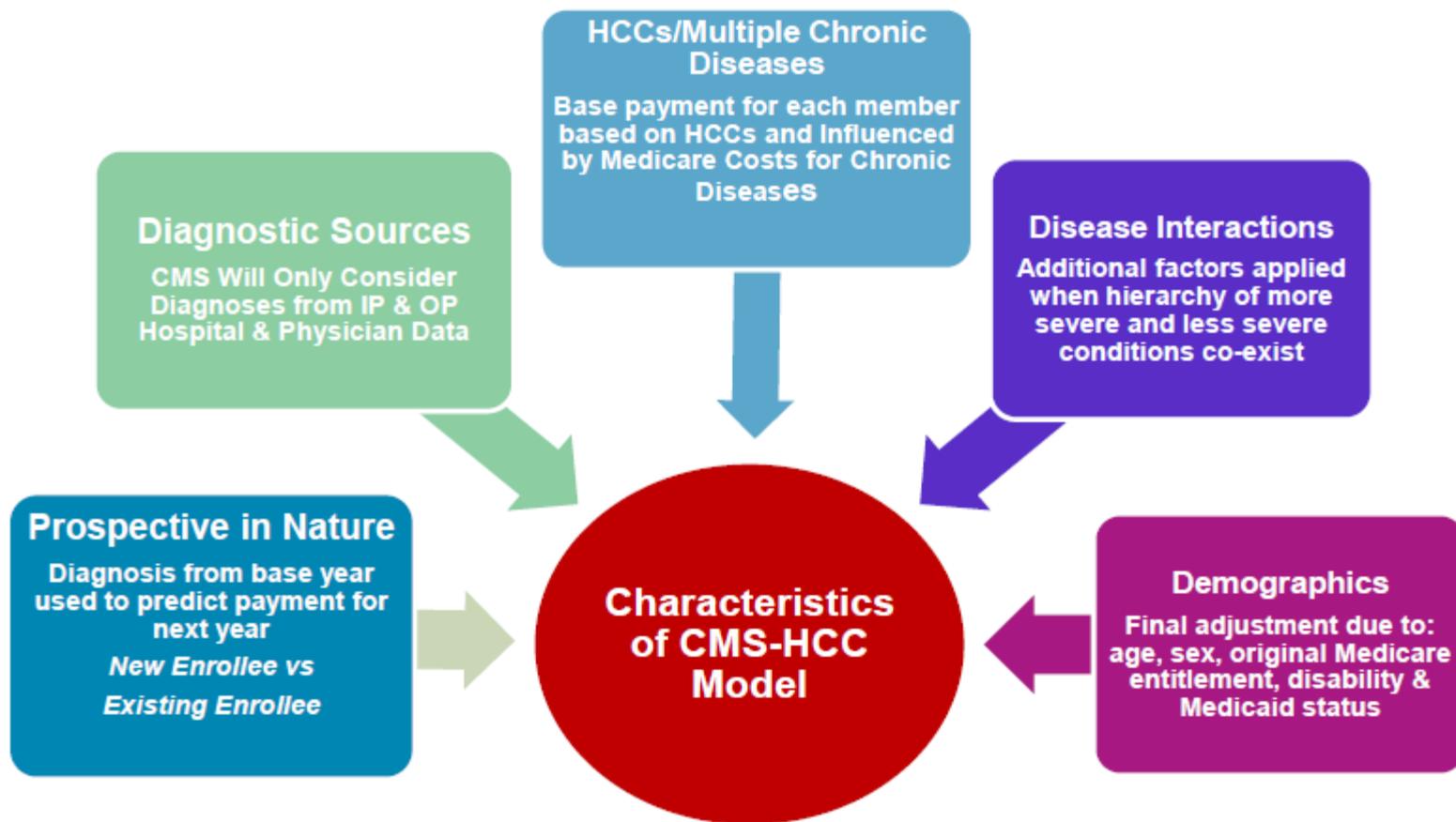
CMS approved base rate \times

RAF score (*factors associated with HCCs*
 \times *factors associated with member's*
demographics)

= Budget/Payment for that patient

Risk Adjustment 101

Characteristics of the HCC model



Risk Adjustment 101

CMS-HCC (Hierarchical Condition Category) Risk Scores

- The CMS-HCC model uses beneficiary **demographic** characteristics **and** prior year **diagnoses** to predict relative Part A and Part B Medicare fee-for-service program payments
- The CMS-HCC model does **not** incorporate Medicare Part D costs
- The CMS-HCC model is **prospective**, meaning it uses prior year information to predict costs for the subsequent year
- Same risk adjustment model used for Medicare Advantage and ACOs
- Separate CMS-HCC models for
 - Aged-disabled community and institutional
 - ESRD
 - New Medicare enrollees (demographic score)

Risk Adjustment 101

Demographic Factors Used in CMS-HCC Risk Scores

- 24 age-sex cells
 - Ex. male age 80-84
- Medicaid dual eligible status
 - By sex and aged vs. disabled entitlement
- Disabled status
 - Current disabled:
 - Separate age/sex and Medicaid factors
 - Selected diagnoses have different risk weights
 - Currently aged, originally entitled to Medicare by disability
 - Separate factor by sex

Risk Adjustment 101 - HCCs

What is a Hierarchical Condition Category?

- A category of medical conditions that map to a corresponding group of ICD-9 diagnosis codes

The total 2,913 ICD-9 codes map to one of 70 HCCs

Risk Adjustment 101

Example of HCC and ICD9 code mapping

ICD-9 Diagnosis Code	ICD9-Description	CMS-HCC Model Category	CMS-HCC Model Calendar Year 2010 Payment
260	Kwashiorkor	21	Yes
261	Nutritional Marasmus	21	Yes
262	Oth Severe Malnutrition	21	Yes
2630	Malnutrition Mod Degree	21	Yes
2631	Malnutrition Mild Degree	21	Yes
2632	Arrest Devel D/T Malnutr	21	Yes
2638	Protein-Cal Malnutr Nec	21	Yes
2639	Protein-Cal Malnutr Nos	21	Yes
7994	Cachexia	21	Yes
4560	Esophag Varices W Bleed	25	Yes
4561	Esoph Varices W/O Bleed	25	Yes
45620	Bleed Esoph Var Oth Dis	25	Yes
45621	Esoph Varice Oth Dis Nos	25	Yes
5722	Hepatic Coma	25	Yes
5723	Portal Hypertension	25	Yes
5724	Hepatorenal Syndrome	25	Yes
5728	Oth Sequela, Chr Liv Dis	25	Yes
5712	Alcohol Cirrhosis Liver	26	Yes
5713	Alcohol Liver Damage Nos	26	Yes
5715	Cirrhosis Of Liver Nos	26	Yes
5716	Biliary Cirrhosis	26	Yes



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Diagnoses Used in CMS-HCC Risk Scores

- The diagnoses used to calculate risk scores for beneficiaries are collected from claims
- Diagnoses from the following settings/providers are used
 - Hospital inpatient
 - Hospital outpatient
 - Physician
 - Clinically-trained non-physician (e.g., clinical psychologist)
- The CMS-HCC model counts only the most severe manifestation among related conditions

Risk Adjustment 101

Who can submit diagnoses affecting risk adjustment?

ACCEPTABLE PHYSICIAN SPECIALTY TYPES FOR RISK ADJUSTMENT DATA SUBMISSION

CODE	SPECIALTY	CODE	SPECIALTY	CODE	SPECIALTY
1	General Practice	26	Psychiatry	67	Occupational Therapist
2	General Surgery	27	Geriatric Psychiatry	68	Clinical Psychologist
3	Allergy/Immunology	28	Colorectal Surgery	72*	Pain Management
4	Otolaryngology	29	Pulmonary Disease	76*	Peripheral Vascular Disease
5	Anesthesiology	33*	Thoracic Surgery	77	Vascular Surgery
6	Cardiology	34	Urology	78	Cardiac Surgery
7	Dermatology	35	Chiropractic	79	Addiction Medicine
8	Family Practice	36	Nuclear Medicine	80	Licensed Clinical Social Worker
9	Interventional Pain Management (IPM)	37	Pediatric Medicine	81	Critical care (intensivist)
10	Gastroenterology	38	Geriatric Medicine	82	Hematology
11	Internal Medicine	39	Nephrology	83	Hematology/Oncology
12	Osteopathic Manipulative Therapy	40	Hand Surgery	84	Preventive Medicine
13	Neurology	41	Optometry	85	Maxillofacial Surgery
14	Neurosurgery	42	Certified Nurse Midwife	86	Neuropsychiatry
15	Speech Language Pathologist	43	Certified Registered Nurse Anesthetist	89*	Certified Clinical Nurse Specialist
16	Obstetrics/Gynecology	44	Infectious Disease	90	Medical Oncology
17	Hospice And Palliative Care	46*	Endocrinology	91	Surgical Oncology
18	Ophthalmology	48*	Podiatry	92	Radiation Oncology
19	Oral Surgery	50*	Nurse Practitioner	93	Emergency Medicine
20	Orthopedic Surgery	62*	Psychologist	94	Interventional Radiology
22*	Pathology	64*	Audiologist	97*	Physician Assistant
24*	Plastic And Reconstructive Surgery	65	Physical Therapist	98	Gynecologist/Oncologist
25	Physical Medicine And Rehabilitation	66	Rheumatology	99	Unknown Physician Specialty

* Indicates that a number has been skipped.

Risk Adjustment 101

Hierarchical Condition Categories

- Whenever **any condition from a given category** is documented in a given year, the member receives “credit” for that category, and the appropriate value is added to the Risk Adjustment Factor (RAF).
- Categories carry different weight (value), with more serious conditions having higher values.
- In the hierarchy, certain categories “outrank” others— that is, a patient diagnosis from certain categories brings a higher value to the RAF score than other categories.

Risk Adjustment 101 - RxHCC's

- Rx HCC's complement the reimbursement for managing patients with illnesses that may not be as complex or costly as HCC diagnoses, but qualify for additional reimbursement to the health plans due to increased medication costs.
- As a general rule, almost all HCC diagnoses are also RxHCC codes but all RxHCC are NOT also HCC. Here are some examples of diagnoses which are not HCC but are RxHCC codes:
 - Hypertension is not an HCC (i.e., 401.1 or 401.9, etc)
 - Osteoporosis is another common illness that is an RxHCC
 - CAD in itself is not a medical HCC, but it is an RxHCC. Because CAD is a general term, it is imperative that if the patient has angina or an old MI, the chronic problem list should include angina or old MI as they are HCC Diagnoses.

Risk Adjustment 101

HCC RAF Score Examples

HCC8	Metastatic Cancer and Acute Leukemia	*2.484
HCC9	Lung and Other Severe Cancers	*0.973
HCC10	Lymphoma and Other Cancers	*0.672
HCC11	Colorectal, Bladder, and Other Cancers	*0.317
HCC12	Breast, Prostate, and Other Cancer and Tumors	*0.154
HCC17	Diabetes with Acute Complications	*0.368
HCC18	Diabetes with Chronic Complications	*0.368
HCC19	Diabetes without Complications	*0.118

** Model Denominator with a risk score of 1.0 = \$9,276.26

Risk Adjustment 101

HCC and DISEASE INTERACTIONS

- CMS pays **additionally** for the presence of two identified conditions where the cost is greater than just their additive effects. In these instances, there is additional reimbursement when the following conditions co-exist:
 - Sepsis **and** Cardiorespiratory Failure **0.214
 - Cancer **and** Immune Disorders **0.947
 - Diabetes **and** CHF **0.182
 - CHF **and** COPD **0.259
 - CHF **and** Renal Disease **0.317
 - COPD **and** Cardiorespiratory Failure **0.456

Risk Adjustment 101

Case Study of RAF effects

An 88 year old male has the following chronic conditions: Angina (HCC 88), Peripheral Vascular Disease (HCC 108), and Diastolic Heart Failure (HCC 85), and all are documented in the medical record.

This patient's Risk Score:

age/gender	=	.683
Angina	=	.141
PVD	=	.299
Diastolic HF	=	<u>.368</u>
Total RAF score	=	1.491

Result of risk adjustment on this patient's budget for the next year:

$$1.491 \times \$9,276.26 = \$13,830.90$$

Risk Adjustment 101

Case Study of RAF effects

A 65 year old female with the following chronic conditions: CHF (HCC85), DM with complications (HCC18), Diabetic Proliferative Retinopathy (HCC 122), all appropriately documented in the medical record.

This patient's Risk Score:

age/gender	=	.288
CHF	=	.368
DM w/ chronic complications	=	.368
Prol. Diabetic Retinopathy	=	.203
Disease Interaction	=	<u>.182</u>
Total RAF score	=	1.409

Result of risk adjustment on this patient's budget for the next year:

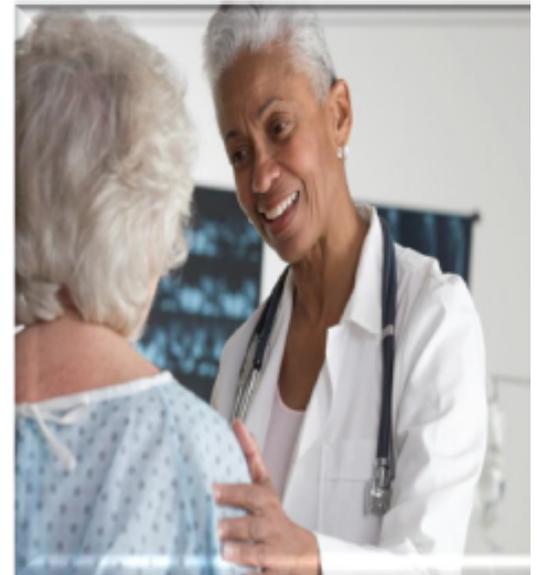
$$1.409 \times \$9276.26 = \mathbf{\$13,070.25}$$

This is compared to a budget of \$ 2,671.58 if only demographics were used

Risk Adjustment 101

Putting it all together – Case Study

- 85 year old white female, symptoms of UTI.
- Patient is tired, less energy and poor appetite and had a heart attack (MI) 1 year ago. Patient has mild malnutrition, is frail and has lost 30 lbs in the past 6 months. Urinalysis performed which shows white cells, leukocyte esterase, and microalbuminuria. Serum creatinine is 1.4. Patient has been complaining of urinary discomfort, weakness, and has had dry and itchy skin for the past 6 months.
- **PMH:** Stable diabetes mellitus (DM), chronic kidney disease (CKD) exacerbated by diabetes, stable BKA, stable history of MI, UTI w/ serum creatinine 1.3 6 months ago. Lab findings revealed CKD stage 3.
- **Plan:** Glucophage 500 mg b.i.d. for DM. Cipro for UTI. Ensure supplements for malnutrition. RTC in 3 months. Referral to nephrologist for CKD3.



Risk Adjustment 101

Case Study continued

Scenario 1 – Represents what would actually be coded and reported to the plan by many physicians

Condition	ICD 9 Code	CMS Risk Score	Demographic Score	Total RAF Score	Total Payment <i>\$800 (Illustrative Purposes) x RAF Score</i>
Diabetes Mellitus	250.00	0.162	0.44	0.602	\$481.60
UTI	599.0	0.0			

Scenario 2 – Represents what can be coded and reported to the plan by the physician

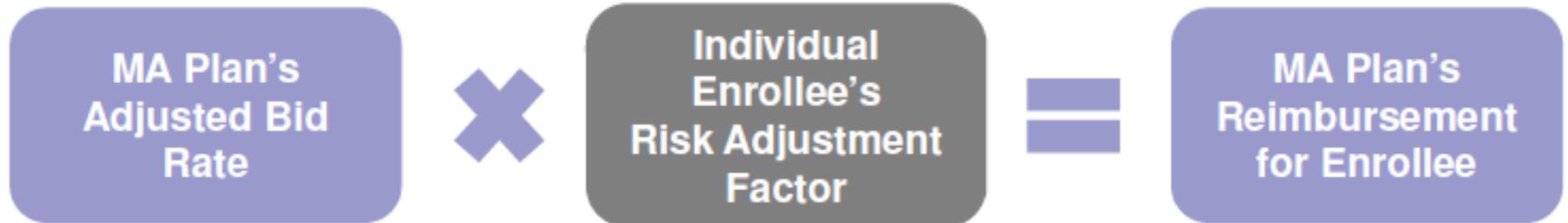
Diabetes Mellitus w/ Renal Manifestations	250.40	0.508	0.44	3.094	\$2,475.20
UTI	599.0	0.0			
Diabetic Nephropathy	583.81	Trumped by CKD Stage 3			
CKD Stage 3	585.3	0.368			
Mild Degree Malnutrition	263.1	0.856			
Old MI	412	0.244			
BKA Status	V49.75	0.678			

Payment = Plan's Base Payment x Total RAF Score

Differential result of risk adjustment on this patient's budget for the next year
 $(3.094 - 0.602) \times \$9276.26 = \$28,700.75 - \$5584.31 = +\$23,116.44$

Risk Adjustment 101

How does this work in Medicare Advantage?



Key Concepts

- Premiums presently set based on costs associated with treating patients with similar conditions in traditional fee-for-service Medicare
- Impact of an enrollee's risk factor is not immediate (plans receive increased premiums in the following year)
- CMS requires plans to submit risk adjusted conditions each year (even chronic conditions)

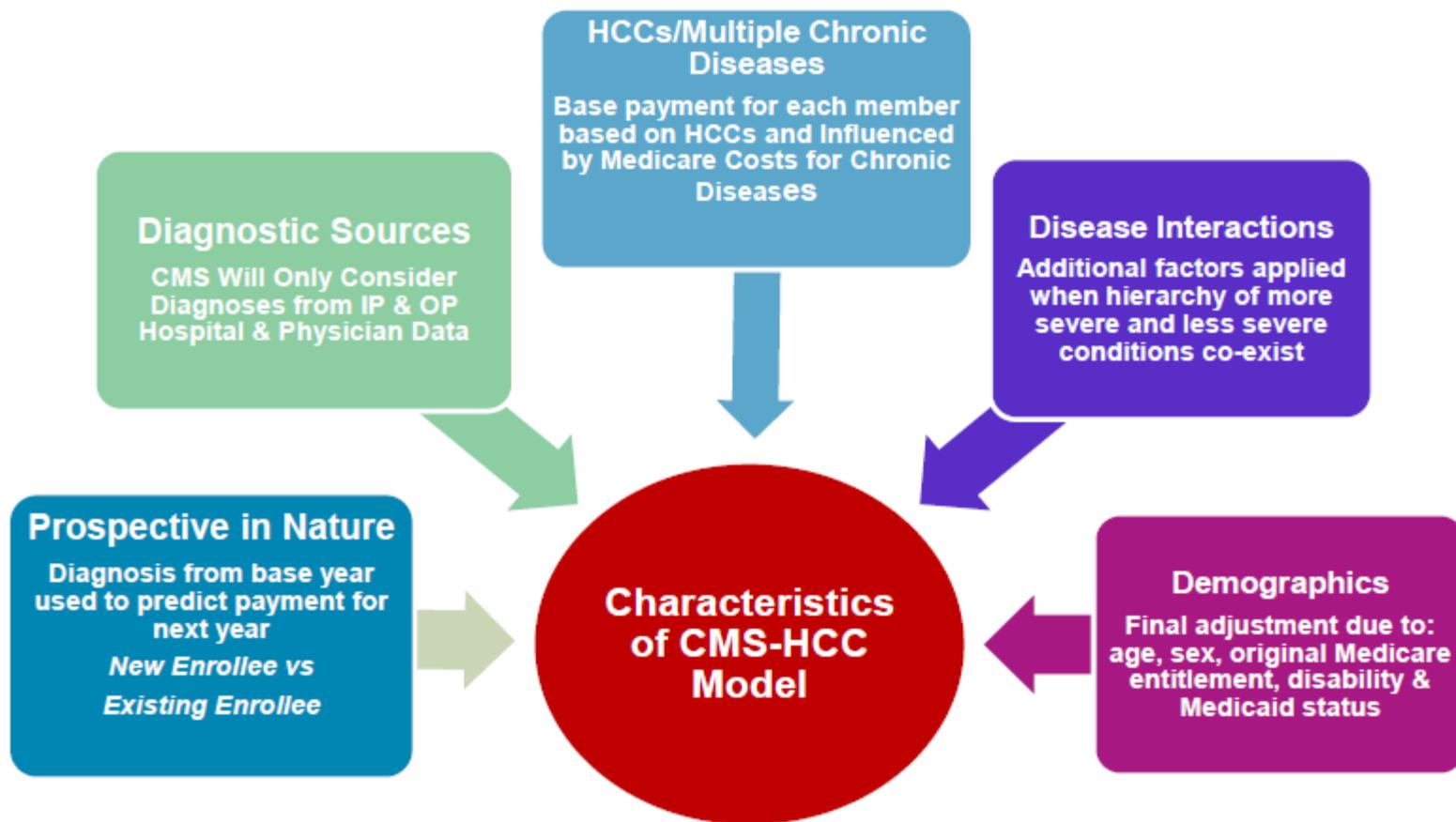
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Example of effects of RAF on MA budget

Several HCCs		Some HCCs		No HCCs	
82 year-old male	0.597	82 year-old male	0.597	82 year-old male	0.597
Medicaid Eligible	0.166	Medicaid Eligible	0.166	Medicaid Eligible	0.166
Diabetes w/ Renal Disease (HCC 15)	0.508	Diabetes (HCC 19)	0.162	Diabetes - Not Coded	N/A
Rheumatoid Arthritis (HCC 38)	0.346	Rheumatoid Arthritis	0.346	Rheumatoid Arthritis - Not Coded	N/A
Renal Failure (HCC 131)	0.368	Renal Failure - Not Coded	N/A	Renal Failure - Not Coded	N/A
Hemiplegia (HCC 100)	0.437	Hemiplegia - Not Coded	N/A	Hemiplegia - Not Coded	N/A
Disease Interaction: HCC 15 + HCC 100	0.102	No Disease Interaction	N/A	No Disease Interaction	N/A
Risk Adjustment Factor	2.524	Risk Adjustment Factor	1.271	Risk Adjustment Factor	0.763
Monthly Premium	\$2,282	Monthly Premium	\$1,149	Monthly Premium	\$690
Annual Premium	\$27,382	Annual Premium	\$13,789	Annual Premium	\$8,278

Risk Adjustment 101

Characteristics of the HCC model



Risk Adjustment 101 Pearls

Common missing or incomplete diagnoses

- Diabetes
 - Type 1 or Type 2
 - Controlled or uncontrolled
 - Manifestations (neuropathy, nephropathy, etc.)
- Major depression vs. depression
- Old Myocardial Infarction (old MI)
- Renal Failure
- Angina Pectoris
- Breast, Prostate, Colorectal Cancers coded as “history of” rather than active dx
- Drug or alcohol dependency

Risk Adjustment 101 Pearls

Document Status Conditions

- Transplants
- HIV
- Dialysis
- Ventilators
- Amputations
- Artificial openings for feedings

- Must reflect active conditions that require treatment or influence medical decision making

Risk Adjustment 101

Important Points of Interest

- CMS wipes the slate clean every January 1
- Must submit diagnoses **at least once** during the year-optimum is 2x's year based on calculations of risk scores by CMS
- Health Plans with Medicare Advantage members are reimbursed based on HCC diagnosis codes submitted to CMS via claims
- Risk adjustment translates to higher reimbursement with more specific documentation

Questions and Discussion.....

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