



**Select  
Health**

# RISK ADJUSTMENT

**Rebecca Welling,**  
Vice President Risk Adjustment

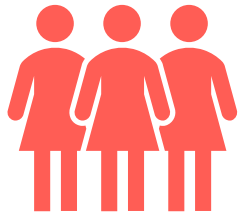
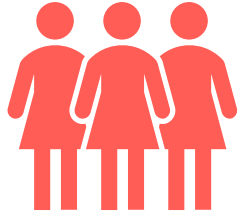
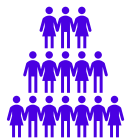
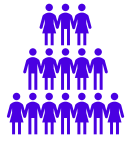
**Aaron Christensen**  
Strategic Account Manager UT/CO

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Strategic Account Manager ID/NV



# What is Risk Adjustment?

- Risk Adjustment is a method by which CMS offset the cost of providing health care for individuals with chronic health conditions.
- Health Plans are reimbursed by the government for the costs of providing care according to the conditions their members have.





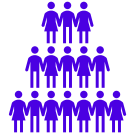
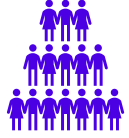
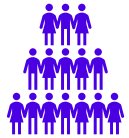
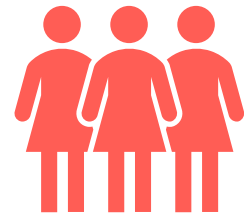
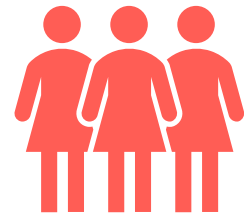
Government Reimbursement (Risk Adjustment)



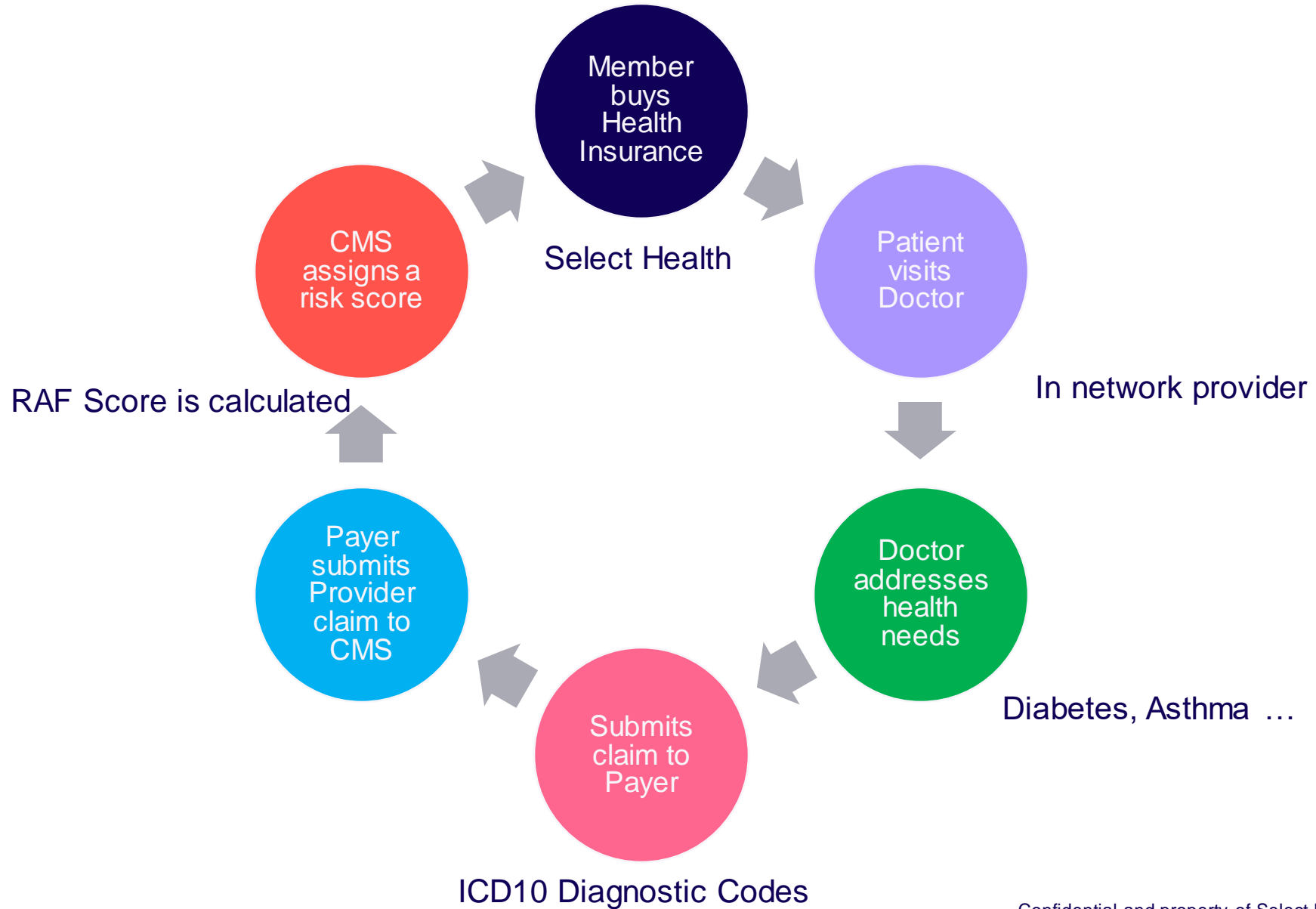
Premiums



Cost of Care



# How is risk adjustment data collected?



# How does Risk Adjustment help our members?

1

## Quality of Care

Appropriate medical decision-making across entire Provider continuum

Avoidance of harmful medication interactions or duplicate tests/procedures

2

## Benefits Creation

Health Plans adapt their benefits to populations' needs

Future planning and budgeting

3

## Accurate Data

Appropriate public health decisions

Population Health needs discovered, and assistance programs created

State and National databases are driven by aggregation of all payer data



# Hierarchical Condition Category (HCC)



- ❖ Medical conditions categorized by body system
- ❖ Most are chronic conditions, but some are acute
- ❖ Out of 74,000 ICD-10 diagnosis codes, about 11,000 map to an HCC



# HCC Hierarchies

- HCCs are further divided into Hierarchies.
- Within each Hierarchy, there are multiple HCCs which increase in severity.

Categories in the HCC Model			
Infection	Blood	Openings	Complications
Neoplasm	Substance Abuse	Vascular	Transplant
Diabetes	Psychiatric	Lung	Cerebrovascular
Spinal	Metabolic	Eye	Amputation
Gastrointestinal	Neurological	Kidney	Disease Interactions
Liver	Arrest	Skin	Disability Status
Musculoskeletal	Heart	Injury	Obstetrics

# Common Chronic Conditions that impacted Risk Adjustment

*HCC model is updated yearly*

- Diabetes
- Cancer- breast, prostate, lung
- Congestive Heart Failure
- COPD
- A-Fib
- Depression
- Rheumatoid Arthritis
- Obesity
- Vascular Disease
- Seizure disorders

# HCCs in a Hierarchy

## Heart

- HCC 86: Myocardial Infarction (Heart Attack)
- HCC 87: Ischemic Heart Disease
- HCC 88: Angina (Chest Pain)

## Kidney

- HCC 134: Dialysis Status
- HCC 135: Acute Renal Failure
- HCC 136: CKD 5 & ESRD
- HCC 137: CKD 3 - 4

# Main Elements of a Risk Adjustment Factor Score (RAF)



Average RAF score is 1.0. Calculated every year  
Medicare allocates funds per member based on their RAF  
Claims are tracked from January to December

# How RAF is Calculated for a Medicare Patient

Condition	HCC	Risk Factor	Notes
Female, age 76	x	0.428	Default for Age/Gender
Myocardial infarction (Heart Attack)	86	0.283	
Angina (Chest Pain)	88	x	Condition is hierarchical to heart attack, no additional score
Chronic Obstructive Pulmonary Disease	111	0.388	
CKD 3	137	0.227	
Chest Pain	x	x	Condition does not map to an HCC
Ankle Sprain	x	x	Condition does not map to an HCC
TOTAL		1.326	

# How RAF Affects Payment in Medicare

	CMS Base Rate (PMPM)	Demographic Factor	HCC Factor	Total RAF	Reimbursement per Month	Reimbursement per Year
No HCCs	\$800	0.428	x	0.428	\$342	\$4,104
Some HCCs (MI)	\$800	0.428	0.283	0.711	\$568	\$6,816
All HCCs	\$800	0.428	0.898	1.326	\$1,060	\$12,720



# Affordable Care Act



# Hierarchical Condition Category Model (HCC)

**Calculates disease risk of Members during the current year.**

Demographics (age, gender)

Categories

- Infants (under 12 months)
- Children (1-19)
- Adults (20+) including obstetrical diagnosis codes for high-risk OB care

# 2023 Conditions that impacted Risk Adjustment (model is updated every year)

## Younger Population

- Congenital disorders
- Autism/Down Syndrome
- Pregnancy
- Premature babies
- Mental Health

## Ongoing Chronic Conditions

- Cystic Fibrosis
- Multiple Sclerosis
- ESRD
- CHF
- Diabetes

# Medications that Risk Adjust on the ACA Market

RXC_01	Anti-HIV Agents
RXC_02	Anti-Hepatitis C (HCV) Agents
RXC_03	Antiarrhythmics
RXC_04	Phosphate Binders
RXC_05	Inflammatory Bowel Disease Agents
RXC_06	Insulin
RXC_07	Anti-Diabetic Agents, Except Insulin and Metformin
RXC_08	Multiple Sclerosis Agents
RXC_09	Immune Suppressants and Immunomodulators
RXC_10	Cystic Fibrosis Agents

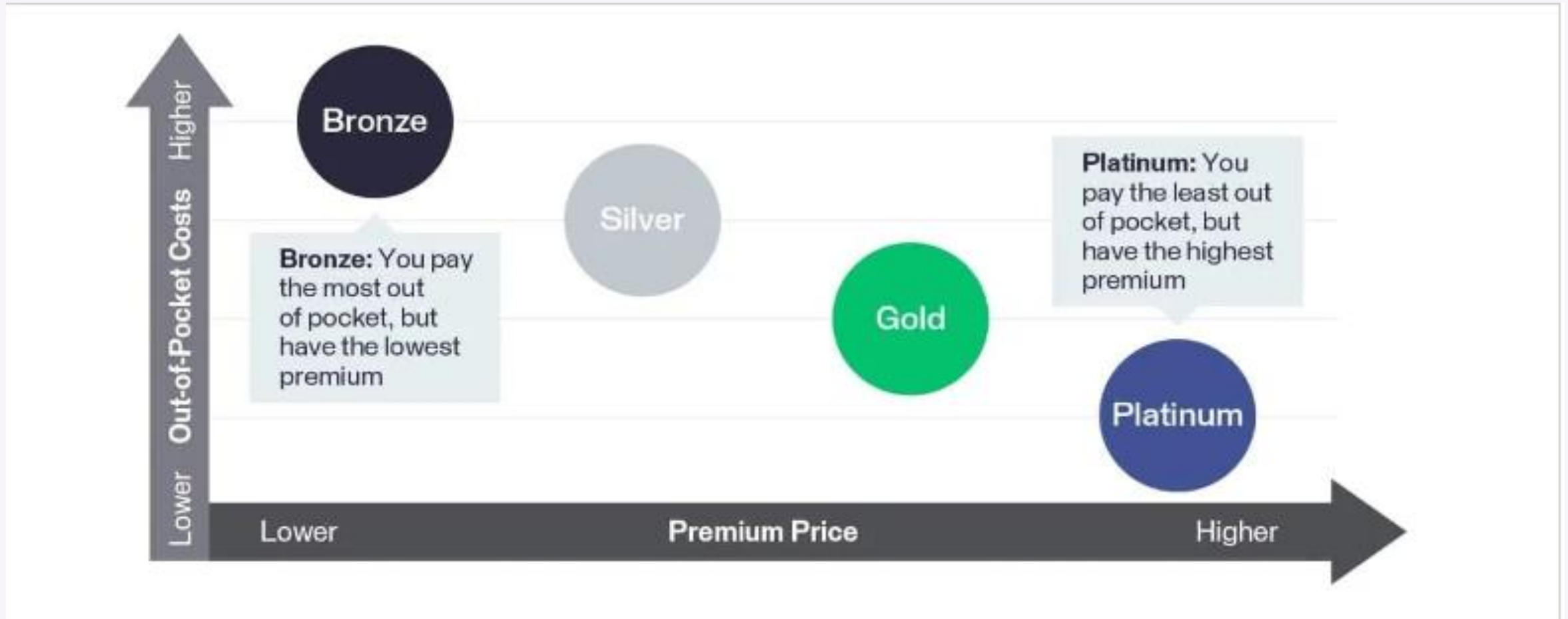
## ACA RAF score is aggregated at a Plan Level Risk Score that is compared against other Payers in the Market

### Risk Transfer Calculation Results for Carrier 26002

STATEWIDE STATISTICS BY MARKET AND RATING AREA						
Market	Average Monthly Premium	Average Plan Liability Risk Score	Average Allowable Rating Factor	Average Actuarial Value	Sum[(s(i) x PLRS(i) x IDF(i) x GCF(i))]	Sum[s(i) x AV(i) x ARF(i) x IDF(i) x GCF(i)]
Catastrophic	\$198.58	0.578	0.976	0.570	0.580	0.557
Individual	\$453.50	1.196	1.616	0.642	1.216	1.048
Small Group	\$349.98	0.982	1.387	0.738	1.038	1.078



# How does metal level play in Risk Adjustment





# RAF Differences With Each Metal Level

		Platinum	Gold	Silver	Bronze	Catastrophic
Male 50-59	Demographic Score	0.364	0.275	0.21	0.123	0.122
HCC 20	Diabetic HCC	0.443	0.365	0.31	0.24	0.239
RX-06	Diabetes Medication	0.829	0.679	0.576	0.377	0.375
RX-07	Insulin	1.678	1.459	1.291	1.038	1.035
<b>Total RAF</b>		<b><u>3.314</u></b>	<b><u>2.778</u></b>	<b><u>2.387</u></b>	<b><u>1.778</u></b>	<b><u>1.771</u></b>

Select Health Mission:

**Helping People  
Live The  
Healthiest Lives  
Possible**







# Complete & Accurate Documentation & Coding

# Risk Adjustment Data Validation (RADV) Audits

- CMS requires that the medical record validate the diagnoses codes reported
- **Medicare:** Random Targeted RADV- 201 records
  - Expanded to chronic conditions specific (CHF, DM, multiple disease categories that have been identified as problem coding areas
  - If we can't procure medical record- It is an automated failure
  - Currently auditing 2017 dates of service
  - Error rate: **Extrapolation against entire Medicare population**
  - Potential of \$ (millions) of dollars in penalties
  - Office of Inspector General (OIG) and Department of Investigation (DOI) also performing RADV audits

# Select Health Proactive approach

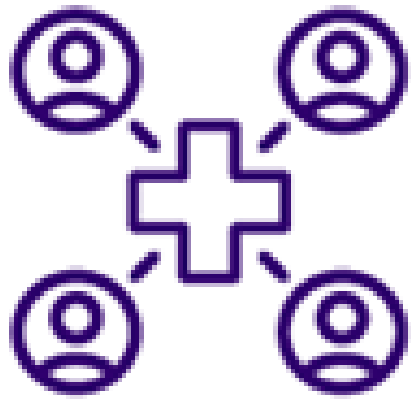
## Programmatic analytics

- ✓ Stroke/Heart Attack coded in physician office with no follow up care
- ✓ Cancer coded with no radiation, chemotherapy, or prophylactic treatment
- ✓ Severe depression with no medication therapy
- ✓ Pulmonary blood clots with no anti-coagulation therapy
- ✓ Mis-keyed diagnosis codes (rare conditions that are never coded)

**Select Health deleted over \$2 million worth of revenue in PY 2023**

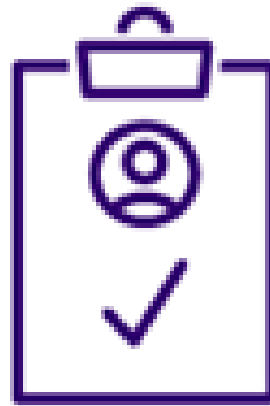


# Best Practices for Risk Adjustment



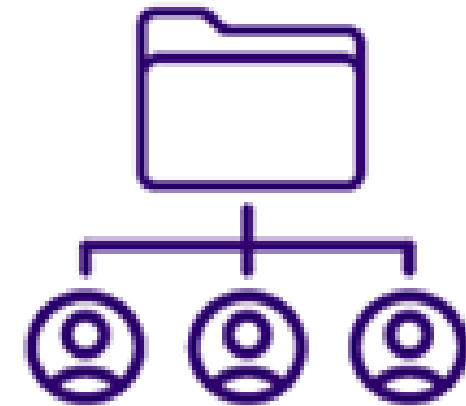
High-quality  
member-provider  
connections

.....



Accurate  
medical charting  
and coding

.....



Complete encounter  
and supplemental  
data submissions



# Select Health's Proactive Approach

- Ongoing provider Education
- Provider Insight Reports
- Provider Engagement Tools
- Member Engagement
- In-Home Visits

# Risk Adjustment Key Takeaways

- Mission: Helping people live the healthiest lives possible
- We encourage members to establish a relationship with their PCP and have an Annual Wellness Visit
- Help members understand their benefits – and use them!
- Encourage members to talk with their doctor about all their chronic conditions

# Questions?

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# Appendix