The Next Generation of Risk Adjustment: Policy Opportunities to Advance Reform

April 19th, 2023

Duke Margolis Center for Health Policy

Agenda

- **The Current Status of Risk Adjustment - Taking Stock of CMS' Policies**

  Presenters: Frank McStay, Duke-Margolis & Erica Everhart, CareJourney

- **Immediate Policy Opportunities to Support an Improved Risk Adjustment System**

  Moderator: Mark McClellan, Duke-Margolis

  Panelists: Rick Gilfillan, formerly Trinity Health & Rahul Rajkumar, Accompany

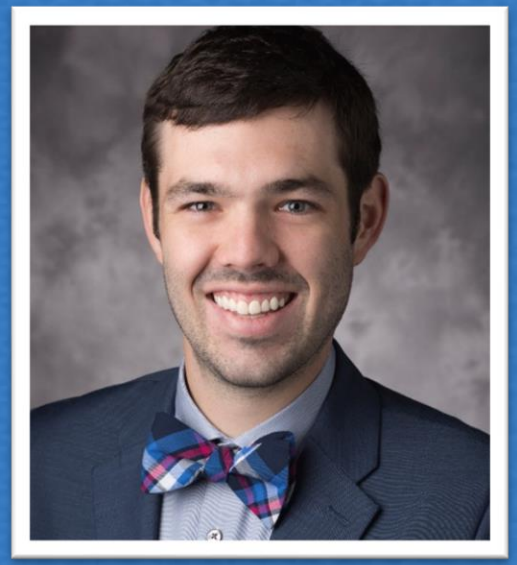
- **Transition to the Next Generation of Risk Adjustment**

  Moderator: Mark McClellan

  Panelists: Erica Everhart and Dana Safran, National Quality Forum

- **Audience Question and Answer**
- **Wrap up**

The Current Status of Risk Adjustment Taking Stock of CMS' Policies



Frank McStay, MPA

Assistant Research Director, Duke-Margolis, Former Senior Policy Advisor, Baylor Scott and White

Erica Everhart, JD

Head of Thought Leadership, CareJourney and Former Attorney Brian V. Ebert, PC

Growing Importance of Risk Adjustment – and Growing Challenges with Current Methods

- **Risk adjustment can substantially alter the per-beneficiary payments a plan receives**
  - HCC predicts a 74 y/o male living in the community with no coded conditions would have annual expenditures of $2,885
  - Same man with coded diagnoses of diabetes with chronic complications, congestive heart failure, and heart attack would have annual expenditures of $11,772
- **Significant concerns about undesirable consequences of current risk adjustment model**
  - Increases Medicare costs in ways that do not necessarily reflect value or beneficiary needs
  - Percentage of premium models lead to growing coding intensity factor (CIF) adjustments and higher payments
  - Important to accurately code diagnoses, but substantial investments focused on coding that aren't being used for quality/care management

Current system still on FFS chassis that challenges transformation and whole-person care

- **Do not incorporate social risk factors (ex: neighborhood factors like ADI) or functional status into risk adjustment algorithms**
    - Some examples in ACO REACH and MCO contracts, but concerns about unintended consequences

- **Risk adjustment system is based on FFS claims in Traditional Medicare, where data are not representative and flawed**
    - MA approximately half of Medicare beneficiaries and growing, which is problematic for methods based on FFS administrative data.
    - Still based on volume and does not represent high-value care
    - Undercoding of diagnoses in Traditional Medicare

Recently Proposed and Finalized MA Rule Responds to (Some of) These Challenges, But Questions Remain

- CY 2024 Final Notice phased in proposed changes to HCC model, including moving to ICD-10 and dropping or constraining certain diagnosis codes used more and more frequently in MA vs Traditional Medicare (ex: atherosclerosis, diabetes, heart failure, mild depression)

- CMS acknowledges the trade-offs between Principles 1 and 2 (clinically meaningful and predicting expenditures), 5 (encouraging specific coding) , and 10 (discretionary coding)

- Finalized risk adjustment reforms shift payments away from beneficiaries with the included diagnoses, which are more prevalent in lower-income beneficiaries and minoritized racial and ethnic groups

Overall assessment of initial V28 proposal

	Raw V.24	Raw V.28	% Difference - Raw	Normalized v.24	Normalized v.28	% Difference
All Benes	1.296	1.143	-11.79%	1.131	1.126	-0.41%
White	1.278	1.131	-11.46%	1.115	1.115	-0.03%
Minority	1.384	1.206	-12.91%	1.208	1.188	-1.67%
Dual	1.806	1.571	-13.03%	1.576	1.548	-1.81%
Not Dual	1.145	1.017	-11.21%	0.999	1.002	0.25%
Distressed	1.394	1.228	-11.96%	1.217	1.209	-0.60%
Not Distressed	1.231	1.090	-11.46%	1.074	1.074	-0.03%

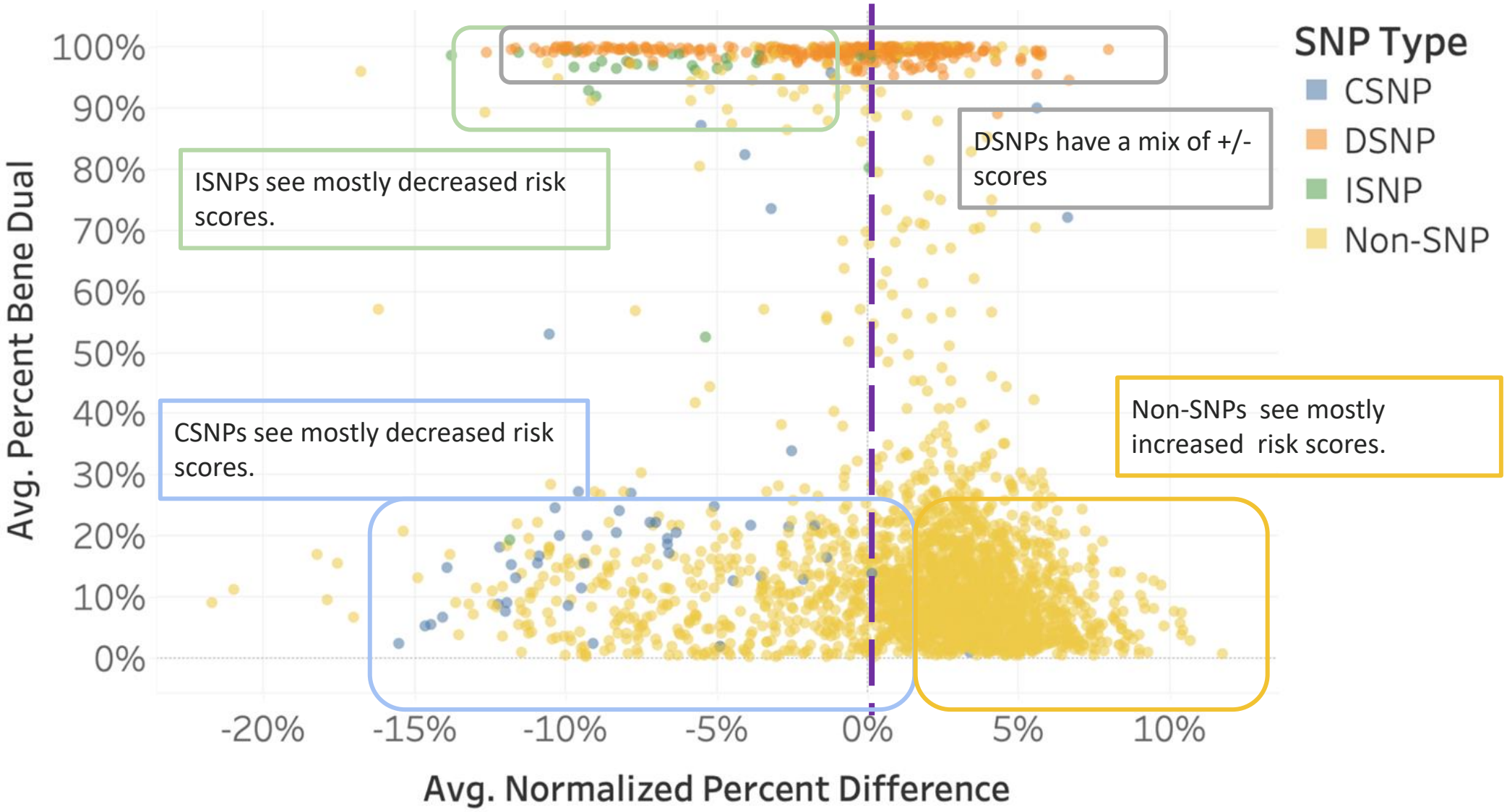
Widening racial disparities.

Duals are more impacted.

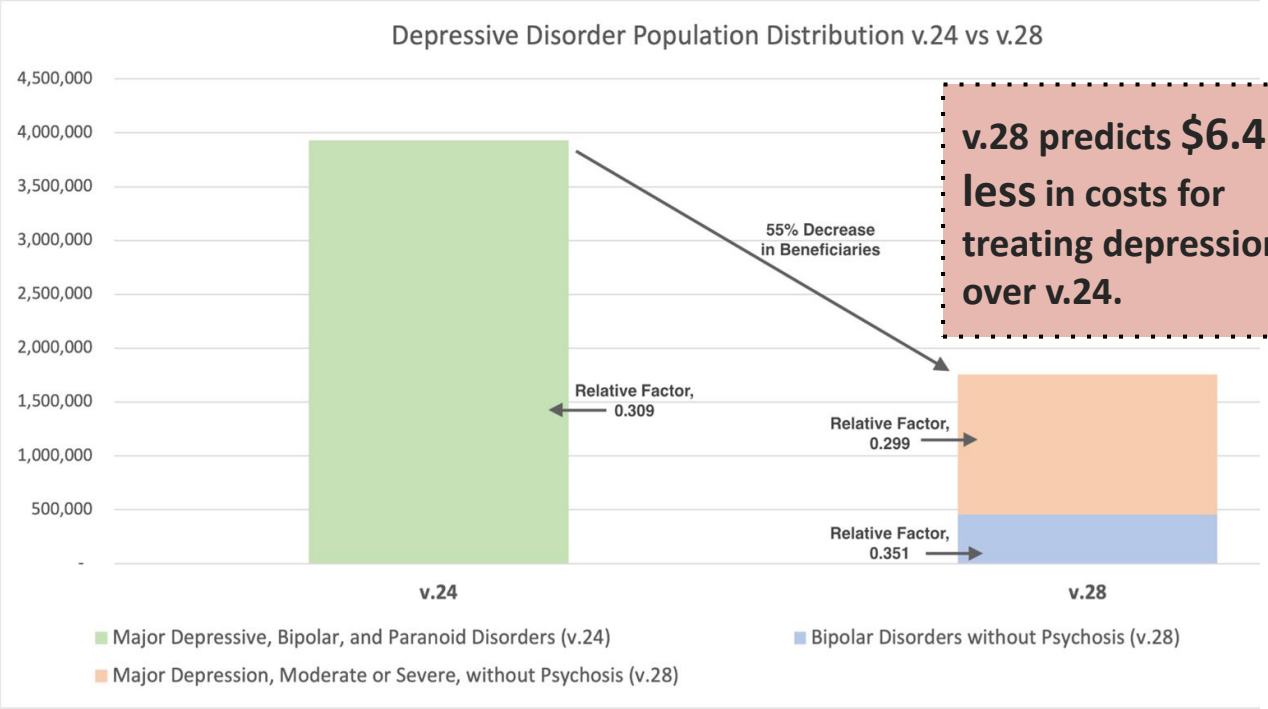
	v.24 HCC	v.28 HCC	2021 PMPY FFS	2021 PMPY MSSP
Dual	1.576	1.548	$19,023	$18,367
Non-Dual	0.999	1.002	$10,203	$11,580
% Difference	**57.7%**	**54.5%**	**86.4%**	**58.6%**

	v.24 HCC	v.28 HCC	2021 PMPY FFS	2021 PMPY MSSP
White	1.115	1.115	$11,607	$12,332
Minority	1.208	1.188	$13,220	$13,107
% Difference	**8.3%**	**6.5%**	**13.9%**	**6.3%**

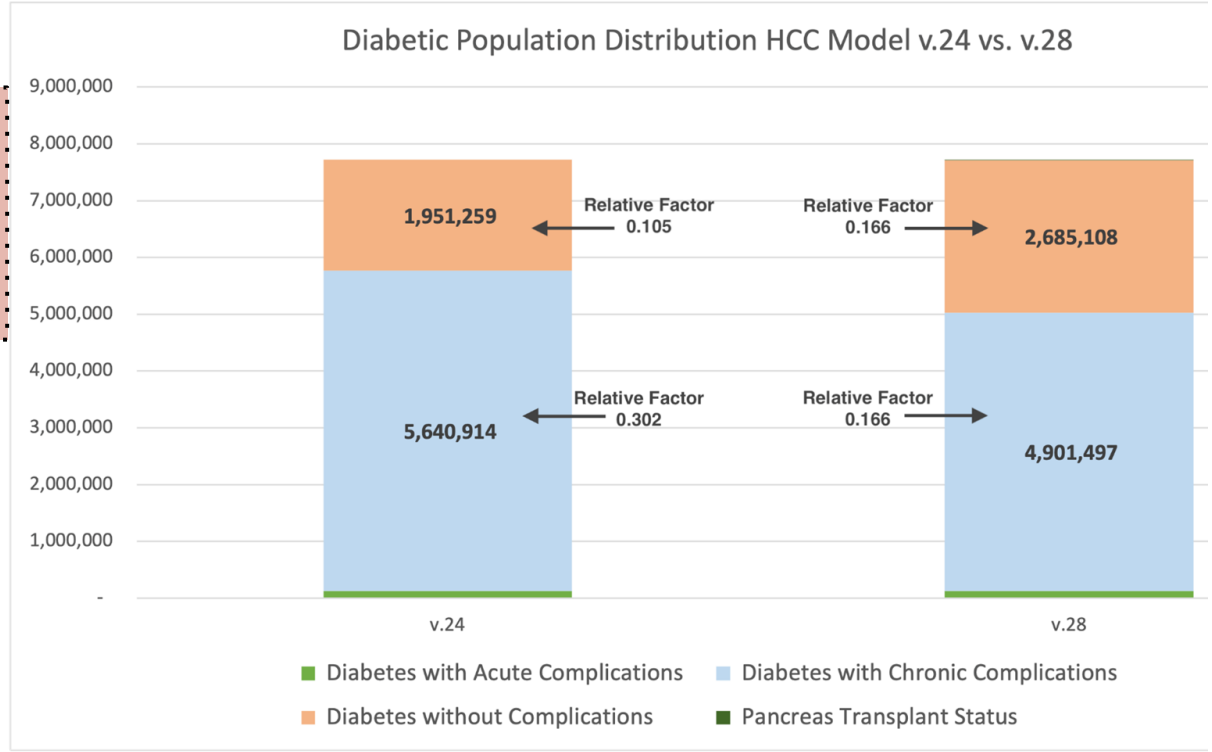
Impacts by plan



Impact by disease group



v.28 predicts $6.4B less in costs for treating depression over v.24.



What does this all mean? Need additional information and reforms to improve system

- **Need standardized, systematic approaches to analyses on risk adjustment and proposed reforms** given data limitations and evolving market and evaluation techniques
  - CMS provided enhanced model and software specifics to assist in stakeholder analysis and aide in transparency
  - CMS released some additional analysis in final notice on duals differential impact and directly to plans improved impact understanding, especially as it relates to changes focused on principle 10
- **Finalized reforms may shift payments away from beneficiaries with the included diagnoses**, which are more prevalent in lower-income beneficiaries and racial and ethnic minorities
- Underscores **need to move away from FFS** and toward category 3 and 4 payments

Immediate Policy Opportunities to Support an Improved Risk Adjustment System

Former CEO of Trinity Health System, and Deputy Administrator of CMS

Rick Gilfillan, MD, MBA

CEO of Accompany, Former COO of Optum Care Solutions, CMO of BCBS NC and CareFirst

Rahul Rajkumar MD, JD, FACP

Transitioning to a Reformed Risk Adjustment System

Erica Everhart, JD

Head of Thought Leadership, CareJourney and Former Attorney Brian V. Ebert, PC

Dana Gelb Safran, ScD

President/CEO National Quality Forum and Former Executive at Blue Cross Blue Shield of Massachusetts

Question and Answer

Thank You!

Contact Us

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