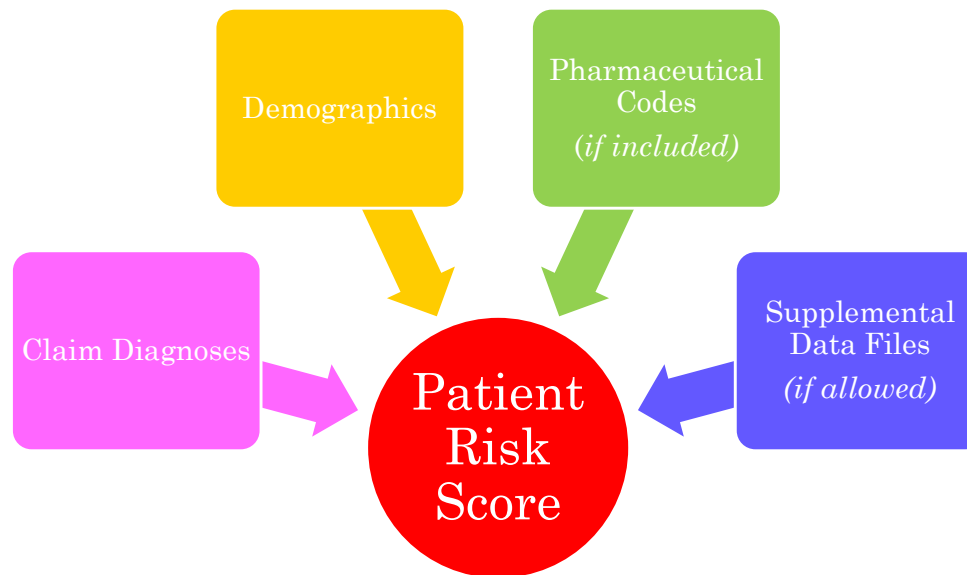


Risk Adjustment Basics

Amber Detty, CHDA

What is Risk Adjustment?

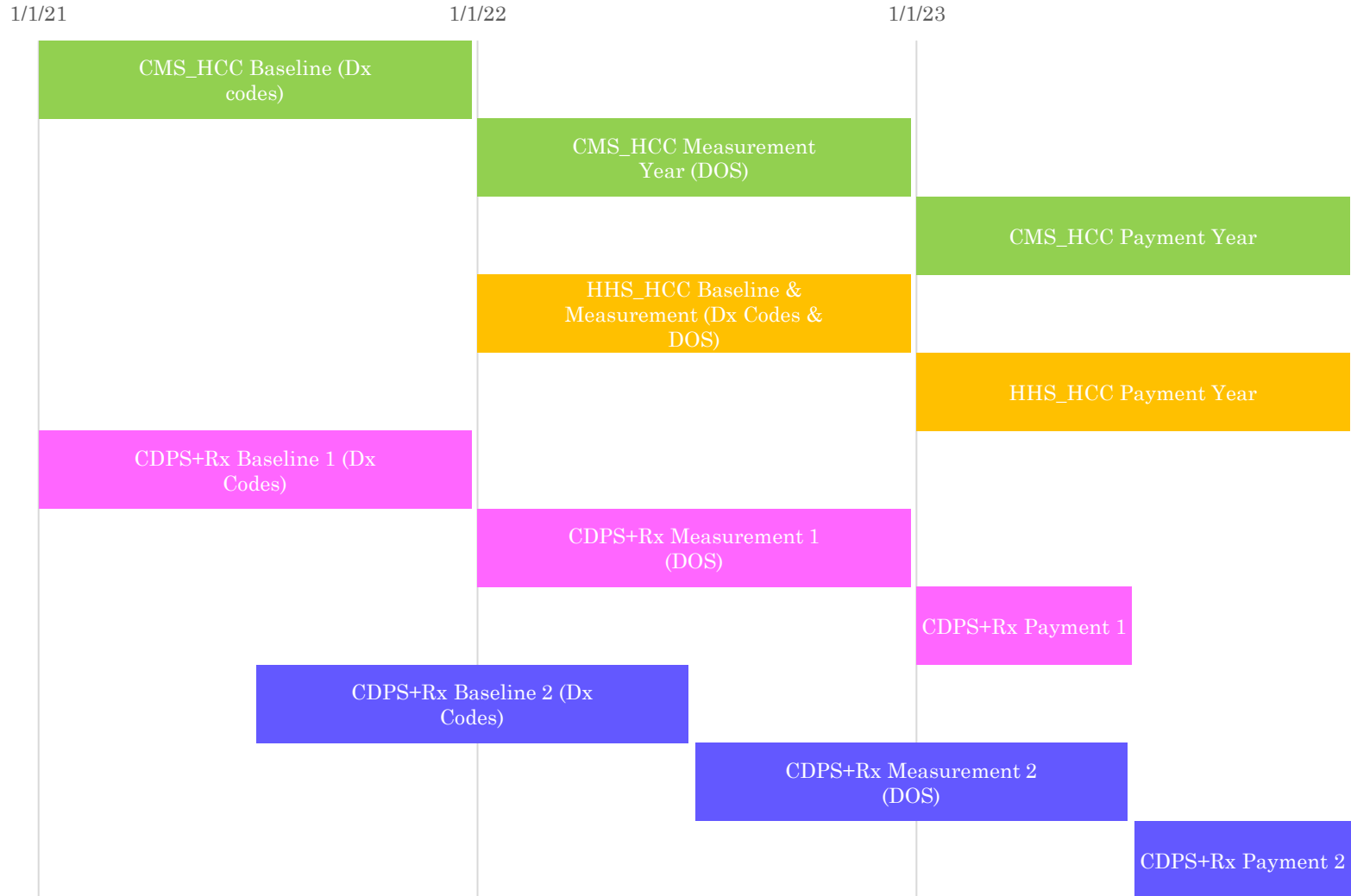
- Statistical process that takes into account the underlying health status and health spending of a patient
- Used to appropriately compensate both insurance plans and healthcare providers for the costs associated with the level of illness of their patient/member populations
- All risk adjustment models are primarily based upon patient demographics and submitted diagnosis codes, some models include pharmaceuticals and other data sources



Most Widely Used Models of Risk Adjustment

Model	Target Population	Description
CMS_HCC	Medicare	A set of hierarchical condition categories (HCCs) that indicate serious acute and chronic conditions to adjust risk, and when combined with a patient's demographic risk creates a Risk Adjustment Factor (RAF)
HHS_HCC	Exchange	A modified version of CMS_HCC that includes condition codes that are more prevalent among younger populations to adjust risk individually
CDPS and CDPS+Rx	Medicaid	Chronic Illness and Disability Payment System are calculated by individual patient demographics and diagnoses within major categories. CDPS, however, is applied at the group level, not an individual level. CDPS+Rx model adds National Drug Classification (NDC) codes based on pharmacotherapy categories
ACG, MARA, etc.	Commercial and All Populations	Commercial population use a wide variety of risk adjustment methodologies that may or may not also apply to Medicare, Exchange, and Medicaid populations

Risk Adjustment Timing



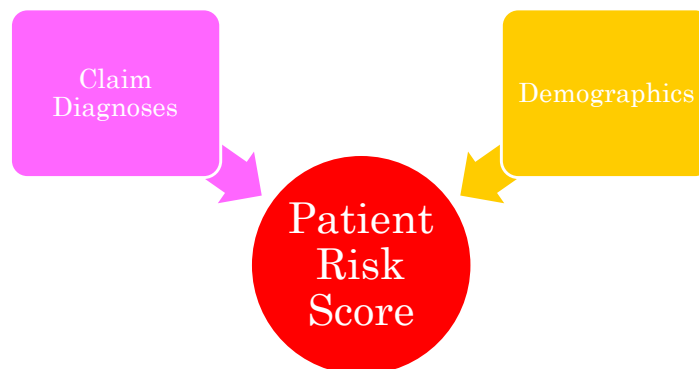
Why does Risk Adjustment Matter?

Risk Adjustment and Revenue

An example using capitation payment models

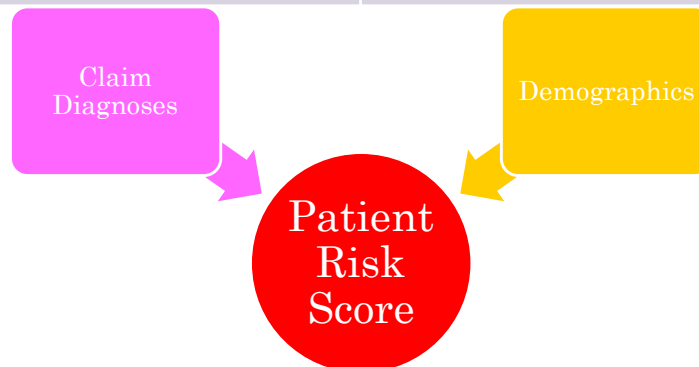
Risk Adjustment Factors and Revenue in Capitation Models Example

Patient	Patient A 72 years old Female No Morbidities	Patient B 72 years old Female Uncomplicated Diabetes	Patient C 72 years old Female Diabetes with mononeuropathy
Demographic Risk	0.346	0.346	0.346
HCC Risk	0.000	0.105	0.302
Total RAF	0.346	0.451	0.648



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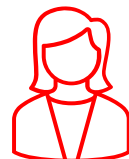
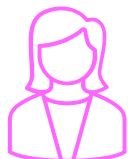
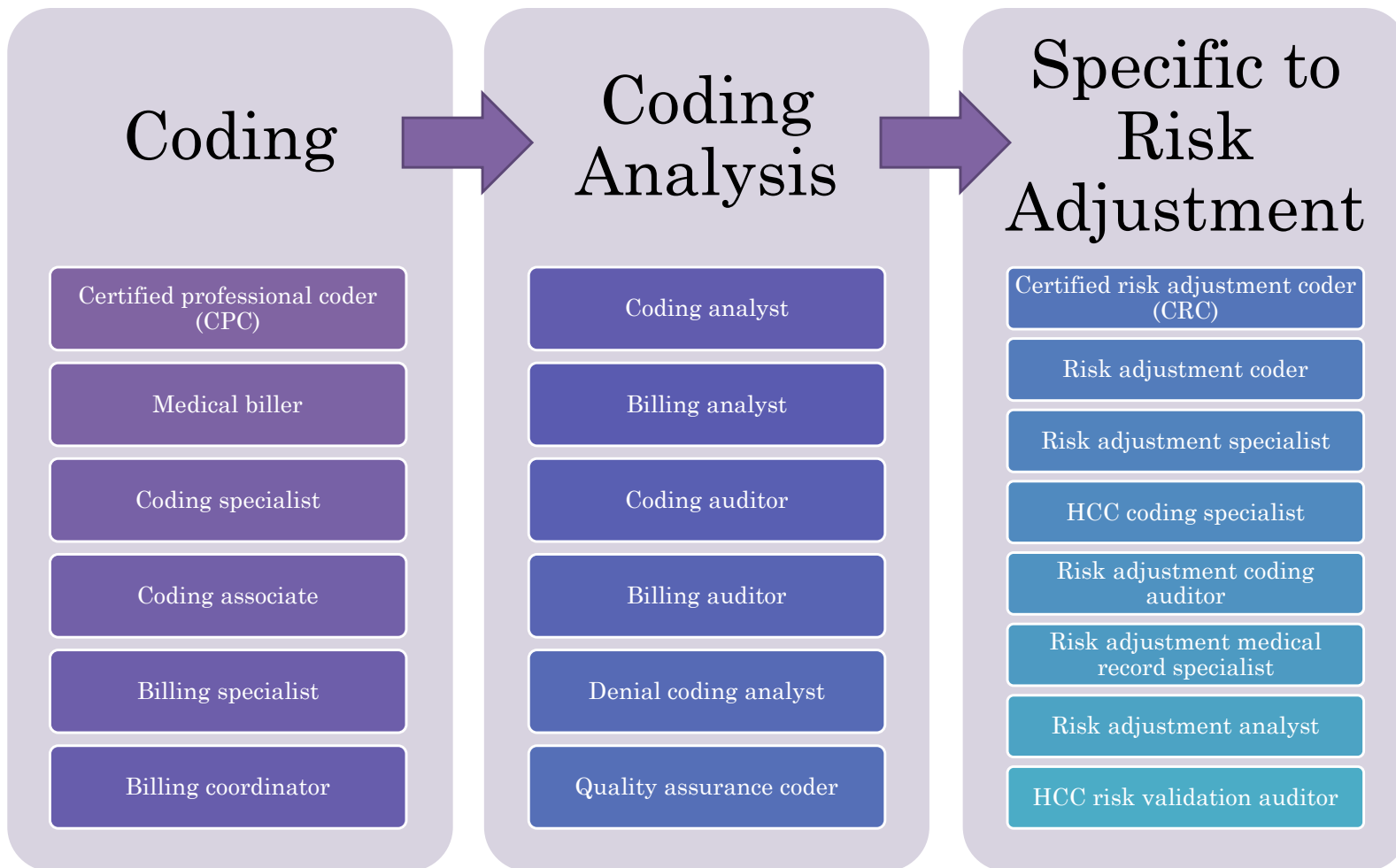
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Capitation Rate PMPM	\$500	\$500	\$500
Patient PMPM	\$342.50	\$446.50	\$641.50
Patient Yearly Payment	\$4,110.00	\$5,358.00	\$7,698

Key Points

- Risk adjustment is a statistical method for calculating the health status of a patient population
- Risk adjustment is a key component of revenue cycle management
 - In capitated, value-based, or pay-for-performance payment models, risk adjustment can have significant impact on revenue payments
 - Even in traditional fee-for-service Medicare or Medicaid, reimbursement for types of services can be adjusted based upon risk of the population
- Diagnostic coding is the backbone for all commonly used risk adjustment models



Examples of HIM Careers in Risk Adjustment



HI CAREERS IN REVENUE CYCLE



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THANK YOU FOR JOINING!



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