

# Medicare Advantage risk adjustment

Updates and current issues

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DECEMBER 9 2019

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## Data reliance and variability of results

This presentation is not intended to be an actuarial opinion or advice, nor is it intended to be legal advice. Any statements made during the presentation shall not be a representation of Milliman or its views or opinions, but only those of the presenter.

In preparing this presentation, we relied on data and information from the Center for Medicare and Medicaid Services (CMS). We have not audited or verified this data and other information. If the underlying data or information is inaccurate or incomplete, the information we present may likewise be inaccurate or incomplete.

Each Medicare Advantage Organization's (MAO's) circumstances, beneficiaries, and risk score experience are unique. Therefore, any risk score analysis for an MAO must be done on a case by case basis. We present general information about the MA risk adjustment program that is not intended to be a specific actuarial opinion or advice.

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## Agenda

- 1) Overview of recent updates to the MA risk adjustment program
- 2) RADV audits update
- 3) RAPS/EDS gap survey
- 4) Deep dive into Part C model changes
- 5) Best practices

Resources in appendix

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**“All models are wrong,  
but some are useful.”**

—George Box

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**Overview of recent changes**

CMS payments to plans are risk adjusted

**Data inputs**

- Demographic information
- Dxs from claims – medical only
- New Medicare enrollees use only demographics

**Prospective model**

- Prior year's data is the basis of payment year risk scores
- Example: PY 2019 is based on 2018 diagnosis codes

**Multiple models**

- Part C (9 model segments)
- Part D (10 model segments)
- ESRD (6 model segments)

Each payment year (PY) will have 1) initial 2) mid-year 3) final

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**Overview of recent changes**

CMS encounter data revisions

**Settlement for EDS chart review and railroad board member IDs<sup>1</sup>**

- PY19 will be settled using standard schedule
- PY18 settled in Oct '19
- Prior to '18 settled in the future

**Restated MAO-004 files<sup>2</sup>**

- January – April 2019 files re-released

**Encounter data supplemented with inpatient RAPS Dx**

- Applies to PY19 and PY20

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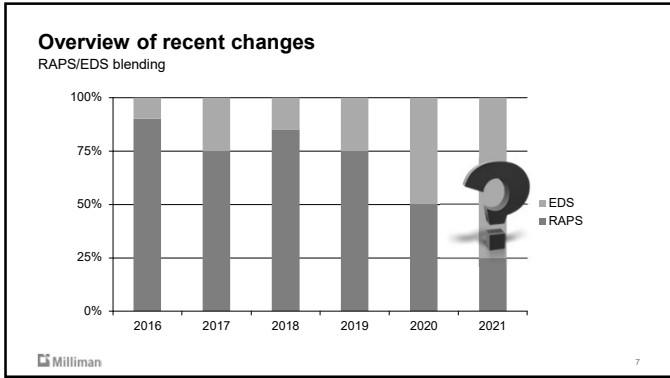
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### Overview of recent changes

	Part C	Part D	ESRD
Blending models	✓	✗	✓
New HCCs	✓	✗	✗
New coefficients	✓	✓	✓
New count variables	✓	✗	✗

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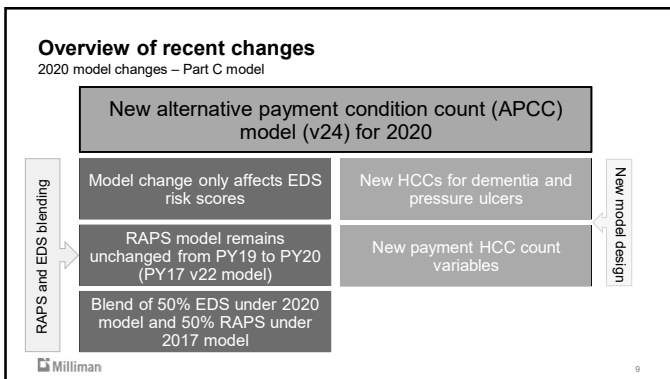
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### Overview of recent changes

Payment year 2018 settlement schedule

Payment Periods	2016	2017	2018	2019
Initial	J A S O N D	J F M A M J J A S O N D	J F M A M J J A S O N D	J F M A M J J A S O N D
Incurred dates			X	
Mid-Year			X	
Final			Claims payment runoff	X

Update RS

- Risk score updates = settlement is received from or paid to CMS
- Individual's risk score **changes with a new run**, not month to month
- Plan's average risk score **changes monthly** as members enter and leave the plan

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### Overview of recent changes

Payment year 2019 settlement schedule

Payment Periods	2017	2018	2019	2020
Initial	J A S O N D	J F M A M J J A S O N D	J F M A M J J A S O N D	J F M A M J J A S O N D
Incurred dates			X	
Mid-Year			X	
Final				? ? ?

Date of final PY19 settlement is unknown at this time

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### Risk adjustment data validation (RADV) audits

<b>Goal</b>	<ul style="list-style-type: none"> <li>▪ RADV audits are performed in order to make sure that risk adjustment payments are supported by medical records.</li> </ul>
<b>Method</b>	<ul style="list-style-type: none"> <li>▪ CMS selects a sample of beneficiaries and re-calculates risk scores based on documentation that plans provide during the audit.</li> </ul>
<b>CMS recoveries</b>	<ul style="list-style-type: none"> <li>▪ The results of the sample's payment error rate are extrapolated. CMS uses this process to recover overpayments.</li> </ul>

Centers for Medicare & Medicaid Services  
Risk Adjustment Data Validation (RADV) Medical Record Checklist and Guidance

This checklist has been provided to Medicare Advantage contracts involved in RADV audits. This list may help to determine medical record suitability for RADV. Any items checked "no" may indicate that the medical record will not support a CMS-RUC.

Yes No

Is the record for the correct enrollee?

Is the record from the correct calendar year for the payment year being audited (i.e., for audits of 2019 payments, validating records should be from calendar year

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### Risk adjustment validation (RADV) audits

On November 1, 2018, CMS proposed removing the fee-for-service adjuster, which has been applied to audit results, going back to 2011 audits.

- CMS estimates that this change would result in \$1 billion in recoveries in 2020 and \$381 million each year after. – [CMS-4185-P](#)
- No decision made since comment deadline August 28, 2019



"The FFS adjuster accounts for the fact that the documentation standard used in RADV audits to determine a contract's payment error (medical records) is different from the documentation standard used to develop the Part C risk-adjustment model (FFS claims)." – [CMS February 24, 2012 notice](#)

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### Milliman RAPS/EDS gap survey

CY16 diagnoses through 1/31/18, released January 2019

RAPS less EDS	20 <sup>th</sup> percentile	50 <sup>th</sup> percentile	80 <sup>th</sup> percentile
All plans	-1.7%	-0.4%	0.4%
General enrollment plans	-1.4%	-0.3%	0.4%
Special Needs Plans	-4.5%	-2.2%	-0.4%

- Includes data from 890 plans
- Limitation: compares RAPS to EDS using the models in place for PY2019
  - 2019 model for EDS
  - 2017 model for RAPS

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### Part C model changes

New HCCs

- HCC 51 – Dementia with Complications
- HCC 52 – Dementia without Complications
- HCC 159 – Pressure Ulcer of Skin with Partial Thickness Skin Loss



Coefficients for HCC 51 and HCC 52 are set equal to each other, to limit any effect that clinical discretion may have in payment.

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### Part C model changes

Count variables

- New variables added for the total number of beneficiary HCCs
  - No risk score increase for **0-3 HCCs**
  - No additional risk score increase **after 10 HCCs**
  - Does not apply to institutional, ESRD, or Part D risk scores
- Satisfies the 21st Century Cures Act requirement that the model:
  - "take into account the total number of diseases or conditions of an individual enrolled in an MA plan."
  - "make an additional adjustment... as the number of diseases or conditions of an individual increases."

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### Part C model changes

Count variables

Count Variable Description	Non-Dual Aged	Non-Dual Disabled	Full-Dual Aged	Full-Dual Disabled	Partial-Dual Aged	Partial-Dual Disabled
1 payment HCC D1	-	-	-	-	-	-
2 payment HCCs D2	-	-	-	-	-	-
3 payment HCCs D3	-	-	-	-	-	-
4 payment HCCs D4	0.006	-	-	-	-	-
5 payment HCCs D5	0.042	0.043	-	0.055	0.037	0.083
6 payment HCCs D6	0.077	0.131	0.040	0.167	0.071	0.117
7 payment HCCs D7	0.126	0.201	0.057	0.269	0.080	0.291
8 payment HCCs D8	0.214	0.441	0.095	0.424	0.125	0.452
9 payment HCCs D9	0.258	0.441	0.156	0.549	0.402	0.499
10 or more payment HCCs D10P	0.505	0.897	0.373	1.056	0.548	0.893

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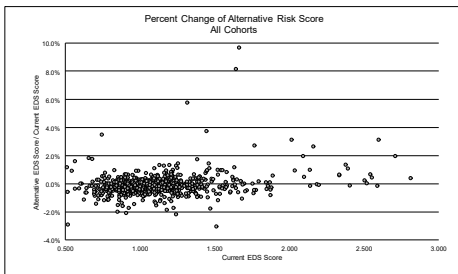
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### Part C model changes

Impact on risk scores



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### Best practices

Calculate risk scores at regular intervals

Calculate risk scores using both RAPS and EDS data and models

Review EDS report cards

Robust error handling – track/correct/resubmit rejected EDS

Chart review

Benchmarking/tracking

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### Best practices – RAPS and EDS differences

EDS scores are lower for most organizations – why is this happening?

Cancer	RFP #	Coeff	EDS					Members					Percent				
			HCC9	HCC9	HCC9	HCC11	HCC12	No Diag	HCC9	HCC9	HCC9	HCC11	HCC12	No Diag	HCC9	HCC9	HCC9
HCC9	Metastatic Cancer and Acute Leukemia	2.605	138	10	0	3	6	4	79%	7%	5%	2%	4%	13%			
HCC9	Lung and Other Severe Cancers	0.970	2	92	0	0	3	14	2%	83%	0%	0%	2%	13%			
HCC9	Lymphoma and Other Cancers	0.607	4	0	164	5	12	18	2%	0%	79%	2%	8%	10%			
HCC11	Gastrointestinal, Bladder, and Other Cancers	0.301	0	0	0	208	3	48	0%	0%	0%	80%	1%	19%			
HCC12	Breast, Prostate, and Other Cancers and Tumors	0.148	0	1	0	2	603	668	0%	0%	0%	0%	85%	15%			
No Cancer Diagnoses			1	2	2	4	13	18,938	0%	0%	0%	0%	0%	100%			

Risk Score	Part C - NENH	
	Total %	Benchmark %
Greater Than 1.0	7.5%	3.3%
0.8 to 1.0	2.4%	1.3%
0.6 to 0.8	4.2%	2.2%
0.4 to 0.6	6.2%	3.0%
0.2 to 0.4	10.3%	6.4%
0 to 0.2	4.0%	2.2%
0	68.9%	78.7%
-0.2 to 0	0.7%	0.4%
-0.4 to -0.2	1.5%	0.9%
-0.6 to -0.4	0.7%	0.5%
-0.8 to -0.6	0.4%	0.2%
-1.0 to -0.8	0.2%	0.1%
Less Than -1.0	0.2%	0.2%
Total	100.0%	100.0%

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### Risk scores data warehouse

Used for internal reporting, for provider reporting (e.g. globally capitated providers), and for auditing.

- MMRs:** Data reported by CMS is lagged, based on schedule.
- Submitted & accepted:** Calculate based on CMS return files, MORs, and MMRs.
- Source data:** Calculate based on source systems, MORs, and MMRs.
- Include the same information for RAPS and EDS

Member	Type	Months of Enrollment	MMRs	Submitted & Accepted	Source Data
001	Fully Enrolled	8	3,265	3,579	3,579
002	Partially Enrolled	8	0.625	0.625	1,017
003	New to Medicare	7	0,340	0,340	0,340
004	New to Plan	8	0,824	0,824	0,824
005	Fully Enrolled	8	1,465	1,879	1,879

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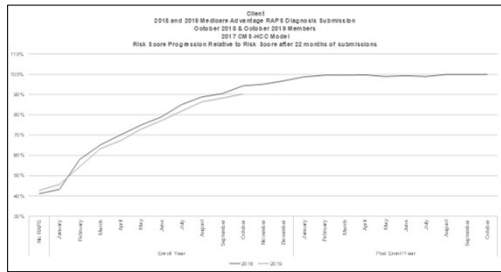
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## Best practices – risk score runoff benchmark



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## Appendix

### Footnotes

- 1 –
  - HPMS memo "Payment Year 2018 Final Reconciliation Update" dated June 25, 2019
  - HPMS memo "Medicare Advantage/Prescription Drug System (MARx) October 2019 Payment – INFORMATION" dated October 1, 2019
- 2 – HPMS memo "Re-issuing corrected Phase III version 3 MAO-004 Reports for January-April 2019 Submissions" dated June 25, 2019

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## Appendix

### Milliman white papers and presentations

- Medicare Advantage risk score primer: What you need to know about diagnoses supporting risk scores and revenue payment timing
- Medicare Advantage and the Encounter Data Processing System: Be prepared
- Impact of the transition from RAPS to EDS on Medicare Advantage risk scores
- Model change impact on the Medicare Advantage 2020 RxHCC risk scores
- Webinar: Medicare Advantage risk scores – Best practices in financial monitoring and encounter data
- Medicare Advantage RADV FFS adjuster

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**Appendix**

CMS resources

- CMS HCC risk score models – [link](#)
- CSSC RAPS/EDS user group trainings – [link](#)

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**Thank you**

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