



# Risk adjustment checklist for physicians entering into risk-based global payment contracts

## IMPORTANT NOTICE

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## RISK ADJUSTMENT CHECKLIST FOR PHYSICIANS ENTERING RISK-BASED GLOBAL PAYMENT CONTRACTS

Checklist	Importance and Implications
Which patients are included in the global payment contract?	Risk scores assignments should coordinate with the patient attribution logic.
Are there any services carved out from the global contract?	Risk adjustment models are typically developed to predict total cost at the patient level. If there are services that are carved out, it may call for a recalibration of the model or the development of new models.
What risk adjustment methodology is used?	A widely used risk adjustment methodology is preferable. An appropriate risk adjustment methodology should follow a set of model development principles to reduce gaming of the system, ensure predictive accuracy and limit the impact of coding variations. Risk adjustment vendors typically have white papers and product documentation to describe the methodology.
What information is used to generate risk scores?	The common choices are - age/gender and diagnoses, or age/gender and prescription drug information, or age/gender, diagnoses and drug information. Information such as geographic location and patient socioeconomic characteristics (e.g. education level and income level) have not been widely collected in standard formats, and cannot be easily incorporated into current risk adjustment models or processes.
What model and version is used?	Risk adjuster vendors typically have a large number of models included in a software product. Knowing what version and model is chosen in global payments will help allow a provider organization to validate results.
How well does the model predict for the kind of patients that my ACO will be responsible for under the new global contract?	Most risk adjustment models are developed for an average population. It is important to understand the predictive accuracy for the kind of patient population that an ACO is responsible for. Standard model accuracy measures include R-Squared, predictive ratio at the group level, sensitivity and specificity, etc.
Will the risk adjustment model be updated or recalibrated during the contract period?	Risk adjuster vendors may update and recalibrate the models periodically to incorporate recent changes in demographics and care patterns. A health plan may choose to update the model accordingly. While a more recent model likely will outperform an older model in terms of predictive accuracy, the impact of model transition may need to be studied.
Is there reinsurance provided and how? What about risk corridor?	Reinsurance protects an ACO financially against catastrophic cases. Risk corridors limit variability in risk scores, so that payment to an ACO is more predictable. Not every global payment contract will have both elements. An important question may be whether the risk adjustment model is coordinated with the reinsurance arrangement so that it only adjust the portion of the cost below the stop-loss threshold.
How often are budgets settled based on the results of risk adjustment?	In many risk adjustment payment programs, budgets are adjusted more frequently than annually, but are settled annually after accounting for claim and administrative lag.

How often are the risk scores reported back to my ACO?	For ACOs to conduct effective medical management and keep track of a budget, it is desirable to have risk scores reported back to the ACOs periodically throughout the contract period.
How does the risk adjustment process handle patients with partial-year eligibility?	Risk scores using partial-year data may not be fully credible from a statistical and actuarial standpoint. A duration cutoff point needs to be determined, and patients with shorter duration are typically assigned a default risk score which is based on age, gender and perhaps other factors.
Are risk scores on historical data for the actual ACO population available?	This will help an ACO understand the disease and illness burden of its patient population so that it can prioritize and align resources for more effective care going into a global payment contract.
Is risk adjustment used in setting utilization targets in the ACO?	Risk adjustment will be needed if there are utilization targets in an ACO's global contract or if the ACO needs to have utilization goals that reflect the actual mix of chronic conditions in the ACO's population. However, risk adjustment models designed to predict cost may not be applicable to predict utilization such as counts of hospital admissions and ER visits. In cases like this, it will call for new models to risk adjust utilization.

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