

The Role of Risk Adjustment in Accountable Care Organization

Presented by
Rong Yi, PhD

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AGENDA

- Foundation - what is risk adjustment?
- Landscape - RA in provider payment reforms
- Challenges and important considerations
- Q&A

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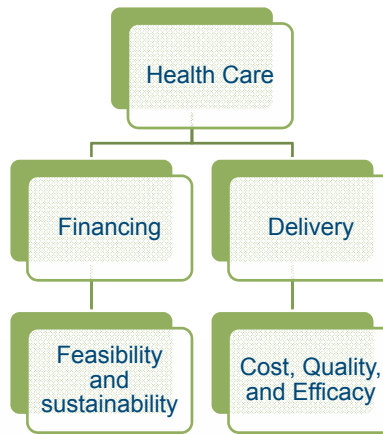
What is Risk Adjustment?

- Claim-based scoring of individuals
 - Rank patients
 - Rank groups
- Reflect the relativities of resource use among different patients/groups/populations
- Level the playing field for different risk-taking organizations
- Examples:
 - Medicare Advantage
 - MassHealth MCO contracting
 - Mass Connector Authority CommCare procurement
 - BCBSMA's AQC

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Where Risk Adjustment Matters

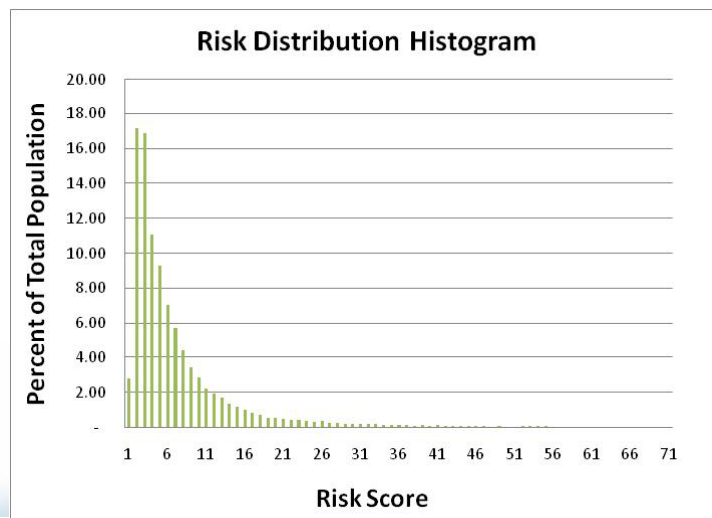


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RA is a Two-Step Process

Step 1 – Risk Assessment



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RA is a Two-Step Process

Step 2 – Funds Transfer

Table A – Budget Reallocation – Age/Gender Adjusted

	Number of Patients	Age/Gender Score	Age/Sex Adjusted PMPM Budget
Group I	3,040	1.25	\$375
Group II	4,075	0.80	\$240
Group III	2,900	1.02	\$306

Table B – Budget Reallocation – Risk Adjusted

	Number of Patients	Relative Risk Score	Risk Adjusted PMPM Budget
Group I	3,040	1.14	\$342
Group II	4,075	0.86	\$258
Group III	2,900	1.05	\$315

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How are Risk Scores Developed?

- 55 yo male patient -

Service From Date	Service Thru Date	Claim Paid Date	ICD-9-CM	
1/9/2009	1/9/2009	1/22/2009	401.1	essential hypertension
7/14/2009	7/14/2009	8/6/2009	496	Chronic airway obstruction
8/14/2009	8/14/2009	8/27/2009	496	Chronic airway obstruction
9/9/2009	9/9/2009	12/24/2009	716.99	Arthropathy, unspecified, multiple sites
10/9/2009	10/9/2009	12/24/2009	716.99	Arthropathy, unspecified, multiple sites
11/6/2009	11/6/2009	12/24/2009	716.99	Arthropathy, unspecified, multiple sites
12/4/2009	12/4/2009	12/24/2009	496	Chronic airway obstruction

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Risk Scoring



Sample Patient
Age: 55
Sex: M

- ☐ Hypertension
- ☐ COPD
- ☐ Other Arthropathies

Relative Risk Score: 2.23

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Risk Adjustment Vendors

	Vendor	Open Source?
ACG	Johns Hopkins Univ.	N
CCS	AHRQ	Y
CDPS	UC San Diego	Y
CRG	3M	N
DCG	Verisk Health (DxCG)	Some
ERG	Ingenix	N
MARA	Milliman	N

Note:

1. Sorted alphabetically.
2. The SOA conducted a RA comparison study and produced predictive accuracy benchmarks for commercial RA tools.

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Risk Adjustment in ACOs

- ACO
 - Legal entity to take financial risks and accountable for economic and quality outcomes
 - ACO establishment and operational considerations
 - Patient assignment and volume
 - Data flow and collection
 - Reporting and evaluation
 - Risk adjustment for global payments
 - Risk adjustment formula
 - Reinsurance
 - Risk corridor
 - (Predictive) Analytics for ACOs

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Transparency (and the lack of) in Risk Adjustment

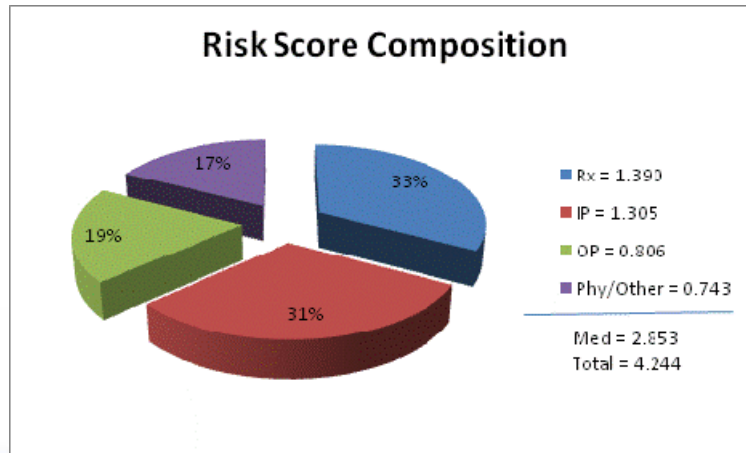
- Methodology Transparency
- Fact check – Most risk adjustment models and methodologies are proprietary and not available to users
 - No complete transparency in most cases
 - How much insight can we gain beyond a simple risk score?
- Process Transparency
 - Data requirement
 - Data quality

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How to Improve Transparency?

- Risk Score Composition -

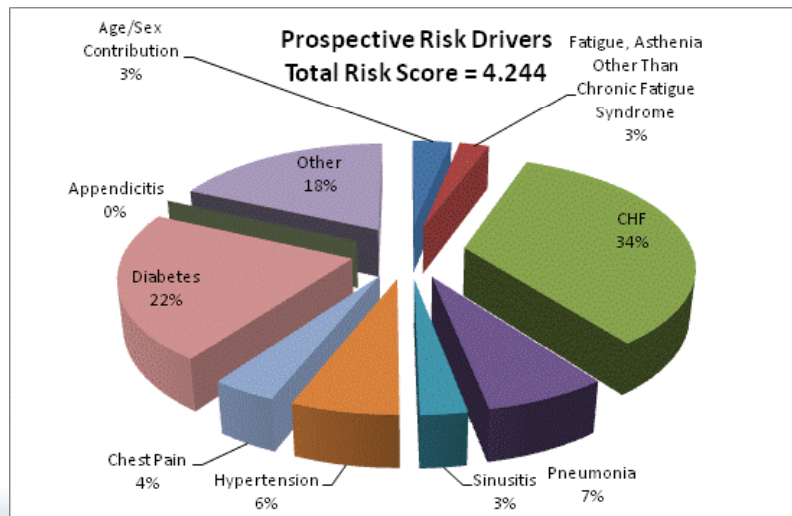


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How to Improve Transparency?

- Clinical Contributions -



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Risk Adjustment and Other Risk Mitigation Programs

RA often works together with other risk mitigation programs:

- Reinsurance – protection against catastrophic cases
 - Mostly stop-loss reinsurance
- Risk corridor – making payments more smoothed

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Physician's Checklist for RA-Related Questions

	Checklist
Patients	Which patients are included in the global payment contract?
Services	Are there any services carved out from global payment?
Model Choice	Which risk adjustment model is used in setting risk scores?
	What information is used to generate risk scores?
	Which software version, model ID, and specification
	How well does the model predict for the kind of patients that I will be responsible for under the new global contract?

Physician's Checklist for RA-Related Questions (cont.)

	Checklist
Other Risk Mitigation	Is there reinsurance provided and how?
	Is there risk corridor
Risk Adjustment Process	How often is budget settled based on risk adjustment
	How often are the risk scores reported back to me?
	How does the risk adjustment process handle patients with partial-year eligibility?
	What other factors are also included in determining the final risk scores?
Benchmarks	Can risk scores on historical data be provided to me?

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Takeaways

- Risk adjustment is intended to level the playing field
- Risk adjustment is not perfect, but
 - Can be improved
 - Better than age/gender adjustment
- Coding accuracy and persistency affects the results of risk adjustment

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