

# Risk Adjustment 101

## What is Risk Adjustment?

- Risk adjustment is a statistical methodology used to compare the health risk of populations enrolled in health plans<sup>1</sup> (Medicare Advantage, ACA/Marketplace, Medicaid).
- A relative risk score is calculated for each individual to predict member costs.
- Generally, individuals with certain disease burdens will have higher risk scores and cost more to care for than healthier members.
- This ensures government entities reimburse health plans appropriately for members' predicted health costs.
- Health plans can also use the data to identify the need for disease management interventions as well as close quality care gaps.

## How does Risk Adjustment impact members and providers?

- Directs resources to sicker members whose care is more costly.
- Encourages physicians to accurately document their patients' conditions.
- Helps to identify gaps in clinical documentation.
- Creates opportunity for those high-risk individuals to be identified for care management or disease intervention programs.

## What is HCC?

- HCC (hierarchical condition category) is a risk adjustment model originally designed to estimate future healthcare costs for patients<sup>2</sup>.
- ICD-10-CM codes are mapped to diagnosis groups, then condition categories.
- These categories, along with other elements, are used to calculate a relative risk score, known as a Risk Adjustment Factor (RAF).
- RAF scoring helps communicate patient complexity and is used to risk adjust quality and cost metrics<sup>2</sup>.

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## Record Requirements & Documentation

- Each note must stand alone
- Contain a legible provider signature with credentials
- Follow official ICD-10-CM Guidelines for Coding and Reporting
- Diagnoses must be documented to the highest level of specificity
- Meet medical necessity
- Utilize M.E.A.T./T.A.M.P.E.R. methods to support members' health conditions

## Importance of Documentation

Because risk adjustment relies on physicians to maintain accurate medical records that capture a comprehensive health status and complete risk profile of their patients, documentation and coding to the highest level of specificity are critical.

- To support an HCC, clinical documentation in the member's record must support the presence and treatment of any risk-adjustable condition.
- Two recommended methods assist in validating diseases:
  - M.E.A.T. (Monitor, Evaluate, Assess/Address, Treat) and
  - T.A.M.P.E.R. (Treat, Assess, Monitor/Medicate, Plan, Evaluate, Refer)
- Documentation and diagnoses are the basis for funding and reimbursement.
- Accurate clinical documentation will allow open communication between health plans and providers and generate opportunities for education and feedback.

## References

1. Availity – Risk Adjustment 101 <https://www.availity.com/resources/blog/risk-adjustment-101>
2. American Academy of Family Physicians – Hierarchical Condition Category Coding <https://www.aafp.org/practice-management/payment/coding/hcc.html>