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Changes to Medicare Advantage Risk Adjustment Model Proposed to Phase-In Beginning 2020

January 15, 2019 – Dorsey Health Law
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On December 20, 2018, CMS announced the first part of its two-part advance notice to implement changes to the Medicare Advantage ("MA") risk adjustment methodology for 2020 (the "Advance Notice"), which can be found here. A key element of the CMS proposal in the Advance Notice is to incorporate into the risk adjustment methodology the number of conditions an individual beneficiary may have, making an adjustment as the number increases. This proposal is intended to meet a risk adjustment requirement added by the 21st Century Cures Act (42 U.S.C. 1395w-23(a)(1)(I)(i)(I)).

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As a matter of background, in order to mitigate against the risk of only the healthiest Medicare beneficiaries being targeted to participate in the MA program, federal payments to MA plans are adjusted to reflect how sick their members are. The sicker a member is, the higher the payment to the member's MA plan is supposed to be.

Under the current risk adjustment model, the member's level of sickness or "risk score" is determined in large part by identifying certain health conditions the member has that are included in the model, i.e., "payment conditions." The proposed risk adjustment model in the Advance Notice would make a further adjustment as the number of payment conditions the member has increases, up to a maximum of 10 conditions. In addition, what constitutes payment conditions in the proposed model would expand to include categories for mental health, substance use disorder, and chronic kidney disease.

As an alternative to the proposed model described above, the Advance Notice presents another payment condition count for public comment. This alternative model

supplements the proposed model mentioned above by adding categories for pressure ulcers and dementia as payment conditions. CMS intends to phase-in implementation of one version of these new risk adjustment models beginning with 2020 payments, which payments are proposed to be a 50/50 blend of the current model and the new model. The 21st Century Cures Act requires full implementation of the new risk adjustment model by 2022.

The Advance Notice also includes a proposal to phase-in a change how CMS calculates an MA member's risk score. For 2020, CMS proposes that half of the risk score be calculated using diagnoses from encounter data (i.e., treatment information from a clinician), Risk Adjustment Processing System ("RAPS") inpatient diagnoses, and fee-for-service ("FFS") diagnoses, and that half of the risk score will be calculated with diagnoses from RAPS and FFS diagnoses. This proposal would result in increased importance of encounter data to establish a member's risk score.

The second part of CMS's Advance Notice regarding MA capitation rates and final payment policies for 2020 has not yet been released. Comments on the risk adjustment methodology modifications proposed in the first part are due February 19, 2019 and can be submitted here. CMS will publish the final 2020 MA rate announcement on or before April 1, 2019.