

WEBINAR WEDNESDAY

What is Encounter Data Risk
Adjustment Methodology
and How Do I Prepare for it?



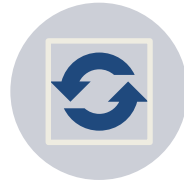
Introduction



PURPOSE OF WEBINAR



CURRENT STATE



TRANSITION TIMELINE

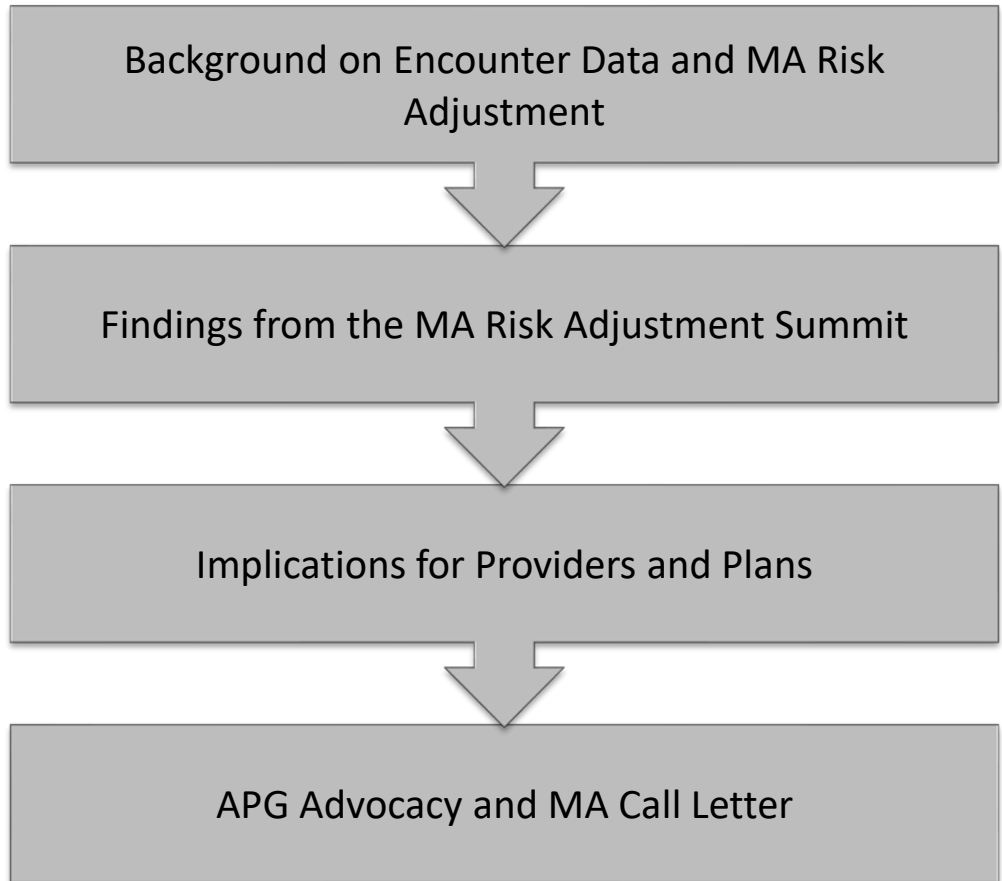


IMPLICATION FOR
PROVIDERS
(DELEGATED AND NON
DELEGATED)



ADVOCACY

Agenda



Background on Encounter Data and Medicare Advantage Risk Adjustment

Laura Skopec – Urban Institute

Outline



How are Medicare Advantage plans paid?



What is encounter data?



How is encounter data being used?



How could encounter data be used in the future?

Overview of MA Plan Payment



CMS Sets Benchmarks

Based on trended TM costs
At county level



MA Plans Submit Bids

Detail Part A, B, and
supplemental costs
Bid for average risk enrollee



Compare Bids to Benchmarks

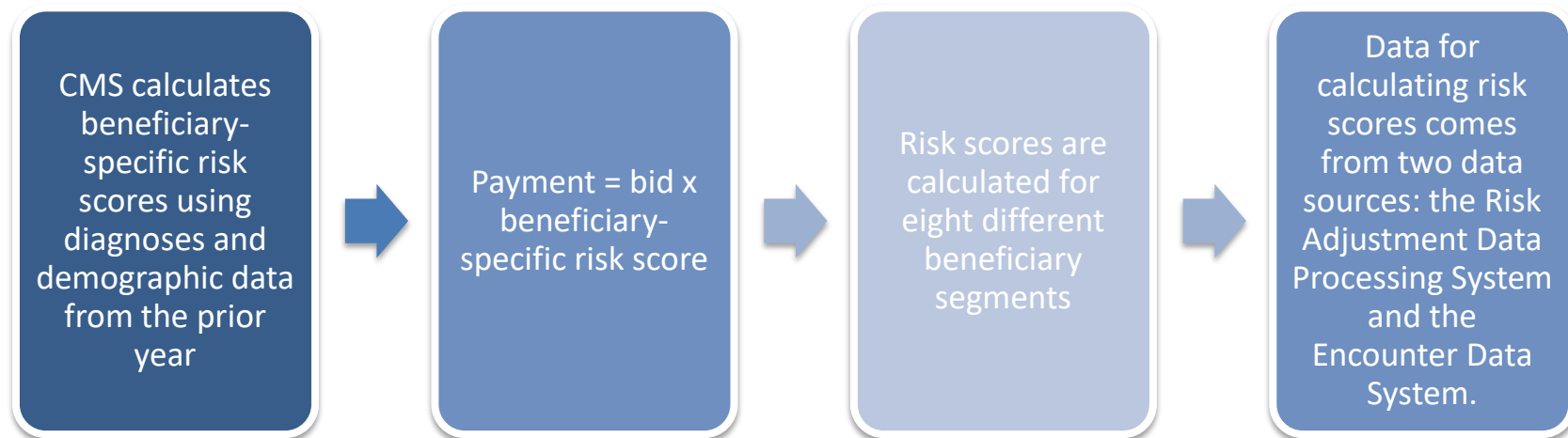
Above the benchmark, must
charge premiums.
Below the benchmark, get bid
plus rebates



Risk Adjustment

Payments are adjusted to
reflect the risk of the plans'
enrollees.

How MA Risk Adjustment Works



What Is Encounter Data?

- Encounter data \approx claims data
- MA plans collect encounters from physicians, hospitals, and other providers and provide that data to CMS.
- Encounter data isn't necessarily used for payment, so may not include price information.
- Encounter data is far more detailed than the previous risk adjustment data – RAPS.



RAPS vs EDS

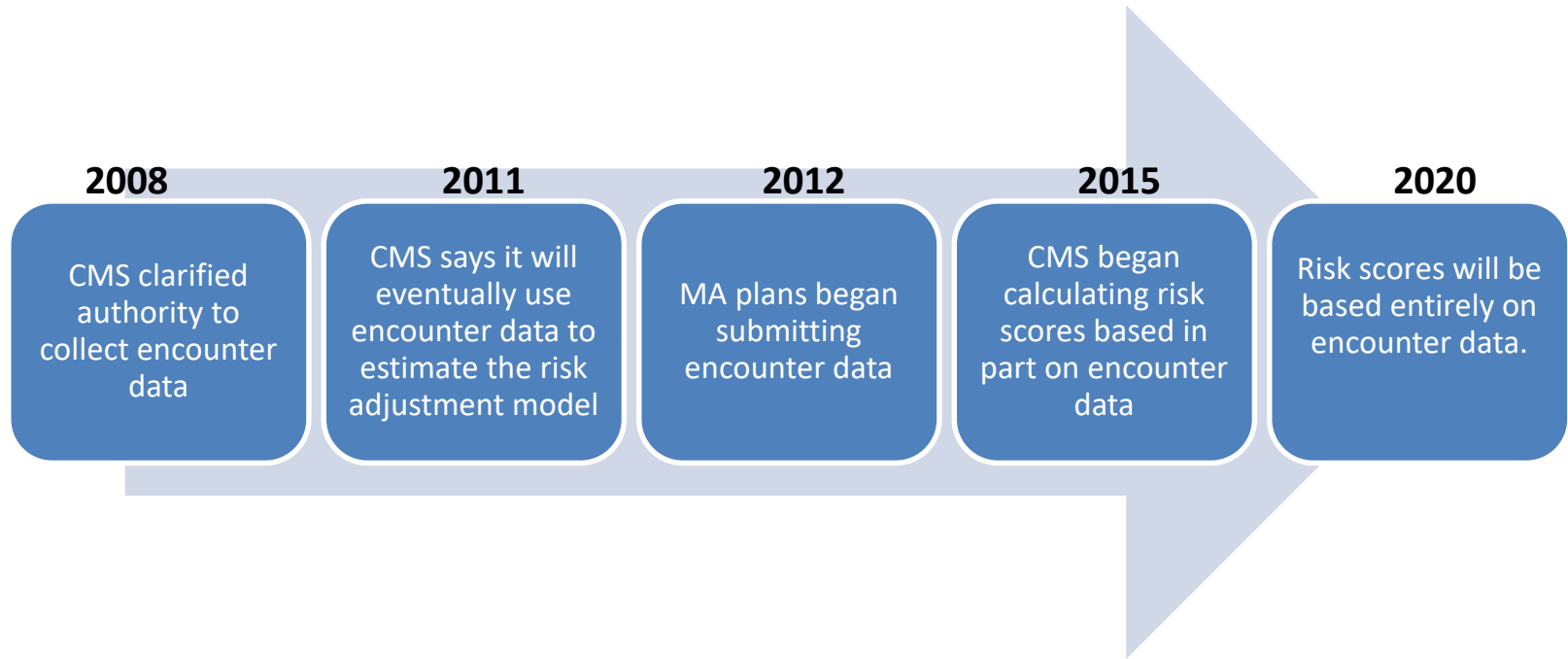
RAPS Data – limited diagnosis information

- Beneficiary ID
- Date of service
- Diagnosis codes
- Provider type

EDS Data – Full claims data, including:

- Beneficiary ID
- Date of service
- Diagnosis codes
- Cost
- Quantity
- Provider NPI
- Revenue codes
- Procedure codes
- Place of service
- Type of bill

Timeline for CMS Collection and Use of MA Encounter Data



How Could Encounter Data Be Used in the Future?

- Exploring differences in utilization between MA and TM
- Exploring differences between the populations that enroll in MA vs TM
- Quality improvement activities in MA or TM
- Estimating a new risk adjustment model

Findings from the Medicare Advantage Risk Adjustment Summit

Bowen Garrett – Urban Institute

Summit topics:

- What are the objectives of risk adjustment in the Medicare Advantage program?
- What are the strengths and weaknesses of the current Medicare Advantage risk adjustment system?
- What are the goals for using encounter data in the Medicare Advantage risk adjustment system?
- What are the potential benefits and drawbacks of calibrating the risk adjustment model with encounter data?

Urban Institute and American Action Forum Expert Summit

October 23 Summit

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Funding

- Support for this project was provided by Anthem, Inc., and Eli Lilly and Company. For more information on the Urban Institute's funding principles, go to:
- <http://www.urban.org/about/funding-and-annual-reports>



General Objectives of Risk Adjustment

- Risk adjustment encourages plans to compete by offering value.
 - If insurers are paid per enrollee without risk adjustment, they have an incentive to focus on enrolling healthy beneficiaries and avoiding sick beneficiaries.
 - Attempts to draw favorable selection can occur by discouraging initial enrollment and by encouraging sicker beneficiaries to disenroll.
- Risk adjustment supports plans' efforts to invest in innovative benefit designs and care management of chronic conditions and other costly beneficiaries.

What would it mean to calibrate the risk model with encounter data?

- Currently, traditional Medicare spending and utilization data are used to estimate the coefficients for the risk adjustment model.
- In the future, CMS may use MA encounter data to estimate these coefficients so that they reflect MA spending and utilization patterns—rather than create an entirely new model.
- CMS may also need to rethink other design choices which current risk factors to include in an encounter data-based model

Key points from summit



MA risk adjustment system balances the goals of payment accuracy and creating appropriate incentives for plans to compete by offering value, rather than by avoiding risk



Recalibrating the risk adjustment model with MA encounter data does not, by itself, solve most of the problems stakeholders identified with the current risk adjustment system



Recalibration could create new problems in the risk adjustment system



Risk adjustment is only one piece of the MA payment and policy system, and recalibrating the risk adjustment model with encounter data could have ripple effects

Other materials from summit

- Issue brief: “Using Encounter Data in Medicare Advantage Risk Adjustment”
- Webcast from January 15 release event, including panel discussion led by Douglas Holtz-Eakin
- Additional background reading on MA risk adjustment
- Available at: <https://www.urban.org/events/using-encounter-data-medicare-advantage-risk-adjustment>



Implications of EDS Based Risk Adjustment

Sean Creighton – Avalere

General Implications



The premium for cost efficiency relative to FFS will decrease, but more efficient health plans will still be advantaged



The CMS-HCC model will show very different relationships between conditions (diseases) and incremental cost (coefficients)



Relationship between treatment cost and revenue will shift, making some categories of patients less economically sustainable/profitable to treat



Could have profound effects for certain plan types including Special Needs Plans (SNPs) and plans that treat sicker patients

Providers and Plans



Health plans and provider practices often share revenue based on risk adjusted payments from CMS



Changes to the model may impact certain types of provider practices more dramatically, as revenue shifts from certain disease groups (e.g. coefficients for diabetes and heart/lung disease) may decrease



Physician practices will need to be aware of these changes in order to accurately anticipate the business consequences



CMS has not announced plans to calibrate RA models with Encounter Data and due to the development timeline, the earliest date for an EDS model would be 2021

CMS and Other Entities



Encounter Data based RA may mean some shifts in the county rates (benchmarks) and health plans will need time to assess potential impacts



This means that CMS will have to coordinate internally (with the Office of the Actuary) to publish new proposed models and adjusted ratebooks so plans can accurately simulate bids



Historically, CMS has not adjusted proposed rates in a timely fashion for the public to conduct such detailed impact analysis



The CMS-HCC model is also used to risk adjust a variety of other programs (ACOs, MMPs etc.) – the downstream implications of new models will have to be evaluated

APG Advocacy and MA Call Letter

Margaret Peterson & Valinda Rutledge – APG

Questions?

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