Medicare Advantage coding intensity and health risk assessments

Andy Johnson
October 8, 2015
Presentation outline

- Health risk assessments (HRAs)
- Medicare Advantage (MA) risk adjustment
- Impact of HRAs on MA plan payments
- Diagnostic coding differences
- Alternative policies for coding intensity
Health risk assessments

- Preventative care tool to identify health risks and presence of disease or disability
- Framework for providing:
  - counseling, follow-up referrals, and patient engagement in health decision-making
- Part of Medicare’s annual wellness visit (AWV), available to all Medicare beneficiaries
Health risk assessments in MA

- Administered in enrollee’s home:
  - Self-reported medical history, blood or urine tests, review medications, assess home risks
- Initiated by MA organization:
  - Third-party vendors or MA organizations recruit MA enrollees for a home visit
- Increasing number of home visits annually
  - Expansion of related entities
MA risk adjustment

- CMS pays MA plans a capitated rate for each enrollee
- Risk-adjusted using the CMS-hierarchical condition category (HCC) model
  - Model includes demographic information and groups of diagnoses, called HCCs
  - Components associated with an expected cost
- Payment rate is the sum of expected spending for relevant model components
MA risk adjusted payment

- Example payment for 2013:
  - Payment for an 84 year-old male with congestive heart failure:

<table>
<thead>
<tr>
<th>Medical Condition</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>84 year-old male</td>
<td>$4,727</td>
</tr>
<tr>
<td>Congestive Heart Failure</td>
<td>$3,116</td>
</tr>
</tbody>
</table>

**Payment to MA organization:** $7,843

- Payment with addition of polyneuropathy:

<table>
<thead>
<tr>
<th>Medical Condition</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Polyneuropathy</td>
<td>$2,890</td>
</tr>
</tbody>
</table>

**Payment to MA organization:** $10,733

Source: CMS Advance Notice for 2013 payment.
Increase in annual payment, by HCC

Source: CMS Advance Notice for 2013 payment.
HRA use in MA

- Analyzed 2012 MA encounter data
  1) HRAs (AWV or HRA admin HCPCS code)
  2) HRAs plus home E&M visits

- Focus on HCCs identified only through health risk assessment
  - Not identified through other encounter used for MA risk adjustment
## HRA use in MA, 2012

<table>
<thead>
<tr>
<th></th>
<th>Health Risk Assessments</th>
<th>HRAs &amp; Home E&amp;M visits</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of encounters</td>
<td>1.4 million</td>
<td>2.3 million</td>
</tr>
<tr>
<td>Number of unique MA enrollees</td>
<td>1.2 million</td>
<td>1.7 million</td>
</tr>
<tr>
<td>New HCCs identified</td>
<td>196,625</td>
<td>749,159</td>
</tr>
<tr>
<td>Increase in payment to MA organizations, 2013</td>
<td>$602 million</td>
<td>$2.3 billion</td>
</tr>
</tbody>
</table>

Note: HCC numbers and payments to MA organizations do not reflect the imposition of hierarchies, which affect certain HCCs.

Source: MedPAC analysis of 2012 MA encounter data. *DATA PRELIMINARY AND SUBJECT TO CHANGE.*
Payment per enrollee for HRA or home E&M-only HCCs, by contract

Source: MedPAC analysis of 2012 MA encounter data. DATA PRELIMINARY AND SUBJECT TO CHANGE.
Concerns about using HRA diagnoses in MA payment

- Medicare payments to MA plans aim to cover the plan’s cost in treating an enrollee’s conditions
  - The circumstances of collecting diagnostic information in the home raises questions about some HCCs
  - Concerns are especially heightened when there is no corroborating medical encounter (e.g., office visit, procedure, treatment, etc.)
Focus groups

- Nearly all MA enrollees received a home visit offer, some received gift cards
  - Half accepted, found the visit pleasant
  - Half declined, annoyed by persistent calls
- Primary care physicians were aware of home visits
  - Did not find home visit reports valuable
  - Some spent time ruling out conditions misdiagnosed during a home visit
Diagnostic coding differences

- Greater incentive to identify diagnoses in MA compared to Medicare FFS increases MA risk scores
- We estimated that MA risk scores were about 8 percent higher than Medicare FFS in 2013
  - Kronick and Welch estimate: 9 percent higher
- The impact of coding differences varies across MA contracts and plan type
CMS’s approach to addressing coding intensity

- For 2016 payment, CMS will:
  - Reduce all MA payments by 5.41 percent
  - Remove diagnoses with different coding rates
  - Flag home HRA diagnoses & track care

- Coding intensity impact estimate for 2016:
  - 8 or 9 percent (estimated for 2013 risk scores) plus 3 years of accumulated differences
  - Greater than CMS’s combined adjustments
Option #1 to address coding intensity

- HRAs can be used as a prevention and care-planning tool
- Exclude diagnoses from HRAs from MA risk adjustment
  - HRA diagnoses resulting in follow-up care will be identified during subsequent encounter
  - Exclude HRA diagnoses from FFS and MA
  - Equitable approach across MA contracts
Option #2 to address coding intensity

- Use 2 years of Medicare FFS and MA diagnostic data for risk adjustment
  - Most HCCs in the model identify chronic conditions that do not change status frequently
  - Reduces the impact of coding differences between FFS and MA
Address remaining coding intensity

- Options 1 and 2 can be implemented simultaneously

- Options 1 and 2 may not address full impact of coding intensity differences
  - Continue to adjust by a single factor
  - More equitable across MA contracts

- Improved data quality and consistency
Commission discussion

- Questions on findings
- Discussion about options for addressing differences in diagnostic coding