

Using encounter data for risk adjustment in Medicare Advantage

ISSUE: The Medicare program uses the CMS hierarchical condition category (CMS–HCC) model to risk-adjust capitated payments in the Medicare Advantage (MA) program to reflect the expected costliness (risk) of plan enrollees. CMS uses data (including medical conditions and medical costs) from beneficiaries in fee-for-service (FFS) Medicare to calibrate the model. It may be more appropriate to use the medical conditions and medical costs from MA enrollees’ encounters with their health care providers (encounter data) to calibrate the CMS–HCC model. However, use of MA encounter data may present other issues that do not occur when using FFS data to calibrate the CMS–HCC model.

KEY POINTS: We discuss issues related to MA encounter data and its potential use in calibrating the CMS–HCC model.

ACTION: Commissioners should review the findings in preparation for a discussion about the current state and future use of the encounter data.

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