



## What's the Risk?

# Understanding risk Adjustment Across the Healthcare Continuum

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## Presented By



**Jessica Vaughn, DNP, RN, CCDS, CCDS-O, CRC**, a nurse of 26 years, Dr. Vaughn has 12 years of CDI experience and joined Advocate Aurora Health in 2022. In 2015, she started and led one of the nation's first and extraordinarily successful ambulatory CDI programs focused on risk adjustment for value-based care and population health for Atrium Health Wake Forest Baptist. She is a leader in the industry, having spoken at multiple conferences, authored articles, received ACDIS's Professional Achievement Award and helped write both the original study guide and the initial CCDS-O certification exam. Among her other credentials, Dr. Vaughn has held certifications in oncology, chemo and biotherapy, and AHIMA's approved ICD-10 CM/PCS trainer. Dr. Vaughn completed her Doctor of Nursing in Executive Leadership at Duke University and believes in empowering interprofessional healthcare teams to improve patient care.

## Learning Objectives

At the completion of this educational activity, the learner will be able to:

- Define a high-level overview of risk-adjustment models and how they impact healthcare initiatives
- Describe how Clinical Documentation Integrity programs contribute to risk adjustment in both inpatient and outpatient arenas
- Understand the importance of best practices in accurate risk-adjustment processes
- Identify strategies to improve performance in value-based care models

## What is Risk Adjustment?

“A statistical process that takes into account the underlying health status and health spending of the enrollees in an insurance plan when looking at their health care outcomes or health care costs.”

*<https://www.healthcare.gov/glossary/risk-adjustment/>; 2016*

“Provides payments to health issuers that disproportionately attract higher-risk populations (such as individuals with chronic conditions) and transfers funds from plans with relatively lower risk enrollees to plans with relatively higher risk enrollees to protect against adverse selection.”

*<https://www.cms.gov/CCIIO/Resources/Presentations/Downloads/hie-risk-adjustment-methodology.pdf>; 2012*

# What Does Risk Adjustment Look Like?

$$y_i = \beta_0 + \beta_1 x_{i1} + \beta_2 x_{i2} + \dots + \beta_p x_{ip} + \varepsilon \blacklozenge?$$

<https://www.cms.gov/Medicare/Quality-Initiatives-Patient-Assessment-Instruments/MMS/Downloads/Risk-Adjustment.pdf>

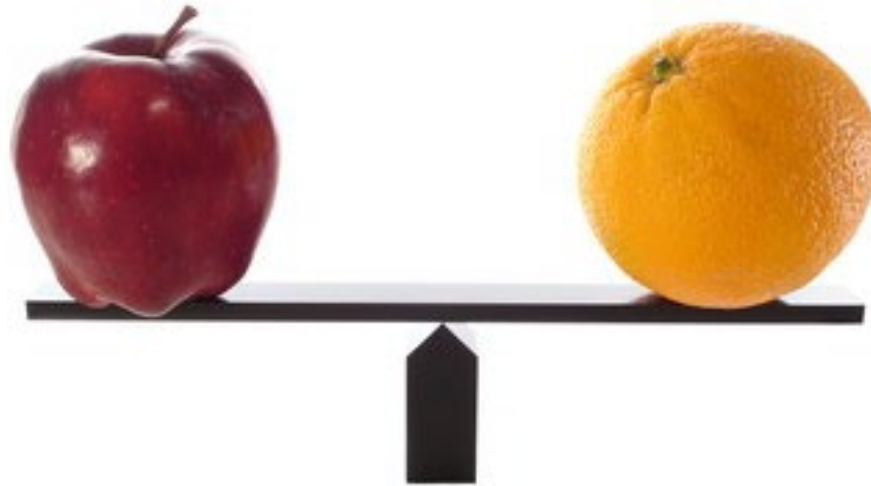
*OR*

Dividing Observed/Expected x National Rate

# What Is Risk Adjustment... Really?

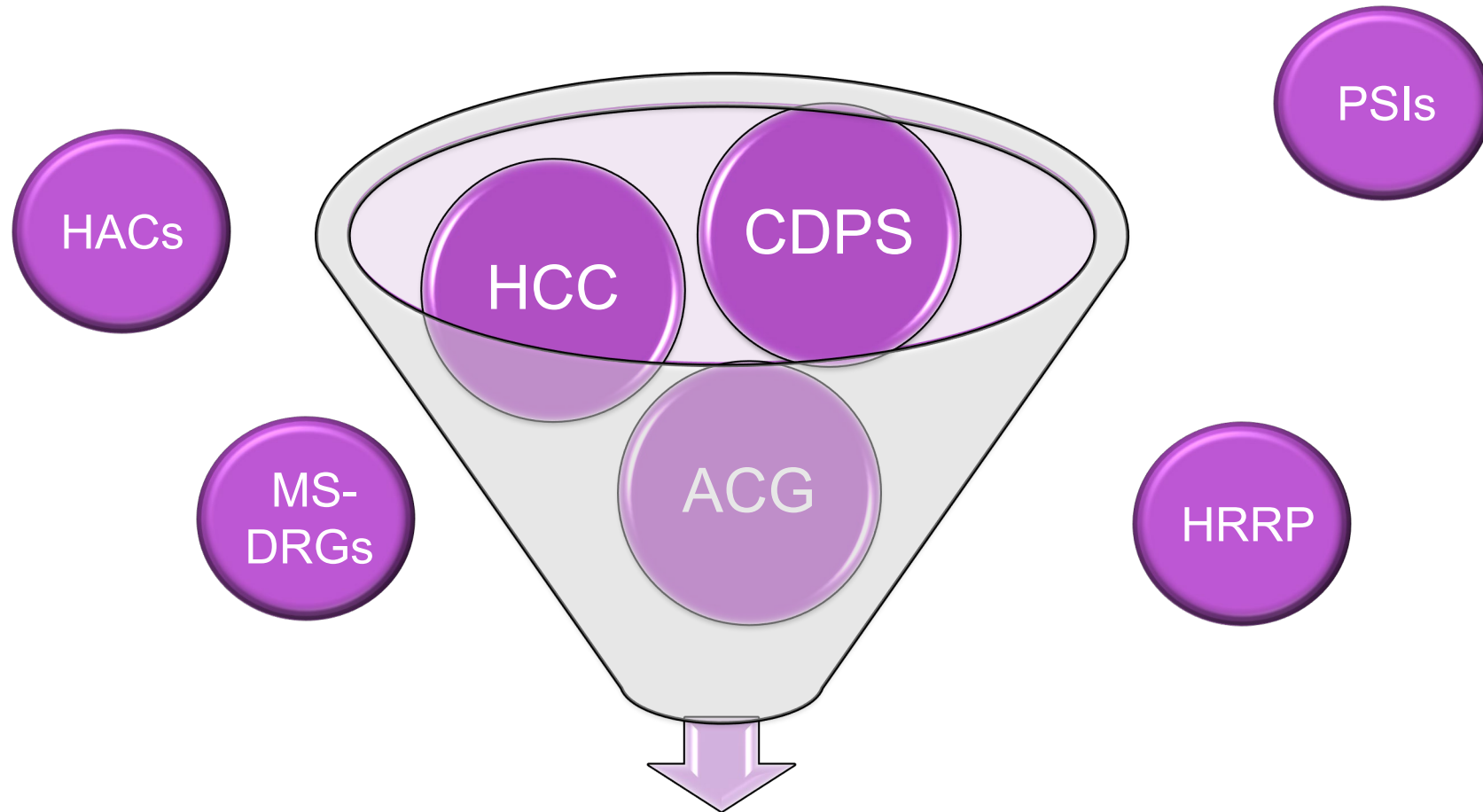
- A mathematical formula - attempts to “level the playing field” so that those folks with higher risks (conditions that typically incur high costs to insure) are not denied insurance, and so all beneficiaries do not incur higher premiums.
  - Protect the less fortunate
  - Protect healthcare access for all
    - By predicting the expected outcomes of populations

# What Does Risk Adjustment Look Like... Really?



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# Risk Adjustment Models



Predicts Cost Expenditure



## Risk Adjustment Differs with Payment Model

- The risk adjustment model enacted under the Affordable Care Act is budget neutral
  - When in a “risk” contract, the insurer with a greater volume of healthy beneficiaries must contribute to a set of funds to help insurers with a greater volume of high-risk (sicker) beneficiaries
  - Typically based upon demographic data and **ICD-10 diagnoses** to determine a risk score
- Medicare Advantage in general is not budget neutral

# Continuous Cycle of Risks

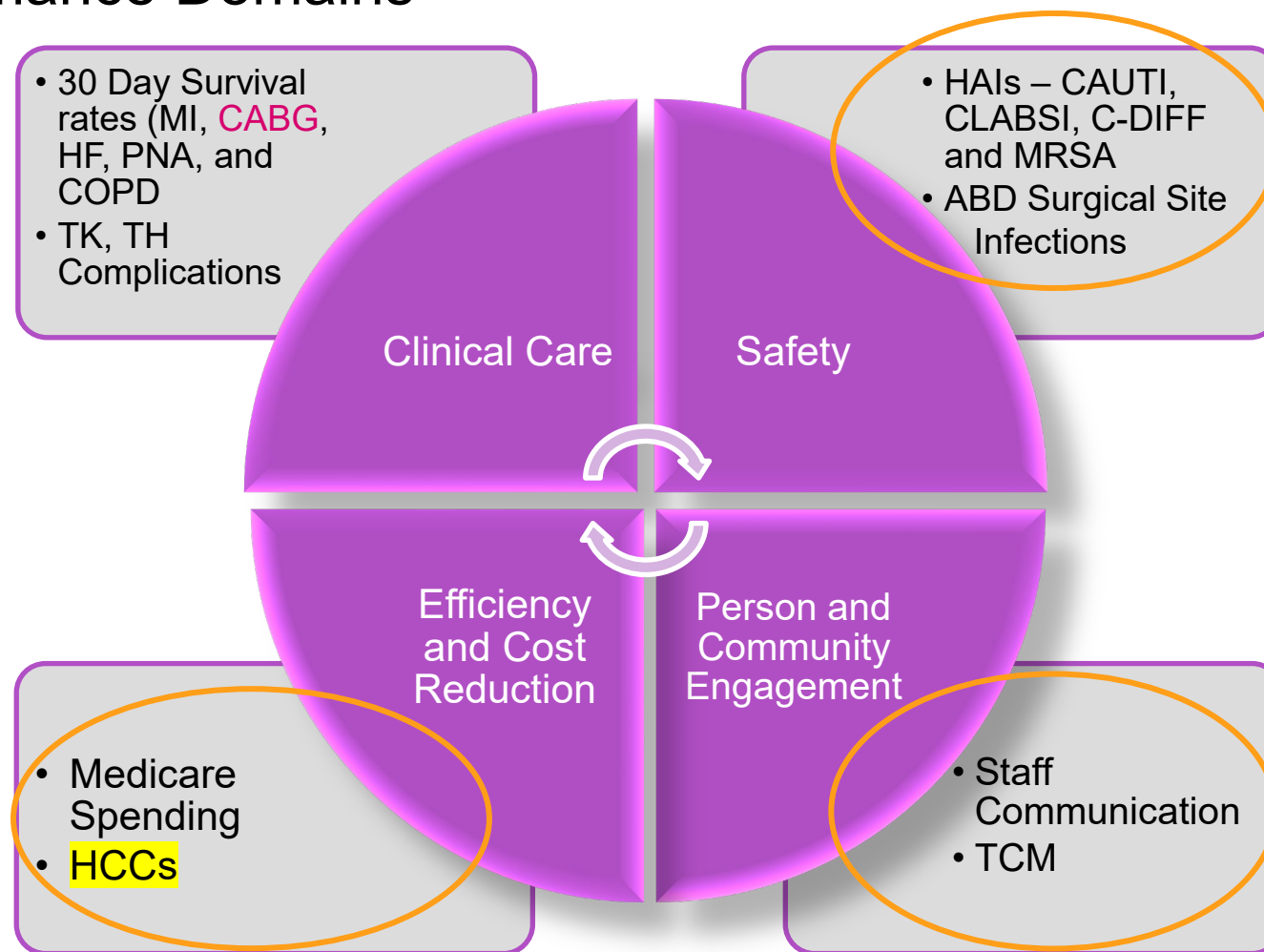


# What Are a Few Ways CDI Affects Risk Adjustment?

- Inpatient documentation
- Outpatient documentation
- Physician documentation/claims of quality
  - The Medicare Access and CHIP Reauthorization Act of (MACRA 2015) – either by MIPS or APM
  - Pay for Performance (P4P)
  - Medicare Advantage – Risk sharing contracts

# How Does Risk Adjustment Affect Care Across the Continuum?

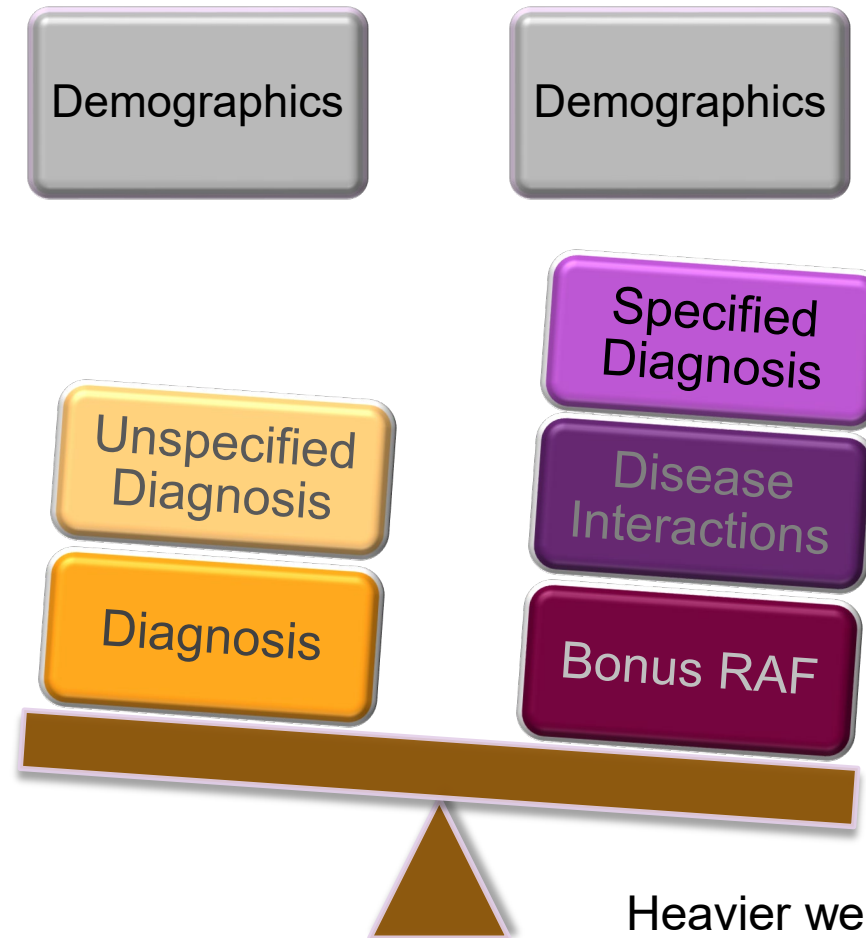
## VBP 2022 Performance Domains



## Hierarchical Condition Categories (HCCs)

- HCCs is the **predominant risk adjustment model** used by Medicare, many commercial programs, and some managed Medicaid
- They are **not new** but now gaining more ground since payments are shifting toward value-based programs
- They are **simply ICD-10 CM codes** placed in categories
- These categories carry a **relative weight** which is used to determine a patient's risk adjustment factor (**RAF**) score
- The payer **model** defines the RAF – not the payer

# Risk-Adjusted Diagnoses



Heavier weight = Higher *RAF* = Severity of Illness

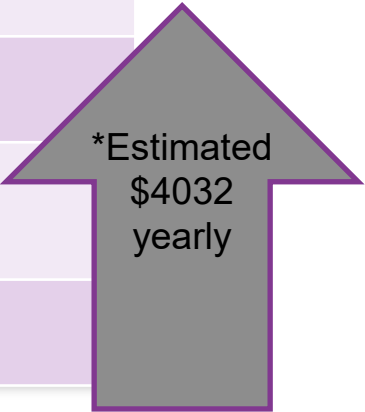
# Case Scenario of RAF Calculations

Diagnoses →	70-year-old male	*0.458 ← Demographics
	Systolic Heart Failure	0.368
	Chronic Obstructive Pulmonary Disease	0.346
	Cirrhosis of Liver	0.399
	<b>Total RAF Score</b>	<b>1.571</b>

\*RAF Scores are for demonstration purposes ONLY and do not represent actual scores or actual patients 15

# RAF Score Calculations After CDI Review

<b>70-year-old male</b>	<b>0.458</b>
Systolic Heart Failure	0.368
Chronic Obstructive Pulmonary Disease	0.346
Cirrhosis of Liver	0.399
Alcohol Dependence in remission	0.420
<b>Total RAF Score</b>	<b>1.991</b>



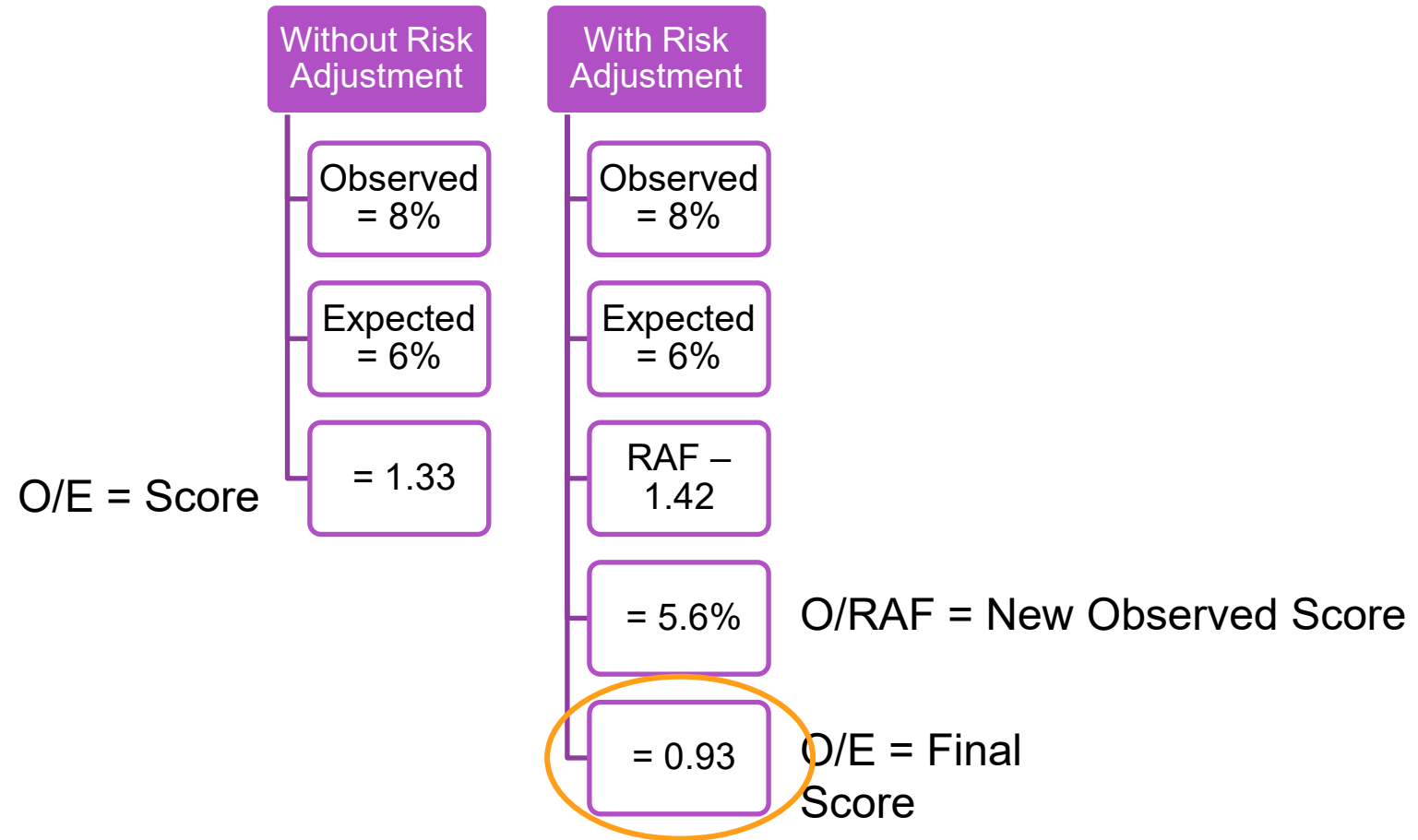
Increased appropriate care funding, with potential cost savings and better outcomes.

\*\$800 PMPM used as an industry standard for demonstration purposes ONLY and does not represent an actual health plan.



# Risk Adjustment Example

## 30-day readmission



**Score <1.0 = BETTER performance**

## Does Risk Adjustment Affect Patient Care?

- 3M 2017 analysis: a **third of patients with HCC conditions are not diagnosed or treated** from one year to the next
  - This means that a third of patients with chronic conditions **aren't getting consistent care** – per billing data and equals poor patient outcomes
- Failure to accurately capture all diagnoses skews a **patient's healthcare profile**, and the clinician's contract with payers, leading to potential resource loss and ultimately loss of patient population

## Office of Inspector General

- “The Office of Inspector General (OIG) has been at the forefront of the Nation's efforts to fight waste, fraud and abuse ...the majority of the agency’s resources go towards the oversight of Medicare and Medicaid - programs that represent a significant part of the Federal budget and that affect this country's most vulnerable citizens.”\*
- All organizations should have a compliance plan for any process regarding reimbursement
  - Improved documentation
  - Fewer billing mistakes
  - Decrease chances of kickbacks
  - Improve patient care outcomes

\*<https://oig.hhs.gov/about-oig/>

# Organizationally Monitoring Risk-Adjustment

- 3-tiered approach
  - Internal review of CDI team
  - Internal review of HCC coding practices
  - External audit of risk-adjustment practices
- Interdisciplinary
  - Compliance
  - Legal
  - Consultants
  - Payers

# Recent OIG MA Compliance Audits

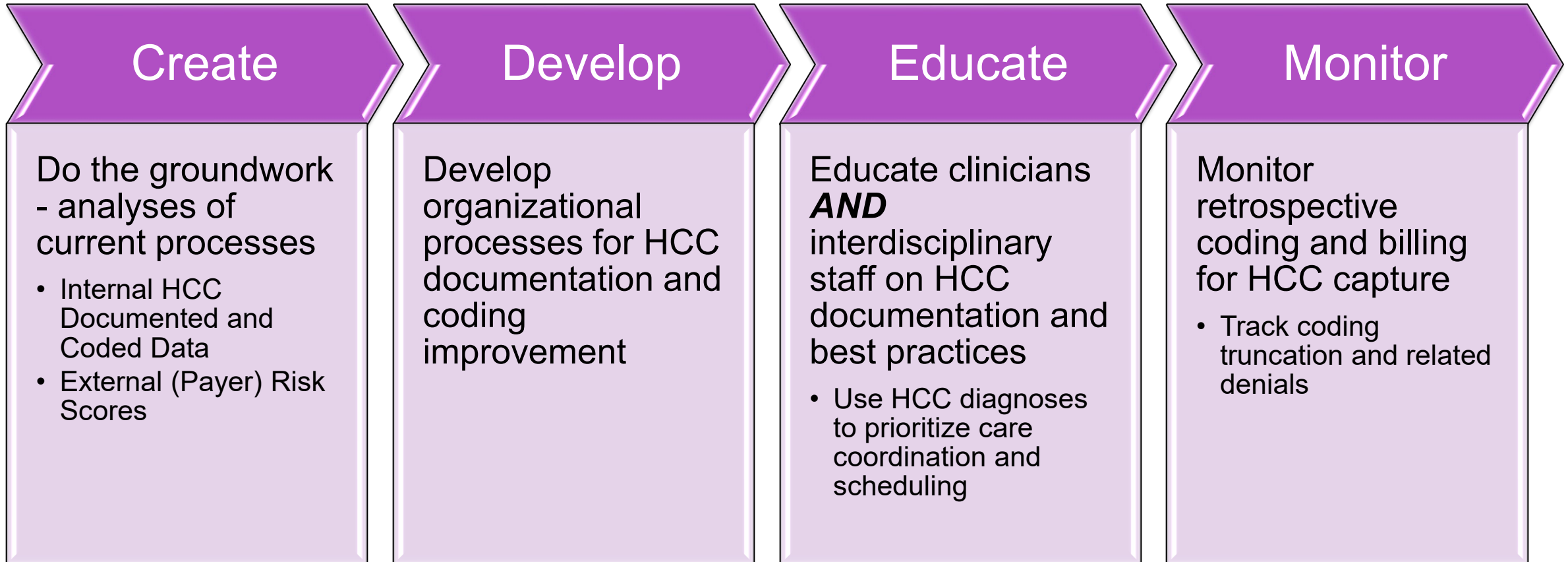
## SCAN Health Plan 2022

- Recommendations: refund to the Federal Government the **\$54.3 million** of net overpayments
- SCAN stated that the report was seriously flawed...errors in the approaches used to identify the sample of SCAN enrollees for audit and for extrapolation

## Humana 2021

- Recommendations: refund to the Federal Government the **\$197.7 million** of net overpayments and enhance its policies and procedures to prevent, detect, and correct noncompliance...to calculate risk-adjusted payments
- Humana disagreed with findings...questioned our audit and statistical sampling methodologies and said that our report reflected misunderstandings of legal and regulatory requirements underlying the MA program

# CDI Processes for Risk Adjustment



# What We Monitor?



## Clinic/Clinician Coverage (patient service areas)

- Education

## Organizational Care Gap Capture Yr/Yr Comparison

- Suspect rates
- Refresh rates
- AWV rates

## IT Tool Usage

## Coded Data Accuracy

- Pre-Bill
- Post-Claim

## CDI Quality

- Suspect Query Data
- Diagnoses
- Problem list accuracy
- Quality

## Recapping - Why Is Risk Adjustment So Important?

- Risk adjustment is a method of predictive modeling that helps fund the entire healthcare continuum by considering both known and discovered health data elements from both Inpatient and Outpatient environments
- **ALL** risk adjustment models use documented medical diagnoses to determine patient risks of resource utilization
- Other data elements are considered but carry a much lower weight than the actual medical diagnoses
- Although there is variation in models, **ALL** use diagnoses codes based upon official coding guidelines



## What Are We To Do?

- Patient care comes first - NO ONE is expected to know all the diagnoses or remember codes
- Accurate and complete documentation - It is our communication platform and is essential for everything
  - Includes the Problem List(s)
- IT tool usage as much as clinically appropriate - This is the BEST way to ensure accurate coding
- Answer BPAs/Queries as clinically appropriate
- Teamwork...and a little (ok maybe a lot) of grace



Thank you.

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