

Medicare Payment Coalition for Frail Beneficiaries

CHECK-LIST FOR ESTABLISHING RISK ADJUSTMENT METHODOLOGIES:

Creating Incentives for Providing the Right Care at the Right Time at the Right Place

Risk Adjustment Methodologies Principles

1. Develop a uniform risk adjustment methodology for all M+C plans, if technically feasible.
2. Account for differences between the general Medicare population and high-cost subgroups within the larger population:
 - ✓ account for all aspects of health status, including medical, functional, cognitive, psychosocial and other relevant factors;
 - ✓ recognize the prevalence, mix and severity of chronic conditions among persons enrolled in a plan or health network.
 - ✓ account for the financial impact of comorbidities.
3. Achieve neutrality relative to provider setting, permitting care and treatment decisions to be based on clinical needs, not financial rewards or penalties.
4. Establish a permanent record that includes all diagnoses:
 - ✓ diagnoses should remain part of an individual's risk profile permanently, or until the condition(s) resolve(s);
 - ✓ all diagnoses should be recorded whether or not there is a clear link to the primary diagnosis (e.g. Alzheimer's Disease, depression, etc.).
5. Incorporate multiple years of data to account for longitudinal costs of chronic conditions
6. Provide equity for all sizes of plans/providers.
7. Establish appropriate frequency for updating risk adjustment.
8. Clarify CMS's priorities relative to risk adjustment:
 - ✓ relationship between capitated payments and fee-for-service payments
 - ✓ methodology for calculating budget neutrality
 - ✓ potential for financial incentives for improving health outcomes and acceptable trade-off between improved outcomes and higher payments?
9. Establish an acceptable trade-off between the burden of data collection for risk adjustment and the relative improvement in payment resulting from additional data.

Overall Medicare Payment Incentives

1. Financial incentives are needed to encourage plans/providers to:
 - ✓ enroll high risk, high cost populations such as the frail elderly and persons with serious and disabling chronic diseases and disabilities;
 - ✓ offer whatever combination of care is most clinically and cost effective;
 - ✓ serve persons in the least restrictive environments;
 - ✓ reduce the prevalence of targeted high-cost, high-volume chronic conditions;

2. Payment policies should:
 - ✓ encourage, not impede, innovation in developing effective strategies for serving high risk Medicare beneficiaries;
 - ✓ encourage collaboration among plans and providers that serve the same person, simultaneously or in sequence to one another, to achieve collective quality and cost objectives;
 - ✓ improve coordination between the Medicare and Medicaid programs to achieve cumulative quality and cost objectives;
 - ✓ encourage plans and providers to prevent, delay or minimize the progression of chronic diseases and disabilities;
 - ✓ reward providers for implementing best practices that improve health outcomes where intervention can be linked to outcomes.

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