Review of risk adjustment model changes
Summary of changes

On March 31, 2023, the Centers for Medicare & Medicaid Services (CMS) released the Calendar Year (CY) 2024 Medicare Advantage (MA) and Part D Rate Announcement (final rate notice). The final rate notice is released on an annual basis and includes updates to the capitation and risk adjustment methodologies used to calculate payments to MA plans. Among other provisions, the 2024 notice included the following significant changes:

Updated CMS-hierarchical condition categories (CMS-HCC) risk adjustment model

- CMS finalized the proposed changes to the HCC risk adjustment model but will phase in the CMS-HCC model over the next three years:
  - For CY 2024, risk scores will be calculated as a blend of 67% of the risk scores calculated with the 2020 CMS-HCC model and 33% of the risk scores calculated with the 2024 CMS-HCC model.
  - For CY 2025, CMS expects risk scores will be calculated as a blend of 33% of the risk scores calculated with the 2020 CMS-HCC model and 67% of the risk scores calculated with the 2024 CMS-HCC model.
  - For CY 2026, CMS expects 100% of risk scores will be calculated with the 2024 CMS-HCC model.
- CMS will use both the 2024 and 2020 CMS-HCC models to calculate risk scores for payment in 2024 (as described above), using diagnosis codes from 2023 dates of service.
- Additional changes in the 2024 CMS-HCC model include:

Changes	Current 2020 CMS-HCC model	New 2024 CMS-HCC model
Updates data years used for underlying model calibration	2014 diagnosis data and 2015 expenditure data	2018 diagnosis data and 2019 expenditure data
Revises denominator year used to determine average per capita predicted expenditures to create relative factors in the model	2015	2020
Restructures HCCs using the most updated International Classification of Disease (ICD) system	ICD-9	ICD-10
Increases number of payment HCCs	86	115
Decreases number of diagnoses codes mapped to HCC for payment	9,797	7,770

Additional Information concerning ICD-10 mapping of HCCs:

- The following specific conditions were remapped or re-grouped in the 2024 CMS-HCC model: vascular disease, metabolic diseases, heart diseases, blood disease, amputation, neurological diseases, diabetes, kidney disease, psychiatric diseases and musculoskeletal diseases. For more details, please see pages 79-85 of the final rate notice.
- **Note**: Providers remain obligated to assign diagnosis codes in accordance with ICD-10 and other applicable standards, regardless of these HCC reconfigurations.

Frailty adjustment factors for Fully Integrated Dual Eligible Special Needs Plans (FIDE SNPs):

- CMS finalized frailty factors that **do not** include the Consumer Assessment of Healthcare Providers and systems (CAHPS) survey weight, a change from guidance issued in the advance notice.
- Frailty scores for FIDE SNP frailty factors in CY 2024 will be calculated by blending 67% of frailty scores calculated using frailty factors associated with the 2020 CMS-HCC model and 33% of frailty scores calculated using frailty factors associated with the 2024 CMS-HCC model.