Why is Medicare risk adjustment important?

Medicare risk adjustment (MRA) is a payment system that allows the Centers for Medicare & Medicaid Services (CMS) to adjust its premium payments to Medicare Advantage (MA) plans based on the expected healthcare costs of its members. CMS designed the MRA payment model to encourage MA Organizations (MAOs) to compete based on efficiencies and quality of care rather than on the ability to attract low-risk individuals. By risk adjusting MAO payments, CMS is able to make more appropriate and accurate payments for enrollees with differences in expected costs. Improved payment accuracy benefits several stakeholders.

Importance for the patient

- Patients benefit from disease management, other medical support programs and more appropriate levels of care.
- More accurate health status information is used to match healthcare needs with improved benefit levels.

Importance for the provider

- Accurate diagnosis codes (International Classification of Diseases, 10th Revision, Clinical Modification [ICD-10-CM]) on claims are critical in validating the health status of patients. Providers are the largest source of data for MRA.
- Specificity of documentation is the driving force of ICD-10 coding and is critical in the risk adjustment payment process. Accurate and complete documentation and coding, to the highest level of specificity, helps to ensure appropriate reimbursement for patient care and management.
- Provider diagnosis documentation and coding is integral for patient care, as value-based reimbursement models are standard for the industry.

Importance for the payer

- CMS requires all MAOs to attest to the accuracy of risk adjustment data submitted.
- Accurate coding ensures a patient's health status is appropriately documented so that resource allocation will be adequate to cover medical needs.

Importance for CMS

- Data is used for statistical purposes, such as tracking epidemics, monitoring trends and predicting future healthcare needs, conducting medical care reviews, and supporting future research and funding.
- Accurate data is critical for analyzing the statistical health of populations.

For more information, please contact your CarePlus Health Plans® market representative. Thank you.