Value-Based Payment Reform Academy: What to Consider when Designing a Risk Adjustment Strategy for Value-based APMs for FQHCs

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MAY 1, 2017
4:00-5:00PM ET

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LOGISTICS

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  - Note: chat box will not be seen if you are in “full screen” mode
  - Please also exit out of “full screen” mode to participate in polling questions
- Please complete the evaluation in the pop-up box after the webinar to help us continue to improve your experience
AGENDA

- Introduction
- State role call
- What to Consider when Designing a Risk Adjustment Strategy for Value-based APMs for FQHCs
- Wrap up and evaluation reminder
TODAY’S SPEAKER

John D. Meerschaert
FSA, MAAA
Principal, Consulting Actuary
What to Consider when Designing a Risk Adjustment Strategy for Value-based APMs for FQHCs

John D. Meerschaert, FSA, MAAA
Principal and Consulting Actuary

May 1, 2017
Agenda

- Examples of Alternative Payment Models (APMs)
- Risk adjustment features
- Important issues for FQHCs to consider
- Discussion
Examples of Alternative Payment Models

- **PCMH / care management fee**
  - FFS payments
  - PMPM payment for care management services

- **Pay for performance**
  - FFS payments
  - Incentive payments based on quality, utilization, or other measures

- **Capitation for services delivered by FQHC**
  - PMPM payment for a specific set of services delivered to attributed population

- **Shared savings / shared risk arrangement**
  - FFS or PMPM payment
  - Global target for a population’s cost of care
  - Share savings and/or losses

- **Global capitation for all services**
  - PMPM payment for all services delivered to attributed population
Alternative Payment Models
Advantages of APMs for FQHCs

- FQHCs often operate as patient-centered medical homes and engage vulnerable populations
- APMs are designed to reward value and quality
- APMs provide increased flexibility, since revenue is decoupled from the number of services provided
  - Funding can be used to pay for services not typically covered by Medicaid
  - Funding can be used to provide social support coordination that can reduce medical service expenditures
- Increased revenue can be reinvested to support quality improvement and other policy objectives
Alternative Payment Models
Unique criteria for FQHC payment

- The Medicare, Medicaid, and SCHIP Benefits Improvement Act of 2000 requires the FQHCs be reimbursed through the prospective payment system (PPS), or an APM as long as:
  - Individual FQHCs agree to be reimbursed by the APM; and
  - Each clinic’s total payments are equivalent to or higher than the total payments they would have received through PPS

- Provides the stability of a payment floor equal to PPS rates

- Allows for enhanced FQHC reimbursement under APM arrangements
  - In return for higher reimbursement, FQHCs need to provide value to the State and/or MCOs the form of reduced population cost, increased quality, or progress towards other policy goals
Alternative Payment Models and Risk Adjustment

What do risk adjusters do?

- Goal of risk adjustment is to fairly reflect a population’s acuity in payment methodologies and quality measurement
- Risk adjusters measure the relative acuity of a population based on various characteristics, such as:
  - Age
  - Gender
  - Geographic location
  - Eligibility category
  - Diagnosis codes
  - Comorbidities
  - Prescription drug usage
  - Social determinants of health (customized models only)
  - Functional status (customized models only)
Alternative Payment Models and Risk Adjustment

Common risk adjusters

- University of California at San Diego
  - Chronic Illness and Disability Payment System (CDPS)
  - Medicaid Rx
  - CDPS+Rx
- Verisk Health DxCG Intelligence
- 3M Clinical Risk Groups (CRGs)
- CMS HHS-HCC model
- CMS Medicare Advantage HCC model
- John Hopkins ACG System
- Milliman Advanced Risk Adjusters (MARA)
- More information in Society of Actuaries risk adjuster study:
Alternative Payment Models and Risk Adjustment

Risk weight development

- Risk weights are the relative factors applied for each characteristic according to the risk adjuster logic (e.g., diagnosis, age, etc.)

- Standard risk adjusters come with standard risk weights based on national data

- Many Medicaid programs choose to develop custom risk weights specific to their state’s program design:
  - Covered populations
  - Covered services
  - Provider reimbursement rates
Alternative Payment Models and Risk Adjustment

CDPS risk weight example #1

- Risk Score Example: Kate
  - Intercept: 0.330
  - Demographic: 0.152
  - Diagnostic: 0.364
  - Total Risk Score: 0.846

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Alternative Payment Models and Risk Adjustment
CDPS risk weight example #2

- Risk Score Example: Mary
  - Intercept: 0.330
  - Demographic: 0.152
  - Diagnostic: 0.561 + 1.037
  - Total Risk Score: 2.080

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## Alternative Payment Models and Risk Adjustment

### Risk adjustment approaches

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<tr>
<th>Prospective Risk Adjustment</th>
<th>Concurrent Risk Adjustment</th>
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<tr>
<td>– Data from a given time period used to predict the acuity of the population in a future time period</td>
<td>– Data from a given time period used to predict the acuity of the population for the same time period</td>
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<tr>
<td>– Applied prospectively, so impact to revenue known in advance</td>
<td>– Applied retrospectively, so final revenue not known until after the time period is over</td>
</tr>
<tr>
<td>– Use of older data results in less accurate predictions</td>
<td>– Use of more current data results in more accurate predictions</td>
</tr>
<tr>
<td>– More weight given to chronic conditions that impact costs in future years</td>
<td>– More weight given to acute conditions</td>
</tr>
<tr>
<td>– General range of predictive power (R-squared) of 15% to 25%</td>
<td>– General range of predictive power (R-squared) of 40% to 55%</td>
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Alternative Payment Models and Risk Adjustment
What payments are typically risk adjusted in Medicaid programs?

State Medicaid agency

- MCO 1
- MCO 2
- MCO 3
Alternative Payment Models and Risk Adjustment
What payments are typically risk adjusted in Medicaid programs?

- MCO
- ACO 1
- ACO 2
- ACO 3
Alternative Payment Models and Risk Adjustment
When is risk adjustment necessary for an APM?

- Whenever the adequacy of a payment is influenced by the acuity level of the population
  - Complexity of care management activities under a PCMH arrangement
  - Incentive payments that are based on utilization (e.g., ED visits) or other measures that vary with the acuity of the population
  - Fixed PMPM capitation rates, either for a defined set of services or for all covered services
  - Fixed global PMPM target for a population’s cost of care

- The optimal risk adjustment methodology for a specific APM will be dictated by the goals and features of that APM
Alternative Payment Models and Risk Adjustment

Important issues for FQHCs to consider

- The first step in risk adjustment is stable APM design (proper rate cells, stable population, etc.)

- The risk adjuster should be specific to the covered services
  - FQHCs typically provide a limited array of services
    - Primary care
    - Women’s health and family planning
    - Laboratory and radiology services
    - Behavioral and substance use disorder treatment
    - Dental services
  - Acuity factors can vary dramatically by type of service (hospital inpatient vs. primary care)
  - Most standard risk weights reflect the cost of all acute care services
    - Might be appropriate if the APM is based on a broad array of services
  - APMs that are limited to the services provided by FQHCs should use customized risk weights
Alternative Payment Models and Risk Adjustment

Important issues for FQHCs to consider

- Risk adjusters are not perfect and only explain a portion of a population’s acuity level
- Risk adjusters work better on larger, more stable populations
- The choice of risk adjuster will be influenced by the risk adjuster already used by the state Medicaid agency or MCO
  - CDPS+Rx is the most common risk adjuster in Medicaid programs
- Risk adjusters are only beginning to use data on the social determinants of health
  - These social factors may be particularly important for populations served by FQHCs
  - Data on social factors must be tracked over time in order for it to be used in risk adjustment
Discussion

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262-796-3434
Thank You!

Thank you for joining this Value-Based Payment Reform Academy Group Technical Assistance Webinar!

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