

Risk Adjustment for Dual Eligibles: Breaking New Ground in Massachusetts

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Risk Adjustment for Dual Eligibles: Breaking New Ground in Massachusetts

- What Is Risk Adjustment?
- Importance of Risk Adjustment for the Duals
- Established Methods Using Diagnoses
- Adjusting for Long Term Support Services
- Recommendations

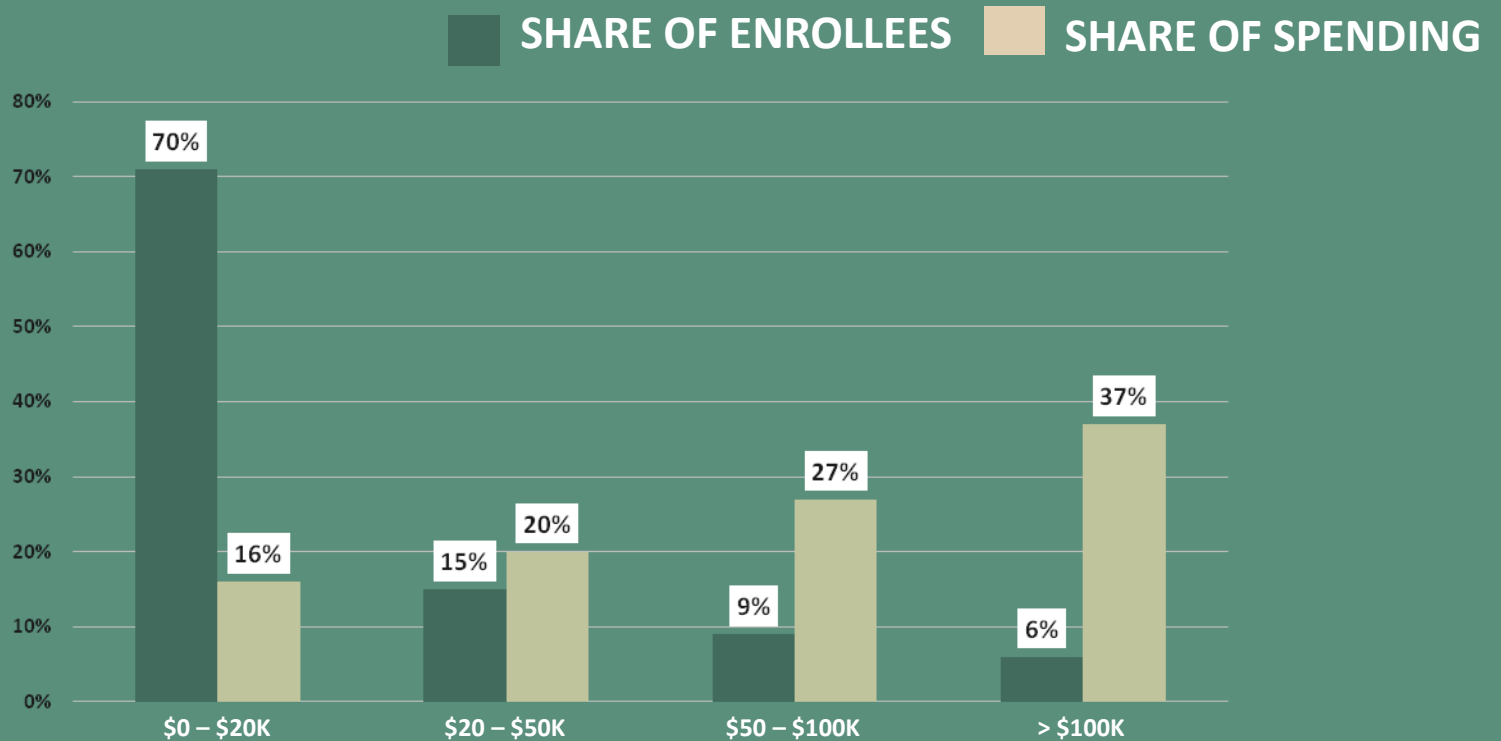
What Is Risk Adjustment?

- Adjusting payments to plans to reflect individuals' varied health care needs
- “Health-based payment”
- Predictable vs. unpredictable costs
- Adjustment for payment and other purposes

Importance of Risk Adjustment for the Duals

- The universal argument for risk adjustment
 - Fostering innovation and quality attractive to those with greater need
- Why it matters more for the duals
 - Variability of costs like a general population
 - Greater predictability of costs
 - Greater benefits from quality

Proportions of Duals Ages 21-64 and Expenditures for Different Annual Cost Ranges



Established Methods Using Diagnoses

- Advantages of diagnoses
 - predictive of acute care costs
 - available in records as ICD codes
 - encourage attention to chronic conditions
- Choosing among risk adjustment systems
 - transparency
 - accuracy versus resistance to gaming
 - current use
- Testing and modifying alternative systems

Challenges of Adjusting for Long Term Support Services (LTSS)

- Needs for LTSS arise from functional limitations
 - => functional data should help adjust rates
- Challenges in using functional data
 - Variability in functional status
 - Who collects?
 - Incentive issues
- Decision-making process and access for LTSS
- Individual qualities and family support

Federal and State Experience

- Medicare Advantage plans and the CMS-HCC model
- Medicaid's established risk adjustment for acute care
- States adjusting for LTSS
 - New York, Wisconsin and others
- A national payment model?

Recommendations: Overall Approach

- Collaborative model
- Breaking new ground
- Build on experience

Recommendations for Implementation

1. Establish rating categories
2. Select and refine a risk adjustment system
3. Predict LTSS costs at first by prior costs
4. Collect functional data from the outset
5. Provide risk sharing
6. Update risk assessment for ICOs frequently

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