Risk Adjustments and MCO Contracting: special considerations for HCH programs

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Ending Homelessness – Achieving Self-Sufficiency

www.ccconcern.org

About Central City Concern

- **Located in downtown Portland, Oregon**
- **Who we serve –** yearly, more than 13,000 individuals (single adults, older adults, teens, parents and children throughout the tri-county metro area.)
- **Who we are –** 46% of our employees self-identify as in recovery; 25% have experienced Central City Concern's programs first hand.
- **What we believe –** every person we serve has unique skills & talents that can enrich the health, security, sustainability, and quality of life for us all.

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Comprehensive Solutions

Supportive Housing

Income & Employment

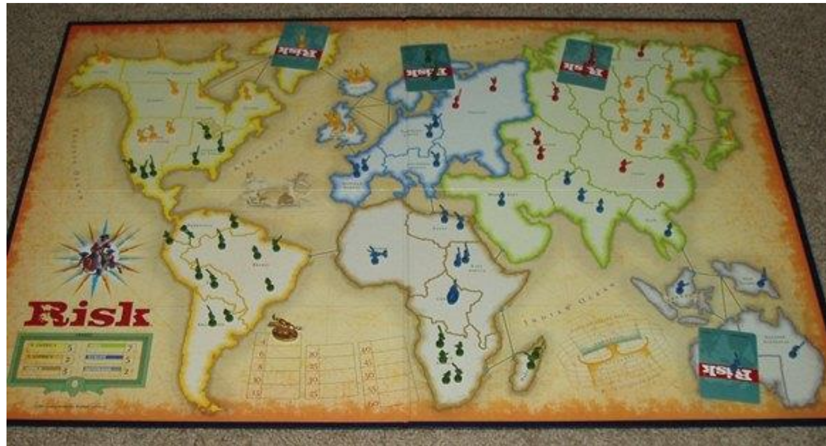
Homelessness

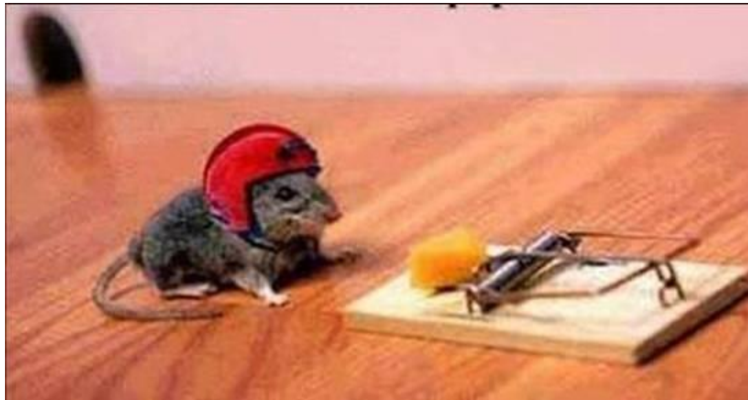
Addictions
Mental Illness
Chronic Health Problems
Trauma
Lack of Insurance
Unemployment
Criminality

Integrated Healthcare

Positive Peer Relationships

Understanding "Risk"





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Risk in managed care

- In general, the RISK in health insurance is that the "member" (aka patient) will incur health care expenses
- More specifically, the RISK is that the total costs of necessary health care will exceed the total payments received for providing care
- Factors contributing to financial RISK in health care
  - The number of people needing health care services
  - The number of services they need
  - The cost(s) of those health care services

(# patients) x (# of services) x (cost per service) = total cost

Risk - # of people needing care

- In a “normal” population, not everyone will need care in a given time period
- HCH programs often have more people needing services r/t delayed care and lack of previous access

Example:

The MCO may assume that only 50%* of people assigned to a clinic will actually need care…

BUT

75%* of the people assigned to your HCH program need services each year

**hypothetical numbers*

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Risk – volume of services provided

- In a "typical" Medicaid population, each patient averages only a few visits per year
- HCH programs often see more visits per patient per year r/t delayed care & lack of resources between visits

Example:

The MCO assumes that each patient will have 2.5* visits per year…

BUT

The average number of visits per patient per year in your HCH is 4* visits

**hypothetical numbers*

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Risk – cost of services provided

- Even with PPS rates you are at risk of being under paid
- Understand your **costs** AND your **service mix**!
- Not all services cost the same!
- Service Mix Example -

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Risk – Understand you costs

- How long ago was your PPS rate determined?
  - What has changed since then?
- What are your actual current costs for each service you provide?
  - Not all services cost the same
  - Consider ALL costs – staffing, supplies, overhead, etc

Cost Example – a 40 min visit costs you more than a 20 min visit, both in terms of staff time spent, but also the "opportunity cost" of not billing a 2nd 20 min visit during that time.

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Risk – Understand your service mix

Service mix = the numbers of each type of service you provide and their percentage of total services

- Remember: PPS is an *average* cost per encounter, so some encounters cost more, some cost loss
- You must have accurate coding to properly assess
- Has your service mix changed?

Example: Previously 75% of office visits were 99213 and 25% 99214, but now seeing patients with more complex medical needs and mix is 50/50

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Understand the Population You Serve

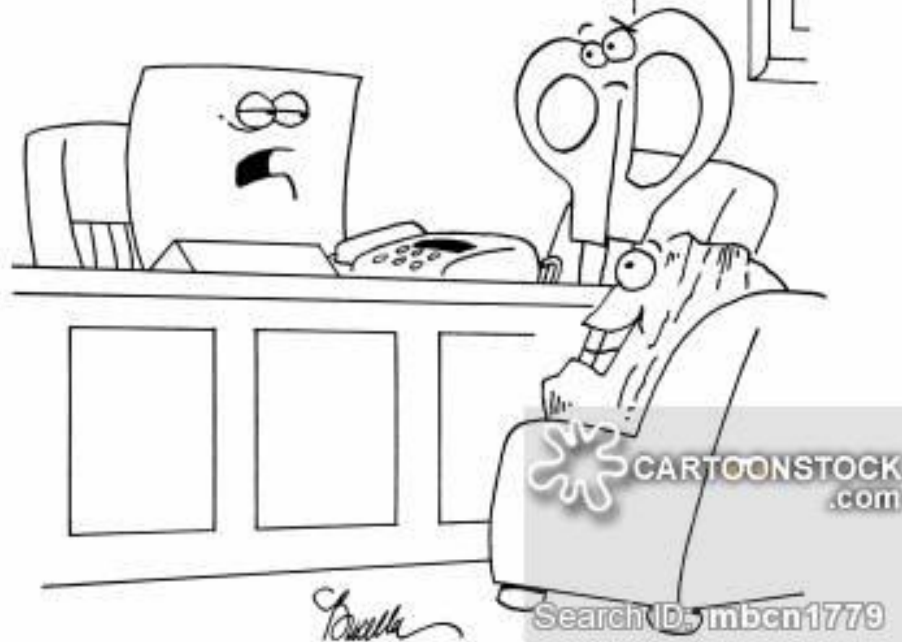
- What percentage of them are/will be seeking care?
- What types of services do/will they need?
- What volume of each service do/will they need?

Do the math!

- If you are being asked to sign a capitated contract, first estimate what you would expect to get paid under a fee-for-service contract and make that the floor for your negotiations

Risk Adjusting

- What is risk adjusting?
  - Modifying a standard formula to account for differences in risk between the model population the formula is based on vs the population actually being served
  - Example: MCO normally pays $5 pmpm capitation per patient; but your Health Center's patients have twice as many visits as the MCO's average population, so multiply $5 pmpm x 2 (risk factor) = $10 pmpm is your risk-adjusted capitation



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"Rock, you I can cover. Scissors, you're too big a risk."

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Pay for Performance – the other Risk

- Many MCOs now pay an additional quality incentive for health centers meeting certain pay for performance benchmarks
- Some withhold a % of payments from the health center, with the opportunity to earn it back by meeting the quality benchmarks

Example:

If ≥ 80% of the health centers patients dx'd with diabetes have most recent HbA1c <7% then the health center receives incentive payment = 5% of paid claims

Risk Adjusting P4P Metrics

- There are several options for adjusting performance measures
  - Adjust the benchmark
  - Adjust the target
  - Change from absolute to relative measure
  - Use an alternate measure

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Risk Adjusting P4P

- Change the benchmark to a more realistic level

Original Formula: ≥ 80% of the health centers patients dx’d with diabetes have most recent HbA1c <7%

Risk Adjusted: ≥ 80% of the health centers patients dx’d with diabetes have most recent HbA1c < 8%

Risk Adjusting P4P

- Change the target to a more achievable number

Original Formula: ≥ 80% of the health centers patients dx’d with diabetes have most recent HbA1c <7%

Risk Adjusted: ≥ 60% of the health centers patients dx’d with diabetes have most recent HbA1c <7%

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Risk Adjusting P4P

- Change to a relative measure rather than an absolute measure

Original Formula: ≥ <u>80% of the health centers patients</u> dx'd with diabetes have most recent HbA1c <7%

Risk Adjusted: <u>The number of health center diabetic pts</u> with most recent HbA1c <7% <u>will increase by 10%</u> (so if it was 50% last year, target = 55%)

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Risk Adjusting P4P

- Use an alternate measure

Original Formula: ≥ 80% of the health centers patients dx'd with diabetes have most recent HbA1c <7%

Alternate Measure: : ≥ 80% of the health centers patients dx'd with diabetes have an HbA1c test documented in the medical record within the last 6 months

(If patient outcomes are beyond your control you can advocate for process measures like the one above)

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Review

- Understand the utilization patterns of your patients
  - # of people needing care
  - Volume & mix of services provided
  - Cost of services provided
- Understand the risks of reimbursement and pay-for-performance systems
- Advocate for risk adjustments so your health center is not unfairly disadvantaged

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Questions?

Thank you for attending!

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