

**DEPARTMENT OF HEALTH AND HUMAN SERVICES
HEALTH CARE FINANCING ADMINISTRATION**

Date Issued: September 22, 2000

Operational Policy Letter #: 2000.126

| | | |
|------------|----------------------------------|---------------------|
| To: | Current M+C Organizations | <u> x </u> |
| | CHPP Demonstrations: | |
| | Evercare | <u> x </u> |
| | DoD (TriCare) | <u> x </u> |
| | SHMO I & II | <u> x </u> |
| | PACE | <u> x </u> |
| | Medicare Choices | <u> x </u> |
| | OSP Demonstrations: | |
| | MSHO | |
| | W.P.S. | |
| | HCPPs | <u> x </u> |
| | Federally-Qualified HMOs | |
| | Section 1876 Cost Plans | <u> x </u> |

Subject: Reconciliation of Calendar Year (CY) 2000 Payments Based on Changes in Risk Adjuster Factors/Enhanced Monthly Membership Reporting

Effective Date: December 22, 2000

Implementation Date: December 22, 2000

NOTE: This OPL replaces OPL2000.125. OPL2000.126 corrects and expands the definition of the Previous Disabled Ratio described in the Changes to the Monthly Membership Report section.

PURPOSE

The purpose of this OPL is to describe:

- (1) the reconciliation of CY 2000 payments based on changes in risk adjuster factors; and
- (2) enhancements to the Monthly Membership Report (MMR).

Please note that the reconciliation will be conducted in mid CY2001 to adjust CY 2000 payments for members of Medicare + Choice organizations (M+COs) only.

Changes to the Monthly Membership - Data File/Report will impact all MCOs. All MCOs; i.e., those with Cost, HCPP, and Demonstration contracts, in addition to M+COs, will receive the updated version of this report effective with the January 1, 2001 payment.

BACKGROUND

The risk adjustment payment method was implemented for members of M+COs effective with the January 1, 2000 payment. It involves the use of factors computed based on inpatient hospital stay and beneficiary demographic information. These factors are used, along with the risk adjustment rate book and modified by applicable health statuses, to determine the risk adjustment capitated amount. A percentage of this risk-adjusted amount is combined with a percentage of the demographic amount to create the blended payment amount. (The risk adjustment method is being phased-in. The blended payment for CY 2000 and CY 2001 consists of 90 percent of the demographic amount and 10 percent of the risk-adjusted amount.)

Payment Year Adjustment Criteria

As stated in OPL 99.096, "Changes to the HCFA Managed Care Systems to Reflect the Risk Adjustment Payment Methodology," some adjustments to the risk-adjusted portion of the blended payment amount will be processed as they occur. These would reflect changes in:

- enrollment/disenrollment dates;
- Part A/B entitlement;
- state and county codes; and
- health status (working aged).

NOTE: There is no adjustment for **institutional status** under the risk adjustment methodology as it has been accounted for in the development of the risk adjuster factors. In addition, beneficiaries in **ESRD or hospice status** are capitated at the applicable demographic rate, with no risk adjuster component.

Reconciliation Adjustment Criteria

Some adjustments to the risk-adjusted portion of the blended payment amount will **not** occur during the payment year. These involve changes in:

- date of birth;
- gender;

- Medicaid status; and
- previously disabled status.

In addition, adjustments due to the late submittal of encounter data will **not** occur during the payment year. This includes encounter data submitted for Part B-only members.

Adjustments based on the above criteria impact the risk adjuster factor, which will be recomputed. The recalculation of the risk adjuster factor and the processing of the resulting adjustments will be conducted as a reconciliation and will occur during the first half of CY 2001.

RECONCILIATION PROCESS

The reconciliation process will be conducted during the first six months of CY 2001. This process will continue to occur each year until HCFA's systems are developed to process ongoing changes to beneficiary risk adjuster factors and the resulting adjustments on a monthly basis. It will consist of the following activities.

Information Collection

Information related to any Medicare beneficiary that was enrolled or could be retroactively enrolled in a M+CO during CY 2000 will be extracted from HCFA's systems. This data will include any updates to the **date of birth, gender, Medicaid status, and previously disabled status** that occurred since last year's computation of the risk adjuster factors.

In addition, **encounter data** with discharge dates between July 1998 and June 1999 submitted to the fiscal intermediary **prior** to October 1, 2000 will be captured. **Encounter data** submitted for **Part B-only members** also will be extracted.

Risk Adjuster Factor Calculation

The updated information collected in the previous activity will be processed through the PIP-DCG model program to produce new risk adjuster factors. These factors will be sent to HCFA's managed care system for additional processing.

Adjustment Processing

HCFA's managed care system will compare the newly calculated risk adjuster factors to the factors utilized for CY 2000 payments to identify changes. When changes are detected, the risk adjuster information in the system will be updated.

Adjustments will then be processed based on the revised risk adjuster factors. As the type of information causing the adjustment would impact the entire year and as the risk adjuster factors are annual factors, the adjustment period(s) will coincide with M+CO enrollment period(s) between January 2000 and December 2000. For example, if the beneficiary was enrolled in a M+CO the entire calendar year, the adjustment period will be January - December.

Note that the results of this reconciliation are only applicable to the **risk-adjusted portion** of the member's CY 2000 payment. The demographic portion of the blended payment amount was already adjusted at the time the updated information was processed (during CY 2000).

M+CO Notification of Risk Adjuster Factor Changes

M+COs will be notified regarding changes to the risk adjuster factors of their members on two current reports. The Transaction Reply Report will display a **transaction code 32 and a transaction reply code 57, Risk Adjuster (RA) Factor Change**, for current members whose factor has changed based on the annual reconciliation. The effective date of the revised factor will be displayed in the Eff Date field on the report and in field 23 on the data file. For the CY 2000 reconciliation, this date will be 20000101. Please note that when the new factors are loaded for CY 2001 (and each year thereafter), there will be no notification on the Transaction Reply Report. These are not "changed" factors but rather part of the annual update of rates and factors.

The Monthly Membership Report will display **adjustment reason code 25, Reconciliation Risk Adjuster Factor Change (Recon RAF Chg)**, for current and past members whose risk adjusted portion of the prior year's blended payment amount is being changed based on the annual reconciliation. The adjustment period will reflect the member's M+CO enrollment during CY 2000. Again, please note that there will be no notification on the Monthly Membership Report when the new factors are loaded for CY 2001. These will be reflected prospectively beginning with the January 1, 2001 payment. There also will be a **code 26, Risk Adjuster Factor Change (RAF Change)**, to identify adjustments caused by ongoing factor changes. This code will be utilized when HCFA's systems process risk adjuster factor adjustments as they occur (i.e., not resulting from the annual reconciliation).

CHANGES TO THE MONTHLY MEMBERSHIP REPORT (MMR)

To facilitate MCO payment reconciliation efforts, additional information will be provided on the MMR, **effective with the January 1, 2001 payment** (see attached data file and formatted report layouts).

Risk Adjuster Age Groups

As some of the risk adjuster age groupings differ from the demographic age groupings, they will be separately displayed on the MMR; i.e., the risk adjuster age groupings will be added. The risk adjuster age groupings for new enrollees and for enrollees with greater than 12 months of Medicare experience will be displayed, as appropriate for each M+CO member.

Previous Disabled Ratio

To facilitate member payment reconciliation, the previous disabled indicator will be replaced by a ratio. This ratio represents, for members turning 65 during the payment year, the portion of the payment year that the previously disabled status applies (or the portion of the year that the member is 65). For example, if a member is disabled and turns 65 on 9/4/2000, the previous

disabled ratio will be 0.3333. For previously disabled members over age 65 during the payment year, this ratio will be 1.0000. For disabled members under age 65 and for members of any age who were never disabled, this ratio will be 0.0000.

CHF

To identify beneficiaries for whom an enhanced payment could be received during CY 2002 based on treatment for congestive heart failure (CHF), the CHF field will be added. If a Y is present, an M+CO could receive an enhanced payment for the member.

Risk Adjuster Components

To facilitate adjustment payment reconciliation, the risk adjustment components (i.e., previous disabled ratio, Medicaid, PIP-DCG category and default indicator) will be displayed, as appropriate, for adjustments. Currently, this information is only displayed for the monthly prospective payment.

Demographic and Risk Adjuster Payment Amounts

To enhance reporting, the 100 percent demographic and 100 percent risk-adjusted amounts will be displayed for adjustments. Currently, this information is only displayed for the monthly prospective payment.

TESTING

MMR data files in the new format will be created for the purposes of MCO testing. Additional information regarding the availability of these files and how to access them will be provided to you in the early fall. After you have been notified, please contact the DMCS Action Desk at (410-786-6370) for questions related to testing.

Contact: HCFA Regional Office Managed Care Staff

This OPL was prepared by the Center for Health Plans and Providers.

Attachments

MONTHLY MEMBERSHIP DATA FILE RECORDS

**** before Field # denotes new or changed field from previous version**

| # | Field Name | Len | Pos | Description |
|---------|--|-----|-------|--|
| 1 | Plan Number | 5 | 1-5 | Plan Number |
| 2 | Run Date | 8 | 6-13 | YYYYMMDD |
| 3 | Payment Date | 6 | 14-19 | YYYYMM |
| 4 | HIC | 12 | 20-31 | External Format |
| 5 | Surname | 7 | 32-38 | |
| 6 | First Initial | 1 | 39-39 | |
| 7 | Sex | 1 | 40-40 | M = Male, F = Female |
| 8 | Date of Birth | 8 | 41-48 | YYYYMMDD |
| 9 | Age Group | 4 | 49-52 | |
| 10 | State & County Code | 5 | 53-57 | |
| 11 | Out of Area Indicator | 1 | 58-58 | Y = Out of Area Always Spaces on Adjustment |
| 12 | Part A Entitlement | 1 | 59-59 | Y = Entitled to Part A |
| 13 | Part B Entitlement | 1 | 60-60 | Y = Entitled to Part B |
| | <i>Demographic Health Status Indicators:</i> | | | |
| 14 | Hospice | 1 | 61-61 | Y = Hospice |
| 15 | ESRD | 1 | 62-62 | Y = ESRD |
| 16 | Working Aged | 1 | 63-63 | Y = Working Aged |
| 17 | Institutional | 1 | 64-64 | Y = Institutional |
| 18 | NHC | 1 | 65-65 | Y = Nursing Home Certifiable |
| 19 | Medicaid | 1 | 66-66 | Y = Medicaid Status |
| | <i>Risk Adjuster Indicators:</i> | | | |
| *2 0 | FILLER | 1 | 67-67 | SPACES |

MONTHLY MEMBERSHIP DATA FILE RECORDS

*** before field # denotes new or changed field from previous version

| # | Field Name | Len | Pos | Description |
|----|--|-----|---------|---------------------------------|
| 23 | Medicaid Add-on | 1 | 68-68 | Y = Entitled to Medicaid Add-on |
| 24 | PIP-DCG Category | 2 | 69-70 | PIP-DCG Category |
| 25 | Default Factor Indicator | 1 | 71-71 | Y = Default Factor Used |
| 26 | Risk Adjuster Factor A | 7 | 72-78 | NN.DDDD |
| 27 | Risk Adjuster Factor B | 7 | 79-85 | NN.DDDD |
| | <i>Fields 28 -39 applicable to both Demographic and Risk Adjuster:</i> | | | |
| 28 | Number of Paymt/Adjustmt Months Part A | 2 | 86-87 | 99 |
| 29 | Number of Paymt/Adjustmt Months Part B | 2 | 88-89 | 99 |
| 30 | Adjustment Reason Code | 2 | 90-91 | 99 Always Spaces on Payment |
| 31 | Paymt/Adjustmt Start Date | 8 | 92-99 | YYYYMMDD |
| 32 | Paymt/Adjustmt End Date | 8 | 100-107 | YYYYMMDD |
| 33 | Demographic Paymt/Adjustmt Rate A | 9 | 108-116 | -\$\$\$\$.\$□□ |
| 34 | Demographic Paymt/Adjustmt Rate B | 9 | 117-125 | -\$\$\$\$.\$□□ |
| 35 | Risk Adjuster Paymt/Adjustmt Rate A | 9 | 126-134 | -\$\$\$\$.\$□□ |
| 36 | Risk Adjuster Paymt/Adjustmt Rate B | 9 | 135-143 | -\$\$\$\$.\$□□ |
| 37 | Blended Paymt/Adjustmt Rate A | 9 | 144-152 | -\$\$\$\$.\$□□ |
| 38 | Blended Paymt/Adjustmt Rate B | 9 | 153-161 | -\$\$\$\$.\$□□ |
| 39 | Total Paymt/Adjustmt | 9 | 162-170 | -\$\$\$\$.\$□□ |

MONTHLY MEMBERSHIP DATA FILE RECORDS

*** before Field # denotes new or changed field from previous version

| # | Field Name | Len | Pos | Description |
|---------|---|-----|---------|--|
| | <i>Additional Risk Adjuster Indicators:</i> | | | |
| *4 0 | CHF Flag | 1 | 171-171 | Y = Yes, N = No Congestive Heart Failure |
| *4 1 | Risk Adjuster Age Group | 4 | 172-175 | |
| *4 2 | Previous Disable Ratio | 7 | 176-182 | NN.DDDD Percentage of Year (in months) for Previous Disable Add-On |
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