# Risky Business

Understanding HCC Scores and their impact on your bottom line

## Learning Objectives

**1** — Learn the history of HCC scores and their application in the industry today

**2** — Understand how HCC scores are calculated

**3** — Determine the potential financial impact on your bottom line through a case study

**4** — Project the role HCC scores will play in the future and how to prepare

LIGHTHOUSE
HEALTHCARE ADVISORS LLC

# What are HCCs?

*A brief history of hierarchal coding categories and their application in today's industry*

LIGHTHOUSE
HEALTHCARE ADVISORS LLC

## Risk Adjustment Methodology

A statistical process that takes into account the underlying health status and health spending of the enrollees in an insurance plan when looking at their health care outcomes or health care costs

*– Healthcare.gov*

**Note:** This presentation will only be discussing CMS-HCC scores. Not the HHS-HCC

**LIGHTHOUSE**
HEALTHCARE ADVISORS LLC

**CMS-HCCs were developed out of the need for a comprehensive risk adjustment methodology**

**1980** → Hospital Model DRG implemented

**1997** → Balance Budget Act of 1997: Mandated Risk Adjustment Payment Models

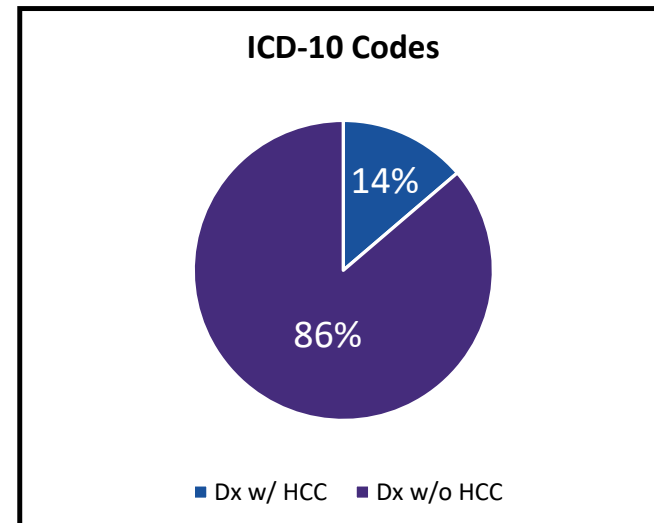**2004** → Implementation of HCC Model

**2022** → Model refined for increased accuracy

**Hierarchical Condition Category (HCC)**

The HCC model ranks diagnoses into categories that represent conditions with similar cost patterns

- Only long-term illnesses are assigned an HCC
  - ✓ Diabetes
  - ✓ Chronic obstructive pulmonary disease (COPD)
  - ✓ Chronic heart failure (CHF)

- Acute illnesses and injuries are not reliable predictors of ongoing healthcare costs

**ICD-10 Codes**

14%

86%

■ Dx w/ HCC   ■ Dx w/o HCC

**Of the over 70,000 ICD-10 codes, only 14% map to an HCC**

LIGHTHOUSE
HEALTHCARE ADVISORS LLC

| Diagnosis | Coefficients | HCC # |
|---|---|---|
| ~~E10.9 – Diabetes without Complication~~ | ~~.107~~ | ~~HCC 19~~ |
| I73.9 – Vascular Disease | .294 | HCC 108 |
| E09.49 - Diabetes with Chronic Complications | .340 | HCC 18 |
| ~~C67.0 - Colorectal, Bladder, and Other Cancers~~ | ~~.317~~ | ~~HCC 11~~ |
| C34.10 - Lung and Other Severe Cancers | 1.01 | HCC 9 |
| W59.22XA – Struck by Turtle, Initial encounter | 0.00 | - |
| **Patient Total HCC** | **1.64** | |

Categories are Hierarchical

Categories are Hierarchical

This is just bad luck…

LIGHTHOUSE
HEALTHCARE ADVISORS LLC

7

**The model is good, but it is far from perfect…**

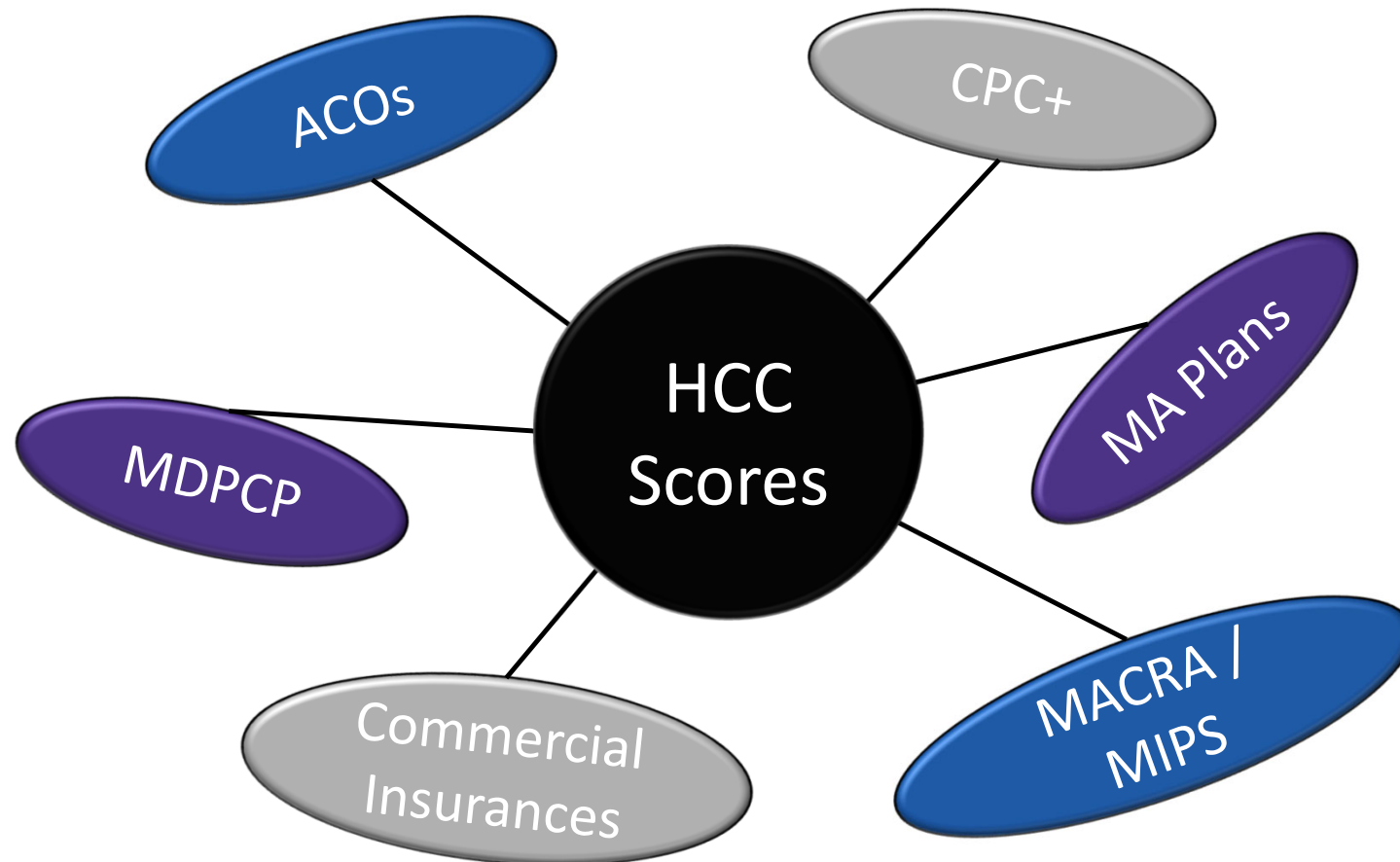❯ The current year HCC model only explains 12.46% of cost variation[1]

Table 2-1

Medicare managed care historic risk adjustment model $R^2$ statistics

❯ Model will continue to be refined for increased accuracy

*(1) "Report to Congress: Risk Adjustment in Medicare Advantage", CMS, December 2018*

8

**Where do we see HCCs in the Industry?**

# How are CMS-HCCs Calculated?

*Understanding the methodology used to create HCC risk scores*

LIGHTHOUSE
HEALTHCARE ADVISORS LLC

HCCs scores are calculated using various regression algorithms in SAS

LIGHTHOUSE
HEALTHCARE ADVISORS LLC