

The Impact of CMS Transition to EDS on Revenue

RISE has focused a lot of attention on the Centers for Medicare and Medicaid (CMS) shift in how the risk adjustment factor (RAF) scores for Medicare Advantage will be determined going forward, including a data collaboration and joint study to develop insights and benchmarks for

RISE members and their companies. We noticed the exciting work that Verisk has also done in this space during the showcase presentation at the 10th Annual RISE Summit in Nashville in mid-March. We gathered a lot of positive buzz about their presentation and decided to interview

Verisk Health risk adjustment experts Sean Creighton and Suzanna-Grace Sayre about their presentation entitled, **“RAPS to EDS Transition - Analysis and Implications for the Industry.”**

A crowded ballroom of hundreds of risk adjustment and actuarial professionals heard the potentially grim news: analysis of health plan data shows that the Encounter Data System (EDS) presents a number of risks to revenue compared to the current Risk Adjustment Processing System (RAPS).

These risks fall into two major categories:

1. Data loss during claims processing, validations, and edits prior to acceptance at CMS for risk adjustment, and
2. Risk-adjustment filtering based on new CMS guidelines which will be more stringent than the internal claims filtering that most Medicare Advantage (MA) programs are using today with RAPS.

Failure to address these risks as CMS transitions rapidly to EDS will negatively impact revenue in perhaps an unsustainable way. This information, of course, has created a lot of questions among attendees and so we sat down with Sean and Suzanna-Grace to gain more clarity.

1. What kind of ranges or variability of RAF score impacts are you seeing among clients as a result of RAPS vs EDS?

Verisk Health: We are seeing a large variation in the risk score impact between clients. Clients are losing between 3% and 10% of their claims in the transition to EDS, which equates to a 1% to 4.5% drop in the EDS-only risk score. In the 2017 payment year, the drop in EDS claims will impact the overall risk score for our clients by -0.8% to -3.3%. This range is largely due to the following:

- Differences in claims volume in RAPS versus EDS due to processing at health plan systems
- Particularly concerning claim types
 - o Foreign health claims
 - o Mental health claims
 - o Claims from capitated vendors
 - o Paper claims
- Claims not accepted on MAO-002 or MAO-004, due to failing CMS data edits

2. Where are the best spots to take action first? Focus on missing claims...those that made it into RAPS but not into EDS? If yes, how?

Verisk Health: First, it is important to identify the RAPS claims that are missing from the EDS MAO-004 report and determine whether the claims have been rejected due to CMS edits applied, require correction before being submitted to CMS or were not considered for EDS submission at all.

Assessing the volume of claims in each EDS pre-submission edit category will help plans to understand any issues with their EDS data and submissions. For the RAPS claims that cannot be found anywhere in their EDS data, it will be important for plans to review the two separate data streams and uncover any inconsistencies in the extracts that they create for RAPS versus EDS.

Next, plans should evaluate their pre-adjudication data editing processes to minimize potential data errors on post-adjudicated encounters being submitted to CMS, thus ensuring a higher acceptance rate on MAO-002 files.

And last, plans should consider implementing additional submission processes that are in compliance with CMS rules for risk adjustable events, to close any identified gaps.

3. How much does the drop in hierarchical condition categories (HCCs) ultimately impact RAF scores and then revenues?

Verisk Health: Claims that can be found in RAPS but not EDS will impact the total number of HCCs. This will impact the HCC portion of the total plan risk score but it will not have an impact on the demographic portion, which is typically 45-50% of the total risk score. That dilutes the ultimate impact of the RAF score impairment, which is still quite significant.

In addition, missing HCCs will only impact the risk-adjusted payments. They will have no impact on the rebate payments or

Featured Newsletter Articles

member premium. In order to assess the overall revenue impact as a percentage, it is important for plans to keep in mind that only a portion of the total revenue will be impacted by a drop in HCCs caused by missing claims.

Using the range given in our previous response, the overall risk score impact is a decrease of 0.8% - 3.3%, which translates to a revenue decrease of 0.7% - 2.9%

4. **What proportion of the drop in RAF score is actionable by health plans versus merely a product of CMS claims filtering?**

Verisk Health: The impact of the filtering changes between RAPS to EDS is entirely dependent upon the filtering that plans are using for RAPS submissions today.

Because CMS has never explicitly defined RAPS filtering logic, it has been up to plans to interpret CMS guidance. Thus, there is no one standard RAPS filtering logic used in the Medicare Advantage industry today, with some plans employing a conservative approach while others are more aggressive. Plans that are currently applying more conservative RAPS filtering than the EDS filtering will experience a positive impact in the transition. Conversely, plans applying more aggressive RAPS filtering will see a decline.

As CMS transitions to 100% EDS over the next few years, it will be important for plans to compare their RAPS filtering logic to the CMS published EDS filtering to understand the impact of the transition from a filtering-only standpoint. At this time, plans should update their RAPS filtering logic to take into account any gains from applying the EDS logic and should very carefully evaluate the losses from MAO-004 accepted claims to make sure that all steps have been taken

Sean Creighton, SVP, Risk Adjustment, Verisk Health, is responsible for risk adjustment solutions that drive value for Verisk Health clients and is responsible for product management and innovation across Medicare, Commercial, and Medicaid lines of business.



in the pre-adjudication, post-adjudication, claims submission, and supplemental submission phases to close any gaps.

5. **For what is CMS going to use EDS data? What else could they do with it?**

Verisk Health: CMS has indicated three probable uses for EDS data since the inception of the project. Insight into managed care utilization across payers and relative to traditional Medicare, comparison to data reported in the annual Part C bids and ability to build managed care risk adjustment models that better reflect managed care utilization and health care costs.

There are a number of payment policy and technical changes that could occur as the result of CMS analysis of encounter data including significant changes to the risk adjustment models and model factors. One possibility that has not been discussed at length is that MedPac and/or CMS will use the data to build simulations and evaluate the impact of moving away from the current fee-for-service benchmark structure to competitive bidding for Part C.

6. **Do you expect CMS to put out analysis on the transition impact analysis and benchmarks/variances?**

Verisk Health: We do not have an answer to this question but unlike this year we expect that the impact of the RAPS to EDS transition should be a key component of the CMS published revenue impact for the 2018 payment notice.

Frankly, we would hope to see something this Fall so that health plans have an opportunity to benchmark their own impact estimates relative to the market.

Suzanna-Grace Sayre, FSA, CERA, MAAA Director, Risk Adjustment Analytics, is responsible for developing analytics that guide Verisk Health's risk-adjustment reporting and suspecting products as well as anticipating and incorporating CMS risk adjustment changes into the company's reporting and analytic offerings. Medicaid lines of business.

