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## Risk Adjustment

Many organizations provide quality rankings for physicians and hospital systems—determined after risk adjustment is applied. Risk adjustment is **based on clinician documentation**. **Only coded diagnoses** are included in the risk adjustment. **ICD-10 specific documentation is paramount to demonstrating quality!**

Risk adjustment methodologies:

### **APR-DRG system**

- Proprietary program that assigns
  - **Risk of Mortality (ROM)**
  - **Severity of illness (SOI)**
- Used by Medicaid for reimbursement (in many but not all states)
- Used by hospital systems to assess quality
- Used by organizations for profiling clinical providers (e.g. Healthgrades & U.S. News)

### **MS-DRG system**

- Used by Medicare and many commercial insurers for reimbursement
- Expected resource consumption based on certain diagnoses that add weight (per CMS) as:
  - CCs (Complication Comorbidity)
  - MCCs (Major Complication Comorbidity)

### **HCC system**

- Medicare Advantage, ACOs, MIPS
  - Determine Risk Adjustment Factor (RAF) score
  - Determine expected costs to care for your patient
    - Used to calculate PHYSICIAN Shared Savings and Medicare reimbursement “adjustments” via MIPS
- Mortality Rate
  - Used by Medicare to risk adjust **mortality** rate
- Readmission Rate
  - Used by Medicare to risk adjust **readmission** rate

**QUALITY:** Organizations use risk adjustment to determine quality ratings.

### **Medicare**

- Publicly reported on **Hospital Compare** <https://www.medicare.gov/hospitalcompare>
- Publicly reported on **Physician Compare** <https://www.medicare.gov/physiciancompare>
  - LeapFrog
  - U.S. News & World Report
  - Hospital systems
  - Insurance companies
  - Healthgrades

These quality measures are impacted by **risk adjustment** based on **clinical documentation**:

- Mortality rate
- Length of stay
- Readmission rate
- Hospital ranking