Plan Management Navigator
Analytics for Health Plan Administration

Healthcare Analysts

Douglas B. Sherlock, CFA
sherlock@sherlockco.com

Christopher E. de Garay
cgaray@sherlockco.com

Erin Ottolini
erin.ottolini@sherlockco.com

John Park, CFA
jpark@sherlockco.com

Andrew L. Sherlock
asherlock@sherlockco.com

(215) 628-2289

Please see page 3 for our invitation to participate in the 2022 or license the 2021 Sherlock Benchmarks.

RETURNS ON MEDICARE RISK ADJUSTMENT

In this *Plan Management Navigator*, we analyze possible return measures on spending in Risk Adjustment activities. According to CMS (the Centers for Medicare and Medicaid Services), "Risk Adjustment is intended to adjust capitated payment amounts to pay plans accurately for groups of beneficiaries, thereby increasing incentives for health plans to enroll all beneficiaries, regardless of health status."

In this analysis, we highlight the relationships between the Dollar Reimbursement Yield against Risk Adjustment expenses PMPM as well as the Cost per Chart Review, using the *Sherlock Benchmarks*. We define Dollar Reimbursement Yield as the difference in reimbursement levels after chart review compared to the same chart before review. All metrics for this analysis are expressed for the Medicare Advantage product.

Results of Sherlock Benchmark Analyses

Shown in Figure 1 is the positive relationship between Medicare Risk Adjustment expenses PMPM and the Medicare Dollar Reimbursement Yield. The analysis resulted in a P-Value of 4.8% and a R^2 of 26.7%. The positive relationship implies that the more spent on Risk Adjustment, the higher the dollar reimbursement levels. The sample for this analysis consisted of 14 plans.

Figure 1. Plan Management Navigator
Medicare Risk Adjustment and Chart Reviews
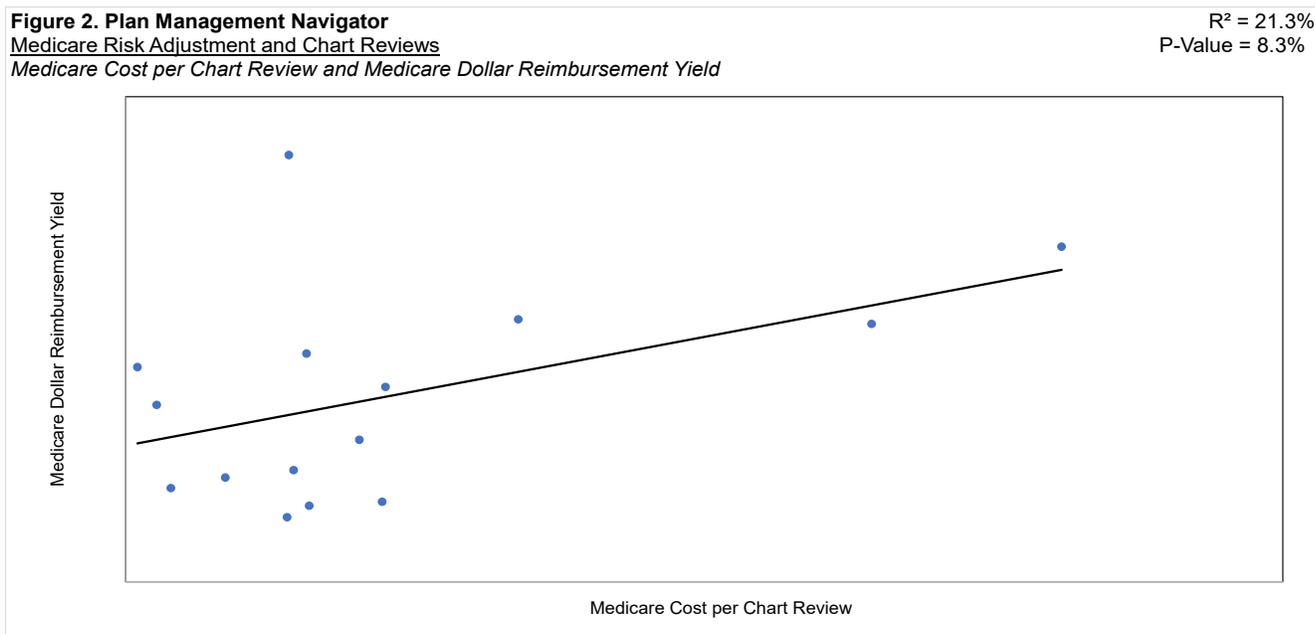*Medicare Risk Adjustment PMPM and Medicare Dollar Reimbursement Yield*

R^2 = 26.7%
P-Value = 4.8%

Medicare Dollar Reimbursement Yield (y-axis)
Medicare Risk Adjustment PMPM (x-axis)
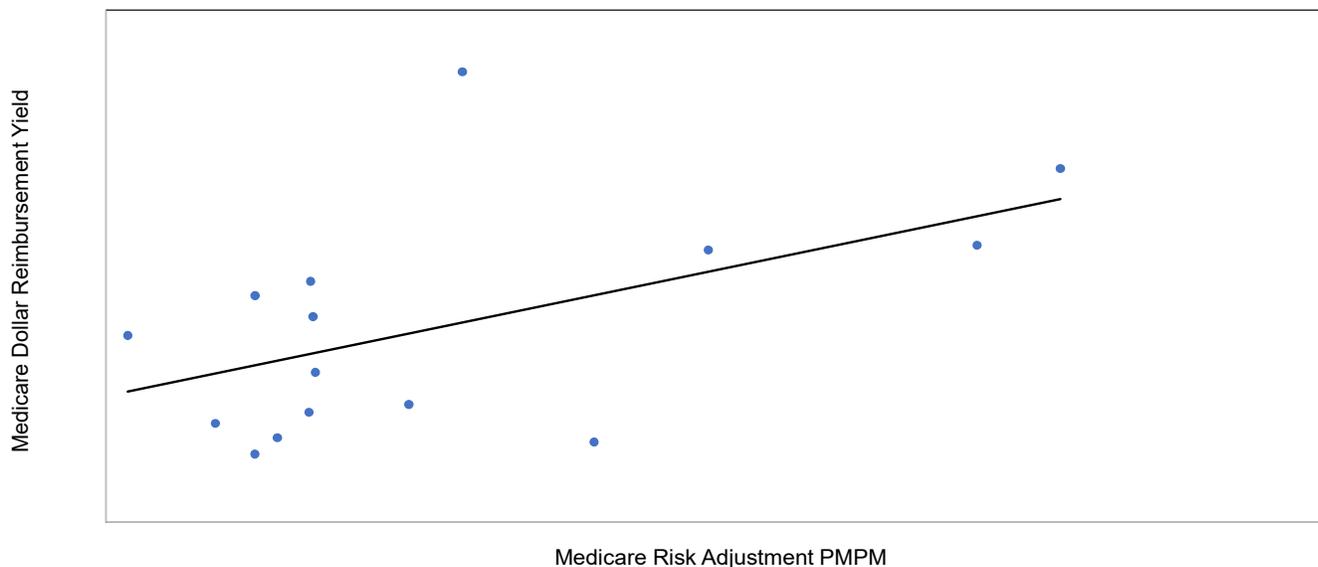
We then attempted to tease out whether the increase in dollar reimbursement levels were driven by the volume of chart reviews or the costs per chart review. We did not find a relationship between the increase in dollar reimbursement levels and the number of claim reviews per member. The relationship between Dollar Reimbursement Yield and the Number of Chart Reviews yielded an insignificant association. The R^2 was 0.2% and the P-value was 87.4%, with a sample of 14 plans.

But, as shown in Figure 2, the results of the analysis between Dollar Reimbursement Yield and Cost per Chart Review. The relationship in this figure suggests that the greater the Medicare Cost per Chart Review, the higher the Dollar Reimbursement Yield. The R^2 was 21.3% and the P-Value was 8.3%. For this analysis, we used a sample of 15 plans.

The metric, Cost per Chart Review, is calculated as the entire cost of risk adjustment activities divided by the number of charts. For *Sherlock Benchmark* purposes, the risk adjustment costs contains other activities other than chart review. They include assigning HCCs to Medicare Advantage members, audits of diagnosis codes, validation of dual eligibility of Medicare Advantage members and vendor charges for coding and clinical analysts. Second, in this analysis, we define a chart as one member for one date of service, even if it includes visits or consultations from multiple providers for the dates of service.

Figure 2. Plan Management Navigator
R² = 21.3% P-Value = 8.3%
Medicare Risk Adjustment and Chart Reviews
Medicare Cost per Chart Review and Medicare Dollar Reimbursement Yield

To understand this, we tested other relationships with Medicare Risk Adjustment expenses, the plans' Medicare Health Benefit Ratio and the plan's Gross Margin PMPM. Neither of these analyses resulted in a significant relationship. This suggests that high risk adjustment expenses did not lead to systematically high returns to a plan that incurs them.

Background on Sherlock Benchmark Analysis

The *Sherlock Benchmarks* 2021 edition are the source of the data used in this analysis. This analysis reflects data from years ended 2020. The costs in the *Sherlock Benchmarks* are segmented into nearly 70 functional or sub-functional areas, and up to 12 products. Because of this, costs for Risk Adjustment for Medicare Advantage can be identified and measured. For this analysis, we consider relationships to be significant with P-values of 10% or less. The R^2 describes the degree to which all the data points are found on the slope.

Sherlock Benchmarks: Participation and Licensing

PARTICIPATION IN SHERLOCK BENCHMARKS

We are now completing our panels for the 2022 Benchmarks universes of Blue Cross Blue Shield Plans and Independent / Provider – Sponsored Plans. It will be based on plans' 2021 calendar year results. Seventeen Blue Cross Blue Shield Plans and sixteen Independent Provider Sponsored Plans have committed to participate in this cycle. If your plan has an interest in participating in either of these universes, please reach out immediately so we can execute a mutual confidentiality agreement: *the surveys were distributed last week and next weeks in these respective universes.*

In June, we will launch the Medicaid and Medicare universes. As with the other universes, we encourage you to reach out to us to get the process started. *You will be among good company.*

LICENSING THE SHERLOCK BENCHMARKS

For those that cannot participate, licensing is available. Please see the following link https://sherlockco.com/sherlock-benchmarks for additional information on the *Sherlock Benchmarks*. By the way, the Reports shown on that page are also the Reports received by the participants. The difference is that each participant edition is tailored to that participating health plan.

We can be reached at sherlock@sherlockco.com, or 215-628-2289. We look forward to working with you.

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