

# The Basics of Medical Risk Adjustment

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Health-care providers are undergoing a massive shift in how health care is delivered—and how it's paid for. It's a move from fee-for-service, or **volume care**—where the more you do, the more you get paid—to **value-based care**—where physicians are rewarded for providing high-quality, efficient care.

Many factors drive success in value-based care, but one of the most crucial is **Medical Risk Adjustment**.



## What is Medical Risk Adjustment?

Medical Risk Adjustment (MRA) is an actuarial tool used to predict health-care costs of a population. Patient demographics and disease burden, as indicated by ICD-10 diagnosis codes, are utilized to calculate a patient risk score.

### Why is MRA Important?

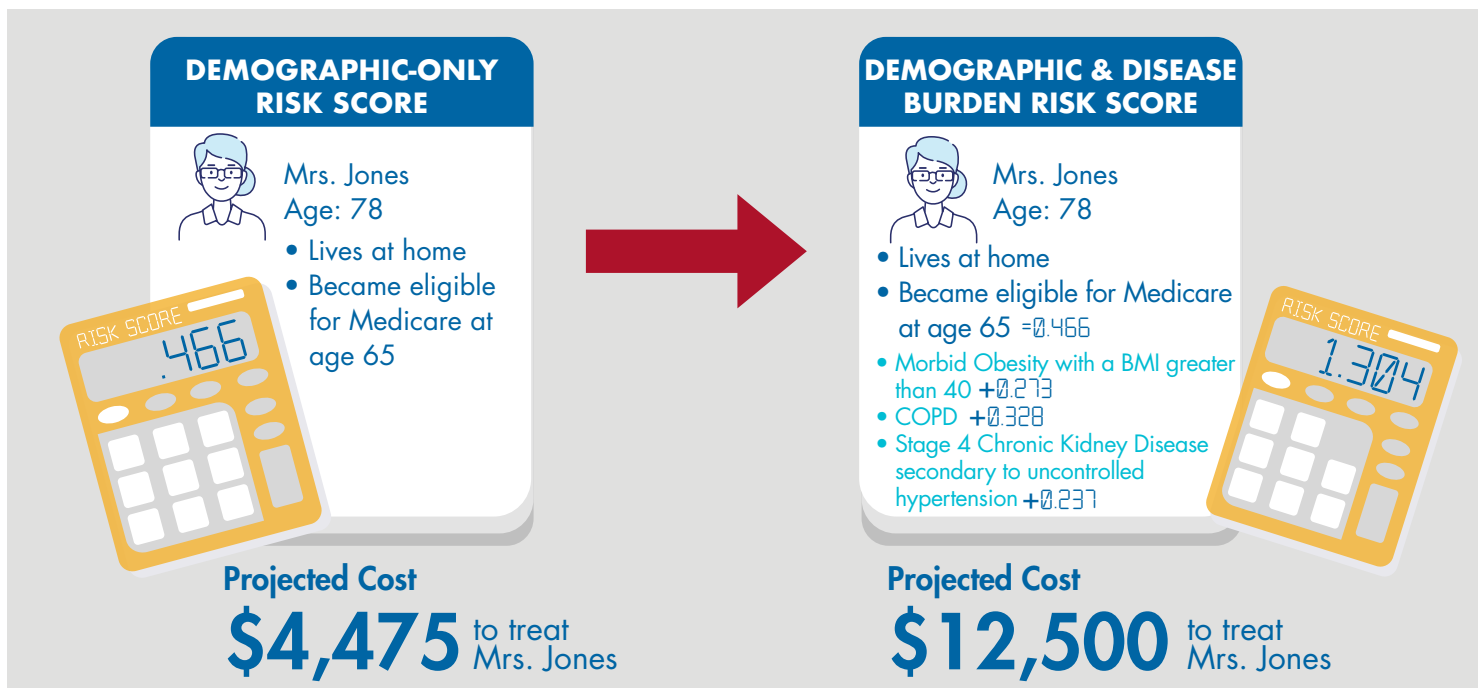
MRA helps health insurance payers – including Medicare – understand how sick your patients really are, as indicated by their risk scores. MRA is used in value-based models to ensure that cost targets are adjusted to align with the illness burden of the population. This means providers are not penalized for taking care of sicker patients.

### How Do I Optimize Risk Capture?

Document and code for all diagnoses for each patient, every year. Keep in mind that a patient with diabetes this year is considered to no longer have diabetes in subsequent years if it is not documented and coded **every calendar year**.

## How does MRA work?

The combination of demographic characteristics plus disease burden determines a patient's "risk score." The sicker the patient, the higher the risk score—and the higher the projected cost to treat that patient. Here's an example of how MRA works:



In value-based care, not having the cost targets accurately reflect the risk of your patients:

- Impacts your ability to meet cost targets, and
- Reduces the likelihood of earning payment incentives