

Setting the Record Straight: Unmasking TEAM Target Prices

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Educational Webinar Series



Learning Objectives

After today's webinar, you'll understand:

- How CMS calculates target prices in TEAM;
- Why each component of the TEAM target price matters; and
- The degree to which each risk adjustment factor influences TEAM target prices in performance year 1

About DataGen®

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Medicare APM Analytics

DataGen APM Experience

Accountable Care Models

Bundled Payment Models

Primary Care Transformation

Medicaid Models

State-based Models

MSSP

REACH

KCC

BPCI/
BPCIA

CJR

OCM/
EOM

TEAM

PCF

InCK

MD
TCOC

AHEAD

TEAM Performance Year 1 Has Begun

Transforming Episode Accountability Model

Mandatory Model: 2026-2030

The Transforming Episode Accountability Model (TEAM) will support people with Medicare undergoing certain surgical procedures by promoting better care coordination, seamless transitions between providers, and successful recovery.

Included procedures: lower extremity joint replacement, surgical hip femur fracture treatment, spinal fusion, coronary artery bypass graft, and major bowel procedure.



<https://www.cms.gov/priorities/innovation/innovation-models/team-model>

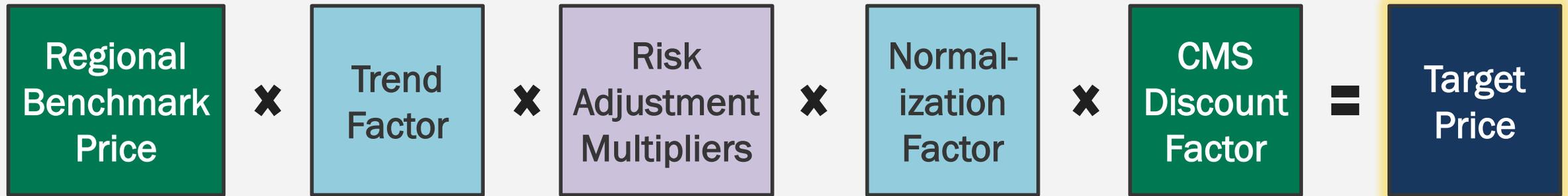
Polling Question

- How would rate your level of understanding related to the TEAM target price methodology?
 - Very Poor
 - Poor
 - Fair
 - Good
 - Excellent

Target Price Methodology

Target Price Methodology

Participants will receive for each MS-DRG/HCPCS episode type:



The Preliminary Target Price will use a Prospective Trend Factor and a Prospective Normalization Factor and will not account for Risk Adjustment Multipliers.

The Final Target Price will use a Retrospective Trend Factor ($\pm 3\%$ cap) and Normalization Factor ($\pm 5\%$ cap).

Regional Benchmark Price (RBP)

Regional
Benchmark
Price

- It is the standardized Medicare episode spend across a 3-year baseline period by region
 - The regions are defined by the 9 U.S. census divisions
- It is calculated for each specific episode type at the DRG or HCPCS code level
- For Performance Year 1, the baseline period will be 2022 through 2024
 - The RBP is represented as BY3 spending

Regional Benchmark Price

Regional
Benchmark
Price

- The FY2025/FY2026 IPPS Final Rule states that benchmark prices will have baseline spending weighted as:
 - BY1: 17% | BY2: 33% | BY3: 50%
- For TEAM, BY1 and BY2 dollars are trended to BY3 dollars
 - This trending negates the impact of equal or differential weighting
 - All components of the weighted average equal the average episode spending in BY3

Regional Benchmark Price

Regional
Benchmark
Price

Baseline Year	Episode Target Code	Average Episode Spending	Adjustment Factor	BY3 Trended Dollars	Differential Weights	Differentially Weighted BY Spending	Equal Weights	Equally Weighted BY Spending	Regional Benchmark Price (Differential Weights)	Regional Benchmark Price (Equal Weights)
2022	469	\$20,000	1.25	\$25,000	0.17	\$4,250	0.33	\$8,333		
2023	469	\$23,000	1.087	\$25,000	0.33	\$8,250	0.33	\$8,333		
2024	469	\$25,000	1	\$25,000	0.5	\$12,500	0.33	\$8,333	\$25,000	\$25,000

This table is an illustrative example. All values are made up for demonstrative purposes.

The adjustment factor for baseline year 3 will always equal one

Preliminary Trend Factor

Trend
Factor

- Applied to regional benchmark price to trend the dollars *after anchor discharge* forward to the current performance year
 - Scaled, winsorized, average episode spending used in trend factor calculation indicates that dollars during the anchor stay are already trended
- Calculated as the average of the regional and national trend factors by episode target code
 - Utilizes 5 years of data: 3 baseline years plus 2 years prior
 - 2020-2024 for PY1
 - Computed using a log-linear regression model

Final Trend Factor

Trend
Factor

- The final trend factor is re-calculated during reconciliation
- Calculated as the capped average performance year episode spend *divided* by the capped average baseline episode spend in baseline year 3 dollars
 - Computed at the episode type and region level
- Adjustment caps are placed on trend factor to limit the amount that it can change based on what was estimated prior to the start of the performance year
 - Cap is +/- 3%

MS-DRG	Region	Average Capped Baseline Episode Spending in BY3 Dollars	Prospective Trend Factor	Average Capped Performance Year Episode Spending	Retrospective Trend Factor	Capped Retrospective Trend Factor
231	1	\$80,000.00	1.05	\$78,400.00	0.98	1.02
232	1	\$55,000.00	0.95	\$53,350.00	0.97	0.97
233	1	\$70,000.00	1.05	\$78,400.00	1.12	1.08

Illustrative example of the Final Trend Factor calculation. Table is sourced from the FY 2026 IPPS Final Rule.

Preliminary Normalization Factor

Normalization
Factor

- Purpose: Compares a hospital's patient case-mix to the region's patient case-mix so that the risk adjustment multipliers do not change the national non-adjusted average target price
- Calculated on an episode type and regional level
- Calculation of the Preliminary Normalization Factor utilizes episode spending from BY 3 only

$$\text{normalization factor}_{drg,reg} = \frac{\sum_{i \in drg,reg} \text{benchmark price}}{\sum_{i \in drg,reg} \text{benchmark price} \times \text{risk adj multiplier}_i} = \frac{1}{\text{risk adj multiplier}_i}$$

Final Normalization Factor

Normalization
Factor

- The final normalization factor is re-calculated during reconciliation using PY1 data
- Calculated as the average benchmark price *divided* by the average risk-adjusted benchmark price
 - Computed at the episode type and regional level
- Adjustment caps are placed on normalization factor to limit the amount that it can change based on what was estimated prior to the start of the performance year
 - Cap is +/- 5%

CMS Discount Factor

CMS
Discount
Factor

- Ensures savings to the Medicare program
- LEJR, SHFFT and Spinal Fusion episodes will have the 2% discount factor
- CABG and Major Bowel Procedure episodes will have the 1.5% discount factor

Risk Adjustments

Risk
Adjustment
Multipliers



Beneficiary Characteristics

- Age group
- Disability
- Prior PAC use
- Institutional LTC
- HCC count
- Specific HCCs
- Other procedure-related variables



Beneficiary Economic Risk

- Full dual eligibility status
- Qualification for Part D low-income subsidy
- Community deprivation index (CDI)



Hospital Characteristics

- Bed size
- Safety net status

Risk Adjustments

Risk Adjustment Multipliers

- **Adjustments are calibrated nationally at the episode type level in the 3-year baseline period**
 - Not calculated by region
 - Applied to the cohort of episodes initiated during the PY
 - Updated annually based on the rolling 3-year baseline period
- **Risk adjustment parameters are based on beneficiary characteristics at the time the episode is initiated, including some parameters based on information prior to episode start**
 - 180-day lookback period for HCC capture begins on the day preceding the episode start date
- **The list of risk adjusters is specific to each episode type**

Risk Adjustments

Risk
Adjustment
Multipliers

- Weighted linear regression model is used to calculate risk adjustment coefficients
 - Internal regression weights: BY1- 0.17 | BY2- 0.33 | BY3- 0.50
- Dependent regression variable:

$$epi_tp_diff_i = \ln(\text{episode_spending}_i) - \ln(\text{Benchmark_Price}_{i \in drg, reg})$$

Scaled, winsorized, average episode spending in **BY3 dollars**

Regional Benchmark Price in **BY3 dollars**

Risk Adjustments

Risk
Adjustment
Multipliers

- Risk Adjustment Coefficient Regression Model:

$$epi_tp_diff_i = \beta X_i + \gamma Z_i + \epsilon_i$$

Beneficiary-Level Coefficients and
Covariates

Hospital-Level Coefficients and
Covariates

- Note: Covariates are only included if the variable is present in at least 21 episodes for a given episode type during the baseline period

Summary

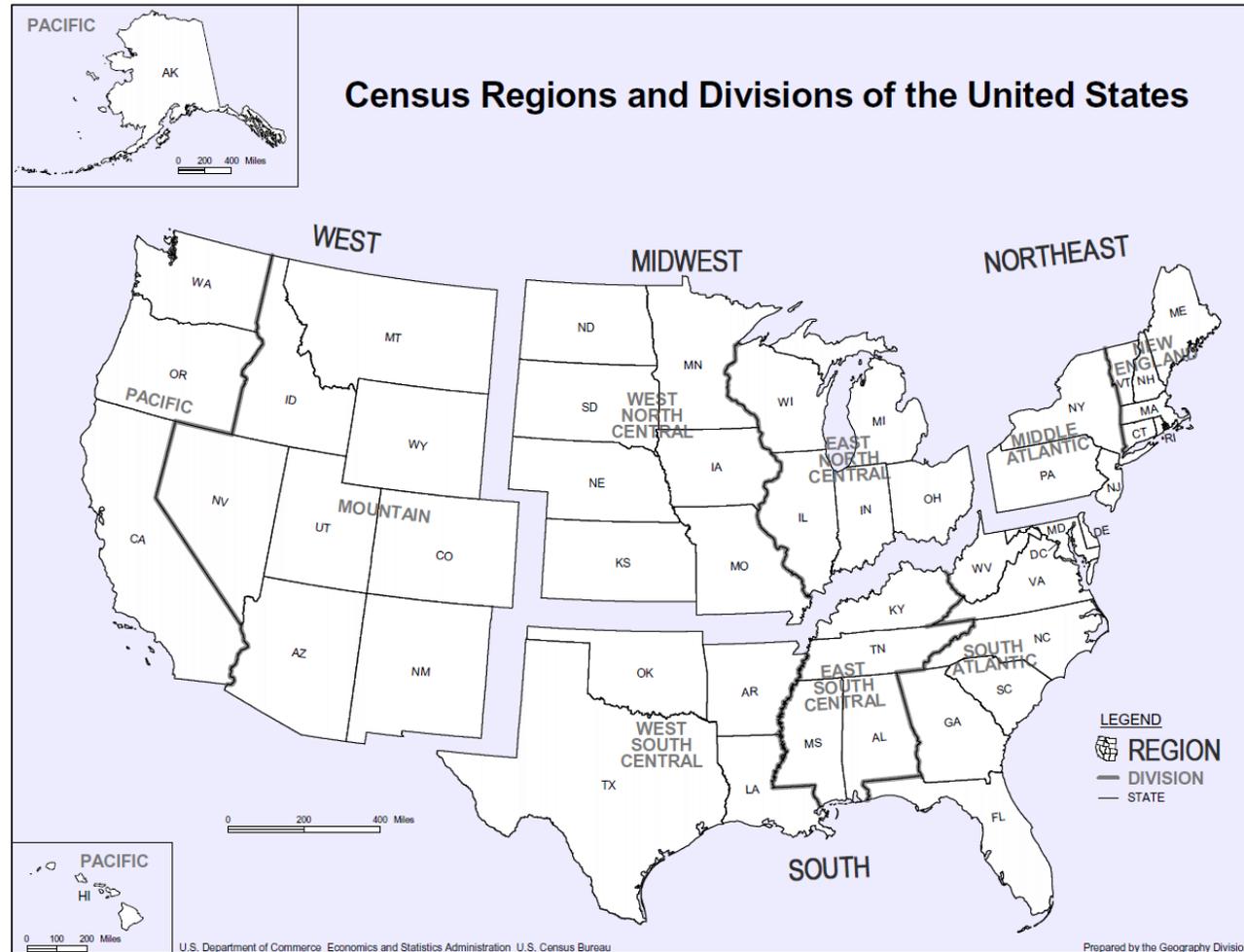
- **Baseline Year 3 spending is a major component for >50% of the target price components**
- **Case mix impacting risk adjustment is the only element that can be pseudo-tracked by a hospital during the PY**
 - All other target price elements are either set during the baseline period or determined during PY reconciliation
 - HCC capture for risk adjustment has a 180-day lookback period, but is not influenced by what occurs during the episode

Target Price Component Analysis

Analysis Approach

- Data is sourced from the TEAM Preliminary Target Price public file posted on the CMS TEAM website
 - All values derived from this source are shown as regional averages in this presentation
- The normalization factors displayed in this analysis are illustrative, and do not represent any one individual U.S. census-division region
- “Target code” refers to the site neutral episode type

U.S. Census-Division Region Map



Regional Benchmark Price: CABG

Target Code	Benchmark Price	Prospective Trend Factor	Prospective Normalization Factor	1 / Prospective Normalization Factor (Regional Risk)	Discount Factor	Base Target	Percent Target Increase with MCC
231	\$85,047	1.04	0.93	1.07	0.015	\$81,371	31%
232	\$57,274	1.05	1.05	0.95	0.015	\$62,307	
233	\$72,003	1.04	0.94	1.06	0.015	\$69,816	40%
234	\$50,527	1.05	0.95	1.05	0.015	\$49,718	
235	\$55,820	1.04	0.89	1.13	0.015	\$50,508	36%
236	\$39,301	1.05	0.92	1.09	0.015	\$37,061	

Regional Benchmark Price: LEJR

Target Code	Benchmark Price	Prospective Trend Factor	Prospective Normalization Factor	1 / Prospective Normalization Factor (Regional Risk)	Discount Factor	Base Target	Percent Target Increase with MCC
469	\$31,773	1.04	0.97	1.04	0.02	\$31,251	91%
470	\$18,377	1.03	0.88	1.13	0.02	\$16,381	
521	\$46,076	1.07	0.87	1.15	0.02	\$41,997	47%
522	\$37,501	1.07	0.72	1.38	0.02	\$28,502	

Regional Benchmark Price: Major Bowel

Target Code	Benchmark Price	Prospective Trend Factor	Prospective Normalization Factor	1 / Prospective Normalization Factor (Regional Risk)	Discount Factor	Base Target	Percent Target Increase with MCC/CC
329	\$50,703	1.05	0.90	1.11	0.015	\$47,226	94%
330	\$25,872	1.04	0.92	1.09	0.015	\$24,340	52%
331	\$16,511	1.04	0.95	1.06	0.015	\$16,029	

Regional Benchmark Price: SHFFT

Target Code	Benchmark Price	Prospective Trend Factor	Prospective Normalization Factor	1 / Prospective Normalization Factor (Regional Risk)	Discount Factor	Base Target	Percent Target Increase with MCC/CC
480	\$46,568	1.07	0.89	1.13	0.02	\$43,361	30%
481	\$39,400	1.08	0.80	1.25	0.02	\$33,342	40%
482	\$31,142	1.07	0.73	1.37	0.02	\$23,752	

Regional Benchmark Price: Spinal Fusion

Level/ Area	Combined	Target Code	Benchmark Price	Prospective Trend Factor	Prospective Normalization Factor	1 / Prospective Normalization Factor (Regional Risk)	Discount Factor	Base Target	Percent Target Increase with MCC/CC
Single	Yes	402	\$34,564	1.03	0.90	1.12	0.02	\$31,199	
Multiple	Yes	426	\$118,933	1.05	0.90	1.12	0.02	\$110,280	59%
Multiple	Yes	427	\$74,499	1.05	0.91	1.10	0.02	\$69,229	32%
Multiple	Yes	428	\$54,509	1.05	0.94	1.07	0.02	\$52,547	
Cervical	Yes	429	\$105,974	1.04	0.88	1.14	0.02	\$94,765	64%
Cervical	Yes	430	\$63,189	1.05	0.89	1.12	0.02	\$57,712	
Multiple	No	447	\$78,199	1.05	0.83	1.21	0.02	\$66,708	58%
Multiple	No	448	\$47,251	1.06	0.86	1.16	0.02	\$42,248	
Single	No	450	\$61,857	1.06	0.78	1.27	0.02	\$50,588	84%
Single	No	451	\$30,834	1.04	0.88	1.14	0.02	\$27,530	
Cervical	No	471	\$65,541	1.05	0.86	1.17	0.02	\$57,577	91%
Cervical	No	472	\$35,783	1.04	0.83	1.21	0.02	\$30,213	53%
Cervical	No	473	\$20,782	1.03	0.94	1.07	0.02	\$19,698	

Risk Adjustment

- **Number of permutations for a single target code within a region:**
 - 521 (Most): 13,421,772,800
 - 232 (Least): 163,840

Hospital Characteristics

Parameter Description	Parameter	Coronary Artery Bypass Graft	Lower Extremity Joint Replacement	Major Bowel Procedure	Spinal Fusion Treatment	Surgical Hip/Femur Fracture Treatment
		Average Target Adjustment Percent				
Hospital 250 Beds or fewer	BED_SIZE_SMALL	.	.	.	.	.
Hospital 251-500 Beds	BED_SIZE_MEDIUM	-2.3%	2.3%	-.7%	2.3%	3.0%
Hospital 501-850 Beds	BED_SIZE_LARGE	-1.8%	1.3%	.7%	4.3%	1.0%
Hospital exceeds the 75th percentile for bene with dual eligibility or LIS status	SAFETY_NET	1.5%	2.3%	1.3%	2.1%	2.4%
Hospital more than 850 Beds	BED_SIZE_XLARGE	-1.8%	.0%	1.0%	6.3%	-2.0%

Percents are evenly weighted for each target code and are displayed for illustrative purposes only

Beneficiary Characteristics

Parameter Description	Parameter	Coronary Artery Bypass Graft	Lower Extremity Joint Replacement	Major Bowel Procedure	Spinal Fusion	Surgical Hip/Femur Fracture Treatment
		Average Target Adjustment Percent				
Bene Age 64 and Under	AGE_UNDER_65	.	.	.	.	.
Bene Age 65 to 74	AGE_65_74	-.1%	2.0%	-.7%	2.3%	6.2%
Bene Age 75 to 84	AGE_75_84	5.9%	8.4%	3.4%	6.5%	17.2%
Bene Age 85+	AGE_85_PLUS	14.5%	15.9%	10.2%	11.8%	24.2%
Bene has any prior LTCH, SNF, HH, IRF stay	PRIOR_PAC_FLAG	7.1%	6.8%	.	9.4%	.
Bene is flagged for Dual, LIS, or CDI	BENE_ECON_FLAG	3.0%	2.5%	4.1%	2.2%	2.1%
Bene prior Long-Term Institutional care	LTI	.	.	23.1%	.	.
Bene was originally enrolled in Medicare due to disability	ORIGDS	.	3.1%	.	.	.

Percents are evenly weighted for each target code and are displayed for illustrative purposes only

Procedure: LEJR

Parameter Description	Parameter	469	470	521	522
		Average Target Adjustment Percent			
Ankle procedures or reattachments	ANKLE_REATTACH_OTHER	-30%	15%	15%	7%
Partial hip procedure	PARTIAL_HIP	23%	45%	5%	15%
Partial knee arthroplasty	PARTIAL_KA	-3%	12%	.	.
Total hip arthroplasty or hip resurfacing procedure	THA_HIP_RESURF	.	.	.	.
Total knee arthroplasty	TKA	-5%	1%	.	.

HCC Count

Parameter Description	Parameter	Coronary Artery Bypass Graft	Lower Extremity Joint Replacement	Major Bowel Procedure	Spinal Fusion	Surgical Hip/Femur Fracture Treatment
		Average Target Adjustment Percent				
0 HCC Count	HCC_0
1 HCC Count	HCC_1	.3%	2.5%	1.3%	1.4%	3.4%
2 HCC Count	HCC_2	1.5%	4.6%	2.7%	3.3%	5.9%
3 HCC Count	HCC_3	3.8%	6.2%	5.1%	4.0%	7.7%
4+ HCC Count	HCC_4_PLUS	5.5%	9.5%	8.0%	6.8%	9.9%

Percents are evenly weighted for each target code and are displayed for illustrative purposes only

HCC Observations in TEAM

- Remember: Conditions coded in the 180 days before the episode began
- Adjustment is made for HCC count as well as specific HCC conditions
- Adjustments can have a positive or negative association with the target price
 - Some impacts may be counterintuitive
- CMS HCC definition vs. clinical definition can differ

HCCs Common Across All Episode Categories

Parameter Description	Parameter
Chronic Kidney Disease, Stage 5	HCC-326
Chronic Ulcer of Skin, Except Pressure, Not Specified as Through to Bone or Muscle	HCC-383
Dementia, Mild or Unspecified	HCC-127
Dementia, Moderate	HCC-126
Diabetes with Chronic Complications	HCC-37
Heart Failure, Except End-Stage and Acute	HCC-226
Hemiplegia/Hemiparesis	HCC-253
Morbid Obesity	HCC-48
Parkinson and Other Degenerative Disease of Basal Ganglia	HCC-199
Specified Heart Arrhythmias	HCC-238

HCC: CABG

Parameter Description	Parameter	Average Target Adjustment Percent
Atherosclerosis of Arteries of the Extremities with Ulceration or Gangrene	HCC263	8.60%
Parkinson and Other Degenerative Disease of Basal Ganglia	HCC199	7.30%
Amputation Status, Lower Limb/Amputation Complications	HCC409	6.70%
Chronic Kidney Disease, Severe (Stage 4)	HCC327	6.70%
Chronic Kidney Disease, Stage 5	HCC326	6.10%
Hemiplegia/Hemiparesis	HCC253	5.40%
Dementia, Mild or Unspecified	HCC127	4.60%
Acute on Chronic Heart Failure	HCC224	3.90%
Cardio-Respiratory Failure and Shock	HCC213	3.90%
Chronic Ulcer of Skin, Except Pressure, Not Specified as Through to Bone or Muscle	HCC383	3.70%
Morbid Obesity	HCC48	3.10%
Diabetes with Chronic Complications	HCC37	2.20%
Chronic Obstructive Pulmonary Disease, Interstitial Lung Disorders, and Other Chronic Lung Disorders	HCC280	1.70%
Severe Diabetic Eye Disease, Retinal Vein Occlusion, and Vitreous Hemorrhage	HCC298	1.50%
Major Depression, Moderate or Severe, without Psychosis	HCC155	1.40%
Ischemic or Unspecified Stroke	HCC249	0.30%
Specified Heart Arrhythmias	HCC238	0.30%
Heart Failure, Except End-Stage and Acute	HCC226	-0.10%
Acute Myocardial Infarction	HCC228	-0.60%
Unstable Angina and Other Acute Ischemic Heart Disease	HCC229	-5.00%

*Percentages are evenly weighted for each target code and are displayed for illustrative purposes only

HCC: LEJR

Parameter Description	Parameter	Average Target Adjustment Percent
Hemiplegia/Hemiparesis	HCC253	8.60%
Schizophrenia	HCC151	8.30%
Parkinson and Other Degenerative Disease of Basal Ganglia	HCC199	7.80%
Chronic Kidney Disease, Stage 5	HCC326	7.10%
Cancer Metastatic to Lung, Liver, Brain, and Other Organs; Acute Myeloid Leukemia Except Promyelocytic	HCC17	4.70%
Diabetes with Severe Acute Complications	HCC36	3.60%
Acute on Chronic Heart Failure	HCC224	3.30%
Diabetes with Chronic Complications	HCC37	3.30%
Morbid Obesity	HCC48	3.30%
Chronic Kidney Disease, Severe (Stage 4)	HCC327	2.80%
Chronic Ulcer of Skin, Except Pressure, Not Specified as Through to Bone or Muscle	HCC383	2.80%
Acute Heart Failure (Excludes Acute on Chronic)	HCC225	2.50%
Deep Vein Thrombosis and Pulmonary Embolism	HCC267	2.00%
Chronic Obstructive Pulmonary Disease, Interstitial Lung Disorders, and Other Chronic Lung Disorders	HCC280	1.80%
Heart Failure, Except End-Stage and Acute	HCC226	1.80%
Dementia, Mild or Unspecified	HCC127	1.20%
Dementia, Moderate	HCC126	0.90%
Dementia, Severe	HCC125	0.90%
Major Depression, Moderate or Severe, without Psychosis	HCC155	0.80%
Specified Heart Arrhythmias	HCC238	0.80%
Hip Fracture/Dislocation	HCC402	0.20%

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HCC: Major Bowel

Parameter Description	Parameter	Average Target Adjustment Percent
Parkinson and Other Degenerative Disease of Basal Ganglia	HCC199	8.40%
Schizophrenia	HCC151	8.40%
Hemiplegia/Hemiparesis	HCC253	8.30%
Dementia, Moderate	HCC126	8.10%
Cancer Metastatic to Lung, Liver, Brain, and Other Organs; Acute Myeloid Leukemia Except Promyelocytic	HCC17	6.60%
Respirator Dependence/Tracheostomy Status/Complications	HCC211	5.00%
Dementia, Mild or Unspecified	HCC127	4.50%
Chronic Ulcer of Skin, Except Pressure, Not Specified as Through to Bone or Muscle	HCC383	4.10%
Cardio-Respiratory Failure and Shock	HCC213	3.40%
Chronic Kidney Disease, Stage 5	HCC326	3.40%
Chronic Kidney Disease, Severe (Stage 4)	HCC327	3.10%
Deep Vein Thrombosis and Pulmonary Embolism	HCC267	3.00%
Seizure Disorders and Convulsions	HCC201	3.00%
Acute on Chronic Heart Failure	HCC224	2.40%
Diabetes with Chronic Complications	HCC37	2.40%
Morbid Obesity	HCC48	1.70%
Specified Heart Arrhythmias	HCC238	1.70%
Major Depression, Moderate or Severe, without Psychosis	HCC155	1.30%
Heart Failure, Except End-Stage and Acute	HCC226	1.00%
Chronic Obstructive Pulmonary Disease, Interstitial Lung Disorders, and Other Chronic Lung Disorders	HCC280	0.70%
Dementia, Severe	HCC125	-0.50%
Intestinal Obstruction/Perforation	HCC78	-2.30%
Bladder, Colorectal, and Other Cancers	HCC22	-2.90%
Artificial Openings for Feeding or Elimination	HCC463	-3.90%

*Percentages are evenly weighted for each target code and are displayed for illustrative purposes only

HCC: SHFFT

Parameter Description	Parameter	Average Target Adjustment Percent
Multiple Sclerosis	HCC198	8.20%
Morbid Obesity	HCC48	8.00%
Parkinson and Other Degenerative Disease of Basal Ganglia	HCC199	7.40%
Chronic Liver Failure/End-Stage Liver Disorders	HCC63	6.20%
Diabetes with Chronic Complications	HCC37	5.80%
Diabetes with Severe Acute Complications	HCC36	5.50%
Chronic Kidney Disease, Stage 5	HCC326	3.80%
Hemiplegia/Hemiparesis	HCC253	3.80%
Diabetes with Glycemic, Unspecified, or No Complications	HCC38	3.00%
Respirator Dependence/Tracheostomy Status/Complications	HCC211	2.70%
Acquired Hemolytic, Aplastic, and Sideroblastic Anemias	HCC109	2.40%
Specified Heart Arrhythmias	HCC238	1.40%
Chronic Obstructive Pulmonary Disease, Interstitial Lung Disorders, and Other Chronic Lung Disorders	HCC280	1.30%
Ischemic or Unspecified Stroke	HCC249	1.30%
Chronic Ulcer of Skin, Except Pressure, Not Specified as Through to Bone or Muscle	HCC383	1.00%
Heart Failure, Except End-Stage and Acute	HCC226	1.00%
Rheumatoid Arthritis and Other Specified Inflammatory Rheumatic Disorders	HCC93	0.00%
Cardio-Respiratory Failure and Shock	HCC213	-0.30%
Dementia, Moderate	HCC126	-4.00%
Quadriplegia	HCC180	-4.00%
Dementia, Mild or Unspecified	HCC127	-4.20%
Hip Fracture/Dislocation	HCC402	-7.60%
Paraplegia	HCC181	-8.60%
Dementia, Severe	HCC125	-10.00%
Quadriplegic Cerebral Palsy	HCC191	-17.60%

*Percentages are evenly weighted for each target code and are displayed for illustrative purposes only

HCC: Spinal Fusion

Parameter Description	Parameter	Average Target Adjustment Percent
Cerebral Palsy, Except Quadriplegic	HCC192	17.20%
Paraplegia	HCC181	14.50%
Quadriplegia	HCC180	12.20%
Parkinson and Other Degenerative Disease of Basal Ganglia	HCC199	7.60%
Cancer Metastatic to Lung, Liver, Brain, and Other Organs; Acute Myeloid Leukemia Except Promyelocytic	HCC17	7.50%
Dementia, Moderate	HCC126	5.50%
Chronic Inflammatory Demyelinating Polyneuritis and Multifocal Motor Neuropathy	HCC193	5.20%
Hemiplegia/Hemiparesis	HCC253	4.70%
Chronic Ulcer of Skin, Except Pressure, Not Specified as Through to Bone or Muscle	HCC383	4.60%
Monoplegia, Other Paralytic Syndromes	HCC254	4.60%
Cancer Metastatic to Bone, Other and Unspecified Metastatic Cancer; Acute Leukemia Except Myeloid	HCC18	4.20%
Chronic Kidney Disease, Stage 5	HCC326	4.00%
Vertebral Fractures without Spinal Cord Injury	HCC401	3.60%
Dementia, Mild or Unspecified	HCC127	3.30%
Spinal Cord Disorders/Injuries	HCC182	2.80%
Acute on Chronic Heart Failure	HCC224	2.40%
Diabetes with Chronic Complications	HCC37	2.20%
Deep Vein Thrombosis and Pulmonary Embolism	HCC267	2.00%
Morbid Obesity	HCC48	1.20%
Ischemic or Unspecified Stroke	HCC249	1.00%
Specified Heart Arrhythmias	HCC238	0.80%
Rheumatoid Arthritis and Other Specified Inflammatory Rheumatic Disorders	HCC93	0.70%
Heart Failure, Except End-Stage and Acute	HCC226	0.30%
Major Depression, Moderate or Severe, without Psychosis	HCC155	-0.10%

*Percentages are evenly weighted for each target code and are displayed for illustrative purposes only

Theoretical Risk Adjustment Example Using Target Code 470

470 Example

- **Large Safety-Net Hospital**
- **Aged 75-84 Beneficiary**
- **Total Knee Arthroplasty**
- **1 HCC**
- **COPD**

Hospital Characteristics: 470

Parameter	Base Target	Parameter Adj Percent	Risk Adj Target
BED_SIZE_XLARGE	\$16,381	0%	\$16,381
BED_SIZE_LARGE	\$16,381	-1%	\$16,218
BED_SIZE_MEDIUM	\$16,381	2%	\$16,712
BED_SIZE_SMALL	\$16,381	0%	\$16,381
SAFETY_NET	\$16,381	2%	\$16,712

- **Large Safety Net: $1.02 \times 0.99 \times \$16,381 = \$16,542$**

Beneficiary Characteristic: 470

Parameter Description	Parameter	Base Target	Parameter Adj Percent	Risk Adj Target
Bene Age 64 and Under	AGE_UNDER_65	\$16,381	0%	\$16,381
Bene Age 65 to 74	AGE_65_74	\$16,381	2%	\$16,712
Bene Age 75 to 84	AGE_75_84	\$16,381	7%	\$17,569
Bene Age 85+	AGE_85_PLUS	\$16,381	20%	\$19,612
Bene has any prior LTCH, SNF, HH, IRF stay	PRIOR_PAC_FLAG	\$16,381	12%	\$18,286
Bene is flagged for Dual, LIS, or CDI	BENE_ECON_FLAG	\$16,381	3%	\$16,880
Bene was originally enrolled in Medicare due to disability	ORIGDS	\$16,381	3%	\$16,880

- **Aged 75-84 bene: 1.07 X \$ 16,542 = \$17,700**

Procedure: 470

Parameter Description	Parameter	Base Target	Parameter Adj Percent	Risk Adj Target
Partial hip procedure	PARTIAL_HIP	\$16,381	45%	\$23,716
Ankle procedures or reattachments	ANKLE_REATTACH_OTHER	\$16,381	15%	\$18,843
Partial knee arthroplasty	PARTIAL_KA	\$16,381	12%	\$18,286
Total knee arthroplasty	TKA	\$16,381	1%	\$16,546
Total hip arthroplasty or hip resurfacing procedure	THA_HIP_RESURF	\$16,381	0%	\$16,381

- **Total Knee Arthroplasty: $1.01 \times \$17,700 = \$17,877$**

HCC Count: 470

Parameter Description	Parameter	Base Target	Parameter Adj Percent	Risk Adj Target
4+ HCC Count	HCC_4_PLUS	\$16,381	12%	\$18,286
3 HCC Count	HCC_3	\$16,381	6%	\$17,394
2 HCC Count	HCC_2	\$16,381	4%	\$17,050
1 HCC Count	HCC_1	\$16,381	2%	\$16,712
0 HCC Count	HCC_0	\$16,381	0%	\$16,381

- **1 HCC Count: $1.02 \times \$17,877 = \$18,235$**

HCC: 470

Parameter Description	Parameter	Average Target Adjustment Percent
Dementia, Moderate	HCC126	15%
Dementia, Severe	HCC125	14%
Schizophrenia	HCC151	14%
Hemiplegia/Hemiparesis	HCC253	12%
Dementia, Mild or Unspecified	HCC127	11%
Parkinson and Other Degenerative Disease of Basal Ganglia	HCC199	9%
Cancer Metastatic to Lung, Liver, Brain, and Other Organs; Acute Myeloid Leukemia Except Promyelocytic	HCC17	8%
Acute on Chronic Heart Failure	HCC224	7%
Chronic Kidney Disease, Stage 5	HCC326	6%
Hip Fracture/Dislocation	HCC402	6%
Chronic Kidney Disease, Severe (Stage 4)	HCC327	4%
Chronic Ulcer of Skin, Except Pressure, Not Specified as Through to Bone or Muscle	HCC383	4%
Major Depression, Moderate or Severe, without Psychosis	HCC155	3%
Acute Heart Failure (Excludes Acute on Chronic)	HCC225	2%
Deep Vein Thrombosis and Pulmonary Embolism	HCC267	2%
Diabetes with Chronic Complications	HCC37	2%
Diabetes with Severe Acute Complications	HCC36	2%
Heart Failure, Except End-Stage and Acute	HCC226	2%
Chronic Obstructive Pulmonary Disease, Interstitial Lung Disorders, and Other Chronic Lung Disorders	HCC280	1%
Morbid Obesity	HCC48	1%
Specified Heart Arrhythmias	HCC238	0%

- COPD HCC 280:
1.01 X \$18,235 = \$18,417

- Base Target: \$16,381

Final Target Price: \$18,417

Risk Adjustment Theoretical: LEJR

Target Code	Min Theoretical Risk	Max Theoretical Risk
469	0.684	4.665
470	0.990	5.529
521	0.827	1.954
522	0.844	3.034

- Theoretical risk does not have HCC count consistency but considers HCC hierarchy from CMS HCC algorithm

Risk Adjustment Theoretical: 470 Min

Target Code	Parameter Subcategory	Min_Parm
470	Hospital	BED_SIZE_LARGE
470	Bene Characteristic	AGE_UNDER_65
470	HCC Count	HCC_0
470	Procedure	THA_HIP_RESURF

Risk Adjustment Theoretical: 470 Max

Target Code	Parameter Subcategory	Max_Parm
470	Hospital Safety Net	Safety Net
470	Hospital	251-500 Beds
470	Bene Eco	Bene Dual, LIS, CDI
470	Bene Prior PAC	Bene Prior Post Acute
470	Bene Disable	Bene disability
470	Bene Characteristic	85+
470	Procedure	Hip-Partial
470	HCC Count	4+ HCCs
470	Cancer	Ca Mets-Lung/Liver/Brain/Other; AML (non-APL)
470	DVT/PE	DVT/PE
470	Mental Health	Schizophrenia
470	Hip Fx/Dislocation	Hip Fx/Dislocation
470	Arrhythmias-Specified	Arrhythmias-Specified
470	Dementia	Dementia-Moderate
470	Diabetes	Diabetes w/ Acute Complications
470	Heart Failure	HF-Acute on Chronic
470	Morbid Obesity	Morbid Obesity
470	Ulcer	Chronic Skin Ulcer (non-Pressure, non-Deep)
470	CKD	CKD-Stage 5
470	COPD/ILD/Other Chronic Lung Dz	COPD/ILD/Other Chronic Lung Dz
470	Parkinson/Basal Ganglia Degen	Parkinson/Basal Ganglia Degen
470	Plegia	Hemiplegia/Hemiparesis

Summary

- **HCC adjustments will be dynamic over time**
 - Last year of the baseline is the most heavily weighted
 - Rare conditions or combinations will swing adjustments between PYs
- **Adjustments are not necessarily clinically intuitive**
 - Adjustments are claims driven – can be influenced by confounding factors and effect modification
- **Accurate HCC capture is influential, but not the only impactful risk adjustment factor**
 - Clinically appropriate DRG MCC/CC assignment is the most significant target adjustment that hospitals can control

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Thank you.

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