



INDUSTRY BACKGROUNDER

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April 30, 2010

Medicare is available in two different forms: traditional Medicare and Medicare Advantage (MA), a managed-care option providing HMO-type benefits. Both forms of Medicare are administered through a federal agency called the Centers for Medicare and Medicaid Services (CMS).

Under traditional Medicare, the health-care provider bills CMS a fee for each service the patient receives. CMS then pays the provider a specific fee for each billed service.

Under Medicare Advantage, the patient enrolls in an MA plan offered by a private health-insurance company. Then, Medicare pays the plan a monthly “premium” to provide Medicare benefits to the patient. (In real life, MA benefits usually exceed benefits offered by traditional Medicare.)

During the year, the MA health plan collects the patient’s clinical data and sends it to CMS. Then, CMS uses the data to predict the cost to treat the patient during the following year. CMS calculates (risk adjusts) the monthly premium for the patient by weighting (1) the patient’s demographics and (2) the patient’s chronic conditions that have been documented and assessed during the previous year.

The rationale behind risk adjustment is this: the sicker the patient, the more the predicted cost of treatment, and the higher the risk-adjusted premium.

However, for risk adjustment to work properly, the patient must have each chronic condition evaluated, treated (as needed) and documented every year. Otherwise, the condition will not be included in the premium calculation for the following year. It is CMS’ intent to pay for the resources used in treating the patient rather than for the conditions the patient may have. If a condition isn’t reported during the year, CMS assumes it isn’t being treated and doesn’t include the condition in its calculations.

MA health plans and their capitated (risk-sharing) providers use CVInfosys software tools and services to ensure that patients are seen for their chronic conditions every year; that their conditions are evaluated and treated; and that the conditions are properly coded and submitted to CMS. This provides a win-win situation for everyone. The patient receives the health care they need for their chronic conditions, and the health plan receives the proper compensation for the risk they assumed for this patient and the treatment they provided.