

Risk Adjusted Rates

Methodology Overview

With the implementation of the Aged, Blind or Disabled (ABD) mandatory managed care program, Ohio will develop Managed Care Plan (MCP)-specific rates that reflect the relative risk of their members measured using the Chronic Illness Disability Payment System (CDPS). The base capitation rate offered to the participating MCPs will be adjusted by applying the MCP's risk score to develop the MCP-specific (risk adjusted) rate. This process results in MCPs with sicker than average populations receiving a rate that is higher than the base rate and MCPs with healthier than average populations receiving a rate that is less than the base rate. The development of MCP-specific rates based on their recipient attraction patterns was important to the ABD managed care design because the incorporation of risk assessment into payment creates the desired financial incentives – where MCPs make money by managing care rather than attracting a healthier population.

The basic steps used to develop MCP-specific (risk adjusted) rates are as follows:

1. Release the offered base rates which will vary by region
2. Collect data necessary to perform the risk assessment
3. Calculate the recipient risk scores for those with sufficient historical experience
4. Assign recipients to an MCP
5. Calculate MCP risk scores
6. Perform adjustment necessary to maintain budget neutrality (does not increase or decrease total program funding)
7. Apply MCP risk scores to the base rates, producing MCP-specific rates

In order to support the regional rates, the CDPS risk measurement will be performed on a regional basis – ultimately producing risk scores for each MCP and region combination. This is important because MCP attraction patterns will likely vary by region due to the contracted provider network and the choices available to the recipients (other MCPs).

The specific methodology applied in each risk assessment may vary depending on the available data, the covered population and benefits, and any other refinements. When refinements are made to the process, the MCPs will be notified.

MCP-Specific Rates and Payment

The following section describes the timing of the various steps in the risk adjustment process and explains how MCPs will be paid. Once acuity factors are calculated for individuals, the MCP-specific case mix is calculated. The final (budget neutral) case mix is applied to the base capitation rate that was determined for each region. (This means that all MCPs within the same region receive the same base capitation prior to risk adjustment.) The final case mix is applied to this base capitation rate, thereby creating MCP-specific rates for each region in which the MCP participates. Due to the phase-in

schedule, there will be a unique update schedule and payment method for the first four months of the program.

Update Schedule during Phase-In

Due to the implementation timing and phase-in schedule of mandatory enrollment, the initial schedule for updating the acuity factors and case mixes will be as follows. For the initial eight months of the program (November 2006 – June 2007), the individual acuity factors will be calculated one time based on CY 2005 FFS claims data with six months of runout. As the mandatory program is phased-in from November to February, it is anticipated that MCP risk attraction patterns may be changing. As a result, it is anticipated the case mix calculations will be calculated for each of the following time periods:

- November 1, 2006 through November 30, 2006
- December 1, 2006 through December 31, 2006
- January 1, 2007 through January 31, 2007
- February 1, 2007 through June 30, 2007

Anticipated Update Schedule after Phase-In is Complete

Once the phase-in is complete, semi-annual updates are scheduled for the acuity factors. This allows for the inclusion of more recent diagnoses and scores for newer Medicaid recipients. Because the most recent 12 months of complete data will be used for the acuity factor update, this will typically result in risk scores that contain some overlapping data from the prior risk assessment. This approach should ultimately result in smoother transitions with each acuity factor update.

Once the phase-in is complete, the case mixes are also scheduled to be updated semi-annually, on a timing schedule consistent with the acuity factor update. New case mixes will be implemented in July and January of each year.

Base capitation rates will generally be developed on a calendar year basis and will be updated annually. Please note the initial set of base capitation rates will be effective for a fourteen month time period (November 1, 2006, through December 31, 2007).

Proposed Payment during Phase-In

Enrollment will not be known in sufficient time to produce the MCP case mixes prior to the capitation payment for November through February. As a result, the initial payment will be made assuming the base capitation rates for all contractors. An adjustment will be made in the subsequent month to reflect the appropriate risk adjusted reimbursement for the prior month. An illustration of this process is provided, where the base capitation rate assumed was \$1,000.

Payment Month	MCP Enrollment	Final Case Mix	Initial Month Payment	Prior Month Adjustment
November 2006	35,000	1.050	\$35,000,000	n/a
December 2006	90,000	1.070	\$90,000,000	\$1,750,000
January 2007	93,000	1.060	\$93,000,000	\$6,300,000
February 2007	93,500	1.062	\$93,500,000	\$5,580,000
March 2007	93,300	1.062	\$99,084,600	\$5,797,000
April 2007	93,400	1.062	\$99,190,800	n/a

Based on the above example, the total reimbursement for November will be \$36.75 million dollars, where \$35.0 million is paid in November and \$1.75 million is paid in December. Please note a prior month adjustment is not necessary for April 2007 because the final case mix value is known prior to making the initial payment in March 2007. Therefore, an MCP-specific rate can be paid for March 2007.

If any of the above schedules change, ODJFS will notify the MCPs.

Risk Adjustment Data Reports

This section provides vendors with background information on each of the regions via a dry run analysis. In addition, this section explains the reports an MCP can expect to see once the program goes live. All reports referenced below are included in Appendix 1.

Dry Run Results

Because MCP enrollment for the ABD population will not be known until shortly before the program goes live, it is not possible to estimate the risk associated with each potential MCP at this time. In order to test the risk adjustment process on Ohio data and to provide the vendors with some background information on the ABD managed care eligible population, a dry run of the risk adjustment process was performed on a regional basis. The dry run was performed on the state fiscal year 2004 (July 1, 2003 through June 30, 2004) data. This section describes the scope of the dry run and contains the regional results.

Regional Prevalence Report

Recognizing that the CDPS model utilizes many components to assess an individual's health risk, a two-page prevalence report has been provided (see Attachment A). This prevalence report was created on a regional basis using SFY 2004 data. ABD managed care eligibles were assigned to a region based on the county in which they resided at the end of the study period. Within the prevalence report, the population characteristics (as measured by CDPS) across regions can be compared. This should help the potential contractors understand the ABD population needs based on the disease conditions most prevalent within the population.

CDPS Category Distribution

The first column of data on the prevalence report contains a list of the CDPS demographic and diagnostic categories. The second column contains the CDPS cost weights that were modified by UCSD to reflect the Ohio ABD managed care program (populations and benefits). Based on the attached report, the CDPS Cardiovascular Very High category receives a cost weight (or relative health risk) of 3.3970. This means that an individual who falls into the Cardiovascular Very High category is estimated to cost approximately 3.4 times the average cost of the ABD population in the national data set used to derive the modified cost weights. This does not take into account any demographic or possible additional diagnostic information this individual may have.

The third column shows the Statewide Diagnostic Impact Rank associated with each CDPS diagnostic category. The magnitude of the CDPS category weight, in conjunction with the portion of the population presenting with the chronic condition, will determine the impact that a particular diagnostic category will have on the development of case mix factors. For example, a low rank value (close to 1) means the diagnostic category will have a large impact on the resulting case mix. Conversely, a high rank value (close to 55), means the diagnostic category will have minimal impact on the resulting case mix.

The next eight columns contain the percent of scored recipients by region that are classified into each CDPS category. This allows vendors to compare disease conditions across regions.

The last column contains the percent of scored recipients within the entire state that are classified into each CDPS category.

Population Statistics

The bottom two rows of this report, under the Population Statistics section, offer data on situations where the recipient only receives a demographic-based score (including the baseline value). A substantial portion of the population receives credit only from the demographic weights, due to one of two reasons: individuals do not have any diagnostic data or they do not present with a CDPS classified condition. These two categories are exclusive. The first category, "No claims data," indicates an individual received the demographic score because they did not have any claims data to classify them within CDPS diagnostic categories. Under the second classification, the individual had claims data, but this data did not yield a diagnostic weight. This is to be expected since generally 80 percent of health care costs are generated by only 20 percent of the population.

Report Updates

In October 2006, prior to ABD implementation, an updated version of this report will be provided. This updated report will be developed using the CY 2005 FFS data that will be the basis of the initial MCP risk adjustment calculations.

Acuity Factor Distribution Report

In addition to the regional prevalence report, an acuity factor distribution report (see Attachment B) was created using the same SFY 2004 data and regional assignment approach. To illustrate the risk variation associated with the ABD managed care eligible population, the count of recipients by region that fall into a range of acuity factors is provided on the first page of Attachment B. Member month information is also provided. Using these two components in combination, a measurement can be performed to determine the average eligibility duration for individuals within a certain acuity factor risk band. The average acuity factor associated with each risk band is provided along with the minimum, median and maximum acuity factor for each region. The second page of Attachment B contains the same information as the first page but is displayed in a percentage distribution format.

A proxy budget neutrality adjustment was performed on this report to ensure the “Total” results for each geographic area (Region or Statewide) represent the average population (value = 1.0000). This step occurs prior to the classification of individuals into risk bands. Therefore, the categories that are less than 1.0000 appropriately reflect a healthier than average population and categories in excess of 1.0000 appropriately reflect a sicker than average population.

Sample MCP-Specific Risk Adjustment Reports (For Illustration Purposes Only)

Once the program goes live, the MCPs will have an opportunity to review the risk adjustment results. A series of reports will be made available for each MCP. This section describes the reports and contains sample reports for illustration purposes only. Reports with actual MCP data will not be published until after the program goes live.

Sample Result Summary Report

The Result Summary Report (see Attachment C) will contain the following MCP specific risk adjustment results for each region in which the MCP participates:

- Count of scored recipients—those individuals with an acuity factor
- Count of total recipients—scored and unscored recipients
- Percent of scored recipients—proportion of the population with an acuity factor
- Unadjusted case mix—relative risk score prior to budget neutrality
- Budget neutral (final) case mix—MCP risk score used for payment determination
- Risk-adjusted capitation rate—base rate adjusted by final case mix

For comparison purposes, the Result Summary Report will also contain the above statistics for all MCPs combined for each region. Because the risk adjustment process is intended to be budget neutral, the risk adjusted capitation rates for all MCPs combined should be the same as the regional base capitation rates. Similarly, the budget neutral case mixes for all MCPs combined should be 1.0000, representing average risk.

The Result Summary Report will be provided for each case mix update. Therefore, with the current proposed schedule, the report will be provided in November 2006, December

2006, January 2007 and February 2007 during the enrollment phase-in. The report is expected to then be provided on a semiannual basis, in June and December of every year.

Sample MCP Prevalence Report

Similar to the regional prevalence report for the dry run, MCPs will receive an MCP-specific prevalence report (one for each region the MCP participates in – see Attachment D). Within this prevalence report, each MCP will be able to compare their population's characteristics (as measured by CDPS) to the characteristics of the entire managed care population.

The first three columns of this report are the same as the regional prevalence report and were described in the dry run section on the previous pages.

The fourth column contains the number of scored recipients enrolled in XYZ Health Plan that are classified into each CDPS category.

The fifth column presents the percent of scored recipients enrolled in XYZ Health Plan that are classified into each CDPS category. To assess the portion of the XYZ population that presents with a Cardiovascular Very High classified condition, the 60 XYZ Health Plan scored recipients in this category are divided by the total XYZ scored recipients of 7,000 (this value is located in the Age Subtotal line).

The sixth column contains the number of scored recipients that are classified into each CDPS category for all of the managed care contractors combined.

The seventh column presents the percent of scored recipients within managed care that are classified into each CDPS category. By comparing the values within this column to the XYZ CDPS category prevalence values (fifth column), the MCP can see how their population compares to the entire population enrolled in managed care (All MCPs).

The Population Statistics section at the bottom of this report is the same as the regional prevalence report. For more information, see the dry run section on the previous pages.

Risk-Adjustment Results

At the bottom of each MCP-specific prevalence report is a Risk-Adjustment Results section that presents the components used to derive the final case mixes. These components include the scored and total (scored and unscored) recipient counts, unadjusted case mix results, and the budget neutral case mix results.

The unadjusted case mix result can be reproduced by calculating a weighted average of the cost weights and the scored recipient count for the XYZ Health Plan. The unadjusted case mix result for All MCPs can be calculated by weighting the individual MCP results using the total recipient counts.

This report also contains the final (budget neutral) case mixes, which are derived by dividing the unadjusted case mix for the specific MCP by the unadjusted case mix for All MCPs.

The values presented in the sample report indicate that XYZ Health Plan has a healthier than average population as evidenced by the final (budget neutral) case mix value that is less than one.

Based on the anticipated schedule, the first set of MCP-specific prevalence reports is expected to be provided in March 2007 for the February 2007 through June 2007 application period. Going forward, this prevalence report is expected to be provided on a semiannual basis each June and December.

Appendix 1 – ABD Risk Adjustment Reports

**Attachment A
ABD Risk Adjustment
Regional Prevalence Report**

CDPS Category	CDPS Cost Weight	Statewide Diagnostic Impact Rank	Percent of Scored Recipients									Statewide
			Central	East Central	Northeast	Northeast Central	Northwest	Southeast	Southwest	West Central		
Demographic Categories												
Male age 21 to 24	0.3305	n/a	2.7%	2.9%	3.0%	3.0%	2.9%	2.7%	2.9%	2.8%	2.8%	
Female age 21 to 24	0.4205	n/a	2.9%	2.8%	2.7%	2.9%	3.6%	2.5%	2.9%	3.0%	2.9%	
Male age 25 to 44	0.3825	n/a	15.4%	15.4%	14.0%	15.1%	16.0%	17.8%	15.0%	15.0%	15.4%	
Female age 25 to 44	0.4705	n/a	21.9%	21.1%	19.5%	21.0%	23.3%	22.2%	21.5%	22.2%	21.4%	
Male age 45 to 64	0.4935	n/a	19.0%	19.7%	20.5%	19.1%	19.0%	20.8%	19.4%	18.8%	19.6%	
Female age 45 to 64	0.5755	n/a	30.9%	32.5%	32.0%	34.6%	30.6%	31.1%	32.2%	32.4%	31.8%	
Age 65 and over	0.5345	n/a	7.2%	5.6%	8.3%	4.2%	4.6%	2.9%	6.0%	5.7%	6.0%	
Age Subtotal			100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	
Diagnostic Categories												
Cardiovascular												
Very high	3.3970	14	0.8%	0.9%	1.0%	0.8%	0.8%	0.6%	0.9%	0.8%	0.9%	
Medium	0.9260	2	8.4%	8.0%	9.0%	8.0%	8.8%	6.8%	7.7%	9.4%	8.3%	
Low	0.3930	6	14.3%	16.8%	15.5%	16.8%	15.8%	16.2%	13.6%	16.1%	15.4%	
Extra low	0.1470	13	23.7%	20.6%	22.5%	22.0%	20.2%	21.6%	24.4%	22.3%	22.4%	
Psychiatric												
High	0.5340	8	7.7%	11.6%	14.0%	9.0%	10.1%	5.4%	11.4%	10.2%	10.2%	
Medium	0.4110	19	5.2%	5.4%	4.0%	3.3%	5.2%	5.7%	7.2%	6.7%	5.3%	
Low	0.2920	3	26.5%	27.5%	22.4%	30.4%	25.5%	30.1%	22.4%	27.3%	25.9%	
Skeletal												
Medium	1.1930	44	0.4%	0.5%	0.7%	0.8%	0.4%	0.4%	0.6%	0.6%	0.5%	
Low	0.4190	21	4.8%	4.6%	5.5%	5.5%	5.6%	3.9%	4.6%	5.3%	5.0%	
Very low	0.2290	22	8.6%	8.5%	6.5%	9.8%	8.4%	7.4%	7.7%	7.9%	7.9%	
Extra low	0.1350	18	18.3%	15.4%	15.1%	17.7%	15.2%	18.3%	15.4%	15.7%	16.4%	
Central Nervous System												
High	1.9230	50	0.2%	0.1%	0.2%	0.2%	0.1%	0.1%	0.2%	0.2%	0.2%	
Medium	0.7430	23	2.1%	2.5%	2.1%	3.0%	2.2%	1.8%	2.3%	2.4%	2.2%	
Low	0.3130	5	21.4%	21.9%	20.0%	21.1%	22.0%	20.9%	20.7%	22.3%	21.2%	
Pulmonary												
Very high	2.5890	38	0.3%	0.3%	0.4%	0.4%	0.5%	0.3%	0.5%	0.2%	0.4%	
High	1.6220	11	2.4%	2.8%	2.4%	2.2%	2.9%	2.1%	2.6%	2.7%	2.5%	
Medium	1.0540	12	4.0%	3.1%	3.3%	2.7%	2.9%	3.0%	2.9%	3.0%	3.2%	
Low	0.3780	1	27.8%	23.8%	21.6%	23.7%	24.4%	26.9%	25.8%	24.7%	24.8%	
Gastrointestinal												
High	1.8990	26	0.6%	0.7%	0.9%	0.7%	1.0%	0.5%	0.7%	0.8%	0.7%	
Medium	0.7560	15	3.5%	4.3%	4.1%	3.7%	3.4%	3.4%	4.0%	4.7%	3.9%	
Low	0.3160	4	23.7%	22.6%	20.5%	21.0%	20.2%	24.6%	20.6%	22.8%	22.0%	
Diabetes												
Type 1 high	2.0100	42	0.3%	0.4%	0.3%	0.4%	0.5%	0.3%	0.3%	0.4%	0.4%	
Type 1 medium	0.8240	9	5.7%	5.5%	5.6%	6.4%	5.7%	5.3%	5.4%	6.1%	5.7%	
Type 2 medium	0.5790	30	2.2%	2.5%	2.2%	2.0%	1.8%	2.5%	1.8%	2.6%	2.2%	
Type 2 low	0.3370	10	12.9%	10.9%	12.2%	11.0%	12.2%	12.2%	13.6%	11.8%	12.3%	
Skin												
High	1.5720	36	0.6%	0.7%	0.6%	0.7%	0.6%	0.3%	0.8%	0.5%	0.6%	
Low	0.5350	33	1.9%	1.8%	2.1%	2.3%	2.0%	1.6%	1.6%	1.9%	1.9%	
Very low	0.1680	25	8.5%	8.4%	8.5%	8.9%	9.2%	8.5%	8.1%	7.9%	8.5%	
Renal												
Very high	3.1530	7	1.7%	1.4%	2.3%	1.6%	1.7%	1.3%	2.2%	2.0%	1.8%	
Medium	0.4000	24	3.9%	4.0%	4.2%	3.9%	4.1%	3.7%	4.1%	4.3%	4.0%	
Low	0.2620	31	4.6%	4.2%	4.0%	4.2%	4.8%	4.3%	4.1%	4.4%	4.3%	

**Attachment A
ABD Risk Adjustment
Regional Prevalence Report**

CDPS Category	CDPS Cost Weight	Statewide Diagnostic Impact Rank	Percent of Scored Recipients									Statewide
			Central	East Central	Northeast	Northeast Central	Northwest	Southeast	Southwest	West Central		
Diagnostic Categories (cont.)												
Substance Abuse												
Low	0.2590	27	4.6%	4.7%	7.2%	4.8%	5.3%	2.8%	5.6%	6.9%	5.3%	
Very low	0.1400	41	4.6%	5.4%	5.5%	5.0%	5.5%	4.9%	5.0%	5.1%	5.1%	
Cancer												
High	1.2220	20	1.7%	1.6%	1.8%	1.9%	1.7%	1.4%	1.9%	1.7%	1.7%	
Medium	0.4520	40	1.8%	1.9%	2.1%	2.1%	1.8%	1.8%	2.3%	1.8%	2.0%	
Low	0.2120	53	0.9%	0.9%	1.0%	0.8%	0.9%	0.8%	1.0%	0.8%	0.9%	
Development Disability												
Medium	0.6410	54	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.2%	0.1%	
Low	0.2210	48	1.4%	1.8%	1.6%	1.3%	1.5%	1.1%	2.0%	1.7%	1.6%	
Genital												
Extra low	0.0540	52	4.2%	4.4%	4.7%	4.1%	4.6%	4.4%	4.2%	4.3%	4.4%	
Metabolic												
High	0.9190	17	2.7%	2.8%	2.9%	3.4%	2.8%	2.0%	3.2%	3.0%	2.8%	
Medium	0.6980	37	1.4%	1.5%	1.3%	1.4%	1.8%	1.2%	1.1%	1.3%	1.4%	
Very low	0.2410	39	4.1%	3.0%	4.1%	3.8%	3.4%	2.8%	3.4%	4.3%	3.7%	
Pregnancy												
Incomplete/Complete	0.1330	51	2.0%	1.7%	2.0%	1.9%	2.2%	1.6%	2.2%	2.0%	2.0%	
Eye												
Low	0.4840	49	0.6%	0.8%	0.8%	0.5%	0.8%	0.5%	0.7%	0.6%	0.7%	
Very low	0.2050	29	6.2%	6.2%	7.7%	5.5%	7.8%	6.2%	4.8%	6.2%	6.5%	
Cerebrovascular												
Low	0.2440	35	3.7%	4.1%	4.2%	4.3%	4.1%	3.0%	4.0%	4.1%	3.9%	
Infectious Disease												
AIDS high	2.5620	16	0.9%	1.1%	1.7%	0.7%	1.0%	0.3%	1.2%	1.0%	1.1%	
Infectious high	2.5620	43	0.2%	0.3%	0.3%	0.3%	0.2%	0.2%	0.4%	0.3%	0.3%	
HIV medium	0.8310	55	0.1%	0.0%	0.0%	0.1%	0.0%	0.0%	0.0%	0.2%	0.1%	
Infectious medium	0.8310	34	1.1%	1.1%	1.2%	1.0%	1.1%	1.1%	1.3%	1.4%	1.2%	
Infectious low	0.2740	47	1.4%	1.5%	1.1%	1.4%	1.7%	1.4%	1.3%	1.3%	1.3%	
Hematological												
Extra high	14.6910	46	0.0%	0.0%	0.0%	0.1%	0.0%	0.0%	0.1%	0.0%	0.0%	
Very high	3.0080	45	0.1%	0.1%	0.3%	0.1%	0.2%	0.0%	0.3%	0.2%	0.2%	
Medium	0.8920	32	1.1%	1.6%	1.4%	1.2%	1.4%	0.9%	1.1%	1.2%	1.2%	
Low	0.5390	28	2.6%	2.7%	2.5%	2.5%	1.9%	2.2%	2.6%	2.4%	2.5%	
Population Statistics												
No claims data	n/a	n/a	6.0%	6.7%	7.5%	5.4%	6.6%	6.0%	6.7%	5.9%	6.5%	
No classified CDPS categories	n/a	n/a	7.2%	6.9%	6.8%	7.0%	7.9%	7.6%	6.4%	6.4%	7.0%	

NOTES:

- Acuity factors were measured using SFY04 (July 2003 - June 2004) data.
- Recipients were assigned to their last known region within the study period.

Attachment B
ABD Risk Adjustment
Acuity Factor Distribution Report

Acuity Factor Range	Central	East Central	Northeast	Northeast Central	Northwest	Southeast	Southwest	West Central	Statewide
Enrollment									
< 0.2500	1,151	600	1,117	357	633	687	652	432	5,687
0.2500 - 0.4999	4,941	2,939	5,911	1,619	2,607	2,723	3,501	2,394	26,303
0.5000 - 0.7499	5,517	3,205	5,690	1,853	2,761	2,920	3,774	2,434	28,435
0.7500 - 0.9999	4,202	2,281	4,044	1,379	1,916	2,393	2,700	1,767	20,816
1.0000 - 1.4999	4,574	2,603	4,445	1,448	2,086	2,820	2,780	2,027	22,709
1.5000 - 1.9999	1,825	1,086	1,919	613	917	1,108	1,101	848	9,325
2.0000 - 2.4999	855	491	971	262	462	463	569	420	4,488
2.5000 - 2.9999	439	299	510	148	252	227	266	219	2,369
3.0000 - 3.4999	270	131	314	88	137	133	191	120	1,382
3.5000 - 3.9999	174	94	180	49	72	81	101	79	827
≥ 4.0000	357	207	411	121	199	171	284	142	1,918
Total	24,305	13,936	25,512	7,937	12,042	13,726	15,919	10,882	124,259
Member Months									
< 0.2500	12,496	6,459	12,124	3,895	6,920	7,565	6,941	4,623	61,656
0.2500 - 0.4999	54,489	32,598	65,601	18,095	28,789	30,286	38,356	26,372	290,960
0.5000 - 0.7499	61,921	36,280	64,368	21,171	30,897	33,100	42,323	27,284	320,491
0.7500 - 0.9999	48,016	26,034	46,294	15,823	21,771	27,443	30,634	20,079	237,617
1.0000 - 1.4999	52,532	29,865	50,668	16,716	23,768	32,417	31,590	22,981	259,665
1.5000 - 1.9999	20,847	12,386	21,745	7,048	10,367	12,714	12,484	9,648	106,177
2.0000 - 2.4999	9,597	5,595	10,871	2,992	5,221	5,232	6,431	4,708	50,559
2.5000 - 2.9999	4,893	3,339	5,666	1,672	2,793	2,574	2,923	2,415	26,426
3.0000 - 3.4999	2,975	1,442	3,437	994	1,494	1,497	2,081	1,321	15,172
3.5000 - 3.9999	1,893	1,019	1,954	534	758	880	1,118	845	9,003
≥ 4.0000	3,911	2,218	4,488	1,297	2,113	1,902	3,062	1,551	20,803
Total	273,570	157,235	287,216	90,237	134,891	155,610	177,943	121,827	1,398,529
Average Acuity Factor									
< 0.2500	0.2209	0.2190	0.2119	0.2176	0.2201	0.2348	0.2141	0.2123	0.2185
0.2500 - 0.4999	0.3695	0.3649	0.3647	0.3695	0.3652	0.3820	0.3670	0.3692	0.3672
0.5000 - 0.7499	0.6183	0.6149	0.6191	0.6175	0.6175	0.6259	0.6177	0.6207	0.6174
0.7500 - 0.9999	0.8684	0.8667	0.8683	0.8703	0.8688	0.8667	0.8696	0.8666	0.8681
1.0000 - 1.4999	1.2116	1.2095	1.2134	1.2091	1.2114	1.2131	1.2087	1.2151	1.2123
1.5000 - 1.9999	1.7171	1.7122	1.7210	1.7220	1.7200	1.7114	1.7258	1.7181	1.7191
2.0000 - 2.4999	2.2139	2.2095	2.2225	2.2127	2.2205	2.2234	2.2256	2.2188	2.2196
2.5000 - 2.9999	2.7231	2.6981	2.7216	2.7436	2.7323	2.7326	2.7222	2.7229	2.7226
3.0000 - 3.4999	3.2283	3.2243	3.2249	3.2276	3.2076	3.2260	3.2276	3.2325	3.2250
3.5000 - 3.9999	3.7387	3.7407	3.7569	3.7209	3.7358	3.7412	3.7371	3.7348	3.7328
≥ 4.0000	5.2622	5.3687	5.2418	5.4395	5.2971	5.4042	5.5308	5.1630	5.3269
Total	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000
Ranking Values									
Minimal Acuity Factor	0.1928	0.1908	0.1859	0.1912	0.1912	0.2075	0.1881	0.1854	0.1911
Median Acuity Factor	0.7785	0.7680	0.7523	0.7703	0.7540	0.7959	0.7515	0.7738	0.7669
Maximum Acuity Factor	11.7614	10.0544	10.6765	11.1711	9.6016	11.3995	16.1754	9.8714	16.4320

NOTES:

- Source data was SFY04 FFS data.
- This analysis includes only scored recipients.
- Prior to assigning the acuity factor ranges, the acuity factors were adjusted to approximate budget neutrality.
- The proxy budget neutrality adjustment was performed to ensure that the Total results for each geographic area (Region or Statewide) represent the average population (value = 1.0000).
- The average acuity factor was measured, where each enrollee contributed equally (not on a member month basis).

Attachment B
ABD Risk Adjustment
Acuity Factor Distribution Report

Acuity Factor Range	Central	East Central	Northeast	Northeast Central	Northwest	Southeast	Southwest	West Central	Statewide
Enrollment									
< 0.2500	4.7%	4.3%	4.4%	4.5%	5.3%	5.0%	4.1%	4.0%	4.6%
0.2500 - 0.4999	20.3%	21.1%	23.2%	20.4%	21.6%	19.8%	22.0%	22.0%	21.2%
0.5000 - 0.7499	22.7%	23.0%	22.3%	23.3%	22.9%	21.3%	23.7%	22.4%	22.9%
0.7500 - 0.9999	17.3%	16.4%	15.9%	17.4%	15.9%	17.4%	17.0%	16.2%	16.8%
1.0000 - 1.4999	18.8%	18.7%	17.4%	18.2%	17.3%	20.5%	17.5%	18.6%	18.3%
1.5000 - 1.9999	7.5%	7.8%	7.5%	7.7%	7.6%	8.1%	6.9%	7.8%	7.5%
2.0000 - 2.4999	3.5%	3.5%	3.8%	3.3%	3.8%	3.4%	3.6%	3.9%	3.6%
2.5000 - 2.9999	1.8%	2.1%	2.0%	1.9%	2.1%	1.7%	1.7%	2.0%	1.9%
3.0000 - 3.4999	1.1%	0.9%	1.2%	1.1%	1.1%	1.0%	1.2%	1.1%	1.1%
3.5000 - 3.9999	0.7%	0.7%	0.7%	0.6%	0.6%	0.6%	0.6%	0.7%	0.7%
≥ 4.0000	1.5%	1.5%	1.6%	1.5%	1.7%	1.2%	1.8%	1.3%	1.5%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Member Months									
< 0.2500	4.6%	4.1%	4.2%	4.3%	5.1%	4.9%	3.9%	3.8%	4.4%
0.2500 - 0.4999	19.9%	20.7%	22.8%	20.1%	21.3%	19.5%	21.6%	21.6%	20.8%
0.5000 - 0.7499	22.6%	23.1%	22.4%	23.5%	22.9%	21.3%	23.8%	22.4%	22.9%
0.7500 - 0.9999	17.6%	16.6%	16.1%	17.5%	16.1%	17.6%	17.2%	16.5%	17.0%
1.0000 - 1.4999	19.2%	19.0%	17.6%	18.5%	17.6%	20.8%	17.8%	18.9%	18.6%
1.5000 - 1.9999	7.6%	7.9%	7.6%	7.8%	7.7%	8.2%	7.0%	7.9%	7.6%
2.0000 - 2.4999	3.5%	3.6%	3.8%	3.3%	3.9%	3.4%	3.6%	3.9%	3.6%
2.5000 - 2.9999	1.8%	2.1%	2.0%	1.9%	2.1%	1.7%	1.6%	2.0%	1.9%
3.0000 - 3.4999	1.1%	0.9%	1.2%	1.1%	1.1%	1.0%	1.2%	1.1%	1.1%
3.5000 - 3.9999	0.7%	0.6%	0.7%	0.6%	0.6%	0.6%	0.6%	0.7%	0.6%
≥ 4.0000	1.4%	1.4%	1.6%	1.4%	1.6%	1.2%	1.7%	1.3%	1.5%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Average Acuity Factor									
< 0.2500	0.2209	0.2190	0.2119	0.2176	0.2201	0.2348	0.2141	0.2123	0.2185
0.2500 - 0.4999	0.3695	0.3649	0.3647	0.3695	0.3652	0.3820	0.3670	0.3692	0.3672
0.5000 - 0.7499	0.6183	0.6149	0.6191	0.6175	0.6175	0.6259	0.6177	0.6207	0.6174
0.7500 - 0.9999	0.8684	0.8667	0.8683	0.8703	0.8688	0.8667	0.8696	0.8666	0.8681
1.0000 - 1.4999	1.2116	1.2095	1.2134	1.2091	1.2114	1.2131	1.2087	1.2151	1.2123
1.5000 - 1.9999	1.7171	1.7122	1.7210	1.7220	1.7200	1.7114	1.7258	1.7181	1.7191
2.0000 - 2.4999	2.2139	2.2095	2.2225	2.2127	2.2205	2.2234	2.2256	2.2188	2.2196
2.5000 - 2.9999	2.7231	2.6981	2.7216	2.7436	2.7323	2.7326	2.7222	2.7229	2.7226
3.0000 - 3.4999	3.2283	3.2243	3.2249	3.2276	3.2076	3.2260	3.2276	3.2325	3.2250
3.5000 - 3.9999	3.7387	3.7407	3.7569	3.7209	3.7358	3.7412	3.7371	3.7348	3.7328
≥ 4.0000	5.2622	5.3687	5.2418	5.4395	5.2971	5.4042	5.5308	5.1630	5.3269
Total	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000
Ranking Values									
Minimal Acuity Factor	0.1928	0.1908	0.1859	0.1912	0.1912	0.2075	0.1881	0.1854	0.1911
Median Acuity Factor	0.7785	0.7680	0.7523	0.7703	0.7540	0.7959	0.7515	0.7738	0.7669
Maximum Acuity Factor	11.7614	10.0544	10.6765	11.1711	9.6016	11.3995	16.1754	9.8714	16.4320

NOTES:

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- The average acuity factor was measured, where each enrollee contributed equally (not on a member month basis).

Risk Adjustment Report	
Application Period: November 2006	

XYZ Health Plan

Region
Central
East Central
Northeast
Northeast Central
Northwest
Southeast
Southwest
West Central

XYZ Assigned Membership		
Scored Recipients*	Total Recipients**	Percent of Scored Recipients
7,000	8,300	84.3%
4,100	4,800	85.4%
6,400	7,700	83.1%
2,100	2,500	84.0%
2,800	3,300	84.8%
-	-	n/a
3,600	4,200	85.7%
3,000	3,500	85.7%

Total Managed Care Membership†		
Scored Recipients*	Total Recipients**	Percent of Scored Recipients
24,450	28,300	86.4%
14,000	16,250	86.2%
25,500	30,000	85.0%
8,000	9,400	85.1%
12,000	14,200	84.5%
13,500	15,750	85.7%
16,000	18,700	85.6%
11,000	13,000	84.6%

Region
Central
East Central
Northeast
Northeast Central
Northwest
Southeast
Southwest
West Central

XYZ-Specific Results		
Unadjusted Case Mixes	Budget Neutral Case Mixes	Risk-Adjusted Capitation Rate
1.6473	0.9634	\$ 944.09
1.6800	0.9711	\$ 922.54
1.7200	0.9663	\$ 1,024.27
1.7000	0.9827	\$ 1,007.23
1.7000	0.9827	\$ 1,026.88
n/a	n/a	n/a
1.6900	0.9602	\$ 1,104.26
1.7400	0.9775	\$ 1,001.97

Total Managed Care Results		
Unadjusted Case Mixes	Budget Neutral Case Mixes	Base Capitation Rate
1.7100	1.0000	\$ 980.00
1.7300	1.0000	\$ 950.00
1.7800	1.0000	\$ 1,060.00
1.7300	1.0000	\$ 1,025.00
1.7300	1.0000	\$ 1,045.00
1.5900	1.0000	\$ 1,110.00
1.7600	1.0000	\$ 1,150.00
1.7800	1.0000	\$ 1,025.00

Statewide

0.969 \$ 997.16

1.000 \$ 1,042.29

†This includes all MCPs.

*Scored recipients are recipients that were eligible in November 2006 that were also assigned an acuity factor in the initial risk assessment.

**Total recipients is the count of individuals based on their November 2006 enrollment.

Application Period: Sample Report for Illustrative Purposes

Region: Central

MCP: XYZ Health Plan

CDPS Category	CDPS Category Weight	All MCPs Diagnostic Impact Rank	XYZ Health Plan		All MCPs	
			Count of Scored Recipients	Percent of Scored Recipients	Count of Scored Recipients	Percent of Scored Recipients
Demographic Categories						
Male age 21 to 24	0.3305	n/a	190	2.7%	700	2.9%
Female age 21 to 24	0.4205	n/a	220	3.1%	750	3.1%
Male age 25 to 44	0.3825	n/a	1,050	15.0%	3,700	15.1%
Female age 25 to 44	0.4705	n/a	1,550	22.1%	5,400	22.1%
Male age 45 to 64	0.4935	n/a	1,300	18.6%	4,600	18.8%
Female age 45 to 64	0.5755	n/a	2,200	31.4%	7,600	31.1%
Age 65 and older	0.5345	n/a	490	7.0%	1,700	7.0%
Age Subtotal			7,000	100.0%	24,450	100.0%
Diagnostic Categories						
Cardiovascular						
Very high	3.3970	14	60	0.9%	245	1.0%
Medium	0.9260	2	575	8.2%	2,078	8.5%
Low	0.3930	6	975	13.9%	3,423	14.0%
Extra low	0.1470	13	1,700	24.3%	5,868	24.0%
Psychiatric						
High	0.5340	12	500	7.1%	1,834	7.5%
Medium	0.4110	20	350	5.0%	1,223	5.0%
Low	0.2920	3	1,850	26.4%	6,479	26.5%
Skeletal						
Medium	1.1930	43	30	0.4%	122	0.5%
Low	0.4190	19	350	5.0%	1,223	5.0%
Very low	0.2290	21	575	8.2%	2,078	8.5%
Extra low	0.1350	16	1,250	17.9%	4,401	18.0%
Central Nervous System						
High	1.9230	46	12	0.2%	49	0.2%
Medium	0.7430	24	125	1.8%	489	2.0%
Low	0.3130	5	1,500	21.4%	5,257	21.5%
Pulmonary						
Very high	2.5890	40	20	0.3%	73	0.3%
High	1.6220	11	150	2.1%	611	2.5%
Medium	1.0540	10	250	3.6%	978	4.0%
Low	0.3780	1	2,000	28.6%	6,846	28.0%
Gastrointestinal						
High	1.8990	34	32	0.5%	125	0.5%
Medium	0.7560	15	230	3.3%	856	3.5%
Low	0.3160	4	1,650	23.6%	5,868	24.0%
Diabetes						
Type 1 high	2.0100	33	30	0.4%	125	0.5%
Type 1 medium	0.8240	7	400	5.7%	1,467	6.0%
Type 2 medium	0.5790	30	125	1.8%	489	2.0%
Type 2 low	0.3370	9	900	12.9%	3,179	13.0%
Skin						
High	1.5720	39	30	0.4%	122	0.5%
Low	0.5350	31	120	1.7%	489	2.0%
Very low	0.1680	25	575	8.2%	2,078	8.5%

CDPS Category	CDPS Category Weight	All MCPs Diagnostic Impact Rank	XYZ Health Plan		All MCPs	
			Count of Scored Recipients	Percent of Scored Recipients	Count of Scored Recipients	Percent of Scored Recipients
Diagnostic Categories (cont.)						
Renal						
Very high	3.1530	8	100	1.4%	367	1.5%
Medium	0.4000	23	250	3.6%	978	4.0%
Low	0.2620	28	300	4.3%	1,100	4.5%
Substance Abuse						
Low	0.2590	29	290	4.1%	1,100	4.5%
Very low	0.1400	42	310	4.4%	1,100	4.5%
Cancer						
High	1.2220	22	100	1.4%	367	1.5%
Medium	0.4520	41	110	1.6%	416	1.7%
Low	0.2120	52	50	0.7%	245	1.0%
Developmental Disabilities						
Medium	0.6410	54	5	0.1%	24	0.1%
Low	0.2210	47	95	1.4%	367	1.5%
Genital						
Extra low	0.0540	51	250	3.6%	978	4.0%
Metabolic						
High	0.9190	18	150	2.1%	611	2.5%
Medium	0.6980	32	80	1.1%	367	1.5%
Very low	0.2410	35	250	3.6%	978	4.0%
Pregnancy						
Incomplete/Complete	0.1330	49	120	1.7%	489	2.0%
Eye						
Low	0.4840	50	30	0.4%	115	0.5%
Very low	0.2050	27	400	5.7%	1,467	6.0%
Cerebrovascular						
Low	0.2440	37	220	3.1%	856	3.5%
Infectious Disease						
AIDS high	2.5620	17	50	0.7%	220	0.9%
Infectious high	2.5620	44	12	0.2%	49	0.2%
HIV medium	0.8310	53	5	0.1%	24	0.1%
Infectious medium	0.8310	38	60	0.9%	245	1.0%
Infectious low	0.2740	45	85	1.2%	367	1.5%
Hematological						
Extra high	14.6910	55	-	0.0%	-	0.0%
Very high	3.0080	48	5	0.1%	24	0.1%
Medium	0.8920	36	65	0.9%	245	1.0%
Low	0.5390	26	150	2.1%	611	2.5%
Population Statistics						
No claims data	n/a	n/a	450	6.4%	1,467	6.0%
No classified CDPS categories	n/a	n/a	525	7.5%	1,712	7.0%

Risk-Adjustment Results	XYZ Health Plan	All Recipients
Recipients		
- Scored	7,000	24,450
- Total (scored and unscored)	8,300	28,300
Case Mix		
- Unadjusted	1.6473	1.7100
- Budget neutral	0.9634	1.0000