

Risk Adjusted Rates

The selection and implementation of a risk adjustment payment methodology must be done in an actuarially sound manner. The over-arching principle of risk-adjusted capitation rating is to better match payment to risk. Practically, what this means is that health plans' capitation payments would be adjusted to reflect the relative health risk burden of their enrollees, while the total capitation payments across all health plans would remain budget neutral.

Risk adjustment payment methodologies allow the capitation to be divided up among health plans differently than traditional capitation rates (e.g., set by geographic area, age, gender, program, and rating class).

The srHS team has worked with diagnoses-driven, questionnaires-driven, and pharmacy-driven risk adjustment tools. All have their strengths and weaknesses and we have helped our clients understand these and use them to their advantage. For example, we have tied diagnoses-driven tool implementations with pay-for-performance incentive programs that utilize the same diagnosis data coupled with recognized best practices for certain diagnoses.

Part of our process includes a review to ensure that the risk adjustment payment methodology and capitation rate range development are working appropriately together.