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2019 RADV IVA Results and Insights

Executive Summary

Wakely conducts national HHS-RADV IVA surveys to assist participants in estimating their RADV-adjusted risk transfers months before CMS releases official results. Obtaining timely estimates of RADV impacts and detailed deliverables allow issuers to understand RADV impact to risk transfers and manage financial risks.

Wakely collected Wakely National Risk Adjustment Reporting (WNRAR) participants' 2019 Risk Adjustment Data Validation (RADV) data files including their initial validation audit (IVA) results¹ to estimate national HCC Group average failure rates and confidence intervals. Based on these national benchmarks, Wakely also estimated HIOS ID (i.e. issuer) and market average error rates.² This paper presents national level results of our analysis for 2019 as well as a comparison of those results to our 2018 study and 2018 CMS results.^{3,4}

Wakely anticipated the new HHS-RADV methodology employed beginning with the 2019 RADV program (and future years) would result in an increased frequency of failure rate outliers and error rates but a reduced magnitude of error rates as compared to 2018 RADV results. While the frequency of error rates did increase, the magnitude of error rates observed varied. More specifically, in comparing Wakely's 2019 to 2018 RADV study results we observed:

- 1) The frequency of error rates increased:
 - a. The percent of HIOS IDs with a non-zero error rate increased from 15% to 20%.
 - b. The percent of markets with a non-zero error rate increased from 48% to 65%.
- 2) While the frequency of markets with error rates increased overall in 2019, frequency and magnitude of the error rates varied between positive and negative error rate markets:

¹ Participation in the 2019 RADV results survey was optional for WNRAR participants. Wakely only provided issuer and market results to participants who voluntarily submitted their RADV results.

² RADV error rates are used to adjust issuers' plan liability risk scores (PLRS). 2019 RADV error rates adjust 2020 PLRS, which will subsequently impact 2020 risk adjustment transfers.

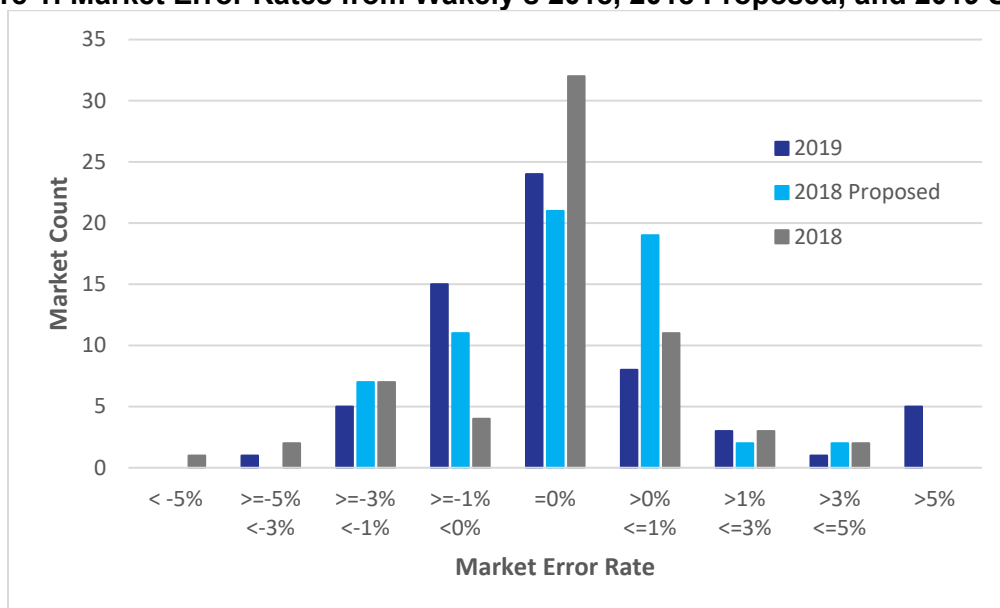
³ Wakely's RADV results are based on our understanding and interpretation of guidance in payment notices and protocols.

⁴ Based on our review of Wakely's 2018 estimates to actual published CMS 2018 results, we concluded that our methodology produces reliable estimates, but understandably, some differences exist. Please see Appendix B for additional information on our review.

- a. The percent of markets with a negative error rate increased, while the magnitude of the error rate decreased.
- b. The percent of markets with a positive error rate stayed consistent, while the magnitude of the error rate increased.

In addition to the 2018 and 2019 RADV IVA studies, Wakely also released an additional study in June of 2020 modeling the new RADV methodology on 2018 RADV IVA data to model what 2018 results under the new methodology may look like. We refer to this as the “2018 Proposed” run. Figure 1 below shows the error rates for the 62 markets that were present in the 2018, 2018 proposed and 2019 Wakely RADV IVA studies.

Figure 1: Market Error Rates from Wakely’s 2018, 2018 Proposed, and 2019 Study⁵



Our main observations when comparing the error rates across studies in Figure 1 and the key factors to consider include:

1. **Changes to RADV Methodology Influenced Results:** HHS revised the RADV methodology for 2019 RADV. ⁶ The results shown in the 2018 proposed and 2019 studies above used the new methodology. The new methodology was expected to have a larger number of outliers but lower magnitude in average error rate. While this expectation held true for negative error rates, the magnitude of positive error rate outliers increased in part due to issuer volatility.
2. **Year over Year Results Volatile:** Wakely has observed issuer and market results experience volatility year-to-year. Notable volatility was observed between 2018 and 2019 results even after accounting for expected volatility resulting from the methodology changes in 2019. For example,

⁵ 2018 Proposed is the results of running 2018 data under the proposed protocols, as implemented in 2019.

⁶ Wakely summarized the RADV methodology employed in 2019 and future years in this whitepaper: <https://www.wakely.com/sites/default/files/files/content/cms-hhs-radv-program-final-rule.pdf>

Wakely observed an increase in HIOS IDs with an error rate greater than 5% from 0 in the 2018 study to 5 in the 2019 study despite the expected downward pressure on error rates from the sliding scale introduced in 2019. More information comparing 2018 and 2019 RADV data is available in Tables 2, 3, 4, and Figure 2.

- 3. Potential COVID-19 Impact on Failure Rates:** Preliminary findings suggest that some issuer's high failure rates may be due to difficulty obtaining records from providers during the COVID-19 pandemic. However, we did not observe any regional issues (i.e. not all issuers within the same state have failure rates that fall outside of the national confidence interval). Additional research may be warranted to conclude if the pandemic significantly impacted record retrieval rates.

Further comparisons of the data can be found in the "Results and Observations" section below.

Background

CMS released final details for the 2019 RADV program, including the calculation details to determine the issuer error rate, in the 2020 Notice of Benefit and Payment Parameters (NBPP).⁷ Details of these changes are summarized in Appendix C. Please note, 2019 RADV results will be averaged with 2020 RADV results to ultimately impact 2020 benefit year transfers. An illustration of this calculation is presented in Appendix A.

For the 2019 RADV program, issuers were required to submit their initial validation audit (IVA) Package One Reporting to CMS on September 1st, 2021. After completing subsequent steps including the secondary validation audit (SVA), CMS is expected to release the 2019 and 2020 RADV results in summer of 2022. In this white paper, Wakely estimated preliminary 2019 RADV market average error rates using participants' IVA results and compared the preliminary 2019 results to our 2018 RADV study and 2018 CMS results.

Wakely performed a similar study on WNRAR participants' 2018 RADV IVA files and published a white paper in February 2020.⁸ Appendix B provides a comparison of Wakely's 2018 RADV Study results compared to actual 2018 CMS Results. There was a calculation error in error rate calculation in Wakely's 2018 RADV study. The impact of the error varied by market and only affected the magnitude of error rates. The direction of error rate estimates and the count of issuers and market with positive and negative error rates remained the same. 2018 results presented in this Whitepaper reflect the corrected calculation.

Methodology

Wakely sent participating issuers proprietary project codes to summarize preliminary 2019 RADV files, namely 2019 RADVEE, RADVDE, RADVPSF, RATEE and IVA_Findings_Report. Wakely's project codes compiled and summarized issuers' IVA results by member cohorts. No PHI or member level details were provided to Wakely. We reviewed summary files for reasonability, and in many cases, we worked

⁷ <https://www.cms.gov/CCIIO/Resources/Regulations-and-Guidance/Downloads/CMS-9913-F.pdf>

⁸ <https://www.wakely.com/sites/default/files/files/content/wakely-2018-radv-iva-study-results-20200227.pdf>

with issuers to address potential issues but did not audit the data and cannot guarantee that it was error-free.

Using participants' IVA results, Wakely compiled the reported EDGE server recorded Hierarchical Condition Categories (HCCs) and IVA substantiated HCCs for sampled RADV members at the issuer level to determine HCC failure rates nationally. Wakely, then, ranked each HCC's failure rates across all participants to estimate HCC Groups – namely, Low, Medium and High HCC Groups. The mean failure rate and confidence interval for each HCC Group were calculated separately to establish the estimated national benchmarks.

Using these national benchmarks, we estimated issuers' error rates based on our understanding of available guidance related to CMS' methodology. However, since member-level information was not collected, certain calculations and metrics - such as enrollee level adjustments – were calculated at a rolled up cohort level. Our modified approach will cause inaccuracies in the issuer error rate and therefore market error rate. This modified approach does not impact our estimates of failure rates and ability to identify outliers.⁹ Market average error rates were then estimated by weighting each issuer's estimated 2019 RADV error rates with their estimated 2020 total risk based on estimates from our WNRAR project. We did not include all submitted HIOS IDs in our market error rate calculation. 2019 HIOS issuers that are no longer present in the 2020 ACA market were excluded in our determination of market error rates.¹⁰ Further, issuers who reported being exempt from conducting a 2019 RADV IVA and issuers new to the ACA market in 2020 were also excluded from calculation of the national metrics. However, both sets of these issuers (exempt and new) were included in market error rate calculations by implicitly assigning a 0% error rate and using 2020 estimated total risk in weighting.¹¹

We had full participation from issuers who participated in all WNRAR markets. In most markets, we had over 90% participation of all issuers (when including non-WNRAR issuers), and in several markets, we had 100% participation.

Please review the caveats and limitations tab in the Excel file delivered to your organization with this report for additional information and important data notes. Additional caveats specific to this paper are also included in the Disclosures and Limitations section below.

Results and Observations

Summary of 2019 Preliminary Wakely RADV Results

We had full WNRAR participation in 68 markets, which includes 36 small group markets and 32 individual markets (including 1 merged market). We did not include catastrophic market results in this analysis.

Based on our estimates, we expect 44 markets (65% of markets) to have non-zero average error rates. For all issuers within a market with non-zero error rates, we expect their 2020 risk transfers to be adjusted

⁹ https://www.regtap.info/uploads/library/HRADV_2019_Protocols_032521_5CR_032521.pdf

¹⁰ If these issuers have a positive error rate, their results may still impact the 2019 risk transfers retroactively.

¹¹ Estimated total risk is calculated based on issuers' final 2020 benefit year RATEE files as collected through the WNRAR project.

as a result of the 2019 RADV program. Of these 44 markets, we are expecting 18 markets with positive error rates and 26 markets with negative error rates. Tables 2 and 3 below summarize our findings for Wakely's 2019 RADV study compared to Wakely's 2018 RADV study.

Table 2: RADV Summary Statistics – Issuer

Data Element	2018 Wakely RADV	2019 Wakely RADV
HIOS ID Count	407	432
% Non-Exempt	73%	85%
% Exempt	27%	15%
Non-Exempt Issuers	297	368
% Non-zero Error Rate	13%	20%
% Positive Error Rate	7%	8%
% Negative Error Rate	6%	12%

Table 3: RADV Summary Statistics – Market

Data Element	2018 Wakely RADV	2019 Wakely RADV
Market Count	62	68
% Non-zero Error Rate	48%	65%
% Positive Error Rate	26%	26%
% Negative Error Rate	23%	38%
Market Error Rate Metrics		
Max Market Error Rate Estimate	4.6%	9.4%
Min Market Error Rate Estimate	-5.1%	-3.6%
Average Market Positive Error Rate	1.1%	2.8%
Average Market Negative Error Rate	-2.0%	-0.9%

A negative market average error rate indicates that the market average risk scores are expected to increase. For example, if an issuer's RADV results shows that it had a zero error rate but the market average error rate is negative, the issuer's risk score will remain the same while the market average risk score is expected to increase. This will result in a lower relative risk after RADV for that issuer, and hence, risk transfer receipt will decrease. In other words, risk transfer charge will increase for that issuer. We have included a simplified sample calculation of how RADV error rates may impact issuers' risk transfers in Appendix A.

Error Rate Changes

The number of non-zero market error rates increased in our 2019 study compared to 2018. The average magnitude of the negative error rates decreased, however the average magnitude of positive error rates increased. As noted in point 3 relating to Figure 1, preliminary findings suggest that some issuer's high failure rates may be due to difficulty obtaining records from providers during the COVID-19 pandemic. It is important to note 55% of markets did not have the same sign error rate as in 2018 (i.e. market error rate was not 0%, positive, or negative in two consecutive years). Figures 1 and Table 4 below provide additional detail on market error rate distribution and continuity between the two years.¹²

Table 4: RADV Summary Statistics – Market Error Rate Continuity

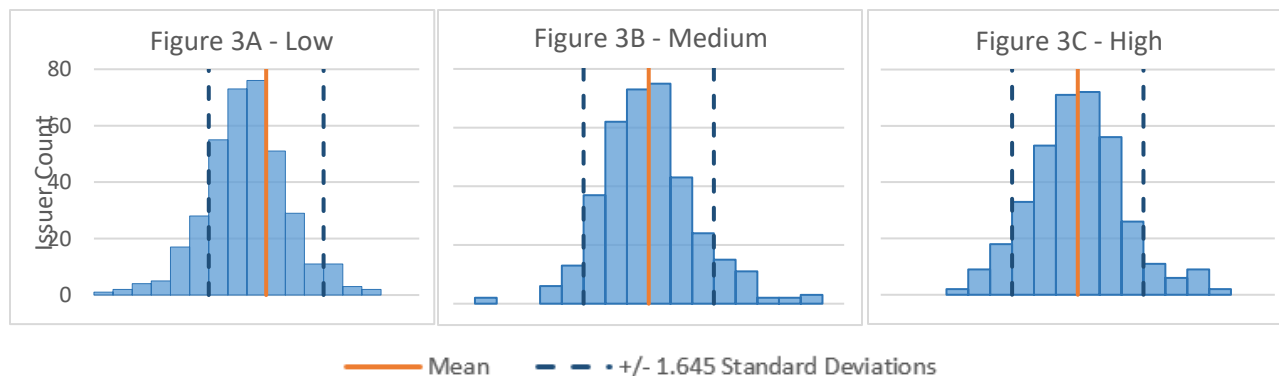
Data Element	Count	Percent
Number of Markets in both 2018 and 2019 Wakely Study	62	100%
# of Markets with no error rate in both years	15	24%
# of Markets with same sign	13	21%
# of Markets switching signs	8	13%
# of Markets with non-0 error rate in 18 and 0% error in 19	9	15%
# of Markets with 0% error rate in 18 and non-0% error in 19	17	27%

The issuer error rates, which ultimately determine the market error rates discussed above, are calculated by comparing each issuer's failure rates by HCC Group against the national distribution. More specifically, if an issuer's HCC Group failure rate is outside of the 90% confidence interval, an adjustment to the issuer's PLRS will be made; they will have an error rate. More discussion on the national confidence intervals and its impact are in the next section.

National Confidence Interval

In the 2019 RADV study, the HCC Group confidence interval mean remained fairly consistent while the standard deviation decreased for each HCC Group compared to Wakely's 2018 study. Even with a decreased standard deviation, we still observed more issuers being considered outliers. The increase in outliers is largely due to a change in protocols; the 2019 RADV study had a 90% confidence interval for national benchmarks, while the 2018 study had a 95% confidence interval. Due to the confidence intervals becoming smaller, more issuers fell outside of the bounds and received a non-zero error rate.

¹² See Executive Summary for Figure 1.

Figures 3A, 3B, and 3C: HCC Group Failure Rate Distribution

Figures 3A, 3B, and 3C above show the failure rate distribution of Wakely’s 2019 RADV study’s HIOS IDs. It is important to note that issuers close to the 90% confidence interval (or tails) are more susceptible to have their error rate change due to differences in our study and final CMS results. In other words, a small change to HCC Groupings or national confidence intervals could reclassify their outlier status and therefore issuer error rate.

Since our study did not include all HIOS IDs that operated in 2019, we note that our estimated national benchmarks for average failure rates and confidence intervals by HCC Group are inaccurate and will vary when additional HIOS IDs are included in CMS final calculation. In addition, we are relying on initial validation audit that has not yet been subjected to secondary validation audit (SVA). Issuers who fail the SVA pairwise mean testing will be given their final RADV results based on their SVA findings instead.

Given that current guidance indicates that HCC Group adjustment only occurs if an issuer’s failure rate falls outside of the 90% confidence interval, issuers who fall close to the 90% confidence interval (such as between the 87.5% confidence interval and the 92.5% confidence interval) are at higher risk of moving in and out of the 90% confidence interval depending on the final determination of the national confidence interval. However, as a change from the 2018 program, a sliding scale is applied to the adjustment for issuers who fall within the 90th and 99.7th confidence interval. For issuers that fall outside of the 99.7th confidence interval, the full adjustment is made.¹³ Additionally, 64 of the 432 HIOS IDs collected in our study were exempted from conducting an IVA in the 2019 RADV program.¹⁴

¹³ More detail on the sliding scale adjustment is outlined on page 4 of Wakely’s summary on RADV changes: <https://www.wakely.com/sites/default/files/files/content/cms-hhs-radv-program-final-rule.pdf>

¹⁴ Confidence interval is calculated based on the standard deviation of each HIOS ID to the mean failure rate as determined nationally. Our study only included 432 HIOS IDs (368 non-exempt included in the histograms), and we expect CMS final results to include many more HIOS IDs (closer to 550).

Additional Observations

RXCs

The 2019 RADV program was another pilot year for RXCs. In 2018, several participants reported an issue with date validation of RXCs in their 2018 RADV audit that resulted in most or all RXCs failing the validation.¹⁵ This issue affected around 20% of the 297 non-exempt HIOS IDs for which we collected RADV data. In the 2019 study, around 7% of the 368 non-exempt HIOS IDs failed validation for all RXCs.

In the HHS-RADV final rule,¹⁶ CMS finalized making the 2020 RADV program another pilot year for RXCs.

Exemptions

The number of non-exempt HIOS IDs in the 2019 RADV study increased to 368 from 297 in our 2018 study. This is due in large part to how CMS provides exemptions to smaller HIOS IDs (i.e., issuers with less than \$15 million of annual ACA premiums (from the RADV program)).¹⁷ These HIOS IDs have to perform a RADV audit approximately once every three years. Since the 2017 RADV program was the first year the results of the RADV program were applied to risk transfers, CMS required these HIOS IDs to conduct a RADV audit. However these HIOS IDs were then were exempted from the 2018 RADV program. In the 2019 RADV program, a portion of these HIOS IDs were again subject to audit. Issuers with less than 500 billable member months continued to be exempted.

Disclosures and Limitations

The data included in this report and produced by the Wakely National Risk Adjustment Reporting (WNRAR) project are inherently uncertain and relies upon data provided by WNRAR participants. Users of this white paper should be qualified to use it and understand the results and the inherent uncertainty. Wakely makes no warranties regarding the results. Actual results will vary, potentially significantly. We strongly recommend that Wakely review the results of any modeling and the appropriateness of applications that use the summaries contained herein.

We performed reasonability checks on the data where possible but did not audit the data. RADV results from issuers not participating in this optional survey may change the results provided in this white paper. Other uncertainty in the estimates contained in these results include but are not limited to the following:

1. The calculated market average error rates are based on our understanding of the RADV program. Our interpretation of the available methodology may be flawed or inconsistent with the actual approach that will be used.

¹⁵ Multiple issuers reported dates being inconsistent between pharmacy claim process dates in EDGE and the date on the screenshot used to validate the pharmacy claim causing most or all RXCs to not be validated.

¹⁶ <https://www.cms.gov/CCIIO/Resources/Regulations-and-Guidance/Downloads/CMS-9913-F.pdf>

¹⁷ Full exemption criteria can be found in page 8 of

https://www.regtap.info/uploads/library/HRADV_2019_Protocols_032521_5CR_032521.pdf

2. The results presented in this white paper are based on initial validation audit (IVA) results due to the timing of this analysis. This does not include any adjustments made through the secondary validation audit (SVA) that would be performed after our data collection.
3. We do not have full national participation. CMS national benchmark will include all HIOS IDs subjected to the RADV program.
4. Wakely used 2019 RADV error rates weighted by 2020 total risk (as reported in final 2020 benefit year RATEE files as collected in our WNRAR study) to estimate market average error rates. 2020 market membership and total risk may not be representative of future market membership. If an issuer with a large RADV error rate gains or loses significant market share in future years, the results may be significantly impacted.
5. Our interpretation of CMS guidance on RADV¹⁸ may not be perfect. Where model parameters or methodology are not clear or appear to be erroneous, we have made decisions on what we believe to be the most appropriate approach. Actual implementation by CMS may be different than we have assumed.
6. The 2019 and 2020 benefit year RADV programs are classified as a transitional year by CMS. In this transitional year, the 2019 and 2020 benefit year RADV results will be conducted separately and then simple averaged for each HIOS ID's error rate to ultimately adjust 2020 risk scores (PLRS) and impact 2020 benefit year risk adjustment transfers. Since 2020 RADV results are not currently available and RADV results can vary greatly year-to-year, there is currently not sufficient data available to obtain an estimate of RADV's impact to 2020 risk transfers.

Wakely is not a legal or audit firm. Please consult your accounting, legal and actuarial experts in developing your internal estimates.

Please contact Chia Yi Chin at ChiaC@wakely.com, Matt Sauter at MattS@wakely.com, or Maris Hayes at Maris.Hayes@wakely.com with any questions or to discuss these estimates.

¹⁸ https://www.regtap.info/uploads/library/HRADV_2019_Protocols_032521_5CR_032521.pdf

Appendix A – Sample Illustration of Risk Transfer Impact

In this section, we are illustrating a simplified example of the potential impact of the RADV program on issuers' risk transfers. The 2019 and 2020 benefit year RADV programs are classified as a transitional year by CMS. In this transitional year, the 2019 and 2020 benefit year RADV results will be conducted separately and then simple averaged for each HIOS ID's error rate to ultimately adjust 2020 risk scores (PLRS) and impact 2020 benefit year risk adjustment transfers. Since 2020 RADV results are not currently available and RADV results can vary greatly year-to-year, there is currently not sufficient data available to obtain an estimate of RADV's impact to 2020 risk transfers. The example below shows a mock-up based on 2019 and 2020 results. These results do not represent actual results from any markets/participants in our 2019 RADV study above. It is only provided for discussion purposes.

Exhibit A1 – Error Rate Calculations in Mock-up Market

Issuer	2020 Billable Member		C = A * B		E		G		I	
	Months	2020 PLRS	2020 Total Risk	2019 Error Rate	2020 Error Rate	2020 Error Rate	2020 Error Rate	RADV Results (Effective Error Rate)	Market Error Rate	Market Error Rate
Issuer A	50,000	1.10	55,000	-3.0%	5.0%	-9.0%	1.9%	-6.0%	3.4%	3.4%
Issuer B	100,000	1.00	100,000	0.0%	5.0%	0.0%	1.9%	0.0%	3.4%	3.4%
Issuer C	200,000	0.95	190,000	10.0%	5.0%	6.0%	1.9%	8.0%	3.4%	3.4%
Market	350,000	0.99	345,000	5.0%	5.0%	1.9%	1.9%	3.4%	3.4%	3.4%

Exhibit A2 – Risk Transfer Changes in Mock-up Market

Statewide RA Premium (P): \$500

Issuer	2020 Billable Member		C = A * B		E = B / Mrkt(B)		F = (E-1)*A*P		G		H		I* = E*(1+H)* (1-G)		J = (I-1)*A*P		K = J - F		L = K / (A*P)	
	Months	2020 PLRS	2020 Total Risk	Relative Risk	Transfer	2019 Error Rate	2020 Error Rate	RADV Results (Effective Error Rate) ²	Market Error Rate	Relative Risk ³	Transfer	Post-RADV Transfers	Change in Transfers	% of Premium						
Issuer A	50,000	1.10	55,000	1.116	\$ 2,898,551	-6.0%	3.4%	-6.0%	3.4%	1.224	\$ 5,592,499	\$ 2,693,949	10.8%							
Issuer B	100,000	1.00	100,000	1.014	\$ 724,638	0.0%	3.4%	0.0%	3.4%	1.049	\$ 2,474,270	\$ 1,749,632	3.5%							
Issuer C	200,000	0.95	190,000	0.964	\$ (3,623,188)	8.0%	3.4%	8.0%	3.4%	0.917	\$ (8,274,976)	\$ (4,651,787)	-4.7%							
Market	350,000	0.99	345,000	1.000	\$ -	3.4%	3.4%	3.4%	3.4%	1.000	\$ -	\$ -	0.0%							

¹ Market error rate calculated by taking issuer error rate weighted by 2020 total risk

² Issuer and Market Error rate to be used in risk transfer change calculation are the error rates found in column H and I of Exhibit A1

³ Post-RADV relative risk is calculated using a simplified formula

In our mock-up market, we show three issuers with varying market share and risk profiles. Relative risk shown in the example above is simplified for illustrative purpose and is calculated using plan liability risk scores (PLRS) only. Actual calculation is more complex.¹⁹ In this example we show that Issuer A had a -3.0% error rate in 2019 and a -9.0% error rate in 2020, for an average of -6.0%. Issuer B had a 0.0% error rate in both years, averaging to 0.0%. Issuer C had a 6.0% in 2019 and a 10.0% error rate in 2020,

¹⁹ The actual formula to calculate relative risk is as follows:

$$1 + \left[\frac{PLRS_i \times IDF_i \times GCF_i}{\sum_i (s_i \times PLRS_i \times IDF_i \times GCF_i)} - \frac{AV_i \times ARF_i \times IDF_i \times GCF_i}{\sum_i (s_i \times AV_i \times ARF_i \times IDF_i \times GCF_i)} \right]$$

averaging to an 8.0% error rate. Each issuer's simple averaged error rate will then be used in the remainder of the transfer calculation. We noted that Issuer A and Issuer C had error rates based on their RADV results (-6.0% and +8.0% respectively). This resulted in a market average error rate of 3.4%. Then, we estimated post-RADV relative risk using a simplified calculation.²⁰

As shown in column L of exhibit A2 above, RADV results can significantly impact an issuer's risk transfer results. The change in risk transfers range from -4.7% to 10.8% for issuers in this mock-up market. Further, we note that Issuer B had their risk transfers adjusted by 3.5% of statewide average premium despite their own RADV results yielding a 0% error rate. The illustration above is simplified but highlights a key point – even if an issuer error has a 0% error rate, risk adjustment transfers can still be affected by a significant amount if at least one issuer within its market is adjusted through RADV.

²⁰ We expect CMS to ultimately use the issuer error rate from RADV to adjust issuer PLRS at each plan ID and rating area level for that HIOS.

Appendix B – Wakely 2018 RADV Study vs Actual 2018 CMS Results

Market Error Rates

A table comparing the estimated market error rate sign (negative, 0, or positive) compared to the actual market sign released by CMS is presented below. Wakely correctly estimated the market error rate sign for 50 out of 62 markets in 2018.

Table B.1 – Comparison of Wakely & CMS 2018 Market Error Rate Signs

	Error Rate	2018 CMS			Percent Classified Correctly
		Negative	Zero	Positive	
2018 Wakely	Negative	10	3	1	71.4%
	Zero	1	29	2	90.6%
	Positive	2	3	11	68.8%

National Confidence Intervals

Wakely’s 2018 national confidence interval estimates compared to CMS’ final 2018 estimates are presented below. Despite not having full national participation, Wakely’s national mean benchmark estimates in 2018 were very close to the final averages released by CMS with differences of about 1.5% or less. Similarly, Wakely’s estimates for the three HCC Group confidence interval bounds were in line with CMS’ final results and differed by approximately 1% or less.

Table B.2 – Comparison of Wakely & CMS 2018 National Confidence Interval

Wakely 2018 Failure Rate National CI				Wakely 2018 - CMS 2018		
HCC Group	Mean	Lower Bound	Upper Bound	Mean	Lower Bound	Upper Bound
Low	3.66%	-13.33%	20.66%	0.29%	0.63%	-0.04%
Medium	12.26%	-3.52%	28.04%	0.28%	1.38%	-0.83%
High	23.25%	5.70%	40.80%	0.63%	1.09%	0.18%

Appendix C – 2019 RADV Protocol Change Summary

On November 24, 2020, CMS issued a final rule²¹ that finalized several proposed changes to the timing and methodology of the RADV program beginning with the 2019 benefit year HHS-RADV program.

1. Aggregating HCCs with the same risk score coefficient into “Super HCCs” before determining failure rates.
2. Reducing the impact of the “payment cliff” by incorporating a sliding scale from 90th to 99.7th percentile of confidence interval.
3. Constraining the impact of negative error rate outlier issuers with negative failure rates.
4. Any issuer with fewer than 30 EDGE HCCs (Hierarchical condition categories) within an HCC failure rate group would not be determined to be an outlier
5. Changing to a concurrent HHS-RADV program by adjusting risk transfers for the same benefit year as being audited, starting with benefit year 2021. 2020 will be a transition year. 2019 & 2020 benefit year HHS-RADV data will be used to adjust 2020 risk adjustment transfers²².

Wakely released a paper in December of 2020 analyzing these changes using Wakely 2018 RADV results.²³ When analyzing the 2018 results Wakely observed that in general, these changes resulted in more issuers being identified as outliers under the proposed methodology, while the magnitude of the error rates decreased.

²¹ <https://www.cms.gov/CCIIO/Resources/Regulations-and-Guidance/Downloads/CMS-9913-F.pdf>

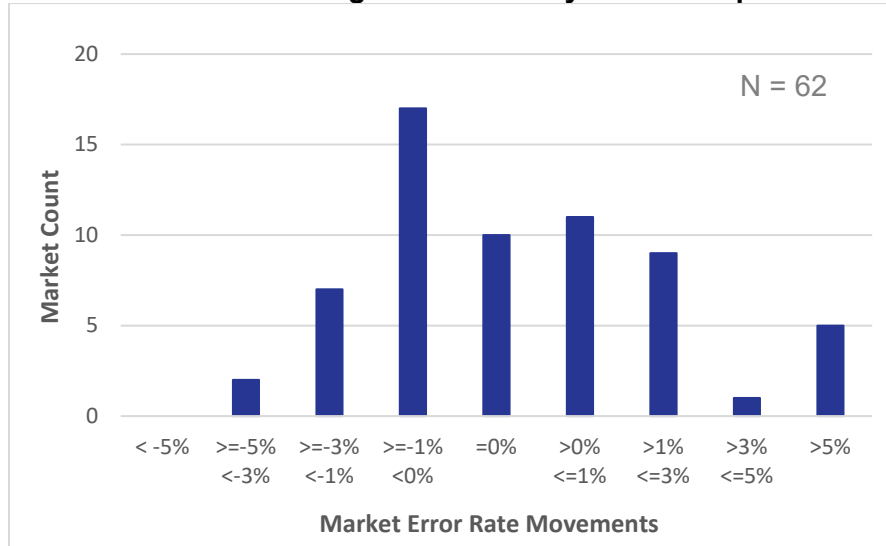
²² Both 2019 and 2020 HHS-RADV results will be released in calendar year 2022. 2019 HHS-RADV process was delayed due to COVID-19 pandemic.

²³ <https://www.wakely.com/sites/default/files/files/content/cms-hhs-radv-program-final-rule.pdf>

Appendix D – Market Error Rate Changes

Figure 2 below shows the count of markets by the amount that their error rate changed in our study from 2018 Proposed to 2019. While majority of the markets have less than 1% change in error rate, it is important to note that 24 out of our 62 markets are estimated to have absolute error rate changes of higher than 1% from 2018 Proposed RADV to 2019 RADV. Therefore, estimating current year RADV impact based on prior year RADV results may not be accurate and reliable.

Figure 2: Market Error Rate Changes from Wakely’s 2018 Proposed to 2019 Study



OUR STORY

Five decades. Wakely began in 1969 and eventually evolved into several successful divisions. In 1999, the actuarial arm became the current-day Wakely Consulting Group, LLC, which specializes in providing actuarial expertise in the healthcare industry. Today, there are few healthcare topics our actuaries cannot tackle.

Wakely is now a subsidiary of Health Management Associates. HMA is an independent, national research and consulting firm specializing in publicly funded healthcare and human services policy, programs, financing, and evaluation. We serve government, public and private providers, health systems, health plans, community-based organizations, institutional investors, foundations, and associations. Every client matters. Every client gets our best. With more than 20 offices and over 400 multidisciplinary consultants coast to coast, our expertise, our services, and our team are always within client reach.

Broad healthcare knowledge. Wakely is experienced in all facets of the healthcare industry, from carriers to providers to governmental agencies. Our employees excel at providing solutions to parties across the spectrum.

Your advocate. Our actuarial experts and policy analysts continually monitor and analyze potential changes to inform our clients' strategies – and propel their success.

Our Vision: To partner with clients to drive business growth, accelerate success, and propel the health care industry forward.

Our Mission: We empower our unique team to serve as trusted advisors with a foundation of robust data, advanced analytics, and a comprehensive understanding of the health care industry.

We go beyond the numbers

Learn more about Wakely Consulting Group at www.wakely.com