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2020 RADV IVA Results and Insights

Executive Summary

Wakely conducts national HHS-RADV IVA surveys to assist participants in estimating their RADV-adjusted risk transfers in advance of CMS official results. Obtaining timely estimates of RADV impacts and detailed deliverables allow issuers to understand RADV impact to risk transfers and manage financial risks. 2020 RADV methodology is consistent with 2019 RADV methodology, more detail can be found in Appendix C of this report.

In order to estimate potential RADV impacts, Wakely collected study participants' 2020 RADV initial validation audit (IVA) results through Wakely's National Risk Adjustment Reporting (WNRAR) project. These files allowed Wakely to carry out CMS' RADV methodology to calculate national HCC Group average failure rates, national confidence intervals, and ultimately estimate HIOS ID (i.e. issuer) and market average error rates. This paper presents national level results of our analysis for 2020 as well as comparisons of prior year RADV results.

RADV error rates are used to adjust issuers' plan liability risk scores (PLRS). 2019 RADV error rates are simple averaged with 2020 RADV error rates to adjust 2020 PLRS and subsequently impact 2020 risk adjustment transfers.[1] As such, we examined how market error rates changed between 2019, 2020, and when the years were averaged together (combined average).
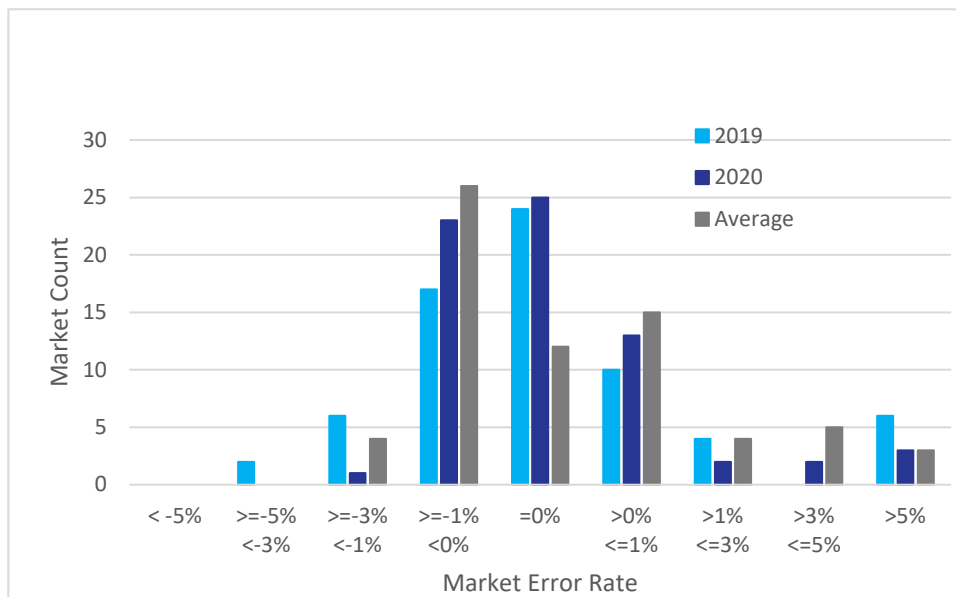
Comparing 2019 to 2020 Wakely RADV IVA study results, we observed:

1. **Most markets will have a risk transfer impact based on RADV results.** Similar to 2019, 64% of markets had a non-zero error rate. However, the magnitude of the average error rates decreased for both positive and negative markets. See Tables 2 and 3 for more detail.

2. **RADV results remain volatile.** 54% of markets did not have the same sign error rate in 2020 as in 2019 (i.e. market error rate was not 0%, positive, or negative in two consecutive years). See Table 4 for more detail.

To illustrate the market error rates in 2019, 2020, and the combined average, Figure 1 below shows the error rates for the 69 markets that were present in the 2019 and 2020 Wakely RADV IVA studies.

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[1] For example, an issuer with a 3% error rate in 2019 and a 5% error rate in 2020 will have a combined average of 4%. The combined average will impact 2020 risk adjustment transfers. More detail on this calculation can be found in Appendix A.

Figure 1: Market Error Rates from Wakely's 2019 and 2020 Study, and Combined Average

Key factors to consider when comparing the error rates across studies in Figure 1 include:

1. **2020 High Level Results**: The magnitude of the average error rate decreased for both positive and negative error rates. As shown by the tails of the above chart, we observed that the 2020 results had fewer markets in the tail ends of results for both positive and negative error rates. The average positive market error rate decreased from 3.2% in 2019 to 2.7% in 2020. Similarly, the average negative market error rate increased from -0.9% to -0.3%.

2. **Combined Average Results[2]**: The combined average has more non-zero error rate markets than 2019 or 2020 separately. This is because a market that may have a 0% error rate in one year may have a non-zero error rate in the other year, causing the combined average to be non-zero. We also observe more markets falling between -1% to 0% and 0% to 1% as the combined average results decrease the number of markets on the tail ends.

3. **Year-over-Year Results Volatile**: We observed issuer and market results experience volatility year-to-year. This is illustrated in the above two observations, and has also been a point in prior RADV comparisons dating back to 2017 RADV. In 2019 RADV, preliminary findings suggested that some issuer's high error rates may have been due to difficulty obtaining records from providers during the COVID-19 pandemic. In the 2020 RADV audit, we did not note data collection to be a persistent issue. 2020 RADV audit improvement may be due to issuers' additional experience in RADV or the data collection improving later in the year, with less disruption due to the COVID-19 pandemic.

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

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[2] The combined average results are a simple average of 2019 and 2020 results.

Background

CMS released final details for the 2020 RADV program, including the calculation details to determine the issuer error rate, in the 2021 Notice of Benefit and Payment Parameters (NBPP).[3] 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 2020 RADV program, issuers were required to submit their initial validation audit (IVA) Package One Reporting to CMS on January 13th, 2022. 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 2020 RADV market average error rates using participants' IVA results and compared the preliminary 2020 results to our 2019 RADV study. For the complete timeline of issuer submission dates, results release and other key dates, please see Appendix D.

Wakely performed a similar study on WNRAR participants' 2019 RADV IVA files and published a white paper in February 2022.[4] Appendix B provides a comparison of Wakely's 2019 RADV Study results compared to actual 2019 CMS results.

Methodology

Wakely sent participating issuers proprietary project codes to summarize preliminary 2019 and 2020 RADV files, namely 2019/2020 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 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.[5] Market average error rates were then estimated by weighting each issuer's estimated

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[3] https://www.federalregister.gov/documents/2020/05/14/2020-10045/patient-protection-and-affordable-care-act-hhs-notice-of-benefit-and-payment-parameters-for-2021

[4] https://www.wakely.com/sites/default/files/files/content/wakely-2019-radv-iva-results-and-insights_0.pdf

[5] https://regtap.cms.gov/uploads/library/2020_RADV_Protocols__042921_5CR_060421.pdf

2020 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 national metric calculation. Issuers who reported being exempt from conducting a 2020 RADV IVA were excluded from the calculation of the national metrics. However, these exempted issuers were included in market error rate calculations by implicitly assigning a 0% error rate and using 2020 estimated total risk in weighting.[6]

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 2020 Preliminary Wakely RADV Results

We had full WNRAR participation in 69 markets, which includes 37 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 (64% 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 as a result of the 2020 RADV program. Of these 44 markets, we are expecting 20 markets with positive error rates and 24 markets with negative error rates. Tables 2 and 3 below summarize our findings for Wakely's 2020 RADV study compared to Wakely's 2019 RADV study and to the combined averaged results[7]. While 2019 and 2020 RADV results are not used to adjust results independently, it is important to understand the change/volatility in results.

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[6] Estimated total risk is calculated from issuers' final 2020 benefit year RATEE files as collected through the WNRAR project.
[7] Combined Average Wakely RADV column represents the 2019 and 2020 simple averaged results. Results are averaged at the HIOS ID level and market error rate is calculated using estimated 2020 total risk.

Table 2: RADV Summary Statistics – Issuer

Data Element	2019 Wakely RADV	2020 Wakely RADV	Combined Average Wakely RADV
HIOS ID Count	**434**	**459**	**459** [8]
% Non-Exempt	85%	85%	N/A
% Exempt	15%	15%	N/A
Non-Exempt Issuers	**369**	**388**	**388**
% Non-zero Error Rate	20%	19%	32%
% Positive Error Rate	8%	11%	16%
% Negative Error Rate	12%	8%	16%

Table 2 shows that the number of non-zero error rate issuers are comparatively higher in the combined average results than 2019 or 2020. This is because while an issuer may have experienced a zero error rate in one year, it may subsequently have had a positive or negative error rate in the other year, resulting in a non-zero average. For example, if an issuer has a 0% error rate in 2019 and a 3% error rate in 2020, they will have a 1.5% combined average error rate.

Table 3: RADV Summary Statistics – Market

Data Element	2019 Wakely RADV	2020 Wakely RADV	Combined Average Wakely RADV
Market Count	**69**	**69**	**69**
% Non-zero Error Rate	65%	64%	83%
% Positive Error Rate	29%	29%	39%
% Negative Error Rate	36%	35%	43%
Market Error Rate Metrics			
Max Market Error Rate Estimate	14.0%	17.2%	9.7%
Min Market Error Rate Estimate	-3.5%	-1.8%	-2.4%
Average Market Positive Error Rate	3.2%	2.7%	2.2%
Average Market Negative Error Rate	-0.9%	-0.3%	-0.5%

Table 3 illustrates the volatility of error rates between 2019 and 2020 RADV for each market. In addition, Table 3 also shows that while 83% of markets resulted in a non-zero error rate, the magnitude of the market error rate is lower than 2019 or 2020 RADV results. As is the case with the issuer error rate, market error rates are also averaged for 2019 and 2020. For example, if a market experienced a positive error rate in 2019, and had a zero or negative error rate in 2020, the combined average would be less than the 2019 error rate.

To further understand the impact of error rates, we have included a simplified sample calculation of how RADV error rates may impact issuers' risk transfers in Appendix A.

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[8] Only HIOS IDs which were in the 2020 Wakely RADV study were a part of the average calculation. HIOS IDs that exited the market in 2019 were not included.

Error Rate Changes

The percent of non-zero market error rates decreased slightly from 65% in our 2019 study to 64% in our 2020 study. The average magnitude of the positive and negative error rates decreased. It is important to note 54% of markets did not have the same sign error rate in 2020 as in 2019 (i.e. market error rate was not 0%, positive, or negative in two consecutive years). Figure 1 and Table 4 below provide additional detail on market error rate distribution and continuity between the two years.[9]

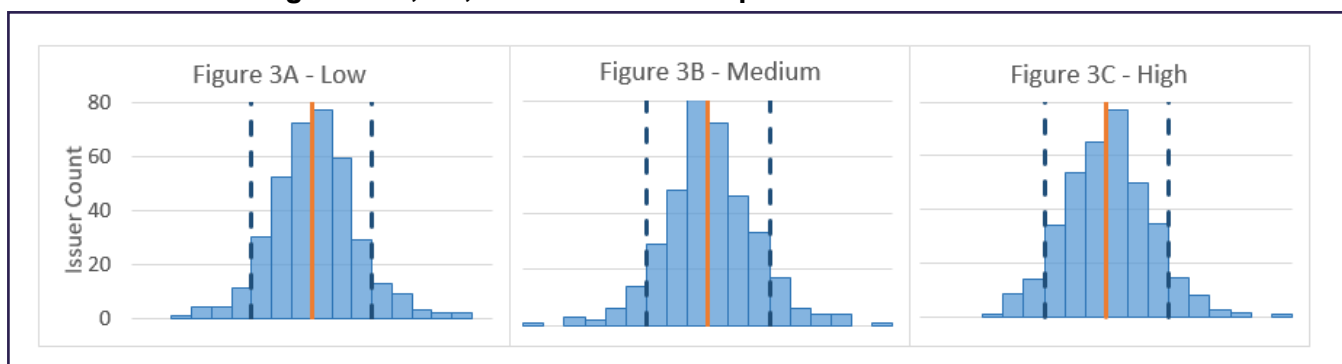**Table 4: RADV Summary Statistics – Market Error Rate Continuity**

Data Element	Count	Percent
Number of Markets in both 2019 and 2020 Wakely Study	**69**	**100%**
# of Markets with no error rate in both years	12	**17%**
# of Markets with same sign	20	**29%**
# of Markets switching signs	12	**17%**
# of Markets with non-0 error rate in 19 and 0% error in 20	13	**19%**
# of Markets with 0% error rate in 19 and non-0% error in 20	12	**17%**

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 2020 RADV study, the HCC Group confidence interval mean and standard deviation decreased for each HCC Group compared to Wakely's 2019 study.

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

Figures 3A, 3B, and 3C above show the failure rate distribution of Wakely's 2020 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

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[9] See Executive Summary for Figure 1.

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 2020 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.[10] Additionally, 71 of the 459 HIOS IDs collected in our study were exempted from conducting an IVA in the 2020 RADV program.[11]

Additional Observations

RXCs

The 2020 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.[12] 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 2020 study, less than 1% of the 388 non-exempt HIOS IDs failed validation for all RXCs.

Exemptions

The percentage of non-exempt HIOS IDs in Wakely's 2020 RADV study and in the 2019 RADV study was 85%. While we saw the percentage of non-exempt HIOS IDs in our study change from 73% in 2018 to 85% in 2019, the consistency between 2019 and 2020 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).[13] 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

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[10] 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

[11] 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 459 HIOS IDs (388 non-exempt included in the histograms), and we expect CMS final results to include many more HIOS IDs (closer to 550).

[12] 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.

[13] Full exemption criteria can be found in page 12-13 of https://regtap.cms.gov/uploads/library/2020_RADV_Protocols__042921_5CR_060421.pdf

to risk transfers, CMS required these HIOS IDs to conduct a RADV audit. However, these HIOS IDs were then exempted from the 2018 RADV program. In the 2019 and 2020 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.

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 and 2020 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 RADV[14] 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.

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[14] https://www.regtap.info/uploads/library/HRADV_2019__Protocols_032521_5CR_032521.pdf

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 Chiayi.Chin@wakely.com, Matt Sauter at MattS@wakely.com, or Maris Hayes at Maris.Hayes@wakely.com with any questions or to discuss these estimates.

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. 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 2020 RADV study above. It is only provided for discussion purposes.

Exhibit A1 – Error Rate Calculations in Mock-up Market

	A	B	C = A * B	D	E	F	G	H	I
					2019 Error Rate		2020 Error Rate	RADV Results (Effective Error Rate)	
					Market		Market	Market	
	2020 Billable				Error		Error		Error
	Member	2020	2020 Total	Issuer	Error	Issuer	Error	Issuer	Error
Issuer	Months	PLRS	Risk	Error Rate	Rate[1]	Error Rate	Rate[1]	Error Rate	Rate[1]
Issuer A	50,000	1.10	55,000	-3.0%	5.0%	-9.0%	1.9%	-6.0%	3.4%
Issuer B	100,000	1.00	100,000	0.0%	5.0%	0.0%	1.9%	0.0%	3.4%
Issuer C	200,000	0.95	190,000	10.0%	5.0%	6.0%	1.9%	8.0%	3.4%
Market	350,000	0.99	345,000	**5.0%**	5.0%	**1.9%**	1.9%	**3.4%**	3.4%

Exhibit A2 – Risk Transfer Changes in Mock-up Market

Statewide RA Premium (P): $500

	A	B	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)
						RADV Results (Effective Error Rate)[2]					
				Pre-RADV Transfers			Market	Post-RADV Transfers		Change in Transfers	
	2020 Billable					Issuer	Error			Change in	% of
	Member	2020	2020 Total	Relative		Error		Relative			
Issuer	Months	PLRS	Risk	Risk	Transfer	Rate	Rate[1]	Risk[3]	Transfer	Transfers	Premium
Issuer A	50,000	1.10	55,000	1.116	$ 2,898,551	-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%	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%	0.917	$ (8,274,976)	$ (4,651,787)	-4.7%
Market	350,000	0.99	345,000	1.000	$ -	**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.[15] 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, averaging to an 8.0% error rate. Each issuer's simple averaged error rate will then be used in the

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[15] The actual formula to calculate relative risk is as follows:

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

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.[16]

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.

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.

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[16] 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 RADV Study vs Actual CMS Results

Market Error Rates

A table comparing the estimated market error rate sign (negative, 0, or positive) compared to the actual market error rate sign released by CMS is presented below. Wakely correctly estimated the market error rate sign for 60 out of 69 markets in 2019 and the average absolute difference between CMS and Wakely error rates was under 0.50%.

Table B.1 – Comparison of Wakely & CMS 2019 National Confidence Interval

	2019 CMS					
	Error Rate	**Negative**	**Zero**	**Positive**	**Percent Classified Correctly**	**Average Absolute Difference of Error Rates**
2019 Wakely	Negative	18	5	2	72%	0.35%
	Zero	2	22	0	92%	0.01%
	Positive	0	0	20	100%	0.45%

National Confidence Intervals

Wakely's 2019 national confidence interval estimates compared to CMS' final 2019 results[17] are presented below. Despite not having full national participation, Wakely's national mean benchmark estimates were very close to the final averages released by CMS with differences of about 0.65% or less in 2019. Similarly, Wakely's estimates for the three HCC Group confidence interval bounds were in line with CMS' final results and differed by approximately 1.0% or less in 2019.

Table B.2 – Comparison of Wakely & CMS 2019 National Confidence Interval

Wakely 2019 Failure Rate National CI				Wakely 2019 - CMS 2019		
HCC Group	**Mean**	**Lower Bound**	**Upper Bound**	**Mean**	**Lower Bound**	**Upper Bound**
Low	4.25%	-8.83%	17.33%	-0.17%	0.28%	-0.61%
Medium	12.45%	-2.33%	27.24%	-0.33%	-0.02%	-0.64%
High	23.38%	8.52%	38.24%	-0.60%	-0.58%	-0.63%

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[17] https://www.cms.gov/files/document/2019-radv-results-memoclean2022-02-23.pdf

Appendix C – 2019 RADV Protocol Change Summary

On November 24, 2020, CMS issued a final rule[18] 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 transfers[19].

Wakely released a paper in December of 2020 analyzing these changes using Wakely 2018 RADV results.[20] 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.

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[18] https://www.cms.gov/CCIIO/Resources/Regulations-and-Guidance/Downloads/CMS-9913-F.pdf

[19] 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.

[20] https://www.wakely.com/sites/default/files/files/content/cms-hhs-radv-program-final-rule.pdf

Appendix D – RADV Timeline

Category	Item	Date
2019 IVA	2019 IVA Package Report due to CMS	September 2021
Wakely	Wakely 2019 RADV Issuer and Market Estimates Released	Early October 2021
2020 IVA	2020 IVA Package Report due to CMS	January 2022
Wakely	Wakely 2019 and 2020 Combined Average RADV Issuer and Market Estimates Released	Early February 2022
CMS	CMS 2019 RADV Issuer Only Results Released	Late February 2022
Wakely	Wakely 2019 RADV Issuer and Market Estimates based on 2019 CMS National Benchmarks Released	March 2022
CMS	CMS 2019 RADV Market Results Released	April 2022
CMS	CMS 2019 and 2020 Combined Average Issuer and Market Results Released	Summer 2022

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.

Going Beyond the Numbers

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