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2021 Supplemental Claims Impact

This paper provides information related to supplemental claim information collected through the 2021 Wakely National Risk Adjustment Reporting (WNRAR) project¹. Actual results for any particular issuer for 2021 and especially in the future may vary materially from our estimates for many reasons. Please see the Disclosures and Limitations section of this report for a discussion of such reasons.

Executive Summary

Based on Wakely’s estimates, the member month-weighted average impact of supplemental claims to risk scores in 2021 was an increase of 2.73%. This estimate represents the marginal, multiplicative average risk score increase attributable to supplemental claims for the 505 HIOS IDs that submitted a separate supplemental claims file in the 2021 full-year WNRAR reporting run. We excluded all issuers who did not submit a separate supplemental file, which represented approximately 5% of WNRAR member months. In addition, HIOS IDs with less than 2,400 member months were excluded for credibility purposes.

Table 1 below provides additional details on the impact of supplemental claims including mean supplemental impact broken out for the individual and small group market. While not shown in Figure 1, we note that results varied significantly by issuer and state.

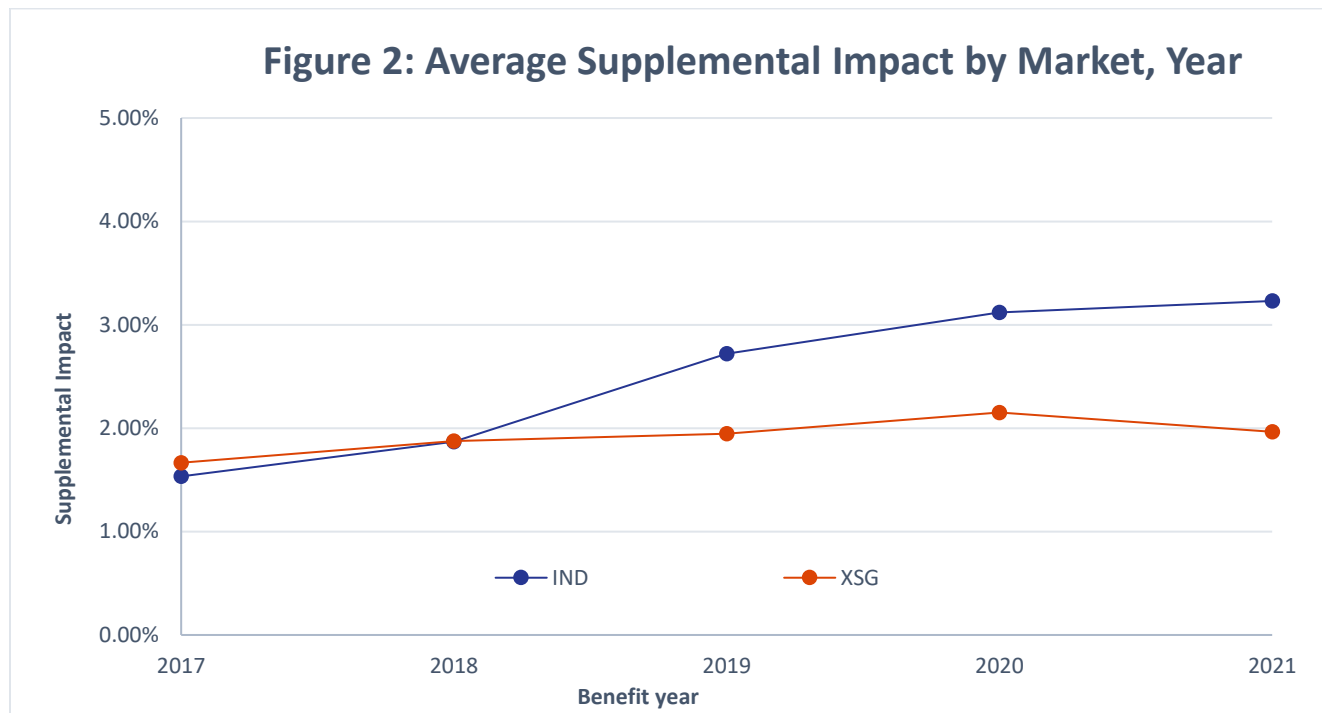
Table 1: 2021 Supplemental Impact (Wakely WNRAR)

Market	Count of HIOS IDs	Member Months (millions)	Mean PLRS Impact
Combined	505	240.0	2.73%
Individual	233	145.4	3.23%
Small Group	272	94.6	1.97%

Based on results from our annual reporting from 2017 to 2021, the overall WNRAR-observed supplemental PLRS increased by approximately 70% over the past four years. This four-year increase varied by market with the individual market doubling (111%) while the small group market increased approximately 18% over the same period, including roughly a 9% decrease from 2020 to 2021. This

¹ The WNRAR Study provides interim risk adjustment transfer estimates alongside other insightful risk metrics at both the issuer and market level (such as HCC prevalence by metal level). Please contact Matt Sauter at MattS@Wakely.com for more info.

represents an annual average additive increase of 0.42% and 0.08% on the impact of supplemental files for the individual and small group markets respectively. Figure 2 below shows the average supplemental claims impact to PLRS by year as observed in the WNRAR study.



Methodology

The supplemental file impacts provided in this report were estimated by scoring HIOS IDs with and without the WNRAR supplemental file to determine the marginal impact of the supplemental claims. Additionally, other risk score optimization efforts such as steering a member to their PCP or home assessments are not included in this analysis as these records typically show up as their own records in the medical file and not as “add/delete” records in the supplemental file. Estimates in this whitepaper were based on WNRAR participants’ 2021 full-year data submission for only those issuers who submitted a separate supplemental file and have at least 2,400 member months (N = 505).

Supplemental Files Considerations and Market Insights

Risk score accuracy continues to be a hot topic in the ACA marketplace. Supplemental files allow issuers to ensure accurate coding for risk scoring, thus impacting risk adjustment transfers in the ACA market. In addition, supplemental files also help issuers mitigate risk adjustment data validation (RADV) audit risk for both “under-coding” and “over-coding” by correcting data within their claims system. Given that there

is only a short period of time for ACA issuers to submit supplemental data², issuers have to strategically plan their resources and efforts to have a successful program.

We continue to observe wide variations in the impact of supplemental files. While the magnitude of the increase (and for some issuers, decrease) in risk scores through supplemental files may not solely determine financial success, supplemental file submissions are an important aspect.

Ultimately, all add or delete records in supplemental files are created through chart reviews. Therefore, many successful ACA supplemental programs have a very defined, targeted and prioritized approach given the challenges in ACA market. These approaches may target as low as 1% to 5% of the issuer's entire population with both retrospective and prospective initiatives. In contrast, many Medicare supplemental programs target much higher proportions of members since Medicare populations have higher HCC-prevalence rate as well as a longer timeframe to submit supplemental data. Due to these key differences, supplemental strategies should be tailored to each issuer's specific population.

Our extensive work with issuers in the ACA market has revealed that successful management of risk score accuracy programs require delicately balancing program ROI, accurate coding & patient documentation, and coordinating these programs with other strategic initiatives.

Disclosures and Limitations

The estimates provided above are inherently uncertain, reflect nationwide averages for those issuers that submitted data and rely upon data provided by WNRAR participants. Results may vary significantly by year, market and state. The results shown in our paper should not be relied upon for future assumptions. The final supplemental claims processed and submitted to the EDGE Server may also vary due to various factors such as timing and data limitations. We performed reasonability checks on the data where possible but did not audit or verify the data. This report is being provided for informational and educational purposes only. Wakely makes no warranty and does not intend to create a reliance to third parties on the estimates presented in this whitepaper.

To learn more about best practices and strategies related to ACA risk score accuracy, please contact Matt or Chia at MattS@Wakely.com or ChiaC@Wakely.com

² Issuers must submit EDGE data, including supplemental files, by April 30th following the benefit year. For example, 2021 EDGE data must be submitted by April 30th, 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