Hierarchical Condition Categories (HCCs) – an Introduction

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What is Risk Adjustment (RA)?

A method of calculating payment to health plans to provide medical service based on the disease states and demographic characteristics of a population.

- Focuses on keeping people healthy
- Health plans receive more money from CMS/HHS; prevents competition for youngest, healthiest patients
- Calculate annual payments for patient care (monthly payments)

- Payments are based on how ill the patient is (illness burden)
- More chronic conditions = higher payment
- Health Plan in turn pays providers for care

RA started with Medicare Advantage; ACA and Commercial plans became part of the program years later (using the MA model as a basis). The RA program and HCC capture is based on care of the patient and documentation by the provider.

What are HCCs?

HCCs are Hierarchical Condition Categories

"Designated groups of diagnoses that directly impact how much it may cost an insurance plan provider to pay for your covered care." [1]

Of over 70,000 + ICD-10 codes, CMS/Medicare Advantage (MA) utilizes 7700 of these codes in the current model. Those codes are then put into disease categories, which then map to 115 HCCs.

Most (but not all) of the HCCs are chronic conditions.

Examples of Chronic HCCs:

- Diabetes/DM
- Chronic Obstructive Pulmonary Disease/COPD
- Atrial Fibrillation/AFIB

There are a few acute conditions included in the model, but it is very limited.

Examples of Acute HCCs:

- Stroke/CVA
- Heart Attack/MI
- Hip Fracture

Why use HCCs?

HCCs are used to calculate annual payments which are paid monthly to health plans. HCCs are reported for an entire year, all acceptable visits (Hospital, Outpatient, Primary Care, Specialty).

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[1] •What Are Hierarchical Condition Categories (HCC)? | Medicare and Insurance Costs (medicareadvantage.com)

An HCC can only be recorded/paid once a year. But HCCs are accumulative. Meaning a patient can have multiple HCCs.

Payments for the MA program are retrospective. Payments for the current year are based on the previous year's encounters. Previous year review leads to current year payment.

HCC audits/reviews are also retrospective. Ex: 2022 encounters will be reviewed in 2023. These reviews generally happen June – December and cover all dates of service.

HCC and Payment Calculation

Risk adjustment payments are calculated based on multiple factors.

- Patient demographics (age, sex)
- Major conditions (documented with HCC codes
- Number of conditions (also tied to HCC codes)

How to use HCCs

- ICD-10 diagnosis codes map to HCCs

- Provider/clinic submits diagnosis codes on medical claims

    - Ex: E11.9 – Type 2 Diabetes Mellitus w/o complications
        o Maps to HCC 19

E1165	Type 2 diabetes mellitus with hyperglycemia	18
E1169	Type 2 diabetes mellitus with other specified conditions	18
E118	Type 2 diabetes mellitus with unspecified complications	18
E119	Type 2 diabetes mellitus without complications	19

Some conditions within the same disease family "outweigh" others. In the case where one HCC outweighs another, the HCC that is outweighed is dropped.

- Ex: HCC 18 outweighs HCC 19, so the payment received would include HCC 18 in the calculation, not HCC 19.

Hierarchal Condition Category (HCC)	If the disease group is listed in this column…	…then drop the disease group(s) in this column
	Hierarchal Condition Category (HCC) label	
8	Metastatic Cancer and Acute Leukemia	9, 10, 11, 12
9	Lung and other Sever Cancers	10, 11, 12
10	Lymphoma and Other Cancers	11, 12
11	Colorectal, Bladder and Other Cancers	12
17	Diabetes with Acute Complications	18, 19
18	Diabetes with Chronic Complications	19

Documentation

Accurate and specific documentation is key to correct and complete coding. The more specificity the better coding opportunities.

"If it isn't documented, it didn't happen."

Documentation Requirements

- Patient demographics
  - Name, DOB
  - Date of service
- Provider name
- Provider Signature/Credentials
- Legibility

Acceptable Documentation

- Face to face visit
- Telehealth visit (audio/visual)
- With an acceptable provider
  - MD, DO, PT, NP

Education of anyone involved in documenting patient care is important!