

Appendix B: Summary of Characteristics of the CMS-HCC Models

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Characteristics	Description
Selected significant disease (SSD) model	Model considers serious manifestation of a condition rather than all levels of severity of a condition. Includes most body systems and conditions.
Models are additive	Individual risk scores are calculated by adding the coefficients associated with each patient's demographic and disease factors.
Prospective model	Uses diagnostic information from a base year to predict costs for the following year.
Site neutral	Models do not distinguish payment based on a site of care.
Diagnostic sources	Models recognize diagnoses from hospital inpatient, hospital outpatient, and physician settings.
Multiple chronic diseases considered	Risk adjusted payment is based on assignment of diagnoses to disease groups, also known as Condition Categories (CCs). Model is most heavily influenced by Medicare costs associated with chronic disease.
Hierarchies	Condition Categories are placed into hierarchies, reflecting the severity and cost dominance. Beneficiaries get credit for the disease with the highest severity or the one that subsumes the costs of other diseases. Hierarchies allow for payment based on the most serious conditions when less serious conditions also exist.
Disease and disabled interactions	Interactions allow for higher risk scores for certain conditions when the presence of another disease or demographic status (e.g., disabled status) is indicative of higher costs. Disease interactions are additive factors and increase payment accuracy.
Demographic variables	Models include five demographic factors: age, sex, disabled status, original reason for entitlement, Medicaid or low-income status. These factors are typically measured as of the data collection period.

Source: Centers for Medicare and Medicaid Services. Medicare Managed Care Manual. Chapter 7 – Risk Adjustment, 70 – Risk Adjustment Models – Overview. www.cms.gov/Regulations-and-Guidance/Guidance/Manuals/Internet-Only-Manuals-IOMs-Items/CMS019326.html.

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