

## TennCare's Episodes of Care: description of risk adjustment for Wave 7 episodes

Tennessee | Medicaid

**Femur/pelvis fracture (HIPFRA); nonoperative shoulder injury (SHOUSP); nonoperative knee injury (KNEESP); nonoperative, ankle injury (AKLSP); nonoperative wrist injury (WRISP); back/neck pain (BNP); spinal fusion (SPIFU); spinal decompression without fusion (DCOMP); knee arthroscopy (KNARTH)**

The State of Tennessee has implemented a bundle-based approach to reimburse providers for the care delivered to patients enrolled in the state's Medicaid program. Bundled payments cover all the services provided to a patient for treatment of a specific condition during a defined episode of care, including services related to diagnosing, managing, and treating that condition. The actual provision of services to a specific patient for a specific condition is herein called an *episode*, while the grouping for payment of episode-related services normally used to treat the condition is called a *bundle*. This distinction is useful because the state may choose as a matter of policy to exclude from the bundle some of the services in an episode. For each of these patients and episodes, a provider will be determined to have overall responsibility (the episode *quarterback*). The total cost of care for each quarterback in delivering all bundled services will be measured and compared with targets and thresholds to determine overall performance.

The comparison of bundle costs for a provider is based on the average risk-adjusted cost of the provider's episodes with the targets and thresholds established by the state for payment purposes. The healthcare services required to deliver a bundle of care can vary greatly across patient episodes. Risk adjustment quantifies the part of this variation in cost that can be explained by clinical factors such as disease progression, comorbidities, and other patient attributes that correlate with clinical need, including age and gender. A higher risk score for an episode means a higher expected cost relative to other episodes of the same type due to the clinical or demographic factors. Risk-adjusting bundle costs enables more equitable comparisons across providers and with targets and thresholds.

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The first phase of this new payment initiative included three bundle types: asthma, acute exacerbation; perinatal; and total joint replacement. An earlier document, which included several detailed examples of episode risk adjustment, described the risk adjustment approach used for these three bundles. This earlier document may provide useful background to those new to bundled payment.

The present document provides details on the approach used by Wellpoint to compute episode risk and to risk-adjust episode costs for nine care bundles: femur/pelvis fracture, nonoperative shoulder injury, nonoperative knee injury, nonoperative ankle injury, nonoperative wrist injury, back/neck pain, spinal fusion, spinal decompression without fusion, and knee arthroscopy. It describes the general approach used to measure risk across all six bundle types, followed by a description of the specific risk markers used for each type of bundle.

## I. Overview: measuring episode risk

Episode risk models are designed to predict the total *expected cost* for an episode of care — those costs that are expected given the clinical characteristics of the patient and the episode. These costs include the payments for all services received by a patient during the course of an episode. Given a measure of the expected cost, or relative risk, for an episode, actual episode costs can be risk adjusted. Risk-adjusted costs can then be compared across all quarterbacks and combined with targets to determine performance under the program. *Example 1* illustrates this concept.

### Example 1 — Spinal fusion episode risk adjustment:

- A surgeon serves as the quarterback for 10 spinal fusion episodes during calendar year 2018.
- The total cost for each of those episodes is calculated using costs for all services included in the episode (medications, imaging and testing, evaluation and management, and so on).
- The characteristics of the 10 patients and their episodes are used to assign a risk score to each individual episode. This risk score represents the relative expected costs of each episode based on clinical and patient factors such as age, gender, diagnoses, and disease comorbidities.
- Episode risk is expressed as a relative score. A risk score of 1.000 represents the average risk of episodes for a given set of covered lives. An individual spinal fusion episode that, based on its clinical and patient factors, is expected to be 10% higher cost than average would be assigned a risk score of 1.100
- The actual total cost for each of the facility's episodes is risk adjusted to compute risk-adjusted total cost. Actual cost is divided by episode risk score so that higher risk episodes will have costs adjusted down, while lower risk episodes will have costs adjusted up, allowing episodes with different risk to be fairly compared. For example, an

episode with a total cost of \$33,000 and a risk score of 1.100 would have a risk-adjusted total cost of \$30,000.

- The quarterback's overall performance is based on average risk adjusted cost for the 10 episodes. This amount can be compared with that of other providers and with targets to determine performance under the program.

As shown in *Example 1*, all episodes for the quarterback are assessed to determine their relative risk and the quarterback's average risk-adjusted cost is computed.

A unique risk model was developed for each bundle type based on clinical and demographic variables that would influence the potential cost of those specific episodes.

Episode risk models use two key features: *episode risk markers* and *episode risk weights*. Risk markers describe those unique clinical characteristics of an episode that were found statistically to affect episode costs. Risk weights describe a risk marker's incremental relative contribution to expected episode costs, or risk.

As noted above, a separate risk model was developed for each bundle type. As a result, the risk markers and risk weights included in the models differ by bundle type. This is to be expected, given that different clinical factors will have a different impact on bundle costs, depending upon the type of episode.

Five major steps are used to assign a risk score to a bundle:

1. Identify clinical risk markers using clinical input.
2. Assign demographic risk markers.
3. Apply risk weights to each risk marker.
4. Compute an episode risk score.
5. Adjust preliminary risk scores for risk score neutrality.

Each of these steps is described below.

## II. Assigning clinical risk markers to an episode

The following steps are used to assign clinical risk markers to an episode:

1. Identify qualified services that can contribute diagnoses to risk marker identification.
2. Identify the set of initial risk markers using clinical criteria.
3. Assign clinically appropriate service timing to risk markers.
4. Reduce to a minimum necessary set of risk markers per bundle using statistical criteria.

### II.1 Identify qualified services

Only diagnoses from *qualified* service records are considered when identifying risk markers. Qualified services include such services as office visits, consultations, ER visits, surgeries, and inpatient stays. Nonqualified services include such services as lab or radiology or services

delivered by a DME or ambulance provider. In this way, the methodology does not consider diagnoses from ancillary services or *rule-out* tests. Only services with diagnoses confirmed and assigned by a clinician or facility are used. Qualified services are determined by examining the procedure and revenue codes on an individual service record.

## II.2 Identify initial risk markers

Two sets of clinical risk markers are considered for use in risk-adjusting episodes based on the diagnoses observed on qualified services. First, the diagnoses associated with qualified services are grouped into Episode Treatment Groups® (ETGs®). ETGs are then selected for evaluation as a risk marker based on their clinical relevance to the episode and their prevalence in the episodes.<sup>1</sup> In addition, the State of Tennessee defines risk makers using both Clinical Classifications Software (CCS) groups and their own specific definitions. The second set of risk makers consists of those markers that are specified by the State that meet minimum requirements regarding frequency of occurrence. (The CCS groups are not used since they tend to duplicate information captured by ETGs.)

## II.3 Assign service timing

Service timing is also important when setting initial clinical risk markers. Three windows of service timing, based on clinical appropriateness, were specified for all ETG-based risk markers: (1) risk marker occurred in the 365 days prior to the episode start through 30 days prior to the episode start (*Comorbidity risk marker, prior window*); (2) risk marker occurred in the 30 days prior to the episode start through end of the episode (*Episode risk marker window*); (3) risk marker occurred in the 365 days prior to the episode start through the episode end (*Comorbidity risk marker, full window*):

- ***Episode risk marker window*** — used to identify risk markers that occurred in the context of the episode itself. The *Episode risk marker window* begins 30 days prior to episode start and extends through the end of the episode.
- ***Comorbidity risk marker, full window*** — used to identify risk markers for other conditions not directly related to the episode that increase the complexity and risk associated with its delivery. This window includes a longer period of time — 365 days prior to the episode start through the episode end.
- ***Comorbidity risk marker, prior window*** — used to identify risk markers for other conditions not directly related to the episode that increase the complexity and risk associated with its delivery. This window covers the 365 days prior to the episode start through 30 days prior to the episode start. This approach allows for recognition of patient comorbidities that might be considered complications of the episode itself, if first observed during the *Episode risk marker window*.

In general, risk markers defined by the State include their own criteria with regard to service timing.

Following this step, all initial clinical risk markers have been assigned to the episode.

## **II.4 Reduce to the minimum necessary set of risk markers per bundle**

After the initial clinical review, the selected set of clinical risk markers are analyzed statistically to determine their impact on costs for the episode being evaluated. Risk factors for inclusion in the final model are determined based on their clinical relevance to the episode and their impact on costs.

## **III. Assign demographic risk markers to a bundle**

Demographic characteristics of patients can also affect risk, either because age and gender can affect coverage decisions or because they serve as proxies for unmeasured clinical attributes. For this reason, the statistical evaluation of potential risk markers also evaluates the extent to which the models should distinguish among patients based on age and gender. Seven of the nine bundle types include two or more demographic risk markers in the final risk model — based on an individual's age and gender at the time of the trigger event. Age and gender did not have a statistically meaningful effect on the costs of femur/pelvis fracture and nonoperative ankle injury, which means that all individuals are assigned the same base risk weight that corresponds to an uncomplicated episode.

## **IV. Apply risk weights to each marker**

Each risk marker is assigned a risk weight. This risk weight describes a marker's incremental contribution to bundle risk for that bundle type. Model risk weights were estimated using historical data describing a large number of bundles. The risk weights for each risk model, by episode type are described below, in tables 1 to 9. For each episode all the demographic and clinical risk markers are captured along with the corresponding risk weights. All identified risk weight values are then added together to achieve the preliminary risk score for that individual episode.

## **V. Preliminary risk score**

The preliminary risk score for each individual episode is calculated as the sum of individual risk weight values that apply to that episode. Preliminary risk scores for each episode are then adjusted to achieve risk score neutrality across all episodes.

## **VI. Adjust preliminary risk for risk score neutrality**

The preliminary risk score for an episode is multiplied by an episode specific risk neutrality factor. This factor was based on the adjustment needed to ensure that the average risk score for each episode was equal to 1.00 for Wellpoint. Risk neutrality factors are calculated at the beginning of each performance period. These values are held constant through the performance period to ensure that providers are measured against constant risk-adjusted thresholds. The final risk score after this adjustment is then used to risk adjust the cost of the individual episode.

### Example 2 — applying risk neutrality factors:

- All risk factors associated with an episode are identified and the corresponding risk weight values (clinical and demographic) are added together to achieve the preliminary risk score for an individual episode.
- Preliminary risk scores are then multiplied by a risk neutrality factor to ensure that the average risk score for Wellpoint is 1.00.
- The application of the risk neutrality factor will make the final risk score different than the sum of risk weights listed in tables 1 to 9 below.
- For example, if the risk neutrality factor for a spinal fusion episode were 0.987, then a 34-year-old woman without other clinical risk factors would have a final risk score of (0.987 multiplied by 1.089 equals 1.075).

Please go to Availity Essentials to find the most recent *TennCare's Episodes of Care: Risk Neutrality Factors* document.

<sup>1</sup> The methodology described here uses the clinical constructs of Episode Treatment Groups (ETGs) to categorize diagnosis codes into clinically meaningful groups. The clinical constructs within the ETG methodology are defined in terms of both ICD-9-CM and ICD-10-CM/PCS, which means that the risk models described here do not depend upon the underlying coding system used to populate claims.

## Tables

Tables 1 to 9 below show the risk weights for femur/pelvis fracture, nonoperative shoulder injury, nonoperative knee injury, nonoperative ankle injury, nonoperative wrist injury, back/neck pain, spinal fusion, spinal decompression without fusion, and knee arthroscopy. The risk weights shown in these tables were used to risk-adjust the cost of the individual episodes. The preliminary risk score for each episode is the sum of the risk weights for all risk markers observed. The final risk score will be the preliminary risk score for an episode multiplied by an episode-specific risk neutrality factor.

**Table 1. Femur/pelvis fracture (HIPFRA)**

Risk marker description	Risk weight
All ages	0.8406
Other hematologic diseases ( <i>Comorbidity risk marker, full window</i> )	0.2383
Acute respiratory distress syndrome ( <i>Episode risk marker window</i> )	0.4841
Acetabular and pelvis fractures (during trigger window) or Joint degeneration, localized — thigh, hip and pelvis ( <i>Comorbidity risk marker, full window</i> )	0.2391
Upper extremity fracture (during trigger window) or other trauma ( <i>Episode risk marker window</i> )	0.3000

**Table 2. Nonoperative shoulder injury (SHOUSP)**

Risk marker description	Risk weight
Ages 4 and below	1.0747
Ages 5 to 14	1.0614
Ages 15 to 64	1.0280
Anemia: anemia of chronic diseases ( <i>Comorbidity risk marker, full window</i> ) or Iron deficiency anemia ( <i>Comorbidity risk marker, full window</i> )	0.1090
Epilepsy ( <i>Comorbidity risk marker, full window</i> )	0.0954

Risk marker description	Risk weight
Closed fracture or dislocation of upper extremity — elbow and upper arm ( <i>Episode risk marker window</i> ) or closed fracture or dislocation of upper extremity — shoulder ( <i>Episode risk marker window</i> )	0.0904
Osteoporosis ( <i>Comorbidity risk marker, full window</i> )	0.0706
Major injury, other than fracture or dislocation — shoulder ( <i>Episode risk marker window</i> )	0.0561
Minor orthopedic injury — elbow and upper arm ( <i>Episode risk marker window</i> )	0.0318
Obesity ( <i>Comorbidity risk marker, full window</i> )	0.0261
Tobacco and other substance abuse: risk factor — tobacco use disorder (during 365 days prior to episode or during episode window), cocaine or amphetamine dependence ( <i>Comorbidity risk marker, full window</i> ), opioid or barbiturate dependence ( <i>Comorbidity risk marker, full window</i> ), acute alcohol intoxication ( <i>Comorbidity risk marker, full window</i> ), alcohol dependence ( <i>Comorbidity risk marker, full window</i> ) or other drug dependence ( <i>Comorbidity risk marker, full window</i> )	0.0186
Joint degeneration, localized — back ( <i>Comorbidity risk marker, full window</i> ) or joint derangement — shoulder ( <i>Comorbidity risk marker, full window</i> )	0.0148

**Table 3. Nonoperative knee injury (KNEESP)**

Risk marker description	Risk weight
Ages 5 and below	1.1190
Ages 6 to 64	0.9244
Risk factor — CL knee sprain (during episode window)	0.0657
Other trauma ( <i>Episode risk marker window</i> )	0.1289
Closed fracture or dislocation of lower extremity — foot and ankle ( <i>Episode risk marker window</i> ) or Closed fracture or dislocation of lower extremity — knee and lower leg ( <i>Episode risk marker window</i> )	0.2158



**Table 4. Nonoperative ankle injury (ANKLSP)**

Risk marker description	Risk weight
All ages	1.0470
Asthma ( <i>Comorbidity risk marker, full window</i> )	0.0451
Closed fracture or dislocation of lower extremity — foot and ankle ( <i>Episode risk marker window</i> )	0.1044
Closed fracture or dislocation of lower extremity — knee and lower leg ( <i>Episode risk marker window</i> )	0.1310
Other trauma ( <i>Episode risk marker window</i> )	0.0410
Tobacco and other substance abuse: risk factor — tobacco use disorder (during 365 days prior to episode or during episode window), cocaine or amphetamine dependence ( <i>Comorbidity risk marker, full window</i> ), opioid or barbiturate dependence ( <i>Comorbidity risk marker, full window</i> ), or other drug dependence ( <i>Comorbidity risk marker, full window</i> )	0.0584

**Table 5. Nonoperative wrist injury (WRISP)\***

Risk marker description	Risk weight
Age 0 to 9	0.8553
Age 10 to 14	0.8198
Age 15 to 19	0.7998
Age 20 to 64	0.7688
Risk factor — dual-injury (during episode window)	0.2414
Risk factor — hand fracture (during episode window)	0.4557
Risk factor — radius/ulna fracture (during episode window)	0.3539
Tobacco and other substance abuse: risk factor — tobacco use disorder (during 365 days prior to episode or during episode window), cocaine or amphetamine dependence ( <i>Comorbidity risk marker, full window</i> ), opioid or barbiturate dependence	0.0948

Risk marker description	Risk weight
( <i>Comorbidity risk marker, full window</i> ), or other drug dependence ( <i>Comorbidity risk marker, full window</i> )	
*In 2023, the WRISP, DCOMP, and SPIFU risk models were updated to test new risk markers and incorporate 2023 episode design and configuration file maintenance changes.	

**Table 6. Back/neck pain (BNP)**

Risk marker description	Risk weight
Age 18 to 64	0.5963
Risk factor — chronic pain (during 365 days prior to the episode)	0.0368
Chronic renal failure ( <i>Comorbidity risk marker, full window</i> ) or risk factor — chronic kidney disease (during 365 days prior to the episode or during episode window)	0.0488
Migraine headache ( <i>Comorbidity risk marker, full window</i> )	0.1122
Risk factor — sprains and strains (during the triggering event)	0.6207
Risk factor — stenosis (During the triggering event)	0.3088
Obesity ( <i>Comorbidity risk marker, full window</i> ) or risk factor — obesity (during 365 days prior to the episode or during episode window)	0.0954
Autoimmune rheumatologic diseases, except lupus ( <i>Comorbidity risk marker, full window</i> ) or adult rheumatoid arthritis ( <i>Comorbidity risk marker, full window</i> )	0.1520
Risk factor — disc displacement (during the triggering event), risk factor — disc degeneration (during the triggering event) or risk factor — disc disorders (during the triggering event)	0.2378
Risk factor — spine deformity (during the triggering event), Congenital disorders of central nervous system ( <i>Comorbidity risk marker, full window</i> ), risk factor — congenital bone disorder (during 365 days prior to the episode or during episode window), or risk factor — congenital spine disorder (during 365 days prior to the episode or during episode window)	0.3699

Risk marker description	Risk weight
Risk factor — spondylolysis (during the triggering event) or Risk Factor — Spondylosis (During the triggering event)	0.5003
Behavioral Health: Mood disorder, depressed ( <i>Comorbidity risk marker, full window</i> ), risk factor — depression (during 365 days prior to the episode or during episode window), mood disorder, bipolar ( <i>Comorbidity risk marker, full window</i> ), risk factor — emotion and behavior disorders (during 365 days prior to the episode or during episode window), psychotic and schizophrenic disorders ( <i>Comorbidity risk marker, full window</i> ), anxiety disorder ( <i>Comorbidity risk marker, full window</i> ), or attention deficit disorder ( <i>Comorbidity risk marker, full window</i> )	0.0364
Tobacco and other substance abuse: risk factor — tobacco use disorder (during 365 days prior to episode or during episode window), cocaine or amphetamine dependence ( <i>Comorbidity risk marker, full window</i> ), opioid or barbiturate dependence ( <i>Comorbidity risk marker, full window</i> ), acute alcohol intoxication ( <i>Comorbidity risk marker, full window</i> ), alcohol dependence ( <i>Comorbidity risk marker, full window</i> ), or other drug dependence ( <i>Comorbidity risk marker, full window</i> )	0.0380
Diabetes ( <i>Comorbidity risk marker, full window</i> )	0.0557
Nutritional deficiency ( <i>Episode risk marker window</i> )	0.0823
Inflammation of noncranial nerves, except carpal tunnel ( <i>Episode risk marker window</i> )	0.1667

Table 7. Spinal fusion (SPIFU)\*

Risk marker description	Risk weight
Ages 18 to 64	0.9728
Other minor orthopedic disorders — back ( <i>Comorbidity risk marker, prior window</i> )	0.3571
Joint degeneration, localized — back ( <i>Comorbidity risk marker, prior window</i> )	0.2030
*In 2023, the WRISP, DCOMP, and SPIFU risk models were updated to test new risk markers and incorporate 2023 episode design and configuration file maintenance changes.	

**Table 8. Spinal decompression without fusion (DCOMP)\***

Risk marker description	Risk weight
Ages 18 to 55	0.9401
Ages 56 to 64	1.0686
Obesity ( <i>Comorbidity risk marker, full window</i> )	0.1398
*In 2023, the WRISP, DCOMP, and SPIFU risk models were updated to test new risk markers and incorporate 2023 episode design and configuration file maintenance changes.	

**Table 9. Knee arthroscopy (KNARTH)**

Risk marker description	Risk weight
Ages 18 to 25	1.1164
Ages 26 to 64	0.9240
Risk factor — knee sprains and strains (during 90 days prior to episode)	0.0903
Risk factor — tear of meniscus/tendon/ligament of knee (during trigger window)	0.0349
Other trauma ( <i>Episode risk marker window</i> )	0.1112