110 - Risk Adjustment Process and Payment

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The risk adjustment process incorporates demographic and diagnostic data.

Demographic data includes:

- HICN, age, original reason for entitlement (e.g., disability), and Medicaid status
- Long Term Institutional status
- Primary payer information

- ESRD status

Diagnostic Data is used in risk score calculations and is obtained from both plans and FFS providers.

- The **Risk Adjustment Processing System (RAPS) Database** contains the diagnostic data submitted by Medicare Advantage plans, PACE organizations, and cost plans.
- The **National Medicare Utilization Database (NMUD)** contains the diagnostic data submitted by fee-for-service providers.

The Risk Adjustment System (RAS) calculates risk scores for all Medicare beneficiaries, which are sent to the payment system for use in calculating payment.

Figure 1 illustrates the systems and databases that provide data used in risk score calculations and ultimately in payment calculations in MARx. The components of the process are described in further detail throughout the chapter.

Figure 1. Risk Adjustment Payment Process

Common Medicare Environment *(Demographic Data)*	Minimum Data Set (MDS) *(Long Term Institutional Data)*	Risk Adjustment Processing System (RAPS) Database *(Diagnosis Data)*	National Medicare Utilization Database (NMUD) *(Fee-for-Service Diagnosis Data)*

Beneficiary Demographic Input File

MDS Long Term Institutional File

Beneficiary Diagnosis Input File

Risk Adjustment System (RAS) *(Risk Score Calculation)*

Medicare Advantage Prescription Drug System (MARx) *(Payment Calculation)*

Health Plan Management System (HPMS) *(Bid Data)*