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## 2023 ACA HCC Recapture Study

This paper provides information related to Wakely’s Affordable Care Act Hierarchical Condition Category Recapture (ACA HCC Recapture) study, which provided HCC recapture rates for each participant alongside study-wide benchmarks at key breakouts such as metal tier and plan variant. The study represents over 300 unique HIOS IDs and 10 million unique members with enrollment in 2023.

### Executive Summary

Risk adjustment plays a critical role in the profitability of ACA populations in both the individual and small group markets. The ACA risk adjustment program uses the HCC risk adjustment model developed by the Department of Health and Human Services (HHS) to transfer dollars between issuers within a risk pool based on their populations’ morbidity. The HHS-HCC model uses members’ diagnostic information to assign HCC indicators which drive risk scores (in addition to other factors). Therefore, health plans’ ability to accurately capture and recapture these HCCs is critical to financial success.

### Recapture Rates & Financial Impact

Improving HCC recapture rates<sup>1</sup> can increase risk scores and risk transfers. Table 1 below illustrates the marginal risk score and transfer per member per month (PMPM) impact by improving HCC recapture rates from the 25<sup>th</sup> percentile to the 75<sup>th</sup> percentile. A benchmark population<sup>2</sup> with assumed recapture rates that are at the 25<sup>th</sup> percentile and simplified calculations were used to estimate the figures shown in the below table.

**Table 1 – Recapture Rates & Transfer Impacts**

| Condition                  | 25th Percentile | 75th Percentile | Risk Score Impact | Estimated Transfer Impact PMPM |
|----------------------------|-----------------|-----------------|-------------------|--------------------------------|
| HCC066, Hemophilia         | 64%             | 84%             | 0.08%             | \$0.41                         |
| G09A, Drug Dependence      | 45%             | 58%             | 0.12%             | \$0.58                         |
| G15A, Asthma               | 57%             | 62%             | 0.08%             | \$0.40                         |
| RXC01, Anti-HIV Agents     | 90%             | 93%             | 0.06%             | \$0.28                         |
| RXC09, Immune Suppressants | 84%             | 89%             | 0.27%             | \$1.34                         |
| <b>Total - All HCCs</b>    |                 |                 | <b>3.92%</b>      | <b>\$19.60</b>                 |

<sup>1</sup> Calculated as the percentage of continuing members who had the HCC in 2021, remained with the same issuer in 2022 (a “stayer”), and had the same HCC recaptured in 2022.

<sup>2</sup> A benchmark population with a risk score of 1.37 with approximately two-thirds of members being “stayers” with a statewide average premium of \$500 was used for this calculation.

The marginal risk score impact was estimated by taking into account study wide prevalence rates, Silver HCC weights, proportion of “stayers”, and the HCC recapture gap between the 25<sup>th</sup> and 75<sup>th</sup> percentiles. As Table 1 illustrates, the impact and opportunity from improving HCC recapture rates can vary based on these factors (e.g., prevalence, risk weights, and recapture gap). For example, RXC09 has one of the smaller differences between the 25<sup>th</sup> and 75<sup>th</sup> percentile recapture rates but represents one of the largest opportunities due to RXC09’s high risk weight.

The “Total – All HCCs” row illustrates that a health plan who had recapture rates at the 25<sup>th</sup> percentile for each HCC could improve their risk transfers by approximately 4% or \$20 PMPM by improving their recapture rates to the 75<sup>th</sup> percentile in each HCC. Assuming this illustrative health plan had one million member months (approximately 100,000 members), this recapture improvement would increase risk transfers by \$20 million. However, the “Total – All HCCs” is provided solely for discussion and illustrative purposes. Not all HCCs included in this total are chronic and therefore may not be appropriate for recapture. In addition to financial outcomes, accurately recapturing condition marker will also improve care management efforts.

Risk adjustment and HCC recapture strategies are discussed in the Risk Adjustment Strategies Section.

## Background

To study the effectiveness of a plan’s HCC recapture, Wakely’s ACA HCC Recapture study analyzes members with at least two consecutive years of experience with the same issuer. These members are referred to as “stayers” in the study. The study analyzes the HCC “recapture rates” for these stayers by calculating the percentage of HCCs discovered in the first year that are recaptured in the second year. For the 2023 iteration, the study collected data on the following three scenarios:

- 2022 July - 2022 HCC recapture rates based on data through July 2022 relative to full-year 2021 HCCs for stayers.
- 2022 Full Year – 2022 HCC recapture rates based on full-year 2022 data relative to full-year 2021 HCCs for continuing members.
- 2023 July – 2023 HCC recapture rates based on data through July 2023 relative to full-year 2022 HCCs for continuing members.

For the 2023 iteration of this study, we received participation from 301 distinct HIOS IDs<sup>3</sup> from various ACA individual and small group markets and represents over 10 million lives in the 2023 data. The study provided its participants recapture rate benchmarks for each HCC with breakout selections by market (individual vs small group), region (Midwest, Northeast, South, and West based on US census), metropolitan designation for rating areas, and metal-CSR combinations.

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<sup>3</sup> Health Insurance Oversight System Identifier (HIOS ID) is a unique 5-digit identifier assigned to an issuer.

The study provided deliverables to participants that allowed them to compare recapture rates of their own population to their selected benchmark. To help participants better understand recapture rate differences, we developed impact calculations that estimate the risk score impact due to recapture rate differences for each HCC. This estimated impact shows how the population's overall risk score would change if the specific HCC had a recapture rate equal to the benchmark. The calculation relies on data captured for the population's size, risk score, prevalence of the HCC, and the risk weight of the HCC<sup>4</sup>.

In addition to recapture rates, the study also developed an HCC Crosswalk that shows members' HCC movements to a more or less severe HCC within the same hierarchical category. For example, HCC8 (Metastatic Cancer) is the most severe HCC in the hierarchy of cancer HCCs. The HCC Crosswalk will show when members with HCC8 in the first year move to a less severe version of cancer HCC (HCCs 9-13) in the second year. The HCC Crosswalk also shows members who lapse or join the HCC from year to year, providing the complete picture of prevalence change for that HCC.

## Risk Adjustment Strategies & Conclusion

Risk scores and HCC recapture rates continue to be a key measurement of risk adjustment operations performance. Our extensive ACA risk adjustment experience shows continued monitoring of risk adjustment performance and adaptive management of risk score operations are important for ACA financial viability and success. Below we outline best practice risk adjustment strategies to improve coding accuracy and risk scores.

### Risk Adjustment Strategies

Each health plan will have unique and varying risk scores, risk score discrepancies, and discrepancy magnitudes. It is important to quantify and prioritize these issues to allocate finite resources effectively. We recommend taking a tiered approach to risk adjustment integrity to ensure the "lowest hanging fruit," most impactful items are addressed first. Below is an example of a stepwise approach.

- **Data integrity** across the risk adjustment data pipeline is often the largest risk score gap – from provider charts, to data warehouses, to the EDGE Server. Continuous monitoring using analytics to identify and quantify gaps such as a data warehouse-to-EDGE PLRS comparisons are considered best practice.
- **HCC Recapture** often represents low hanging fruit. Benchmarking providers' recapture rates amongst other like providers and to the industry is recommended.
- **Suspecting and chart chasing** represents a more sophisticated and often complex opportunity to further improve risk score accuracy. Due to the nature of the ACA, it is recommended to have a sophisticated suspecting methodology and only target a small subset of members.
- **Proper coding documentation** also has benefits that extend to the Risk Adjustment Data Validation program (RADV).

Providers play a critical role in accurate capture of risk scores and the above risk adjustment strategies. Successful risk adjustment management programs typically analyze risk adjustment performance at the provider level to inform and incentivize providers of their performance. Metrics often include HCC

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<sup>4</sup> Silver weight from the 2023 HHS risk model was used for this calculation.

recapture rates and the number of diagnoses recorded per claim line and per claimant, and benchmarks these metrics to peers. Risk sharing contracts have also been successfully utilized to align goals and incentives between the providers and health plan.

Low risk scores do not necessarily indicate deficiency in risk adjustment operation management, and vice versa. Wakely provides a comprehensive suite of best-in-class risk adjustment and data integrity services to help monitor and improve risk adjustment performance.

### **HCC Specific Strategies**

Each HCC has unique considerations and therefore has unique recapture considerations. Curating a recapturing strategy in tandem with providers and structured data is paramount to a successful HCC recapture strategy.

The risk transfer impacts of recapture rate variances will differ from issuer to issuer and HCC to HCC. In the deliverables distributed to study participants, we provided risk score impact estimates for each condition relative to the benchmark comparison data set.

### **2024 HCC Recapture Study and New Exhibits**

Wakely intends to conduct the new HCC Recapture Study in the Fall of 2024. This study will improve upon the 2023 study by providing:

1. Detailed recapture rate percentiles for each HCC
2. Coding trend by member duration
3. Coding trend for Special Enrollment Period (SEP) members
4. HMO and PPO breakouts

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## 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.

Learn more about Wakely Consulting Group at [www.wakely.com](http://www.wakely.com)