

**HHS-Developed Risk Adjustment Model Algorithm “Do It Yourself (DIY)”**  
**Software Instructions for the 2024 Benefit Year**  
**January 7, 2025 Update<sup>1</sup>**

Section 1343 of the Patient Protection and Affordable Care Act (ACA) provides for a permanent risk adjustment program. To protect against potential effects of adverse selection and help stabilize premiums in the individual and small group (including merged) markets, the risk adjustment program transfers funds from plans with relatively low-risk enrollees to plans with relatively high-risk enrollees. It generally applies to non-grandfathered individual and small group (including merged market) plans inside and outside Exchanges.

The HHS federally-certified risk adjustment methodology was first described in the HHS Notice of Benefit and Payment Parameters for 2014 final rule (78 FR 15410), which appeared in the *Federal Register* on March 11, 2013. The HHS risk adjustment methodology for the 2024 benefit year is described in the HHS Notice of Benefit and Payment Parameters for 2024 final rule (88 FR 25740) (2024 Payment Notice final rule), which appeared in the *Federal Register* on April 27, 2023.<sup>2</sup> The 2024 benefit year risk adjustment models use the Version 07 (V07) HHS-hierarchical condition category (HCC) classification, first implemented in the 2021 benefit year, and include interaction variables based on HCC count factors, first implemented in the 2023 benefit year. The 2024 benefit year risk adjustment models are recalibrated using blended coefficients from the 2018, 2019, and 2020 enrollee-level External Data Gathering Environment (EDGE) data. The high-cost risk pool calculation incorporated into the HHS risk adjustment methodology since the 2018 benefit year continued with the same parameters for the 2024 benefit year.<sup>3</sup>

The federally-certified risk adjustment methodology that HHS will use when operating a risk adjustment program on behalf of a State for the 2024 benefit year<sup>4</sup> will calculate a plan average risk score for each risk adjustment covered plan<sup>5</sup> based upon the relative risk of the plan’s enrollees, and apply a state payment transfer formula to determine risk adjustment payments and charges for plans within a State market risk pool. The methodology addresses three considerations: (1) adverse selection in the individual and small group (including merged) markets; (2) plan metal level differences and permissible rating variation; and (3) the need for risk adjustment transfers that net to zero. The federally-certified risk adjustment methodology developed by HHS applicable for the 2024 benefit year:

- Is developed based on enrollee-level EDGE data, which directly reflects claims data for ACA individual and small group (including merged) market

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<sup>1</sup> This document provides instructions for the HHS risk adjustment models for the 2024 benefit year, with revisions from the previous 2024 benefit year software instructions posted on the CCIIO website on September 6, 2024, available at: <https://www.cms.gov/files/document/cy2024-diy-instructions-09062024.pdf>.

<sup>2</sup> See the Patient Protection and Affordable Care Act; HHS Notice of Benefit and Payment Parameters for 2024; Final Rule; 88 FR 25740 (April 27, 2023) (2024 Payment Notice final rule), available at: <https://www.govinfo.gov/content/pkg/FR-2023-04-27/pdf/2023-08368.pdf>, <https://www.govinfo.gov/content/pkg/FR-2023-04-27/pdf/2023-08368.pdf>.

<sup>3</sup> HHS maintained the \$1 million threshold and 60 percent coinsurance rate high-cost risk pool parameters for the 2024 benefit year. See the 2024 Payment Notice final rule, 88 FR at 25775.

<sup>4</sup> HHS will operate risk adjustment for the 2024 benefit year in all 50 states and the District of Columbia.

<sup>5</sup> See 45 CFR 153.20 for a definition of the term “Risk Adjustment Covered Plan”.

- enrollees;
- Employs the HCC grouping logic used in the Medicare risk adjustment program, but with HCCs refined and selected to reflect the expected population in risk adjustment covered plans;
  - Includes a selected number of Prescription Drug Categories (RXC) and RXC interactions in the adult models;
  - Establishes concurrent risk adjustment models, one for each combination of metal level (platinum, gold, silver, bronze, catastrophic) and age group (adult, child, infant);
  - Pools catastrophically high-cost enrollees nationally with a portion of the costs funded by a percent of premium charge to issuers of risk adjustment covered plans in each national market<sup>6</sup>;
  - Results in state transfers that net to zero within a State market risk pool;
  - Adjusts state transfers for plan metal level, geographic rating area, induced demand, premium assistance Medicaid alternative plans or other types of state subsidy plans (if applicable)<sup>7</sup>, and age rating, so that transfers reflect health risk and not other cost differences; and
  - Transfers funds between plans within a State market risk pool based on differences in relative actuarial risk.<sup>8</sup>

#### Key Revisions for Benefit Year 2024:

- (January 2025 Revisions) Updated Table 2 to include review of 2024 quarterly updates of Current Procedural Terminology (CPT)/ Healthcare Common Procedure Coding System (HCPCS) codes with effective dates as of October 1, 2024.
- (January 2025 Revisions) Revised Table 3 to contain Fiscal Year (FY) 2024 and FY2025 ICD-10 diagnosis codes and FY2024 and FY2025 Medicare Code Editor (MCE) age and sex conditions. Updated ICD-10 code labels to reflect changes in FY2025. Updated HHS-condition category (CC) assignments to account for new FY2025 ICD-10 codes. Updated the combined set of MCE age and sex conditions to be used for Calendar Year (CY) 2024 that covers both fiscal years (FY2024 and FY2025). MCE sex conditions were deactivated as of October 1, 2024, so FY2025 MCE sex conditions are blank and the combined set of MCE sex conditions to be used for CY2024 equal those from FY2024. Revised explanatory text in Sections II and V to clarify the use of FY2024 and FY2025 ICD-10 diagnosis codes

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<sup>6</sup> The high-cost risk pool calculations under the HHS federally-certified risk adjustment methodology involve two national markets – one for the individual market (including catastrophic and non-catastrophic plans, and merged market plans), and another for the small group market. See, for example, the Patient Protection and Affordable Care Act; HHS Notice of Benefit and Payment Parameters for 2018; Amendments to Special Enrollment Periods and the Consumer Operated and Oriented Plan Program; Final Rule, 81 FR 94058 at 94080 – 94082 (Dec. 22, 2016) (2018 Payment Notice final rule).

<sup>7</sup> In the 2024 benefit year, Arkansas, California, Colorado, Connecticut, Massachusetts, and New Mexico have premium assistance Medicaid Alternative plans or other types of state subsidy plans.

<sup>8</sup> For the 2024 benefit year, statewide average premiums are reduced (i.e., adjusted) by 14 percent in the state payment transfer formula to account for the proportion of administrative costs that do not vary with claims. See the 2018 Payment Notice final rule, 81 FR at 94099 - 94100. Also see the 2024 Payment Notice final rule, 88 FR at 25862.

and MCE edits.

- (January 2025 Revisions) Updated Tables 10a and 10b to contain National Drug Codes (NDCs) and HCPCS codes in the National Library of Medicine’s RxNorm dataset as of October 1, 2024. (Tables 10a and 10b will be updated again in April 2025 to reflect monthly RxNorm updates of NDCs and HCPCS codes through December 1, 2024.)
- (January 2025 Revisions) Revised explanatory text in Section II to clarify that the HCPCS-level file for RXC assignment uses all medical claims and bill types.
- (September 2024 Revisions) Updated instructions and Table 6 to clarify that RXC and RXC interaction variables are created prior to creation of HCC groups and all other HCC interactions.
- (September 2024 Revisions) Updated Table 9 to round all child and infant variables to three decimal places.
- (July 2024 Revisions) Updated Table 1 to add a new HIOS variant ID CSR: State Subsidy – Silver (34).
- (July 2024 Revisions) Updated Table 2 to add 2024 CPT/HCPCS codes used for diagnosis filtering, as described in Section II. Table 2 includes review of 2024 quarterly updates with effective dates as of April 1, 2024. Replaced the 2022 column of code information with 2023 codes (used for historical data purposes). (Table 2 will be updated again in late 2024 to include CPT/HCPCS quarterly updates through October 1, 2024.)<sup>9</sup>
- (July 2024 Revisions) Revised Table 3 ICD-10 to V07 HHS-Condition Categories (CC) Crosswalk to remove FY2023 and CY2023 MCE columns. Revised explanatory text in Sections II and V to clarify that FY2024 ICD-10 diagnosis codes and FY2024 MCE edits should be used in 2024 benefit year risk adjustment and that FY2023 code valid information is retained for historical purposes. (Table 3 will be updated again in late 2024 to include FY2025 ICD-10 diagnosis codes and FY2025 MCE code edits.)
- (July 2024 Revisions) Updated Table 6 to include new HCC grouping (G24) of HCC018 (Pancreas Transplant Status) with HCC183 (Kidney Transplant Status/Complications) in the 2024 adult models.
- (July 2024 Revisions) Updated Table 9 Model Factors for the 2024 benefit year (using 2018, 2019, and 2020 benefit year enrollee-level EDGE data).
- (July 2024 Revisions) Updated Tables 10a and 10b to contain NDCs and HCPCS codes in the National Library of Medicine’s RxNorm dataset as of April 1, 2024. (Tables 10a and 10b will be updated again in late 2024 to reflect monthly RxNorm updates of NDCs and HCPCS codes through October 1, 2024).

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<sup>9</sup> As a result of the Coronavirus (COVID-19) public health emergency (PHE), the CPT/HCPCS list in Table 2 was expanded starting in CY2020 to include certain telehealth and audio-only (i.e., telephone) service codes that were not previously accepted for the HHS-operated risk adjustment program. The allowable telehealth services on Table 2 will continue to be accepted for risk adjustment eligible diagnosis filtering for the HHS-operated risk adjustment program applicable for the individual and small group (including merged) markets for the entire 2024 benefit year, if the services are otherwise allowable under applicable state law. For more information on the telehealth and audio-only services that are valid for the HHS-operated risk adjustment program for the 2024 benefit year, please refer to the [Risk Adjustment Telehealth and Audio-only Services FAQ](https://www.cms.gov/files/document/telehealth-faq-2024-update-51324-clean.pdf) (<https://www.cms.gov/files/document/telehealth-faq-2024-update-51324-clean.pdf>), May 13, 2024.

The state payment transfer formula that is part of the HHS federally-certified risk adjustment methodology consists of concurrent risk adjustment models, one for each combination of metal level (platinum, gold, silver, bronze, and catastrophic) and age group (adult, child, infant). This document provides the detailed information needed to simulate the calculation of risk scores given individual diagnoses.

The Centers for Medicare & Medicaid Services (CMS) has created two versions of software (SAS software and HHS-developed risk adjustment model algorithm “Do It Yourself [DIY]” software) and software instructions for issuers to use with their enrollment data to simulate their enrollee populations’ 2024 benefit year risk scores within the HHS-HCC risk adjustment models. **This software is being issued only as a supplemental tool for issuers of risk adjustment covered plans to better understand and simulate the calculation of plan liability risk scores for their enrollees.**

**This software is not a required prerequisite to submitting claims data to the EDGE server for risk adjustment, nor is it a requirement of the HHS-operated risk adjustment program. Furthermore, issuers should not use this software to filter their own claims prior to submitting claims data to the EDGE server. The EDGE server software may have several additional layers of operational rules. The algorithm software merely provides a simulation tool for issuers to calculate enrollees’ risk scores. Because risk adjustment transfers under the state payment transfer formula are dependent on the data submitted by other issuers within the State market risk pool, an issuer that wishes to use this information to assist with estimating its 2024 benefit year state transfer(s) should do so with caution and in combination with other data.**

**Questions:** Please direct questions regarding these instructions to CMS at [RARIPaymentOperations@cms.hhs.gov](mailto:RARIPaymentOperations@cms.hhs.gov).

### **List of Tables**<sup>10</sup>

Table 1. Model Membership

Table 2. CPT/HCPCS Included List for Diagnosis Code Filtering

Table 3. ICD-10 to HHS-Condition Categories (CC) Crosswalk

Table 4. HHS-Hierarchical Condition Categories (HCC) Hierarchies

Table 5. Age-Sex Variables

Table 6. Additional Adult Variables

Table 7. Additional Child Variables

Table 8. Additional Infant Variables

Table 9. Model Factors

Table 10a. Prescription Drug Categories (RXC) to National Drug Code (NDC) Crosswalk

Table 10b. Prescription Drug Categories (RXC) to Healthcare Common Procedure Coding System (HCPCS) Crosswalk

Table 11. Prescription Drug Categories (RXC) Hierarchies

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<sup>10</sup> HCCs described in the tables that have splits, such as HCC035\_1 and HCC035\_2, are identified in the EDGE reference data as 351 and 352.

Table 12. Summary of HHS-HCC Model Exclusions—Adult, Child, Infant

**Terminology:** The abbreviations ICD-10 and ICD-10-CM are used interchangeably in this document to refer to the International Classification of Diseases, 10th Revision, Clinical Modification. The abbreviations CC and HCC used in these instructions refer to the HHS-HCC risk adjustment models. These are different HCCs from those used in the CMS-HCC risk adjustment model for Medicare Part C.

## I. Introduction

The HHS federally-certified risk adjustment methodology generally includes risk adjustment models, a determination of plan average actuarial risk, and a calculation of payments and charges.<sup>11</sup> The calculation of payments and charges at the State market risk pool level is performed by HHS using the state payment transfer formula. This document provides a detailed description of the HHS risk adjustment models and enables interested parties to develop software to determine risk scores given individual diagnoses.

This document should be viewed as a supplemental tool to the 2024 benefit year HHS federally-certified risk adjustment methodology finalized in the 2024 Payment Notice final rule. Please note that the models described herein were finalized in the 2024 Payment Notice final rule.<sup>12</sup>

The following is a description of the HHS risk adjustment models for the 2024 benefit year. This description includes a narrative and accompanying tables for calculating the risk scores from diagnoses in the HHS risk adjustment models. The HHS risk adjustment models calculate risk scores by summing an enrollee's factors (age/sex, HCCs, RXCs, enrollment duration, and interaction terms).<sup>13</sup> This description shows, in detail, how individual diagnoses are assigned to HCCs and NDCs/HCPCS codes are assigned to RXCs, and then allows the user to build individual risk scores from those inputs.

These instructions outline the steps needed to produce individual risk scores from the HHS risk adjustment models.

The state payment transfer formula that is part of the HHS federally-certified risk adjustment methodology includes risk adjustment models based on age, as detailed in Table 1 Model Membership. Adult scores are calculated for enrollees whose age is equal to or greater than 21 using the adult model set. Child scores are calculated for enrollees age 2 – 20 using the child model set. Infant scores are calculated for enrollees age 0 – 1 using the infant model set. Because HHS models predict plan liability, there are 5 models within each age group model set – one each for platinum, gold, silver, bronze, and for the individual market only, catastrophic plans.

The following five sections describe the algorithm for calculating risk scores. Any

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<sup>11</sup> The HHS-operated risk adjustment program also includes a high-cost risk pool, data collection approach, data validation procedures, and a schedule for program operation. These elements are not discussed in this document.

<sup>12</sup> See *supra* note 2.

<sup>13</sup> The RXC and enrollment duration factors only apply to the adult models.

algorithm developed to calculate risk scores should prepare the diagnosis-level file and use it to assign HCCs for each person. This is described in Section II and includes the list of acceptable CPT/HCPCS codes listed in Table 2.<sup>14</sup> Additionally, Section II describes how to prepare NDC-level and HCPCS-level files for use in creating RXCs. Section III and Section IV, respectively, identify data inputted to and outputted from the applicable risk adjustment model. Finally, Section V describes the algorithm to produce risk scores (i.e., outputs). First, the algorithm should crosswalk acceptable diagnoses to Condition Categories (CCs). Then the algorithm should create HCCs by imposing hierarchies on the CCs. The algorithm should also crosswalk acceptable NDCs and HCPCS codes to RXCs. For persons without claims or encounter records, zeros are assigned to all CCs, HCCs, and RXCs. After HCCs and RXCs are created, the algorithm should compute predicted scores using the factors from the adult, child, and infant HHS risk adjustment regression models. This information is referenced in Tables 3-11. Information provided in Table 12 is not required to compute predicted risk scores and does not impact the algorithm; this table is included for reference purposes only.

The factors from the following regression models are used to produce risk scores:

- Adult regressions
  - Adult platinum
  - Adult gold
  - Adult silver
  - Adult bronze
  - Adult catastrophic
- Child regressions
  - Child platinum
  - Child gold
  - Child silver
  - Child bronze
  - Child catastrophic
- Infant regressions
  - Infant platinum
  - Infant gold
  - Infant silver
  - Infant bronze
  - Infant catastrophic

## **II. Creation of diagnosis-level file, NDC-level file, and HCPCS-level file**

A. Diagnosis-level file. The diagnosis-level input file (Section III) should include ICD-10-CM diagnosis codes used for risk adjustment, listed in Table 3, ICD-10 to Condition Categories (CC) Crosswalk. The user must evaluate each claim or encounter record to determine whether the claim or record's diagnoses are included in the diagnosis file to be inputted to the algorithm or software. Encounter records normally report dates, provider or bill types, diagnoses and procedures, and other information, though they may not have

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<sup>14</sup> Definitions taken directly from the Current Procedural Terminology (CPT®) codes and the Healthcare Common Procedure Coding System (HCPCS) code set.

payment information.

This section on the diagnosis file preparation explains how each record is evaluated to determine whether the record's diagnoses are to be used for CC/HCC creation. It is the user's responsibility to create the diagnosis-level file according to the filtering logic below. This document provides filtering instructions and a list of the CY2023 (for historical data purposes) and CY2024 CPT/HCPCS codes that define service or procedure types that identify acceptable sources of diagnoses for risk adjustment. However, the user must create the diagnosis-level file for input to the risk adjustment algorithm; the data set is not created by the algorithm.

**NOTE: Supplemental diagnosis codes may be submitted in certain circumstances. These instructions and the software do not address the addition of supplemental diagnosis codes. Therefore, risk score output from this software will not account for inclusion of supplemental diagnoses.**

Only ICD-10 diagnosis codes from risk adjustment eligible bill types and/or service codes should be included in the diagnosis-level file. ICD-10 codes that are not listed in Table 3 may be included in the diagnosis-level file but are ignored by the algorithm.<sup>15</sup> The steps below provide logic to determine which diagnoses are allowable. Note that Steps 1 and 3 refer to Table 2, CPT/HCPCS Included List for Diagnosis Code Filtering, which provides the 2023 (for historical data purposes) and 2024 CPT/HCPCS codes used to define service or procedure types that are acceptable sources of diagnoses for risk adjustment.

- The CPT/HCPCS codes marking services with diagnoses allowable for risk adjustment are listed in column A of Table 2.
- Column B lists the short description of the CPT/HCPCS codes.
- Columns C and D, respectively, indicate whether a CPT/HCPCS code is acceptable in 2023 or 2024.
- Notes begin on row 6,282 of the Excel table with the line "Notes:" and should not be imported by any program.

The diagnosis-level input file should include diagnoses from claims/encounter records with **discharge dates or through dates** within the benefit year. Though the term "claim" is used in the steps below, the steps apply equally to encounter records. For the EDGE server, only claims with discharge diagnoses are used for HHS risk adjustment.

1. Professional source of diagnosis
  - a. For professional records, use diagnoses from records that have at least one line item with an acceptable CPT/HCPCS code (Table 2). If there is at least one acceptable line on the record, use all the header diagnoses. There are three possible values for CPT/HCPCS codes in columns C and D:
    - i. yes = code is acceptable in that calendar year
    - ii. no = code is not acceptable in that calendar year
    - iii. N/A = code is not in existence in that calendar year

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<sup>15</sup> If the user conducts fiscal year code validity checks described later in this section, only codes valid for risk adjustment will be included in the final diagnosis-level file.

- b. For professional records, if a line item has an acceptable CPT/HCPCS code, use all diagnoses from the line item.
  - c. If there are no acceptable service lines on the record, do not use any of the diagnoses for risk adjustment.
2. Inpatient facility source of diagnosis
- a. Use all header diagnoses from records where facility bill type code equals one of the following:
    - i. 111 (inpatient admit through discharge); or
    - ii. 117 (inpatient replacement of prior claim).
  - b. There is no procedure screen for inpatient facility record types.
3. Outpatient facility source of diagnosis
- a. Restrict records to those with facility bill type code equal to:
    - i. 131 (hospital outpatient admit through discharge); or
    - ii. 137 (hospital outpatient replacement of prior claim); or
    - iii. 711 (rural health clinic admit through discharge); or
    - iv. 717 (rural health clinic replacement of prior claim); or
    - v. 731 (clinic – freestanding admit through discharge); or
    - vi. 737 (clinic – freestanding replacement of prior claim); or
    - vii. 761 (community mental health center admit through discharge); or
    - viii. 767 (community mental health center replacement of prior claim); or
    - ix. 771 (federally qualified health center admit through discharge); or
    - x. 777 (federally qualified health center replacement of prior claim); or
    - xi. 851 (critical access hospital admit through discharge); or
    - xii. 857 (critical access hospital replacement of prior claim); or
    - xiii. 871 (freestanding non-residential opioid treatment programs [OTPs]);

or

    - xiv. 877 (OTPs replacement of prior claim).
  - b. For records with at least one acceptable CPT/HCPCS code (Table 2) on a service line, use all header diagnoses. Otherwise, do not use the diagnoses for risk adjustment.

**Fiscal year code validity:** Section III further describes the diagnosis-level input data file. After creating that file, the user will have the variables needed to conduct fiscal year validity checks. Table 3 identifies the fiscal year(s) in which the diagnosis codes used for risk adjustment are valid. The user should check that for a given diagnosis (variable DIAG) and service date (variable DIAGNOSIS\_SERVICE\_DATE), the diagnosis code has a Y in the corresponding Table 3 Code Valid column. ICD-10 diagnosis codes with service dates of January 1, 2024 – September 30, 2024 should have a Y in the Code Valid in FY2024 column; otherwise, the user should exclude them. ICD-10 diagnosis codes with service dates of October 1, 2024 – December 31, 2024 should have a Y in the Code Valid in FY2025 column; otherwise, the user should exclude them.

**Note on bundled claims for mother and newborn infant:** In practice, some hospital claims for childbirth include both the mother’s record and the newborn infant’s record on the same claim (diagnoses and procedure codes). Because there are separate adult, child, and infant risk adjustment models and some of the diagnosis codes may not be distinguishable between mother and infant on bundled claims, **any bundled claims should be redefined as**

**two separate records whenever possible (mother and infant, each with a separate ID, sex, and age) in order for the diagnoses to be appropriately included in the input dataset and used for appropriately calculating risk scores.**

The user will need to independently create a program to detect any bundled claims and redefine them (i.e., it is not part of these instructions). For example, a bundled claim detection program would need to identify enrollees with a claim containing the following elements:

Mother is the enrollee:

- AGE\_LAST  $\geq$  2 (an age corresponding to the child or adult models; more specifically age should be appropriate for a maternity diagnosis [i.e., 9-64])<sup>16</sup> and
- ICD-10 diagnoses corresponding to a completed pregnancy HCC (HCC 207 or 208 or 209) and
- ICD-10 diagnoses corresponding to a newborn HCC (HCC 242 or 243 or 244 or 245 or 246 or 247 or 248 or 249).

Infant is the enrollee:

- AGE\_LAST = 0 (an age corresponding to the infant model; more specifically age is appropriate for a newborn diagnosis at birth) and
- ICD-10 diagnoses corresponding to a completed pregnancy HCC (HCC 207 or 208 or 209) and
- ICD-10 diagnoses corresponding to a newborn HCC (HCC 242 or 243 or 244 or 245 or 246 or 247 or 248 or 249).

See Table 3, ICD-10 to Condition Categories (CC) Crosswalk, for diagnosis codes corresponding to the completed pregnancy and newborn HCCs.

For purposes of creating the diagnosis-level input file (refer to Section III), if bundled claims will not be detected and redefined, enrollees with bundled claims should be included. If the enrollee is a female with an age appropriate for a maternity diagnosis, then the diagnoses on the bundled claim are assumed to correspond to the mother's enrollee ID. If the enrollee is age 0, then the diagnoses on the bundled claim are assumed to correspond to the infant's enrollee ID. All diagnoses on a bundled claim that could apply to either the mother or the infant (i.e., diagnoses that do not require passing an age/sex edit) are assumed to apply to the enrollee's ID. All HCCs that are valid for the mother or infant (based on diagnoses that pass or do not require age/sex edits) will be used to compute the enrollee's risk score; and all diagnoses that do not passage/sex edits (i.e., newborn diagnosis codes for the mother; pregnancy diagnosis codes for the infant) will be ignored.<sup>17</sup> Table 1, rows 11-20, provides an algorithm for including these enrollees.

Infants with a record in the person-level file (refer to Section III) that cannot be matched

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<sup>16</sup> Section III of this document identifies the two age variables used in the software and specifies when each is used. Section V includes the detailed algorithm for creation of HCCs. MCE edits specifying appropriate age for maternity diagnoses are included in Table 3.

<sup>17</sup> This software does not flag or otherwise identify diagnoses that do not passage/sex edits. Software users may want to create a diagnosis-level flag for bundled claims that identifies rejected diagnoses or create a person-level flag for bundled claims that identifies enrollees with at least one rejected diagnosis submitted.

with a claim or who do not have claims will have no diagnoses in the diagnosis-level file. Infants without diagnoses will be assigned to the lowest severity category and the Age 1 maturity category for infants as detailed in Table 8, rows 130, 132, and 137. Age 0 infants with diagnoses but who lack a newborn HCC will be reassigned to Age 1 and receive the corresponding severity category and the Age 1 maturity category for infants as detailed in Table 8, rows 5-130 and 137. Male infants also have the male demographic factor assigned. Age 0 male infants who lack a newborn HCC will have their demographic factor reassigned from Age 0 to Age 1, as detailed in Table 8, row 142.

B. NDC-level file. The NDC-level input file (Section III) should include NDCs used for risk adjustment, listed in Table 10a RXC to NDC Crosswalk. Only pharmacy claims (not medical claims) are the acceptable source for NDCs. The user must evaluate each claim to determine whether the claim's NDCs are included in the NDC file to be inputted to the algorithm or software.

The NDCs are to be used for RXC creation. It is the user's responsibility to create the NDC-level file for input to the risk adjustment algorithm; the data set is not created by the algorithm.

The NDC-level input file should include NDCs from pharmacy claims with **prescription filled dates** within the benefit year. NDC codes should be in the 11 digit, no dashes, HIPAA format to match the format required for EDGE submission.<sup>18</sup> (Note: Table 10a in the Excel file contains the NDC codes formatted as text, not numbers, to retain any leading zeroes needed for 11-digit codes.) NDC codes that are not listed in Table 10a may be included in the NDC-level file but are ignored by the algorithm and are not included in RXCs for the adult risk adjustment models' risk score calculations.

C. HCPCS-level file. The HCPCS-level input file (Section III) should only include HCPCS codes used for risk adjustment RXCs, which are listed in Table 10b RXC to HCPCS Crosswalk. These RXC-specific HCPCS codes may be sourced from all inpatient, outpatient, and professional medical claims regardless of bill type.

The HCPCS codes in the HCPCS-level input file are to be used for RXC creation. It is the user's responsibility to create the HCPCS-level file for input to the risk adjustment algorithm; the data set is not created by the algorithm.

The HCPCS-level input file should include HCPCS codes from inpatient, outpatient, and professional medical claims with **discharge dates or through dates** within the benefit year. HCPCS codes that are not listed in Table 10b may be included in the HCPCS-level file but are ignored by the algorithm and are not included in RXCs for the adult risk

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<sup>18</sup> The source for the NDC codes is the U.S. Food and Drug Administration's Comprehensive NDC SPL Data Elements File: <https://www.fda.gov/ForIndustry/DataStandards/StructuredProductLabeling/ucm240580.htm>. The NDCs are validated as current prescriptions through the U.S National Library of Medicine's RxNorm dataset: <https://www.nlm.nih.gov/research/umls/rxnorm/>. The RxNorm Technical Documentation includes an algorithm the user can access to normalize NDC codes to the 11 digit, no dashes, HIPAA format. The source for the NDC start dates is the U.S. Food and Drug Administration's Orange Book: <https://www.accessdata.fda.gov/scripts/cder/ob/index.cfm>.

adjustment models' risk score calculations.

### III. Input data files for CC/HCC and RXC variable creation

This section describes the four input data files needed to create CC and HCC grouping and regression variables, RXC and RXC\*HCC interaction variables, and all other regression variables: a person-level file, a diagnosis-level file, an NDC-level file, and a HCPCS-level file. It is the responsibility of the user to create these input data files with the variables listed in this section.

#### Note on CSR\_INDICATOR

In operations, cost-sharing reduction (CSR) plan variations will be identified by the Health Insurance Oversight System (HIOS) variant ID or a new variant ID created specifically for EDGE to ensure that premium assistance Medicaid Alternative plans (i.e., private options) or other types of state subsidy plans have the correct CSR RA factor applied.<sup>19</sup> Listed below and described in Table 1, rows 29-47, are the codes that will be used to identify the plan variation.<sup>20</sup> Please note that unlike the risk adjustment software person-level CSR indicator, the HIOS variant ID is a plan-level indicator.

<b>HIOS Variant ID</b>	<b>Cost-Sharing Reduction (CSR) Level</b>	<b>RA Software Person-level CSR Indicator</b>	<b>CSR RA Factor</b>
00	Non-CSR/unknown CSR	1	1.00
01	Non-CSR/unknown CSR	1	1.00
02	CSR: Zero Cost Sharing – Platinum	1	1.00
03	CSR: Limited Cost Sharing – Platinum	1	1.00
04	CSR: 73% Actuarial Value (AV) Silver Plan Variation	1	1.00
34	CSR: State Subsidy – Silver	1	1.00
41	CSR: State Subsidy – Gold	1	1.00
02	CSR: Zero Cost Sharing – Gold	2	1.07
03	CSR: Limited Cost Sharing – Gold	2	1.07
42	CSR: State Subsidy – Gold	2	1.07
02	CSR: Zero Cost Sharing – Silver	3	1.12
03	CSR: Limited Cost Sharing – Silver	3	1.12
05	CSR: 87% AV Silver Plan Variation	3	1.12
06	CSR: 94% AV Silver Plan Variation	3	1.12

<sup>19</sup> See supra note 7.

<sup>20</sup> We note that when we identify unique State-specific plans that have higher plan liability than the standard plan variants, we utilize the corresponding CSR adjustment factor in the plan liability risk score calculation that maps to the plan's AV. For example, we use a CSR adjustment factor of 1.12 for all Massachusetts CSR wrap-around plans with AVs above 94 percent, as discussed in the 2024 Payment Notice final rule, 88 FR at 25772. When appropriate, identified unique State-specific plans may warrant a State-specific CSR factor table. For example, in addition to the CSR variants listed with factors of 1.12 in the table in this document, plan variants of 04 are also 1.12 in Massachusetts. See, e.g., the April 2024 EDGE Server Reference Data Code Updates, available at: [https://regtap.cms.gov/reg\\_librarye.php?i=5323](https://regtap.cms.gov/reg_librarye.php?i=5323).

30	CSR: State Subsidy Off-Exchange Plan – Silver	3	1.12
32	CSR: State Subsidy – Silver	3	1.12
35	CSR: State Subsidy – Silver	3	1.12
36	CSR: State Subsidy – Silver	3	1.12
02	CSR: Zero Cost Sharing – Bronze	4	1.15
03	CSR: Limited Cost Sharing – Bronze	4	1.15

### Note on Enrollment Duration

Beginning with the 2023 benefit year, the adult models include a series of partial-year enrollment indicators for enrollees with at least one HCC whose enrollment period in an issuer’s plans is 6 months or less. There are two steps involved in creating the enrollment duration indicator variables:

STEP 1: For the PERSON file, the user should create an ENROLDURATION variable for each enrollee with 12 possible values corresponding to 1-12 months based on an enrollee’s total number of days enrolled in the plan in the benefit year as described below and in Table 1, rows 22-23. Although ENROLDURATION will only be used to create variables needed for the adult models, we recommend it be constructed for *all* enrollees to maintain consistency in the variables present in the PERSON file. The created ENROLDURATION variable can be ignored for enrollees in the child or infant models.

STEP 2: The monthly enrollment duration interaction variables for enrollees with at least one HCC (HCC\_ED1–HCC\_ED6) will be created only for adult enrollees by the algorithm as described in Section V and in Table 6, rows 141-146.

### Input Data File Descriptions

1. PERSON file – a person-level file of demographic and enrollment information
  - a. ENROLID (or another person identification variable)
    - i. character or numeric type and unique to an individual
  - b. SEX
    - i. one character, 1 = male; 2 = female
  - c. DOB
    - i. 8-character numeric field, provides the enrollee’s date of birth
    - ii. Used to calculate AGE\_AT\_DIAGNOSIS for MCE diagnosis code age edits
  - d. AGE\_LAST
    - i. Age as of last day of enrollment in benefit year
    - ii. Used for all risk adjustment purposes except MCE diagnosis code age edits
    - iii. For infants born in the previous year but not discharged until the benefit year, users should substitute Age 0 for Age 1 in AGE\_LAST.
  - e. METAL

- i. Enrollee's metal level
  - ii. Allowable values: platinum, gold, silver, bronze, catastrophic (only 1 of these values)
- f. CSR\_INDICATOR
- i. Person-level indicator. Enrollees who qualify for cost-sharing reductions or those enrolled in premium assistance Medicaid alternative plans will be assigned CSR\_INDICATOR = 1-4. Non-CSR recipients will be assigned CSR\_INDICATOR = 1, which is associated with a factor of 1.00 (no adjustment to risk score).
    - 1 = Non-CSR recipient, and enrollees with unknown CSR (HIOS Variant ID = 00, 01).
    - 1 = Enrollees in Zero Cost Sharing Plan Variation of Platinum Level QHP (HIOS Variant ID = 02).
    - 1 = Enrollees in Limited Cost Sharing Plan Variation of Platinum Level QHP (HIOS Variant ID = 03).
    - 1 = Enrollees in 73% AV Silver Plan Variation (HIOS Variant ID = 04).
    - 1 = Enrollees in a State Subsidy Plan of Silver Level QHP (HIOS Variant ID = 34).
    - 1 = Enrollees in a State Subsidy Plan of Gold Level QHP (HIOS Variant ID = 41).
    - 2 = Enrollees in Zero Cost Sharing Plan Variation of Gold Level QHP (HIOS Variant ID = 02).
    - 2 = Enrollees in Limited Cost Sharing Plan Variation of Gold Level QHP (HIOS Variant ID = 03).
    - 2 = Enrollees in a State Subsidy Plan of Gold Level QHP (HIOS Variant ID = 42).
    - 3 = Enrollees in Zero Cost Sharing Plan Variation of Silver Level QHP (HIOS Variant ID = 02).
    - 3 = Enrollees in Limited Cost Sharing Plan Variation of Silver Level QHP (HIOS Variant ID = 03).
    - 3 = Enrollees in 87% AV Silver Plan Variation (HIOS Variant ID = 05).
    - 3 = Enrollees in 94% AV Silver Plan Variation (HIOS Variant ID = 06).
    - 3 = Enrollees in a State Subsidy Off-Exchange Plan of Silver Level QHP (HIOS Variant ID = 30).
    - 3 = Enrollees in a State Subsidy Plan of Silver Level QHP (HIOS Variant ID = 32).
    - 3 = Enrollees in a State Subsidy Plan of Silver Level QHP (HIOS Variant ID = 35).
    - 3 = Enrollees in a State Subsidy Plan of Silver Level QHP (HIOS Variant ID = 36).
    - 4 = Enrollees in Zero Cost Sharing Plan Variation of Bronze Level QHP (HIOS Variant ID = 02).

- 4 = Enrollees in Limited Cost Sharing Plan Variation of Bronze Level QHP (HIOS Variant ID = 03).

g. ENROLDURATION

- Person-level enrollment duration variable. Although it is for use in adult models only, it is recommended the user create it for all enrollees for consistency in PERSON file preparation. Values will be ignored for enrollees in child or infant models.
- Allowable values are 1-12 based on months enrolled in plan in benefit year as defined by days:
  - 1 = 1–31 days enrolled
  - 2 = 32–62 days enrolled
  - 3 = 63–92 days enrolled
  - 4 = 93–123 days enrolled
  - 5 = 124–153 days enrolled
  - 6 = 154–184 days enrolled
  - 7 = 185–214 days enrolled
  - 8 = 215–245 days enrolled
  - 9 = 246–275 days enrolled
  - 10 = 276–306 days enrolled
  - 11 = 307–335 days enrolled
  - 12 = 336–366 days enrolled

2. DIAG file – a diagnosis-level input file of diagnoses

- ENROLID (or another person identification variable that must be the same as in PERSON file).<sup>21</sup>
  - person identifier of character or numeric type and unique to an individual
- DIAG
  - ICD-10-CM diagnosis code, 7-character field, no periods, left justified. Codes should be to the greatest level of available specificity. (Age and sex edits for diagnoses are applied in Part V, step 1 to ensure CCs are assigned appropriately for the age and sex of the enrollee.) Only diagnoses from allowable sources (Part II) should be included in the diagnosis-level file.
- DIAGNOSIS\_SERVICE\_DATE
  - 8-character numeric field, provides the date of the diagnosis
  - As described in Part II, this variable can be used with DIAG and Table 3 to check that a diagnosis code is valid for a given fiscal year.
- AGE\_AT\_DIAGNOSIS
  - Age as of the diagnosis service date, calculated using DOB from PERSON file and DIAGNOSIS\_SERVICE\_DATE
  - Used only for MCE diagnosis code age edits

3. NDC file – an NDC-level input file of drug codes

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<sup>21</sup> Please note that in operation, this information cannot include personally identifiable information.

- a. ENROLID (or another person identification variable that must be the same as in PERSON file)
    - i. person identifier of character or numeric type and unique to an individual
  - b. NDC
    - i. NDC normalized drug code (11-digit, no dashes, HIPAA standard format), 11-character field, left justified. This format matches the format required for submission to the EDGE server. Only NDCs from pharmacy claims filed in the benefit year (Part II) should be included in the NDC-level file.
4. HCPCS file – a HCPCS-level input file of drug codes
- a. ENROLID (or another person identification variable that must be the same as in PERSON file)
    - i. Person identifier of character or numeric type and unique to an individual
  - b. HCPCS
    - i. HCPCS drug code, 5-character field, left justified. HCPCS drug codes from all inpatient, outpatient, or professional medical claims with discharge or through dates in the benefit year, regardless of bill type (Part II), should be included in the HCPCS-level file.

#### **IV. Variables output by the algorithm**

This section describes the variables that are outputted by the HHS risk adjustment models. Any software or algorithms developed from the tables output a person-level file and need to be capable of adding any person-level variables that the user wants to keep.

The following variables can be specified:

1. Any person-level variables from the original person-level file
2. Demographic age/sex variables created by the algorithm
3. HCCs created by the algorithm
4. CCs (condition categories assigned before hierarchies are applied)
5. RXCs and RXC interactions created by the algorithm
6. HCC groups and HCC interactions created by the algorithm
7. Infant model maturity categories, reassigned age/sex variables, severity level categories, and maturity by severity level interactions created by the algorithm
8. Adult model enrollment duration variables created by the algorithm
9. Score variables:
  - a. Adult Models
    - i. SCORE\_ADULT\_PLATINUM
    - ii. SCORE\_ADULT\_GOLD
    - iii. SCORE\_ADULT\_SILVER
    - iv. SCORE\_ADULT\_BRONZE
    - v. SCORE\_ADULT\_CATASTROPHIC
  - b. Child Models

- i. SCORE\_CHILD\_PLATINUM
    - ii. SCORE\_CHILD\_GOLD
    - iii. SCORE\_CHILD\_SILVER
    - iv. SCORE\_CHILD\_BRONZE
    - v. SCORE\_CHILD\_CATASTROPHIC
  - c. Infant Models
    - i. SCORE\_INFANT\_PLATINUM
    - ii. SCORE\_INFANT\_GOLD
    - iii. SCORE\_INFANT\_SILVER
    - iv. SCORE\_INFANT\_BRONZE
    - v. SCORE\_INFANT\_CATASTROPHIC
- 10. CSR-adjusted score variables:
  - a. Adult Models
    - i. CSR\_ADJUSTED\_SCORE\_ADULT\_PLATINUM
    - ii. CSR\_ADJUSTED\_SCORE\_ADULT\_GOLD
    - iii. CSR\_ADJUSTED\_SCORE\_ADULT\_SILVER
    - iv. CSR\_ADJUSTED\_SCORE\_ADULT\_BRONZE
    - v. CSR\_ADJUSTED\_SCORE\_ADULT\_CATASTROPHIC
  - b. Child Models
    - i. CSR\_ADJUSTED\_SCORE\_CHILD\_PLATINUM
    - ii. CSR\_ADJUSTED\_SCORE\_CHILD\_GOLD
    - iii. CSR\_ADJUSTED\_SCORE\_CHILD\_SILVER
    - iv. CSR\_ADJUSTED\_SCORE\_CHILD\_BRONZE
    - v. CSR\_ADJUSTED\_SCORE\_CHILD\_CATASTROPHIC
  - c. Infant Models
    - i. CSR\_ADJUSTED\_SCORE\_INFANT\_PLATINUM
    - ii. CSR\_ADJUSTED\_SCORE\_INFANT\_GOLD
    - iii. CSR\_ADJUSTED\_SCORE\_INFANT\_SILVER
    - iv. CSR\_ADJUSTED\_SCORE\_INFANT\_BRONZE
    - v. CSR\_ADJUSTED\_SCORE\_INFANT\_CATASTROPHIC
- 11. Final unadjusted and CSR-adjusted score variables depending on the enrollee's metal level and CSR indicator, including enrollment in premium assistance Medicaid alternative plans.
  - a. Adult scores
    - i. SCORE\_ADULT
    - ii. CSR\_ADJUSTED\_SCORE\_ADULT
  - b. Child scores
    - i. SCORE\_CHILD
    - ii. CSR\_ADJUSTED\_SCORE\_CHILD
  - c. Infant scores
    - i. SCORE\_INFANT
    - ii. CSR\_ADJUSTED\_SCORE\_INFANT

The user should determine which of the scores is appropriate for the enrollee depending upon the age and plan benefit design of that enrollee.

## V. Algorithm to produce output

This section describes the process by which the outputs identified in Section IV are created. The algorithm to produce risk scores can be segmented into five parts—CC, HCC, and RXC creation model; variable creation; access factors table; unadjusted score calculation; and CSR-adjusted score calculation.

Step 1A: CC and HCC creation. This first step should use Table 3 for CC creation and Table 4 for HCC creation.

Table 3 crosswalks ICD-10 codes to the Condition Categories (CCs) in the risk adjustment models. This table incorporates the ICD-10 Medicare Code Edits (MCEs) for age and sex, the further specified CC age and sex splits, and the creation of CCs and additional CCs.<sup>22</sup> Explanations of the fields in Table 3 are provided below:

- Obs (column A): Observations, numeric count from 1 to 11,326 of the code list.
- ICD10 (column B): Only ICD-10 codes assigned to HCCs in the risk adjustment models are included in this crosswalk. All other ICD-10 codes correspond to HCCs not included in the risk adjustment models and are not used to calculate risk scores.
- ICD10 Label (column C): Full ICD-10 code labels.
- Code Valid column (columns D and E): Identifies the fiscal year(s) (column D FY2024; column E FY2025) in which the ICD-10 codes are valid. There are two possible values in columns D and E:
  - Y = Yes, code is valid ICD-10 code in that fiscal year
  - N = No, code is not valid ICD-10 code in that fiscal year; code may not yet be in existence or code was deleted in that fiscal year; the code should not be used for risk adjustment in that fiscal year period
- FY2024 MCE Age Condition [use AGE\_AT\_DIAGNOSIS] (column F), FY2025 MCE Age Condition [use AGE\_AT\_DIAGNOSIS] (column H), and CY2024 (FY24/FY25) MCE Age Condition [use AGE\_AT\_DIAGNOSIS] (column J): Checks that a person with a diagnosis code has the appropriate age for the diagnosis. The specific fiscal year versions are presented for informational purposes. The user should use the CY2024 version which covers both fiscal years (column J) to match the MCE Age Condition version being used in Operations. Conditions listed in this column are required for the CC to be assigned.
  - Newborn diagnosis: Age of 0 years
  - Pediatric diagnosis: Age range is 0-17 years inclusive
  - Maternity diagnosis: Age range is 9-64 years inclusive
  - Adult diagnosis: Age range is 15 years or older
- FY2024 MCE Sex Condition (column G), FY2025 MCE Sex Condition (column I), and CY2024 (FY24/FY25) MCE Sex Condition (column K): Checks that a person with a diagnosis code has the appropriate sex for the diagnosis. The specific fiscal year versions are presented for informational purposes. The user should use the CY2024 version which covers both fiscal years (column K) to match the MCE Sex Condition version being used in

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<sup>22</sup> The CC age and sex splits relate to how specific conditions are reclassified by age or sex within the full HCC classification. These reassignments are not related to age or sex coding guidelines.

Operations. Note that FY2025 MCE Sex Condition (column I) is blank because MCE sex conditions were deactivated as of October 1, 2024. Conditions listed in this column are required for the CC to be assigned.

- Female indicates the diagnosis is only appropriate for females.
- Male indicates the diagnosis is only appropriate for males.
- CC Age Split [use AGE\_LAST] (column L): Identifies diagnosis codes whose assignments to CCs in the risk adjustment models change depending on the age of the enrollee. ICD-10 codes assigned by age to more than one CC in the risk adjustment models are listed more than once. In those cases, the age splits are mutually exclusive and enrollees are assigned to only the CC(s) for the respective age range.
- CC Sex Split (column M): Identifies diagnosis codes whose assignments to CCs in the risk adjustment models change depending on the sex of the enrollee. ICD-10 codes assigned by sex to more than one CC in the risk adjustment models are listed more than once. Enrollees are assigned to only the CC(s) for the appropriate sex.
- CC (column N), Second CC (column O), and Third CC (column P): CC (column N) identifies the CC in the risk adjustment models to which a person with the ICD-10 code who meets the MCE conditions and CC splits is assigned. Additional CCs (columns O and P) are assigned when the ICD-10 code is assigned to more than one HCC in the risk adjustment models because it contains more than one clinical concept (such as an ICD-10 diagnosis code that encompasses both diabetes and a complication of diabetic peripheral angiopathy with gangrene). Second CC (column O) identifies the second CC, and Third CC (column P) identifies the third CC in the risk adjustment model to which a person with the ICD-10 code who meets the MCE conditions and CC Age or Sex splits is assigned.
- Footnote (column Q): Identifies applicable footnotes for the ICD-10 code. Notes begin on row 11,332 of the Excel table with the line “Notes:” and should not be imported by any program.

Table 4 provides the hierarchy rules to apply to the CCs to create HCCs. Explanations of the fields in Table 4 are provided below:

- Obs (column A): Observations, numeric count from 1 to 141 of HCCs in the HHS risk adjustment models.
- V07 HCC (column B): Only HCCs in the risk adjustment models are identified. HCCs are created when hierarchies are applied to CCs.
- Set to 0 HCCs (column C): Hierarchy exclusions for each HCC are listed. Users should set the HCCs in this column to 0 when a person has the HCC listed in column B.
- HCC Label (column D): Full HCC labels.

Use Table 3 and Table 4 to create CCs and HCCs:<sup>23</sup>

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<sup>23</sup> The V07 HHS-HCC classification includes *HCC 22 Type 1 Diabetes Mellitus, add-on to Diabetes HCCs 19-21* in the adult models. *HCC Group 1* includes *HCC 19, HCC 20, and HCC 21*. *HCC 22* is an additive HCC to *HCC*

1. Create CC and HCC 0/1 indicator variables for each HCC in the risk adjustment models listed in Table 4 (Example: CC001, CC002, CC003, CC004, CC006, CC008 ... CC254; HHS\_HCC001, HHS\_HCC002 ... HHS\_HCC254). Initially, set CCs and HCCs to 0 for each person.
2. If there are any acceptable diagnoses for a person, then:
  - a. Perform ICD-10 Medicare Code Edits (MCEs) for age and sex (use CY2024 MCE Age Condition and MCE Sex Condition columns in Table 3). Use AGE\_AT\_DIAGNOSIS for applying MCE age edits.
  - b. If a person meets the MCE conditions, apply CC Age Split and CC Sex Split to create CC (set to 1) using crosswalk of ICD-10 to CCs (use CC Age Split, CC Sex Split, and CC columns in Table 3). Use AGE\_LAST for CC age splits.
  - c. Create additional CCs (set to 1) using Second CC and Third CC columns.
3. Create HCCs after all diagnoses for a person are processed and CC variables are created using hierarchies provided in Table 4.
  - a. Set HCC to 1 when corresponding CC is set to 1.
  - b. Set the HCCs in column C to 0 when a person has the HCC listed in column B set to 1.

Step 1B: RXC creation. This step should use Tables 10a/10b and Table 11 for RXC creation.

Table 10a crosswalks National Drug Codes (NDCs) to the Prescription Drug Categories (RXC) in the adult risk adjustment models. This table identifies the subset of NDCs used in the creation of RXCs. Explanations of the fields in Table 10a are provided below:

- RXC (column A): Identifies the RXC number in the risk adjustment models that a person with the NDC is assigned.
  - RXCs 1-10 are included in the adult risk adjustment models as stand-alone variables and as interactions, each with risk factors included in a person's risk score.
- RXC\_Label (column B): Provides the label of each RXC.
- NDC (column C): Only NDCs assigned to RXCs in the adult risk adjustment models are included in this crosswalk. All other NDCs do not map to an RXC and are not used to calculate risk scores. NDCs are stored in string (character) to avoid dropping of leading zeroes.

Table 10b crosswalks Healthcare Common Procedure Coding System (HCPCS) codes to the Prescription Drug Categories (RXC) in the adult risk adjustment models. This table identifies the subset of HCPCS codes used in the creation of RXCs. Explanations of the fields in Table 10b are provided below:

- RXC (column A): Identifies the RXC number in the risk adjustment models that a person with the NDC is assigned. (See Table 10a description above for information about RXCs 1-10.)

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*Group 1* and distinguishes the additional costs for Type 1 diabetes. See the Patient Protection and Affordable Care Act; HHS Notice of Benefit and Payment Parameters for 2021; Notice Requirement for Non-Federal Governmental Plans; Final Rule, 85 FR 29164 at 29175 – 29185 (May 14, 2020). Type 1 diabetes continues to appear in HCC Group 1 but has separate additive incremental costs with HCC 22.

- RXC\_Label (column B): Provides the label of each RXC.
- HCPCS (column C): Only HCPCS codes assigned to RXCs in the adult risk adjustment models are included in this crosswalk. All other HCPCS drug codes do not map to an RXC and are not used to calculate risk scores.

Table 11 provides the hierarchy rules to apply to the RXCs. Explanations of the fields in Table 11 are provided below:

- RXC (column A): RXCs in the risk adjustment models are identified.
- Set to 0 RXC (column B): Hierarchy exclusions for each RXC are listed. Users should set the RXCs in column B to 0 when a person has the RXC listed in column A.
- RXC\_Label (column C): Provides the label of each RXC in column A.

Use Tables 10a/10b and Table 11 to create RXCs:

1. Create 10 RXC 0/1 indicator variables for each RXC in the risk adjustment models listed in Table 10a (Example: RXC\_01, RXC\_02, RXC\_03 ... RXC\_09, RXC\_10). Initially, set RXCs to 0 for each person.
2. Using Table 10a, if there are any acceptable NDCs for a person, then set to 1 the corresponding RXC(s) using the RXC and NDC columns in the crosswalk.
3. Using Table 10b, if there are any acceptable HCPCS codes for a person, then set to 1 the corresponding RXC(s) using the RXC and HCPCS columns in the crosswalk.
4. Using hierarchies provided in Table 11, set the RXCs in column B to 0 when a person has the RXC listed in column A set to 1.

The RXC interactions will be created in a later step.

### Step 2: Model variable creation.

This step should use Table 5 for demographic variable creation, Table 6 for additional adult model variables including enrollment duration, Table 7 for additional child model variables, and Table 8 for additional infant model variables.

Explanations of the fields in Tables 5-8 are provided below:

- Column A identifies the model set in which the variable is used (adult, child or infant).
- Column B identifies the variable name.
- Column C gives a variable description.
- Column D indicates if the variable is used in the model.
- Column E defines the variable creation.

Variables must be assigned values in the same order as defined in Tables 5, 6, 7, and 8. For example, in Table 6, assign a value to the HCC group variables first, then the variable HCC\_CNT, then the variable SEVERE, then the severe illness interaction terms.

Variable creation:

1. Create demographic variables needed for score calculation using Table 5.

- a. A person's age and sex are used to create 1 of 28 mutually exclusive age-sex variables (18 for adult models, 8 for child models, 2 for infant models). Use AGE\_LAST.
  - b. Because the infant model is computed with females as the reference group for the age-sex demographic variables, there are no separate age-sex demographic variables for females age 0 or 1. Note that if male age 0 infants are assigned to Age 1 because they lack a newborn HCC, their age/sex demographic variable will be reassigned to Age 1 using Table 8.
  - c. Adult age-sex variables are listed in rows 8-25.
  - d. Child age-sex variables are listed in rows 27-34.
  - e. Infant age-sex variables are listed in rows 36 and 37.
2. For the adult models – create RXC interaction variables using Table 6.
    - a. The HCCs and the RXC variables (RXC\_01-RXC\_10) created earlier in Part V, Step 1B are used to create the 13 (0/1) RXC interaction variables. The RXC interaction variables are identified in rows 16-28 of Table 6.
      - i. Create the 13 RXC interaction variables listed in rows 16-28 in column B (e.g., RXC\_01\_X\_HCC001) and initially set to 0 for each adult. These interactions are based on RXCs listed in rows 5-14 of Table 6.
      - ii. An RXC interaction variable (e.g., RXC\_01\_X\_HCC001) is set to 1 if an adult has both the corresponding RXC set to 1 and the HCC(s) set to 1 as listed in column E of Table 6 starting in row 16.
      - iii. There are 5 RXC interactions that include a single HCC (rows 16, 18, 23, 25-26).
      - iv. There are 7 RXC interactions that include a set of HCCs in which only 1 HCC of the set must be set to 1 (rows 17, 19-22, 27-28).  
There is 1 RXC interaction (RXC\_09\_X\_HCC056\_057\_AND\_048\_041 in row 24) that includes two sets of HCCs in which at least 1 HCC in each set must be set to 1.
  3. For the adult and child models – create HCC groups using Tables 6 and 7.
    - a. HCC groups are effectively treated as single HCCs in the models. The HCC groups are assigned variables GXX, where XX is the group number.
    - b. For the adult models:
      - i. There are 19 adult HCC groups. The group variable names are listed in rows 30-88 of column B of Table 6.
      - ii. Initially create the 19 HCC groups for adults and set to 0 for each person.
      - iii. The HCCs in an HCC group are listed in column E of Table 6 starting in row 30.
      - iv. A variable for an HCC group is set to equal 1 if an adult has at least one of the HCCs in a given adult HCC group.
    - c. For the child models:
      - i. There are 21 child HCC groups. The HCC group variable names are listed in rows 5-67 of column B of Table 7.
      - ii. Initially create the 21 HCC groups for children and set to 0 for each person.
      - iii. The HCCs in an HCC group are found in column E of Table 7

- starting in row 5.
- iv. A variable for an HCC group is set to equal 1 if a child has at least one of the HCCs in a given child HCC group.
4. For the adult and child models – create variable for count of HCCs using Tables 6 and 7.
    - a. The variable HCC\_CNT is the count of unique HCCs or HCC groups assigned to the enrollee. HCC groups are effectively treated as single HCCs in the count.
    - b. HCC 22 *Type 1 Diabetes Mellitus, add-on to Diabetes HCCs 19-21* is additive to *HCC Group 1* so HCC 22 is not included in the count of HCCs for adult enrollees. HCC 22 is not included in the child models.<sup>24</sup>
    - c. The adult model count variable, HCC\_CNT, is listed on row 91 of Table 6. Its values range from 0 to 107 total unique HCCs or HCC groups in the adult models.
    - d. The child model count variable, HCC\_CNT, is listed on row 70 of Tables 7. Its values range from 0 to 107 total unique HCCs in the child models.
  5. For the adult and child models – create the severe illness indicator variable using Tables 6 and 7.
    - a. The severe illness indicator variable (0/1), SEVERE, is created when an adult or child has at least 1 of the HCCs or HCC groups that indicate a severe illness. SEVERE is initially set to 0 for each adult and child enrollee and is set equal to 1 if the enrollee has at least 1 of the HCCs or HCC groups.<sup>25</sup>
    - b. For the adult models, rows 93-115 of column E in Table 6 identify these 23 HCCs or HCC groups.
    - c. For the child models, rows 72-95 of column E in Table 7 identify these 24 HCCs or HCC groups.
  6. For the adult and child models – create the transplant severe illness indicator variable using Tables 6 and 7.
    - a. The transplant severe illness indicator variable (0/1), TRANSPLANT, is created when an adult or child has at least 1 of the HCCs or HCC groups that indicate a transplant. TRANSPLANT is initially set to 0 for each adult and child enrollee and is set equal to 1 if the enrollee has at least 1 of the HCCs or HCC groups.<sup>26</sup>
    - b. For the adult models, rows 117-122 of column E in Table 6 identify these 6 HCCs or HCC groups.
    - c. For the child models, rows 97-103 of column E in Table 7 identify these 7 HCCs or HCC groups.
  7. For the adult and child models – create variables for severe illness interacted with HCC

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<sup>24</sup> See supra note 233.

<sup>25</sup> The sets of HCCs indicating severe illness and transplant severe illness are unchanged between the 2023 and 2024 models. However, the 2024 adult model includes a new HCC grouping of HCC018 (Pancreas Transplant Status) with HCC183 (Kidney Transplant Status/Complications), resulting in 23 HCC or HCC group variables that trigger the SEVERE indicator and 6 HCC or HCC group variables that trigger the TRANSPLANT indicator. This grouping was not added in the child model as the child model includes a separate stability constraint impacting these HCCs. As such, in the child model, HCC018 and HCC183 remain ungrouped and there continues to be 24 HCC or HCC group variables that trigger the SEVERE indicator and 7 HCC or HCC group variables that trigger the TRANSPLANT indicator in the child model.

<sup>26</sup> See supra note 25.

- counts, SEVERE\_HCC\_COUNTX, where X is the count of HCCs or HCC groups, using Tables 6 and 7.
- a. For the adult models:
    - i. The variables SEVERE and HCC\_CNT are used to create 10 mutually exclusive interaction variables (0/1) identified in rows 124-133 of Table 6.
    - ii. Interaction variables SEVERE\_HCC\_COUNT1–SEVERE\_HCC\_COUNT10PLUS are initially set to 0 for each adult.
    - iii. Adult enrollees with SEVERE = 1 are assigned one of the SEVERE\_HCC\_COUNTX variables, determined by the corresponding count of HCCs or HCC groups (X). Values for HCC\_CNT of 10 or higher correspond to the interaction variable SEVERE\_HCC\_COUNT10PLUS. The respective interaction variable is set to 1. For example, SEVERE\_HCC\_COUNT1 = 1 if SEVERE = 1 and HCC\_CNT = 1, SEVERE\_HCC\_COUNT2 = 1 if SEVERE = 1 and HCC\_CNT = 2, and so on.
    - iv. Adult enrollees who have SEVERE = 0 will have all 10 severe illness interaction variables set to 0. All other enrollees will have exactly 1 severe illness interaction variable set to 1.
  - b. For the child models:
    - i. The variable SEVERE and HCC\_CNT are used to create 7 mutually exclusive interaction variables (0/1) identified in rows 105-111 of Table 7.
    - ii. Interaction variables SEVERE\_HCC\_COUNT1–SEVERE\_HCC\_COUNT8PLUS are initially set to 0 for each child.
    - iii. Child enrollees with SEVERE = 1 are assigned one of the SEVERE\_HCC\_COUNTX variables, determined by the corresponding count of HCCs or HCC groups (X). Values for HCC\_CNT of 6 or 7 correspond to the interaction variable SEVERE\_HCC\_COUNT6\_7. Values for HCC\_CNT of 8 or higher correspond to the interaction variable SEVERE\_HCC\_COUNT8PLUS. The respective interaction variable is set to 1. For example, SEVERE\_HCC\_COUNT1 = 1 if SEVERE = 1 and HCC\_CNT = 1, SEVERE\_HCC\_COUNT2 = 1 if SEVERE = 1 and HCC\_CNT = 2, and so on.
    - iv. Child enrollees who have SEVERE = 0 will have all 7 severe illness interaction variables set to 0. All other enrollees will have exactly 1 severe illness interaction variable set to 1.
8. For the adult and child models – create variables for transplant severe illness interacted with HCC counts, TRANSPLANT\_HCC\_COUNTX, where X is the count of HCCs or HCC groups, using Tables 6 and 7.
- a. For the adult models:
    - i. The variables TRANSPLANT and HCC\_CNT are used to create 5 mutually exclusive interaction variables (0/1) identified in rows 135-139 of Table 6.
    - ii. Interaction variables TRANSPLANT\_HCC\_COUNT4–SEVERE\_HCC\_COUNT8PLUS are initially set to 0 for each adult.



- a. Table notation: Severity category and maturity category variables (which are not included in the regression, but are used to create regression interaction variables) use the “IHCC\_” prefix designating them as Infant variables. Examples: IHCC\_Severity5; IHCC\_Extremely\_Immature.
- b. Create 5 severity level category 0/1 indicator variables based on HCC flags (See Table 8, rows 5-124). Set to 1 if any of the corresponding HCC variables is set to 1.
  - i. Severity Level 5 (Highest)
  - ii. Severity Level 4
  - iii. Severity Level 3
  - iv. Severity Level 2
  - v. Severity level 1 (Lowest)
- c. Apply hierarchies so that each age 0 or age 1 infant has only a single severity level variable, the highest qualifying level, set to 1 (see Table 8, rows 126-130). Note that infants lacking any of the HCCs corresponding to severity levels are assigned to Severity Level 1 (Lowest).
- d. Create 5 maturity category 0/1 indicator variables set to 1 based on age only if age 1, and on age as well as newborn HCC flags if age 0 (see Table 8, rows 132-137). Note that age 0 infants lacking a newborn HCC (242-249) are assigned to Age 1.
  - i. Age 1
  - ii. Extremely Immature
  - iii. Immature
  - iv. Premature/Multiples
  - v. Term
- e. Apply hierarchies so that each age 0 or age 1 infant has only a single maturity variable set to 1 (see Table 8, rows 138-140).
- f. Reassign male age 0 infants lacking a newborn HCC to the Age 1 age-sex variable (see Table 8, row 142).
- g. Create 25 maturity by severity level interactions (0/1) using the 5 maturity category variables and 5 severity level category variables (see Table 8, rows 144-168). These are mutually exclusive interactions—each infant will have only one maturity by severity level interaction set to 1.
  - i. Extremely\_Immature\_x\_Severity5
  - ii. Extremely\_Immature\_x\_Severity4
  - iii. Extremely\_Immature\_x\_Severity3
  - iv. Extremely\_Immature\_x\_Severity2
  - v. Extremely\_Immature\_x\_Severity1
  - vi. Immature\_x\_Severity5
  - vii. Immature\_x\_Severity4
  - viii. Immature\_x\_Severity3
  - ix. Immature\_x\_Severity2
  - x. Immature\_x\_Severity1
  - xi. Premature\_Multiples\_x\_Severity5
  - xii. Premature\_Multiples\_x\_Severity4
  - xiii. Premature\_Multiples\_x\_Severity3
  - xiv. Premature\_Multiples\_x\_Severity2

- xv. Premature\_Multiples\_x\_Severity1
- xvi. Term\_x\_Severity5
- xvii. Term\_x\_Severity4
- xviii. Term\_x\_Severity3
- xix. Term\_x\_Severity2
- xx. Term\_x\_Severity1
- xxi. Age1\_x\_Severity5
- xxii. Age1\_x\_Severity4
- xxiii. Age1\_x\_Severity3
- xxiv. Age1\_x\_Severity2
- xxv. Age1\_x\_Severity1

Step 3: Access factors in Table 9.

1. For the adult models, use adult factors in rows 4-215 for each of the metal levels (columns D-H).
2. For the child models, use child factors in rows 217-383 for each of the metal levels (columns D-H)
3. For the infant models, use infant factors in rows 385-411 for each of the metal levels (columns D-H)

Step 4: Unadjusted score calculation (using directions in Tables 6-8, variables created in Tables 5-8, and factors from Table 9).

1. For each adult, create an adult model score for the metal level in which that adult is enrolled (corresponding to scores in Part IV).
  - a. Create scores for each metal level using directions in rows 148-156 in Table 6.
    - i. SCORE\_ADULT\_PLATINUM
    - ii. SCORE\_ADULT\_GOLD
    - iii. SCORE\_ADULT\_SILVER
    - iv. SCORE\_ADULT\_BRONZE
    - v. SCORE\_ADULT\_CATASTROPHIC
  - b. The score for each of the above variables is the sum of the factors of the corresponding metal level in Table 9 for all variables set to 1 for that adult: demographic variable, any HCCs, any HCC groups, a severe illness interaction group if applicable, an enrollment duration variable if applicable, RXCs 1-10, and RXC interactions.
    - i. SCORE\_ADULT\_PLATINUM uses factors from column D
    - ii. SCORE\_ADULT\_GOLD uses factors from column E
    - iii. SCORE\_ADULT\_SILVER uses factors from column F
    - iv. SCORE\_ADULT\_BRONZE uses factors from column G
    - v. SCORE\_ADULT\_CATASTROPHIC uses factors from column H
  - c. Identify the metal level in which the adult is enrolled (Table 1 row 27).
  - d. Create an adult model score SCORE\_ADULT for the metal level in which the adult is enrolled using directions in rows 169-170 in Table 6.
2. For each child create a child model score for the metal level in which that child is enrolled (corresponding to scores in Part IV).

- a. Create scores for each metal level using directions in rows 115-119 in Table 7.
    - i. SCORE\_CHILD\_PLATINUM
    - ii. SCORE\_CHILD\_GOLD
    - iii. SCORE\_CHILD\_SILVER
    - iv. SCORE\_CHILD\_BRONZE
    - v. SCORE\_CHILD\_CATASTROPHIC
  - b. The score for each of the above variables is the sum of the factors of the corresponding metal level in Table 9 for all variables set to 1 for that child: demographic variable, any HCCs, and any HCC groups.
    - i. SCORE\_CHILD\_PLATINUM uses factors from column D
    - ii. SCORE\_CHILD\_GOLD uses factors from column E
    - iii. SCORE\_CHILD\_SILVER uses factors from column F
    - iv. SCORE\_CHILD\_BRONZE uses factors from column G
    - v. SCORE\_CHILD\_CATASTROPHIC uses factors from column H
  - c. Identify the metal level in which the child is enrolled (Table 1 row 27).
  - d. Create a child model score SCORE\_CHILD for the metal level in which the child is enrolled using directions in rows 132-133 in Table 7.
3. For each infant create an infant model score for the metal level in which that infant is enrolled (corresponding to scores in Part IV) using directions starting at row 170 of Table 8, infant variables created in Tables 5 and 8, and factors from Table 9.
    - a. Unadjusted infant risk score is the sum of (0/1 variable x factor) over all the following:
      - i. 0/1 age-sex categories for INFANT models
      - ii. 0/1 maturity x severity level interactions for INFANT models
    - b. The unadjusted score is the sum of the factors of the corresponding metal level in Table 9 for all variables set to 1 for that infant.
      - i. SCORE\_INFANT\_PLATINUM uses factors from column D
      - ii. SCORE\_INFANT\_GOLD uses factors from column E
      - iii. SCORE\_INFANT\_SILVER uses factors from column F
      - iv. SCORE\_INFANT\_BRONZE uses factors from column G
      - v. SCORE\_INFANT\_CATASTROPHIC uses factors from column H
    - c. Females will have a single maturity level x severity level interaction set to 1 and that factor will be their score. Males will have a single maturity level x severity level interaction set to 1 and a single age-sex variable set to 1; the sum of the factors for those two variables will be their score.
    - d. Identify the metal level in which the infant is enrolled (Table 1 row 27).
    - e. Create an infant model score SCORE\_INFANT for the metal level in which the infant is enrolled using directions in rows 187-188 in Table 8.

Step 5: CSR-adjusted score calculation (using instructions in Tables 6-8).

1. For each adult, create an adult model CSR-adjusted score for the metal level in which that adult is enrolled (corresponding to CSR-adjusted scores in Part IV).
  - a. Each adult will have one of the following CSR-adjusted risk scores that corresponds to his/her metal level. CSR-adjusted scores are

- created using directions in rows 158-167 in Table 6.
- i. CSR\_ADJUSTED\_SCORE\_ADULT\_PLATINUM
  - ii. CSR\_ADJUSTED\_SCORE\_ADULT\_GOLD
  - iii. CSR\_ADJUSTED\_SCORE\_ADULT\_SILVER
  - iv. CSR\_ADJUSTED\_SCORE\_ADULT\_BRONZE
  - v. CSR\_ADJUSTED\_SCORE\_ADULT\_CATASTROPHIC
- b. Identify the metal level in which the adult is enrolled (Table 1 row 27).
  - c. Create an adult model score CSR\_ADJUSTED\_SCORE\_ADULT for the metal level in which the adult is enrolled using directions in rows 172-174 in Table 6.
2. For each child, create a child model CSR-adjusted score for the metal level in which that child is enrolled (corresponding to CSR-adjusted scores in Part IV).
    - a. Each child will have one of the following CSR-adjusted risk scores that corresponds to his/her metal level. CSR-adjusted scores are created using directions in rows 121-130 in Table 7.
      - i. CSR\_ADJUSTED\_SCORE\_CHILD\_PLATINUM
      - ii. CSR\_ADJUSTED\_SCORE\_CHILD\_GOLD
      - iii. CSR\_ADJUSTED\_SCORE\_CHILD\_SILVER
      - iv. CSR\_ADJUSTED\_SCORE\_CHILD\_BRONZE
      - v. CSR\_ADJUSTED\_SCORE\_CHILD\_CATASTROPHIC
    - b. Identify the metal level in which the child is enrolled (Table 1 row 27).
    - c. Create a child model score CSR\_ADJUSTED\_SCORE\_CHILD for the metal level in which the child is enrolled using directions in rows 135-137 in Table 7.
  3. For each infant, create an infant model CSR-adjusted score for the metal level in which that infant is enrolled (corresponding to CSR-adjusted scores in Part IV).
    - a. Each infant will have one of the following CSR-adjusted risk scores that corresponds to his/her metal level. CSR-adjusted scores are created using directions in rows 176-185 in Table 8.
      - i. CSR\_ADJUSTED\_SCORE\_INFANT\_PLATINUM
      - ii. CSR\_ADJUSTED\_SCORE\_INFANT\_GOLD
      - iii. CSR\_ADJUSTED\_SCORE\_INFANT\_SILVER
      - iv. CSR\_ADJUSTED\_SCORE\_INFANT\_BRONZE
      - v. CSR\_ADJUSTED\_SCORE\_INFANT\_CATASTROPHIC
    - b. Identify the metal level in which the infant is enrolled (Table 1 row 27).
    - c. Create an infant model score CSR\_ADJUSTED\_SCORE\_INFANT for the metal level in which the infant is enrolled using directions in rows 190-192 in Table 8.

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