NC DEPARTMENT OF HEALTH AND HUMAN SERVICES

Division of Health Benefits | NC Medicaid

DHHS Guidance: PHP Risk Stratification Communication Standardization

I. Introduction

In support of North Carolina Department of Health and Human Services (DHHS) Medicaid care management efforts, Prepaid Health Plans (PHPs), Advanced Medical Home (AMH) Tier 3 practices, and Clinically Integrated Networks (CINs) use risk scoring and stratification information to identify individuals who are part of priority populations for care management and who should receive a Comprehensive Assessment to determine their care management needs.

DHHS requires PHPs, AMH Tier 3 practices, and CINs to share risk stratification information on Medicaid members via the Patient Risk List (PRL) file.[1] On a monthly basis, PHPs transmit a PRL file containing risk stratification information on assigned Medicaid members to the applicable AMH Tier 3 practices and CINs. Upon receipt of the PRL files from PHPs, AMH Tier 3 practices and CINs review the risk stratification information, incorporate the data into their care management processes, and then transmit risk stratification information, based on their assessment, back to the PHPs using the PRL file format.

DHHS also requires PHPs to describe their risk stratification approach as part of their annual BCM03 Care Management Policy reporting.[2]

Currently, there is variation in how partners apply DHHS's required risk stratification categories (i.e., high, medium, low, and null) and little transparency in how assignments should be interpreted. As elevated during discussions with partners, the variation complicates PHPs', AMH Tier 3 practices', and CINs' ability to interpret and use the risk stratification classifications to inform their population health and care management efforts.

As requested by partners and in support of improving AMH Tier 3 practices' and CINs' ability to interpret and understand PHPs' risk stratification approaches:

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[1] DHHS's existing contractual requirements and sub-regulatory guidance on risk stratification include: (1) Medicaid Managed Care Health Plan Contracts (Original; Amendment 21/22); (2) AMH Provider Manual and Standard Terms and Conditions for Health Plan Contracts with AMH Tier 3 Practices (May 2024); (3) Programmatic Guidance on Risk Stratification for AMH Tier 3 Practices (link); and (4) PRL Data Specifications and Companion Guide (Version 6.0).

[2] As described in Medicaid Managed Care Health Plan Contracts (Original), PHPs "shall develop a comprehensive Care Management Policy that outlines the PHP's approach to meet the requirements of this Section. The PHP shall submit the Policy for review and approval by the Department ninety (90) days after Contract Award and annually thereafter." With respect to risk stratification, DHHS requires PHPs' Care Management Policy to include the following:

1. Information and data to be utilized;
2. Description of the methodology;
3. Methodology for identifying members of priority populations;
4. Number of risk strata;
5. Criteria for each risk stratum (i.e. risking, high, low, medium risk); and
6. Approximate expected population and penetration rate in each stratum by priority population.

- DHHS will require PHPs to describe and share their risk stratification approaches with applicable AMH Tier 3 practices and CINs; and
- DHHS will encourage, but not require, AMH Tier 3 practices and CINs to describe and share their risk stratification approaches with PHPs.

Below are details on the required content, format, and distribution of PHPs' risk stratification approach.

II. Documentation Requirements for PHPs

PHPs must provide a description of the following components of their risk stratification approaches:

1. Description of risk scoring and stratification methodology
2. Data inputs and sources for risk scoring and stratification
3. Differences in risk stratification by sub-population
4. Translation of risk scores into the Department's risk stratification categories
5. Anticipated risk stratification and alignment with Department's care management assumptions

PHPs must use the template provided in Appendix A and include an applicable or effective date. PHPs may include, as attachments, any tables, charts, diagrams, or other visualizations that help explain the risk stratification processes and support interpretation of risk stratification results.

PHPs should include sufficient detail to inform AMH Tier 3 practices/CINs' interpretation of the risk stratification results and support care management efforts. PHPs are not expected to share proprietary details on their risk stratification approaches. All information described below is required, unless otherwise indicated as *optional*.

II. Distribution Requirements for PHPs

Starting March 1, 2025, and annually every July 1, thereafter, PHPs must communicate their risk scoring and stratification approach with:

- Designated contact(s) at organizations receiving their PRL reports
- AMH Tier 3 practices and CINs upon their request

PHPs must share updates to their risk stratification descriptions within 14 calendar days of implementing significant changes to their risk stratification approach, methodology, and/or data sources.

PHPs must share their risk stratification descriptions with AMH Tier 3 practices and CINs via email. PHPs are encouraged to post their risk stratification descriptions on their public websites as well.

Appendix A. Risk Stratification Approach Template

PHP Name:
Version Number:
Date Last Updated or Effective Date:

Component	Description	*Example Responses*
1. Description of risk scoring & stratification methodology	Describe your risk scoring and stratification methodology. (Required)[3] *Provide information on the overall predictive value of your risk stratification algorithms, as well as model performance by different sub-populations (optional).*	*Our risk stratification process uses a commercial predictive modeling tool called "Predictive Risk Assessment" and has been empirically demonstrated to correlate with future health care utilization and hospitalizations.* *The tool uses predictive modeling to generate risk scores based on a set of over 100 potential data inputs that are identified below.* *In conjunction with the "Predictive Risk Assessment" tool, we use the following variables to assign the Department's risk stratification categories to a member: (1) inclusion in the Department's Priority Populations and (2) risk stratification information on the member from downstream AMH Tier 3 practices or CINs.*

[3] Please note this does not include disclosure of any proprietary or confidential details of your stratification approaches.

Component	Description	*Example Responses*
2. Data inputs and sources for risk scoring and stratification	Describe the data elements that are used to generate your organization's risk scoring and stratification categories. (Required) *Provide information on the sources of your organization's data and the look-back period used for each data element (optional).*	*Our "Predictive Risk Assessment" tool uses the following data elements as inputs to the risk stratification algorithm:* • *Age* • *Chronic disease (from claims and provider EHR systems with a look-back period of 12 months)* • *Multiple co-morbidities (from claims with a look-back period of 12 months)* • *Behavioral and mental health (from claims with a look-back period of 12 months)* • *Recent or frequent health care utilization (from claims with a look-back period of 12 months)* • *Polypharmacy (from claims with a look-back period of 12 months)* • *Social drivers of health (from assessment instruments with a look-back period of 15 months)*
3. Differences in risk stratification by sub-population	Describe how your risk scoring and stratification methodology differs for sub-populations, including but not limited to: • Care management program type (e.g., AMH, CMARC, CMHRP) • The Department's Priority Populations • Other vulnerable populations (e.g., children, pregnant women, older adults, individuals with disabilities) Provide brief descriptions of your sub-populations. (Required)	*Our risk algorithm uses different data inputs, weights, and criteria to assign the Department's risk stratification categories to the following populations:* • *Population 1: Children Under 5 (Age<5)* • *Population 2: Pregnant People* • *Population 3: Older Adults (Age>65)* • *Population 4: All Other Individuals* *Children and pregnant people identified as high risk are referred to their local health department (LHD) for the Care Management for At-Risk Children (CMARC) and Care Management for High-Risk Pregnancies (CMHRP) programs, respectively.*

Component	Description	*Example Responses*
4. Translation of risk scores into the Department's risk stratification categories	Describe how your organization translates the results of its risk scoring and stratification methodology into the Department's four risk stratification categories: "high", "medium", "low", and "null". Include descriptions of any data specification logic. (Required)	*Overall, we combine scores from "Predictive Risk Assessment" with data regarding the Department's priority populations to classify members into the Department's stratification categories. As mentioned above, we employ different risk stratification methodologies for different sub-populations.* *The table on the next page describes our data specification logic for each sub-population.*
5. Anticipated risk stratification distribution and alignment with Department's care management requirements based on member "needs"	Describe how your organization anticipates your population to be distributed across the four risk stratification categories and how that may align with the Department's categorizations of "needs" (i.e., high, moderate, low) that drive the Departments' requirements for care management delivery and services. (Required)	*We anticipate that 80% of our attributed population will be categorized as "low risk," 15% of our attribution population will be categorized as "medium risk," and 5% of our attributed population will be categorized as "high risk."* *Our risk stratification results are not intended to align with the Department's requirements regarding categorization of needs. AMH Tier 3 practices and CINs should conduct a Comprehensive Assessment to determine care management needs.*

Hypothetical PHP's Risk Stratification Methodology and Data Specification Logic

DHHS's Risk Category	**Population 1:** Children Under 5 (Age<5)	**Population 2:** Pregnant People	**Population 3:** Older Adults (Age>65)	**Population 4:** All Other Individuals
High	"Predictive Risk Assessment" score within top 5%, OR the individual is in more than two Priority Populations	"Predictive Risk Assessment" score within top 5%, OR the individual is in more than two Priority Populations	"Predictive Risk Assessment" score within top 5%, OR the individual is in more than two Priority Populations	"Predictive Risk Assessment" score within top 1%, OR the individual is in more than two Priority Populations
Medium	"Predictive Risk Assessment" score within top 6-10%, OR the individual is in one Priority Population	"Predictive Risk Assessment" score within top 6-10%, OR the individual is in one Priority Population	"Predictive Risk Assessment" score within top 6-10%, OR the individual is in one Priority Population	"Predictive Risk Assessment" score within top 2-5%, OR the individual is in one Priority Population
Low	"Predictive Risk Assessment" score outside top 10%, AND the individual is in NO Priority Populations	"Predictive Risk Assessment" score outside top 10%, AND the individual is in NO Priority Populations	"Predictive Risk Assessment" score outside top 10%, AND the individual is in NO Priority Populations	"Predictive Risk Assessment" score outside top 5%, AND the individual is in NO Priority Populations
Null	Insufficient data to assign risk score			