



Authored by **MHC Services Group**

**WHITE PAPER**

# **Medicare Advantage Risk Adjustment Modernization**

## **Preparing for CMS-HCC Model V28**

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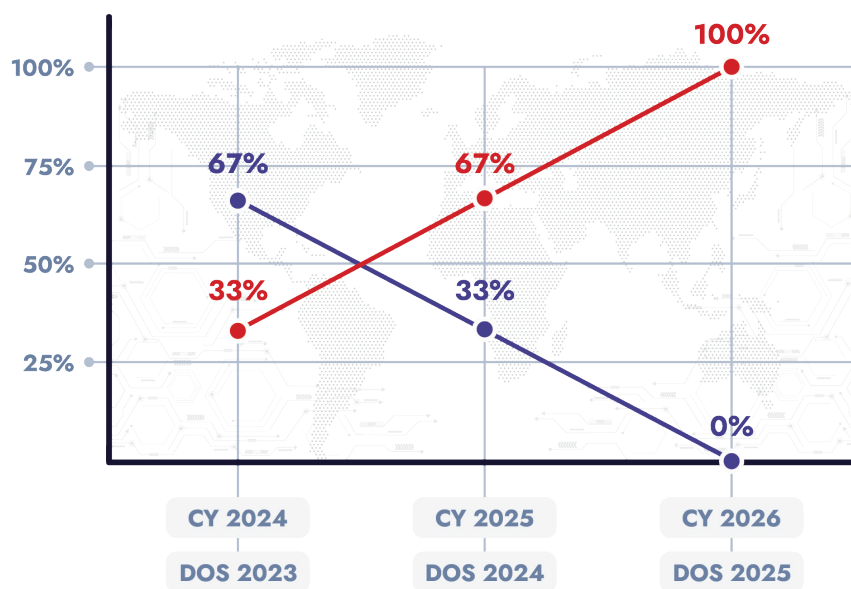
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# Executive Summary

The Centers for Medicare & Medicaid Services (CMS) have introduced the **CMS-HCC Model Version 28 (V28)** to modernize **Medicare Advantage (MA)** risk adjustment and payment methodology. Authorized under Section 1853(b) of the Social Security Act, this update represents the most substantial change to MA revenue and compliance operations in a decade.

**The model transition spans three calendar years (CY).**



*Percentages represent CMS's weighted blend of V24 and V28 risk scores used for plan payment.*

For health plans, this phased approach offers time to adapt but also requires decisive action to realign systems, ensure data accuracy, and safeguard financial outcomes.

## What is risk adjustment?

Risk adjustment is the process CMS uses to align plan payments with the clinical complexity of enrolled members.



**V28**  
CMS-HCC Model  
Version 24



**V24**  
CMS-HCC Model  
Version 24

## How Does CY and DOS Impact the V28 Transition?

Medicare Advantage payments for a **Calendar Year (CY)** rely on diagnoses captured during the previous year's **Dates of Service (DOS)**.

CY 2024 revenue reflects 2023 DOS data, blended at 67% V24 / 33% V28.

Each subsequent CY shifts the blend based on the preceding DOS. This lag is why the model phase-in appears staggered across years.



# Market Context

The V28 update **refines condition categories** (the clinical groupings used to calculate risk scores), **modifies coding hierarchies** (the logic determining which diagnoses map to HCCs), and **recalibrates coefficients that drive risk scores and payments**. These changes directly affect plan revenue and reporting.

Plans now face dual operational burdens:

1. Managing blended model years through 2025.
2. Implementing new logic and mapping structures that impact data integrity, submission, and financial reconciliation.

Without a coordinated transition strategy, health plans risk compliance gaps and inaccurate risk adjustment submissions.

# The Challenge

Most payer organizations must overhaul their data environments (source systems, data warehouses, and submission workflows) to reflect the revised CMS-HCC structure.

## Key challenges included:



### Updates for the New Model

Updating diagnosis and HCC mapping logic to the new model.



### Realigning Processes

Realigning data warehouse extracts and submission processes.



### Ensuring Consistent Accuracy

Maintaining accuracy across overlapping model years.



### Designing to Meet Requirements

Designing new reporting outputs to meet CMS and internal financial requirements.

# Engagement Overview

**MHC Services Group** partnered with a regional Medicare Advantage plan to modernize its risk adjustment processes and data infrastructure in preparation for the V28 transition. The health plan recognized that blending models (using partial V24 and partial V28 risk scores to calculate payment) through 2025 would require consistent validation of risk score accuracy, data governance, and revenue forecasting.

## Key focus areas included:

1. **Data validation and HCC analysis** to verify accuracy and ensure compliance with CMS specifications.
2. **Data warehouse redevelopment** to integrate updated model logic and feed reliable information to the enterprise data warehouse.
3. **Regulatory reporting modernization** to support compliance, internal audit visibility, and financial forecasting.
4. **Quality assurance and regression testing** to ensure end-to-end data integrity across systems and model years.

This engagement created a repeatable model for V28 readiness that the plan could extend across its Medicare Advantage business.

## CLIENT USE CASE:

# From Data Realignment to Financial Clarity

The health plan's leadership team prioritized risk adjustment accuracy as a key driver of financial performance during the V28 transition.

### **Working collaboratively with MHC, the project delivered:**

- ✓ Validated HCC mappings that aligned with new diagnostic hierarchies, which determine how related conditions roll up into final HCCs.
- ✓ Reengineered data pipelines that improved timeliness and accuracy of submissions.
- ✓ New reporting dashboards that provided executive insight into payment trends and compliance status.
- ✓ A QA regression testing framework that ensured confidence in financial outputs during each phase of implementation.

By project completion, the plan achieved measurable improvements in data reliability and reporting transparency, enabling leadership to forecast financial outcomes with greater precision and readiness for full V28 adoption in CY 2026.

# Results and **Value Delivered**

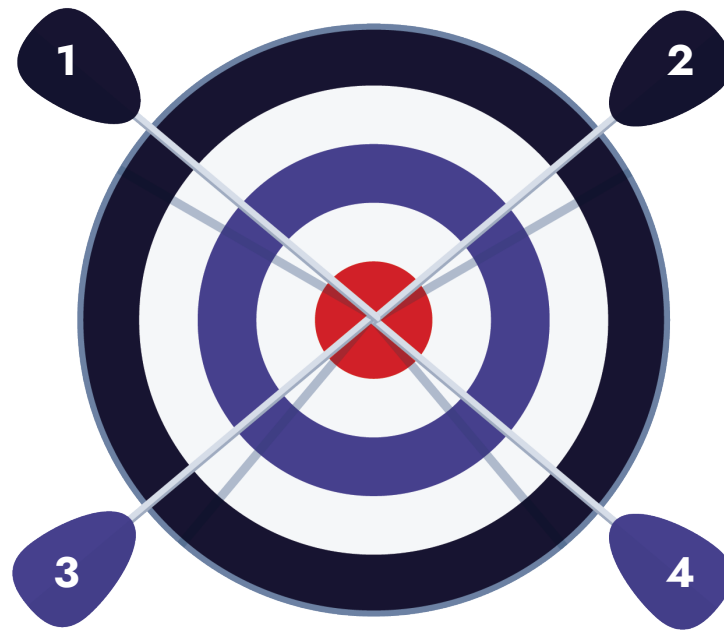
## Strategic Benefits

### 1) Data Integrity

Strengthened confidence in HCC coding and risk score accuracy, which directly influences the MA payment amount.

### 2) Operational Resilience

Scalable infrastructure for future model updates.



### 3) Financial Clarity

Enhanced forecasting and reconciliation across blended and post-transition model years.

### 4) Regulatory Compliance

Standardized reporting aligned with the new CMS requirements.





# The Path Forward

The V28 transition underscores a broader shift in how Medicare Advantage plans must manage risk adjustment. It is no longer only a back-office process but a strategic financial discipline.

## Proactive readiness requires:

- ☑ Coordination among compliance, IT, finance, and actuarial teams.
- ☑ A clear roadmap for data modernization and reporting redesign.
- ☑ Continuous testing to validate results through each phase of transition.

**MHC Services Group** partners with health plans to translate regulatory change into measurable operational and financial outcomes, helping payer organizations navigate the CMS-HCC V28 transition and future model updates with confidence.



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