



# The Medical Coding Landscape

How health systems  
can uncomplicate value-  
based documentation and  
empower providers

The shift from volume- to value-based care has been underway for years. This transition promises to improve care while driving down healthcare costs for both patients and providers. To achieve this transformation, CMS and commercial payers have developed means to quantify and incentivize quality outcomes through clinical documentation.

The rapid growth in Medicare Advantage plans is indicative of the industry's value-based transformation. Thirty-four percent of Medicare beneficiaries — 20.4 million people — were enrolled in Medicare Advantage plans in 2018. By 2028, federal projections suggest the percentage of Medicare beneficiaries enrolled in Medicare Advantage plans will increase to 42 percent, according to [an analysis](#) conducted by the Kaiser Family Foundation.

Reimbursement for care delivered to the millions of patients covered by Medicare Advantage plans is determined by Risk Adjustment Factor (RAF) scores derived from CMS' Hierarchical Condition Categories (HCCs). For 2020, there were 86 categories of HCCs tied to tens of [thousands of ICD-10 codes](#). For many health systems, achieving completely accurate documentation in this complex coding landscape is a significant challenge.

The clerical burden associated with clinical documentation often falls too heavily on individual physicians tasked with accurately documenting conditions at the point of care. This documentation occurs in the EHR, requires time and attention, and can undermine the human element of care delivery as clinicians' focus is pulled away from the patient in front of them toward a digital screen. Physicians spend an inordinate amount of time on clerical tasks. In a 2018 [survey](#) of more than 20,000 physicians, 38 percent of respondents said they spend 10 to 19 hours on administrative tasks. An additional

32 percent said they spend 20 or more hours on administrative duties.

With the number of patients enrolled in value-based care programs on the rise, health system leaders must set their teams up for success under new clinical documentation requirements.

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## HCC + RAF Defined

Hierarchical condition category coding was originally designed to predict healthcare costs for patients. CMS initiated HCC in 2004. The use of these codes has become more prevalent amid the transition to value-based care.

Every HCC is linked to an ICD-10 code and various demographic attributes like age and gender. Payers use HCC codes to develop risk adjustment factor scores for patients. Payers then use RAF scores to adjust quality and cost metrics.

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## Coding complexity

During an interview with *Becker's Hospital Review*, Robert Budman, MD, Chief Medical Information Officer with the healthcare technology solutions provider Nuance, outlined the challenges associated with HCC documentation and emphasized the vast sums of money health systems stand to lose if documentation is incomplete.



“Let’s say a patient has two diseases but the physician doesn’t fully document the complications associated with those diseases, he or she is going to leave money on the table,” Dr. Budman said. “Multiply those losses over a large Medicare population and you could really have a huge sum of money.”

Dr. Budman is a board-certified family medicine physician and previously served as CMIO for Atlanta-based Piedmont Healthcare before joining Nuance. He’s written extensively about the [administrative burden](#) faced by physicians related to clinical documentation. In regular speaking engagements, he advocates for bringing greater efficiency to clinical workflows to reduce clinicians’ documentation responsibilities to enable more personalized patient care.

During the interview, Dr. Budman emphasized that closing the value-based care reimbursement gap can’t fall on the shoulders of individual clinicians. “It’s not realistic to ask physicians to review coding charts on their own because they’re busy taking care of patients,” he said, adding that while some health systems may

rely on large population health teams to review charts, this also isn’t a realistic solution to the coding complexity problem.

“Having a population health team do a chart review and then create the capability to forward some sort of digital alert to the clinician can be time consuming,” Dr. Budman said. “And hiring a lot of people to figure this out can be expensive.”

In Dr. Budman’s experience, most health systems struggle to capture up to 40 HCC diagnoses, which indicates significant room for improvement with more than 80 diagnosis codes on the books. Additionally, as many health systems work to expand their outpatient footprints, value-based documentation gets even more difficult. “The outpatient payer environment is pretty complex with various Medicare plans and commercial

payers,” Dr. Budman said. “You’ve got to be able to get the right Risk Adjustment Factor documented almost instantaneously. And that’s where artificial intelligence comes into play.”

## The power and practicality of technology — four benefits of CAPD

AI-powered computer-assisted physician documentation (CAPD) empowers clinicians at the point of care by alleviating clerical burden and accurately capturing the complexity of illnesses and the treatments required. This will ultimately yield better care outcomes for patients and financial results for providers. CAPD solutions such as Nuance’s Dragon Medical Advisor are designed to improve documentation in both acute and outpatient care settings.

### Four benefits of CAPD:

- **Proactive identification of high-risk patients:** In-workflow guidance provided by CAPD solutions helps physicians identify high-risk patients and initiate appropriate treatments sooner.
- **Improved physician experience:** Automated guidance alleviates clinicians’ administrative burden by reducing the time needed to comb medical records to establish diagnoses and identify treatments.
- **Better HCC capture rates and more accurate RAF scores:** Improved rates of HCC capture and more accurate documentation establishes a culture of clinical documentation excellence, achieve more accurate reimbursement, and allow the organization to enter more risk-based payment models.
- **Superior care team coordination and patient care:** With CAPD technology, physicians capture a broader picture of a patient’s clinical state, which facilitates more coordinated, proactive care.

## Mission-driven adoption

For Dr. Budman, technology is the clear, cost-effective solution to healthcare’s clinical documentation complexity problem — the integration of sophisticated technology is more cost effective than hiring an entire team of coding specialists to address the issue and create in-house technology alerts in the EHR. Additionally, physicians can get up to speed on these solutions easily.

“Our solution is easy to use and requires little training,” Dr. Budman said, adding that the solution is also equipped with advanced analytics that can help clinicians identify prevalent diseases within their patient populations. This is an important capability as addressing health inequities and improving population health management has become a top priority for many major health systems.

The incentives for the adoption of CAPD technology are not just financial. This technology aligns itself with health systems’ mission: deliver excellent patient care and improve the health of communities. When working to get clinical teams on board with new technologies, leaders should consistently and clearly communicate both the financial and clinical benefits of the new solution. Leaders should also look to enter agreements with technology partners that will support clinical documentation improvement efforts beyond the integration of a CAPD solution.

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“The ability to use this technology and work with collaborators who want to share their expertise is the way to go,” Dr. Budman said. “This is a passion for us”

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