



## Hierarchical Condition Category (HCC) Coding Guide

### What is HCC Coding?

Hierarchical Condition Category (HCC) coding is a system that assesses patient risk and predicts future healthcare costs. It assigns risk scores based on medical conditions, age, and gender using ICD-10-CM codes. Insurance companies use these scores to calculate a patient's Risk Adjustment Factor (RAF), which helps predict healthcare expenses. Patients with multiple chronic conditions typically have higher predicted healthcare utilization and costs than those with fewer health issues.

### The Importance of HCC Coding

HCC coding communicates patient complexity and influences quality and cost metrics via risk adjustment. In value-based payment (VBP) models, accurate **risk adjustment** is crucial. Incorrect assessments of patient complexity can lead to inaccurate cost and quality outcomes, impacting revenue and performance targets.

### Optimizing HCC Coding

For HCC coding, it's crucial to **annually document active diagnoses** and ensure the medical record supports reported diagnoses. The best time to capture chronic conditions is at a patients' Annual Wellness Visit (AWV). Documenting to the MEAT principles (monitored, evaluated, assessed, or treated) and coding to the **highest specificity** are key practices in optimizing HCC coding accuracy.

### Key Factors for Choosing the Right Diagnosis Code and Specificity

When choosing the right diagnosis code and specificity, consider the following factors:

- **Type and cause:** Specify if it's diabetes type 1 or 2, related to an underlying condition, postprocedural, or due to genetic factors.
- **Control status:** Indicate the level of control over the condition.
- **Severity:** Describe the severity of the condition.
- **Site, location, or laterality:** Identify the exact location or side of the body affected.
- **Associated comorbid conditions:** Include any additional conditions alongside the primary diagnosis.
- **Substance use/exposure:** Note any substance use or exposure relevant to the diagnosis.

### Impact on Value-Based Payments

In value-based payment systems like **Medicare Shared Savings Program (MSSP)**, risk scores directly influence a practice's benchmark. Practices managing more complex patients, as indicated by their RAF scores, receive higher payments due to the anticipated higher resource utilization.

### Helpful Resources

- [AAFP, HCC Coding, Risk Adjustment, and Physician Income: What You Need to Know](#)
- [AAFP, Is Your Diagnosis Coding Reading for Risk Adjustment?](#)
- [AAFP, Hierarchical Condition Category Coding](#)

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