



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 chronic diagnoses** and ensure the medical record supports reported diagnoses. The best time to document these chronic conditions is during a patient's Annual Wellness Visit (AWV). There is no limit to the number of chronic diagnosis codes that can be included in a Medicare 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. Avoid using "unspecified" codes when more precise ones are available, as specific codes provide clearer information about the diagnosis and facilitate accurate treatment planning, billing, and reimbursement.

Key Factors for Choosing the Right Diagnosis Code and Specificity

When choosing the right diagnosis code(s) 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.
- **Management:** Document using the MEAT principle that a specialist is managing a chronic condition (e.g., endocrinology, cardiology, oncology).
- **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 the **Medicare Shared Savings Program (MSSP)**, risk scores directly influence a practice's expenditure benchmark. Practices managing more complex patients, as indicated by their RAF scores, receive higher expenditure benchmarks due to the anticipated higher resource utilization.

For more info,
visit our website





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](#)

Disclaimer: *This information is not intended to dictate or substitute your professional judgment in a particular patient.*

References

[American Academy of Family Physicians, Hierarchical Condition Category Coding](#)

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