

# PREFACE

This book introduces important conceptual and methodological considerations for designing, using, and evaluating risk adjustment methods. As I write this preface, we are at an especially critical moment for those interested in risk adjustment. Policymakers are planning and implementing initiatives employing risk adjustment to control health care costs, expand access to clinically complex populations, and improve the safety and quality of care. Data sources supporting risk adjustment are undergoing radical transformations, including the growing deployment of electronic health records and new technological approaches to obtain information directly from patients, both of which should expand the applicability of risk adjustment to a wide range of purposes and enrich its validity. Thus, the pressures on—but also the promise of—risk adjustment have never been greater.

However, this moment is also one of tremendous uncertainty. At the end of March 2012, the US Supreme Court heard oral arguments in the lawsuit challenging the Patient Protection and Affordable Care Act (ACA), enacted just over two years ago. Many of the initiatives involving risk adjustment cited earlier relate directly to various ACA provisions, and suspension of ACA mandates would likely affect the timing and nature of certain initiatives significantly. The Court's oral arguments escalated speculation about the ACA's fate to a fever pitch among health policy observers; expectations are that a single vote will determine the decision. Nonetheless, if the Court overturns the ACA or curtails its reach, pressing needs to control US health care costs, treat complex patients, and ensure quality will not disappear. The demand for intelligent risk adjustment will continue to grow, even if the ACA's effects ebb.

As have prior editions, this fourth edition focuses on basic principles and methodologies relating to risk adjustment. We do not attempt to provide up-to-date information on current methods: They are changing too rapidly, and new approaches are undergoing development and testing, making it impossible for a textbook to capture the cutting edge of the field. Nonetheless, we do venture into some areas undergoing rapid transformation. We update our data discussions, adding early insights relating to health information technologies. We discuss newer statistical methods that the field is increasingly using but that require further testing to be fully understood.

We briefly address such topics as conducting surveys, steps for developing risk adjustment methods, measurement of validity and reliability, the use of risk adjustment in managing care, and issues relating to special populations, including children, persons with mental health conditions, persons with disabilities, and persons requiring long-term support services. We anticipate this book will have a multidisciplinary audience, some readers concentrating only on certain chapters. Because chapters may be used selectively, we repeat key concepts throughout the book. The text emphasizes issues most relevant to risk adjustment and does not duplicate the detailed technical discussions found in statistical and methodological textbooks.

Given the proprietary nature of many risk adjustment methods, we must declare potential conflicts of interest. Most of us have received research funding to investigate risk adjustment at one or more points during our careers. I served for many years as a clinical co-investigator with Arlene S. Ash, as she and other colleagues developed and refined the Diagnostic Cost Group (DCG) methodology under cooperative agreements and contracts with the Medicare agency. Arlene cofounded DXCG, the Boston-based company that supported and marketed the DCGs, but she gave up her equity interest when the firm was sold to Verisk Health (Waltham, Massachusetts). Arlene now serves as senior scientist at Verisk Health, which continues to develop and market DCG-based products. I have not participated in DCG commercial activities. Under a grant from the Agency for Healthcare Research and Quality, Jennifer Daley and I, along with others, developed the Complications Screening Program (CSP), which is mentioned at several points in this book. Neither she nor I have personal financial or intellectual interests in commercial or other applications of the CSP.

For instructors who use our book in their courses, we have developed discussion questions and supplemental material. Thanks go to all the authors, but in particular to Arlene Ash and Michael Schwartz, for their additional work to create these useful instructor's resources. These educational materials, as well as PowerPoint slides of all the exhibits in the book, are available by sending an e-mail to [hapl@ache.org](mailto:hapl@ache.org).

We extend special thanks to contributors to previous editions, who graciously allowed us to borrow from their contributions, notably John S. Hughes, MD, and Richard C. Hermann, MD. The previous authors of chapters 8 and 9 (Jennifer Daley, Arlene Ash, and Michael Schwartz) relinquished their roles to me; I am in their debt. Amy J. Wint, my administrative assistant and research coordinator, diligently and efficiently dealt with hundreds of bibliographical citations and assisted with numerous other production tasks.

Finally, most of us wrote our contributions to this book largely during our free time. For some spouses and partners, this was the fourth time they had to endure weekends and evenings, stretching over weeks and sometimes many months, of intensive preoccupation with THE BOOK. We reward

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them for this forbearance with a promise that I now put into writing (the previous promise was made only verbally and thus more easily broken): We promise never to do this again! This fourth edition will be our last. We are deeply grateful to readers who, since 1994, have thanked us for this book and said many kind words about it. Through it we share what we have learned during nearly 30 years of working in risk adjustment, trusting the next generation of researchers to move the field leaps and bounds beyond where we leave it today.

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