

This factsheet summarizes the methodology for calculating the EOM experience adjuster. For more information, see the [Payment Methodology](#) document on the EOM website.

What is the Experience Adjuster?

The experience adjuster is one of several adjustments that CMS applies to the predicted expenditures when calculating benchmark prices for EOM episodes.

The experience adjuster accounts for regional and participant-specific variation in the cost of oncology care that is not otherwise incorporated in the price prediction models, such as:

- Regional variation in the cost of providing oncology care and other health care
- Factors associated with episode expenditures that are not captured in claims data

Each EOM participant has a unique experience adjuster. EOM participants that are members of a pool retain their own experience adjusters — there is not a separate pool-level experience adjuster.

The **price prediction models** and the **experience adjuster** are based on data from the **national set of baseline period episodes for each included cancer type** (initiating 7/1/2016 – 6/30/2020).

The price prediction models capture national expenditure patterns, while the experience adjuster captures regional & local variability.



How is the Experience Adjuster Calculated?



STEP 1: Calculate the Predicted Expenditures

Using the seven cancer type-specific price prediction models, CMS calculates the predicted expenditures for each baseline period episode.



The price prediction model coefficients for all seven cancer types are available in the EOM Technical Payment Resources on the EOM website.

CMS applies the coefficients from the appropriate price prediction model to each episode to obtain the predicted expenditures.

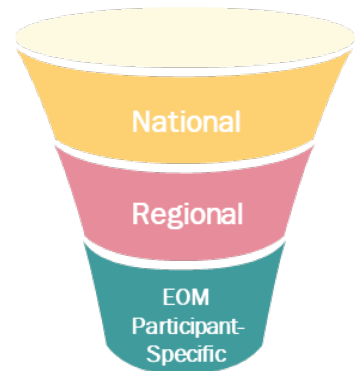
The **price prediction model coefficients** are beneficiary and episode characteristics that were significantly associated with episode expenditures in baseline period episodes.



STEP 2: Calculate Ratios of Actual to Predicted Expenditures

Separately for each cancer type, CMS calculates the ratio of average **actual expenditures** to average **predicted expenditures** for the set of baseline period episodes attributed to:

- ALL oncology PGPs nationwide (*National Ratio*)
- ALL oncology PGPs within the same census division as the EOM participant¹ (*Regional Ratio*)
- The EOM participant (*Participant-Specific Ratio*)



The national and regional ratios for each cancer type are calculated using episodes attributed to EOM participants and episodes attributed to non-EOM oncology PGPs.

STEP 3: Calculate Blended Experience Adjusters for Each Cancer Type

Separately for each cancer type, CMS calculates a weighted average of the EOM participant's national, regional, and participant-specific ratios. The national ratio (always 1.0) is weighted at 50%.

The weights for the regional and participant-specific ratios depend on the EOM participant's number of attributed baseline period episodes with that specific cancer type (see table).

When an EOM participant has fewer attributed episodes of a given cancer type, the regional ratio for that cancer type carries more weight and the participant-specific ratio carries less weight.

	Weights Applied		
Number of Episodes with this Cancer Type	National	Regional	Participant-Specific
Less than 50 episodes	50%	50%	0%
50 to 99 episodes	50%	30%	20%
100 or more episodes	50%	15%	35%

These seven weighted averages (one for each cancer type) are the **blended experience adjusters**.

STEP 4: Calculate the Final Experience Adjuster

CMS calculates the weighted average of the seven blended experience adjusters to obtain the EOM participant's final experience adjuster. The specific weights depend on the EOM participant's distribution of cancer types in the model baseline period:

- The blended adjuster for each cancer type is weighted according to the EOM participant's proportion of attributed episodes with that cancer type in the model baseline period.
- The blended adjuster for a given cancer type is given a weight of 0% if the EOM participant had no attributed episodes of that cancer type in the model baseline period.

¹ If an EOM participant has attributed baseline period episodes spanning two or more census divisions, CMS calculates an episode-weighted average of those regional ratios.

The inclusion of a regional ratio is new in EOM.



The regional ratio **DOES** reflect whether episode expenditures in a specific census division are typically above or below the national mean for that cancer type.

The regional ratio **DOES NOT** put EOM participants from the same census division into competition with each other.

The **purpose of the regional ratio** is to put EOM participants from all nine census divisions on fair footing.

Example: Calculating the Experience Adjuster

The table below shows the experience adjuster calculation for a hypothetical EOM participant with 180 attributed episodes in the model baseline period:

- 60 breast cancer episodes (33.3% of the participant’s episodes)
- 120 lung cancer episodes (66.7% of the participant’s episodes)

	Breast Cancer			Lung Cancer		
	National	Regional	Participant-Specific	National	Regional	Participant-Specific
Number of Episodes*	833,420	178,305	60	623,561	98,567	120
Average Actual Expenditures	\$5,439	\$5,431	\$5,427	\$7,900	\$9,098	\$8,500
Average Predicted Expenditures	\$5,439	\$4,836	\$6,487	\$7,900	\$9,135	\$8,221
Ratio of Actual to Predicted Expenditures	1.0	1.123	0.837	1.0	0.996	1.034
Weight Applied to Ratio**	0.5	0.3	0.2	0.5	0.15	0.35
Ratio x Weight	0.500	0.337	0.167	0.500	0.149	0.362
Blended Experience Adjuster (Sum of Weighted Ratios)	0.500 + 0.337 + 0.167 = 1.004			0.500 + 0.149 + 0.362 = 1.011		
Weight Applied to Blended Adjuster***	60 / (60+120) = 0.333			120 / (60+120) = 0.667		
Final Experience Adjuster	(1.004*0.333) + (1.011*0.667) = 1.009					

*National, regional, or participant-specific total number of baseline period episodes with this cancer type

** Determined by EOM participant’s number of attributed baseline period episodes with this cancer type

*** Based on proportion of episodes with this cancer type among EOM participant’s total attributed baseline period episodes