DEPARTMENT OF HEALTH & HUMAN
SERVICES
Centers for Medicare & Medicaid Services
7500 Security Boulevard
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DATE: February 10, 2022

TO: All Medicare Advantage, Cost, PACE, and Demonstration Organizations Systems
        Staff

FROM: Jennifer R. Shapiro, Director, Medicare Plan Payment Group

SUBJECT: Announcement of Enhancements to MAO-002 Report

CMS is announcing a change to the MAO-002 report to provide more frequent reporting of risk
adjustment eligible diagnoses submitted to the encounter data system. This memo is meant to
provide the information Medicare Advantage Organizations (MAOs) need to prepare for the
changes to the MAO-002 report. CMS anticipates releasing the report changes during Q2 of
2022, around May. A Health Plan Management System (HPMS) memo will be released to
announce the exact date the change will be implemented.

CMS regularly releases reports that inform MAOs of the status of submitted data, including the
MAO-002 and MAO-004 reports. The MAO-002 informs MAOs of the acceptance status for
submitted encounter data records (EDRs) and chart review records (CRRs); and the MAO-004
report informs plans of the risk adjustment eligibility status of accepted EDRs and CRRs.

On May 29, 2019, CMS released a Health Plan Management System (HPMS) memo, titled,
"Request for Input – Risk Adjustment Reports – Model Output Report (MOR) and MAO-004
Report." We received a number of suggestions regarding the information CMS reports back to
plans on the MAO-004 report about risk adjustment eligible diagnoses submitted to the
encounter data system. Based upon feedback received, CMS has already updated the MAO-004
reports to provide more information on designating the risk adjustment status and accounting for
the corresponding diagnoses (see HPMS memo titled, "Updated Version of MAO-004 Reports
(Phase IV Version 0) and Re-issuing of Historical MAO-004 Reports in the New Version," July
21, 2020).

CMS also received feedback from Medicare Advantage Organizations (MAOs) to distribute the
MAO-004 report more frequently. Respondents suggested that CMS send weekly reports or
mirror the Risk Adjustment Processing System (RAPS) Return Process (where a return file is
received with each submission). CMS evaluated ways to provide MAOs with more timely
information. As such, CMS will be enhancing the current MAO-002 report to include a
Preliminary assessment of the Allowed/Disallowed/Not Applicable status for risk adjustment
(RA) of diagnoses on an Encounter Data Record (EDR) or a Chart Review Record (CRR). This
enhancement is not intended to, and will not replace the monthly MAO-004 report, but to give

MAOs a Preliminary assessment of the Risk Adjustment filtering status of the record based on a subset of information used when developing the MAO-004 report. The MAO-004 report remains the reference report for determining the results of CMS filtering criteria and is the source of the most comprehensive reporting of the risk adjustment status of diagnoses. The risk adjustment Preliminary assessment will:

- be made when processing an EDR or CRR within the Encounter Data Processing System (EDPS) system.
- apply the filtering logic to the record in isolation, e.g., it will not compare the diagnoses on the record to the diagnoses on an earlier version of the encounter as is done on the MAO-004 report.
- return the Preliminary RA flag and Reason Code for the diagnoses on a record at the header level.
- determine the status of the diagnoses on a professional or outpatient record based on the Medicare Risk Adjustment Eligible Current Procedural Terminology (CPT)/Health Care Common Procedure Coding System (HCPCS) codes available at time of submission. Therefore, during months of annual (January) or quarterly updates (April, July, October) to the acceptable Medicare Risk Adjustment CPT/HCPCS codes, the previous year's or quarters' acceptable Medicare Risk Adjustment CPT/HCPCS Codes will be used for assigning RA flags respectively; which could result in discrepancies between the MAO-002 and MAO-004 (see Table 1 in the Appendix for more information).

Note: In all cases where there are differences between the risk adjustment filtering status on the MAO-002 and MAO-004 reports, the MAO-004 report is the source of the assigned status for risk adjustment.

MAOs will be able to use the Preliminary assessment returned on the record header level MAO-002 report to assist in their tracking and accounting of Risk Adjustment (RA) eligible diagnoses and to compare this information to what is reported on the MAO-004.

The EDPS will utilize part of the current Internal Control Number (ICN) field within the MAO-002 report to return the Preliminary RA flag and Reason Code. Using part of the current ICN field allows CMS to provide this information to MAOs without changing the report length. The current MAO-002 ICN field is coded for 44 spaces, of which 13 are currently in use. The last 9, positions 91-99 will be utilized to report the Preliminary RA flag and Reason Code indicators to the submitter. Position 91 will include a delimiter. The Preliminary RA flag value, if applicable, is within positions 92-94 and the Reason Code, if applicable, will be provided at positions 96-99, after a delimiter at position 95.

Preliminary RA flag values will be:

- Blank – RA eligibility status Not Applied on MAO-002 (Accepted Void EDRs or CRRs; CRR-Deletes).
- PA (Preliminary - Allowable) – EDR or CRR is Preliminary Allowable for RA.
- PD (Preliminary - Disallowable) – EDR or CRR is Preliminary Disallowable for RA.
- PN (Preliminary - Not Applicable) – Encounter is Preliminary Not Applicable for risk adjustment determination.

- FR (Final Reject) – EDR or CRR is rejected by EDPS on the MAO-002 Report.

The Preliminary Reason Code field values will be:

- Blank: Accepted Voids and Chart Review Delete records; or encounter header 'Through' date of service is after January 1, 2014; or ICN Date/Submission Date is NOT after the deadline for the RA Service Year. *Please note that accepted voids and CRR-delete records may affect the risk adjustment eligibility of previously-submitted diagnoses, but we are not assessing this impact on the MAO-002 report.*
- PD (Preliminary Disallowable): Submission Date is greater than the deadline for the RA Service Year.[1]
- PN (Preliminary Not Applicable): Type of Bill is NOT Applicable for Risk adjustment or Encounters with claim header 'Through' Date prior to Jan 1, 2014. This value is applicable only for TOBs 00X, 18X, 21X, 24X, 28X, 32X, 33X, 79X, 81X, 82X.
- FR (Final Reject): Header level Rejected encounters.
- PH (Preliminary CPT/HCPCS code is NOT allowable): This value is applicable to only Outpatient and Professional/DME encounters, not to Inpatient encounters.
- PT (Preliminary Type of Bill is NOT allowable): Type of Bill is NOT allowable for risk adjustment.

MAOs should note that the Preliminary RA flag and Reason Codes will be assigned using similar logic that is used to assign the allowed/disallowed flag (MAO-004 Report Details Field #25) and the reason code (MAO-004 Report Details Field #27) on the MAO-004 report, but adapted for the MAO-002 report.[2, 3] Therefore, as the hierarchical order of reporting disallowed reason codes on the MAO-004 report is Type of Bill (T) before CPT/HCPCS (H); similarly, if both the Type of Bill and the CPT/HCPCS code on a record are disallowable, reason code 'PT' will be reported. This is only applicable to outpatient EDRs and CRRs.

Table 2 in the Appendix describes the sections of the MAO-002 report layout that are changing to provide the Preliminary RA flag and reason code fields. After the table, there are screenshots (Figure 1 and Figure 2) to show how the MAO-002 report (in both machine readable and PDF formats) will look with the changes. Within the PDF report, "Preliminary" will be abbreviated to "PRELIM" and Reason will be abbreviated to "RSN".

Furthermore, Table 3 in the Appendix provides a simplified tabular view of the Preliminary Risk Adjustment Flag, Reason Codes, and the various Preliminary RA Flag and Reason Code

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[1] See 42 CFR 422.310(g)(2)(ii)

[2] Please reference the December 22, 2015 HPMS Memo - "Final Encounter Data Diagnosis Filtering Logic".

[3] Please reference the HPMS memo titled, "Updated Version of MAO-004 Reports (Phase IV Version 0) and Re-issuing of Historical MAO-004 Reports in the New Version," July 21, 2020) for more information regarding terminology. Generally, "Allowed"/ "Disallowed" and their various forms are used for diagnoses passing or not passing the CMS Risk Adjustment filtering logic respectively; "Not Applicable" is used to designate that Risk Adjustment filtering does not apply to that record at all; "Eligible" is used for diagnoses that have passed the filtering logic (Allowed Adds), and which move on to the next step in the Risk Adjustment process, while all others are "Not Eligible".

combinations. MAOs may use this table to develop system and functional requirements for the Risk Adjustment Flags on the MAO-002 reports.

Please email RiskAdjustmentOperations@cms.hhs.gov with the subject heading, "Announcement of enhancements to MAO-002 Report" for questions related to this memo. Thank you.

Appendix

Table 1: (Using Service Year 2022 As An Example)

Submission Month Year	Medicare Risk Adjustment Acceptable CPT/HCPCS Codes List Used To Assigned MA Flag on MAO-002 report
January 2022	Q4 2021
February 2022	Q4 2021
March 2022	Q1 2022
April 2022	Q1 2022
May 2022	Q2 2022
June 2022	Q2 2022
July 2022	Q2 2022
August 2022	Q3 2022
September 2022	Q3 2022
October 2022	Q3 2022
November 2022	Q4 2022
December 2022 to final Risk Adjustment deadline	Q4 2022

Table 2: MAO-002 Layout Changes

Position(s)	Item	Notes	Length	Format
56-90	Encounter ICN	Internal Control Number. In encounter data, only 13 spaces represent the ICN however 35 spaces are coded to allow enhancement of the ICN	35	Alpha Numeric
91	Delimiter		1	Use the * character value
92-92	PRELIM(Preliminary) RA flag	Risk Flag: PA=Allowable PD=Disallowable PN=Not Allowed Blank	3	Alpha Numeric
95	Delimiter		1	Use the * character value
96-99	PRELIM(Preliminary) RSN(Reason) Code	PD= Preliminary Disallowable PN= Preliminary Not Applicable FR= Final Reject PH= Preliminary CPT/HCPCS code is NOT allowable PT= Preliminary Type of Bill is NOT allowable	4	Alpha Numeric

Figure 1: MAO-002 File Layout Changes (machine readable format)

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0*MAO-002*20210528*20210521*Encounter Data Processing Status Report*      *ENC00000000000000000000000      *INS*PROD*
1*MAO-002*H9999*XXXXXXXXXXXXXXXX              *T108111111111              *PA *    *000*Accepted*       *
1*MAO-002*H9999*XXXXXXXXXXXXXXXX              *T108111111111                        *001*Accepted*       *
1*MAO-002*H9999*XXXXXXXXXXXXXXXX              *T108111111112              *PD *PT  *000*Accepted*       *
1*MAO-002*H9999*XXXXXXXXXXXXXXXX              *T108111111112                        *001*Accepted*       *
9*MAO-002*00000000*00000002*00000000*00000002*00000002*00000000*00000002*
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Figure 2: MAO-002 Report Changes (PDF format)

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                                    Encounter Data Processing Status Report
                                         Report Run Date 01/19/2022 06:00AM
                                        Medicare Advantage Contract ID: H9999
                                                      PROD

     Page       1                                         Submission Interchange Number: ENC00000000000000000000000
                                                                             Report Date: 01/19/2022
     Report ID: MAO-002                                                 Transaction Date: 01/19/2022


                                                     PRELIM PRELIM Encounter
                                                       RA    RA RSN  Line    Encounter
     Record Type Plan Encounter ID (CCN)  Encounter ICN  FLAG  CODE  Number  Status    Error Error Description
     ----------- ----------------------   -------------  ----  ----  ------  --------- ----- -----------------
     PRO         xxxxxxxxx-xxxxxxxxx       T111111111111  PA          000     Accepted  -     -
                                                                      001     Accepted  -     -
     PRO         xxxxxxxxx-xxxxxxxxx       T111111111112  PD    PT    000     Accepted  -     -
                                                                      001     Accepted  -     -
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Table 3: Preliminary RA Flag and Preliminary RA Reason Code Combinations

PRELIM RA Flag	PRELIM RA Reason code	Type of Encounter Record	Date of Submission	Service Year	Type of Bill (INST only)	CPT/HCPCS	Service Type
Blank	Blank	Accepted Void EDRs & CRRs; Accepted Original CRR-Deletes	Prior to service year RA Deadline	Header 'Through' date on or after 2014	Other than Not Applicable RA TOBs (Blank, 00X, 18X, 21X, 28X, 32X, 33X, 81X, 82X)	Any CPT/ HCPCS	PROF, INST, DME
FR	FR	Rejected Original, Void, and Replacement EDRs; Rejected Original, Void, and Replacement CRRs	All Dates of Submissions	All Dates of Service	All TOBs	Any CPT/ HCPCS	PROF, INST, DME

PRELIM RA Flag	PRELIM RA Reason code	Type of Encounter Record	Date of Submission	Service Year	Type of Bill (INST only)	CPT/HCPCS	Service Type
PN	PN	Accepted Original, Void, and Replacement EDRs; Accepted Original, Void, and Replacement CRRs	All Dates of Submissions	Header 'Through' date prior to 2014	All TOBs	Any CPT/ HCPCS	PROF, INST, DME
PN	PN	Accepted Original, Void, and Replacement EDRs; Accepted Original, Void, and Replacement CRRs	All Dates of Submissions	Header 'Through' date on or after 2014	Not Applicable for RA TOBs (i.e. Blank, 00X, 18X, 21X, 28X, 32X, 33X, 81X, 82X)	Any CPT/ HCPCS	INST
PD	PD	Accepted Original, Void, and Replacement EDRs; Accepted Original, Void, and Replacement CRRs	After RA service year Deadline	Header 'Through' date on or after 2014	Other than Not Applicable RA TOBs (Blank, 00X, 18X, 21X, 28X, 32X, 33X, 81X, 82X)	Any CPT/ HCPCS	PROF, INST, DME
PD	PT	Accepted Original and Replacement EDRs; Accepted Original and Replacement CRR-Adds	Service year prior to RA Deadline	Header 'Through' date on or after 2014	Not Applicable for RA TOBs (14X, 22X, 23X, 34X, 65X, 66X, 72X, 74X, 75X, 79X, 83X, 84X, 86X, 89X)	Any CPT/ HCPCS	INST
PD	PH	Accepted Original and Replacement EDRs; Accepted Original and Replacement CRR-Adds	Service year prior to RA Deadline	Header 'Through' date on or after 2014	Applicable RA TOBs (12X, 13X, 43X, 71X, 73X, 76X, 77X, 85X, 87X)	Not Acceptable Medicare RA CPT/ HCPCS	PROF, INST, DME

PRELIM RA Flag	PRELIM RA Reason code	Type of Encounter Record	Date of Submission	Service Year	Type of Bill (INST only)	CPT/HCPCS	Service Type
PA	Blank	Accepted Original and Replacement EDRs; Accepted Original and Replacement CRR-Adds	Service year prior to RA Deadline	Header 'Through' date on or after 2014	Applicable RA TOBs (12X, 13X, 43X, 71X, 73X, 76X, 77X, 85X, 87X)	Acceptable RA CPT/ HCPCS	PROF, INST, DME
PA	Blank	Accepted Original and Replacement EDRs; Accepted Original and Replacement CRR-Adds	Service year prior to RA Deadline	Header 'Through' date on or after 2014	Inpatient TOBs (11X and 41X)	Any HCPCS	INST