all riders and endorsements issued under the policy. The loss ratio experi-
ence data must include earned pre-
miums, incurred claims, and total pol-
icy reserves that the insuring organiza-
tion calculates—
(1) For all years of issue combined; and
(2) Separately for each calendar year since CMS first certified the policy.

§ 403.258 Statement of actuarial opin-
ion.
(a) For purposes of certification re-
quests submitted under § 403.232(b) and
subsequent review as specified in
§ 403.239(a), statement of actuarial opinion
means a signed declaration in which a
qualified actuary states that the as-
sumptions used in calculating the ex-
pected loss ratio are appropriate and
reasonable, taking into account actual
policy experience, if any, and reason-
able expectations.
(b) Qualified actuary means—
(1) A member in good standing of the
American Academy of Actuaries; or
(2) A person who has otherwise dem-
onstrated his or her actuarial com-
petence to the satisfaction of the Com-
misisioner or Superintendent of Insur-
ance of the domiciliary State of the in-
suming organization.

Subpart C—Recognition of State
Reimbursement Control Systems

SOURCE: 51 FR 15492, Apr. 24, 1986, unless
otherwise noted.

§ 403.300 Basis and purpose.
(a) Basis. This subpart implements
section 1886(c) of the Act, which au-
thorizes payment for Medicare inpa-
tient hospital services in accordance
with a State’s reimbursement control
system rather than under the Medicare
reimbursement principles as described
in CMS’s regulations and instructions.
(b) Purpose. Contained in this subpart
are—
(1) The basic requirements that a
State reimbursement control system
must meet in order to be approved by
CMS;
(2) A description of CMS’s review and
evaluation procedures; and
(3) The conditions that apply if the
system is approved.

§ 403.302 Definitions.
For purposes of this subpart—
Chief executive officer of a State means
the Governor of the State or the Gov-
ernor’s designee.
Existing demonstration project refers to
demonstration projects approved by
CMS under the authority of section
402(a) of the Social Security Amend-
ments of 1967 (42 U.S.C. 1395b–1) or sec-
tion 222(a) of the Social Security
Amendments of 1972 (42 U.S.C. 1395b–1
(note)) and in effect on April 20, 1983
(the date of the enactment of Pub. L.
98–21 (Social Security Amendments of
1983)).
Federal hospital means a hospital that
is administered by, or that is under ex-
clusive contract with, the Department
of Defense, the Veterans Administra-
tion, or the Indian Health Service.
State system or system refers to a
State reimbursement control system
that is approved by CMS under the au-
thority of section 1886(c) of the Act and
that satisfies the requirements de-
scribed in this subpart.

§ 403.304 Minimum requirements for
State systems—discretionary ap-
proval.
(a) Discretionary approval by CMS.
CMS may approve Medicare payments
under a State system, if CMS deter-
mines that the system meets the re-
quirements in paragraphs (b) and (c) of
this section and, if applicable para-
graph (d) of this section.
(b) Requirements for State system. (1) An application for approval of the system
must be submitted to CMS by the
Chief Executive Officer of the State.
(2) The State system must apply to
substantially all non-Federal acute
care hospitals in the State.
(3) All hospitals covered by the sys-
tem must have and maintain a utiliza-
tion and quality control review agree-
ment with a Quality Improvement Or-
ganization, as required under section
1866(a)(1)(F) of the Act and § 466.78(a) of
this chapter.
(4) Federal hospitals must be ex-
cluded from the State system.
(5) Nonacute care or specialty hos-
pital (such as rehabilitation, psy-
chiatric, or children’s hospitals) may,
at the option of the State, be excluded
from the State system.