the Act, CMS periodically assesses the performance of intermediaries in their Medicare operations using performance criteria. The criteria measure and evaluate intermediary performance of functional responsibilities such as—
(1) Correct coverage and payment determinations;
(2) Responsiveness to beneficiary concerns; and
(3) Proper management of administrative funds.

(b) Basis for criteria. CMS will base the performance criteria on—
(1) Nationwide intermediary experience;
(2) Changes in intermediary operations due to fiscal constraints; and
(3) HFCA’s objectives in achieving better performance.

(c) Publication of criteria. The development and revision of criteria for evaluating intermediary performance is a continuing process. Therefore, before the beginning of each evaluation period, CMS will publish the performance criteria as a notice in the FEDERAL REGISTER.

§ 421.122 Performance standards.
(a) Development of standards. In addition to the performance criteria (§ 421.120), CMS develops detailed performance standards for use in evaluating intermediary performance which may be based on historical performance, application of acceptable statistical measures of variation to nationwide intermediary experience during a base period, or changing program emphases or requirements. These standards are also developed considering intermediary experience and evaluate the specific requirements of each functional responsibility or criterion.
(b) Factors beyond intermediary’s control. To identify measurable factors that significantly affect an intermediary’s performance, but that are not within the intermediary’s control, CMS will—
(1) Study the performance of intermediaries during the base period, and
(2) Consider the noncontrollable factors in developing performance standards.

(c) Publication of standards. The development and revision of standards for evaluating intermediary performance is a continuing process. Therefore, before the beginning of each evaluation period, which usually coincides with the Federal fiscal year period of October 1–September 30, CMS publishes the performance standards as part of the FEDERAL REGISTER notice describing the performance criteria issued under § 421.120(c). CMS may not necessarily publish the criteria and standards every year. CMS interprets the statutory phrase “before the beginning of each evaluation period” as allowing publication of the criteria and standards after the Federal fiscal year begins, as long as the evaluation period of the intermediaries for the new criteria and standards begins after the publication of the notice.

§ 421.124 Intermediary’s failure to perform efficiently and effectively.
(a) Failure by an intermediary to meet, or to demonstrate the capacity to meet, the criteria or standards specified in §§ 421.120 and 421.122 may be grounds for adverse action by the Secretary or by CMS, such as reassignment of providers, offer of a short-term agreement, termination of a contract, or non-renewal of a contract. If an intermediary meets all criteria and standards in its overall performance, but does not meet them with respect to a specific provider or class of providers, CMS may reassign that provider or class of providers to another intermediary in accordance with § 421.114.

(b) In addition, notwithstanding whether an intermediary meets the criteria and standards, if the cost incurred by the intermediary to meet its contractual requirements exceeds the amount which CMS finds to be reasonable and adequate to meet the cost which must be incurred by an efficiently and economically operated intermediary, those high costs may also be grounds for adverse action.

§ 421.126 Termination of agreements.
(a) Termination by intermediary. An intermediary may terminate its agreement at any time by—