those that incorporate the requirements of §438.240(a)(2). Each performance improvement project must be completed in a reasonable time period so as to generally allow information on the success of performance improvement projects in the aggregate to produce new information on quality of care every year.

(e) Program review by the State. (1) The State must review, at least annually, the impact and effectiveness of each MCO’s and PIHP’s quality assessment and performance improvement program. The review must include—
   (i) The MCO’s and PIHP’s performance on the standard measures on which it is required to report; and
   (ii) The results of each MCO’s and PIHP’s performance improvement projects.

(2) The State may require that an MCO or PIHP have in effect a process for its own evaluation of the impact and effectiveness of its quality assessment and performance improvement program.

§ 438.242 Health information systems.

(a) General rule. The State must ensure, through its contracts, that each MCO and PIHP maintains a health information system that collects, analyzes, integrates, and reports data and can achieve the objectives of this subpart. The system must provide information on areas including, but not limited to, utilization, grievances and appeals, and disenrollments for other than loss of Medicaid eligibility.

(b) Basic elements of a health information system. The State must require, at a minimum, that each MCO and PIHP comply with the following:
   (1) Collect data on enrollee and provider characteristics as specified by the State, and on services furnished to enrollees through an encounter data system or other methods as may be specified by the State.
   (2) Ensure that data received from providers is accurate and complete by—
      (i) Verifying the accuracy and timeliness of reported data;
      (ii) Screening the data for completeness, logic, and consistency; and
      (iii) Collecting service information in standardized formats to the extent feasible and appropriate.
   (3) Make all collected data available to the State and upon request to CMS, as required in this subpart.

Subpart E—External Quality Review

SOURCE: 68 FR 3635, Jan. 24, 2003, unless otherwise noted.

§ 438.310 Basis, scope, and applicability.

(a) Statutory basis. This subpart is based on sections 1932(c)(2), 1903(a)(3)(C)(ii), and 1902(a)(4) of the Act.

(b) Scope. This subpart sets forth requirements for annual external quality reviews of each contracting managed care organization (MCO) and prepaid inpatient health plan (PIHP), including—
   (1) Criteria that States must use in selecting entities to perform the reviews;
   (2) Specifications for the activities related to external quality review;
   (3) Circumstances under which external quality review may use the results of Medicare quality reviews or private accreditation reviews; and
   (4) Standards for making available the results of the reviews.

(c) Applicability. The provisions of this subpart apply to MCOs, PIHPs, and health insuring organizations (HIOs) that began on or after January 1, 1986 that the statute does not explicitly exempt from requirements in section 1903(m) of the Act.

§ 438.320 Definitions.

As used in this subpart—

EQR stands for external quality review.

EQRO stands for external quality review organization.

External quality review means the analysis and evaluation by an EQRO, of aggregated information on quality, timeliness, and access to the health care services that an MCO or PIHP, or their contractors furnish to Medicaid beneficiaries.

External quality review organization means an organization that meets the