§ 153.320 Federally certified risk adjustment methodology.

(a) General requirement. Any risk adjustment methodology used by a State, or HHS on behalf of the State, must be a Federally certified risk adjustment methodology. A risk adjustment methodology may become Federally certified by one of the following processes:

(1) The risk adjustment methodology is developed by HHS and published in the applicable annual HHS notice of benefit and payment parameters; or

(2) An alternate risk adjustment methodology is submitted by a State in accordance with §153.330, reviewed and certified by HHS, and published in the applicable annual HHS notice of benefit and payment parameters.

(b) Publication of methodology in notices. The publication of a risk adjustment methodology by HHS in an annual HHS notice of benefit and payment parameters or by a State in an annual State notice of benefit and payment parameters described in subpart B of this part must include:

(1) A complete description of the risk adjustment model, including—

(2) A complete description of plan average actuarial risk.

(3) A complete description of the calculation of payments and charges.

(4) A complete description of the risk adjustment data collection approach.

(5) The schedule for the risk adjustment program.

(c) Use of methodology for States that do not operate a risk adjustment program. HHS will specify in the annual HHS notice of benefit and payment parameters for the applicable year the Federally certified risk adjustment methodology that will apply in States that do not operate a risk adjustment program.

(77 FR 17247, Mar. 23, 2012, as amended at 78 FR 15528, Mar. 11, 2013)

§ 153.330 State alternate risk adjustment methodology.

(a) State request for alternate methodology certification. (1) A State request to HHS for the certification of an alternate risk adjustment methodology must include:

(1) The elements specified in §153.320(b);

(2) The calibration methodology and frequency of calibration; and

(3) The statistical performance metrics specified by HHS.

(2) The request must include the extent to which the methodology:

(1) Accurately explains the variation in health care costs of a given population;

(2) Links risk factors to daily clinical practice and is clinically meaningful to providers;

(3) Encourages favorable behavior among providers and health plans and discourages unfavorable behavior;

(4) Uses data that is complete, high in quality, and available in a timely fashion;

(5) Is easy for stakeholders to understand and implement;