

§ 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:

- (i) The elements specified in § 153.320(b);
- (ii) The calibration methodology and frequency of calibration; and
- (iii) The statistical performance metrics specified by HHS.

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

- (i) Accurately explains the variation in health care costs of a given population;
- (ii) Links risk factors to daily clinical practice and is clinically meaningful to providers;
- (iii) Encourages favorable behavior among providers and health plans and discourages unfavorable behavior;
- (iv) Uses data that is complete, high in quality, and available in a timely fashion;
- (v) Is easy for stakeholders to understand and implement;
- (vi) Provides stable risk scores over time and across plans; and
- (vii) Minimizes administrative costs.

(b) *Evaluation criteria for alternate risk adjustment methodology.* An alternate risk adjustment methodology will be certified by HHS as a Federally certified risk adjustment methodology based on the following criteria:

- (1) The criteria listed in paragraph (a)(2) of this section;
- (2) Whether the methodology complies with the requirements of this subpart D;
- (3) Whether the methodology accounts for risk selection across metal levels; and
- (4) Whether each of the elements of the methodology are aligned.

(c) *State renewal of alternate methodology.* If a State is operating a risk adjustment program, the State may not implement a recalibrated risk adjustment model or otherwise alter its risk adjustment methodology without first obtaining HHS certification.

(1) Recalibration of the risk adjustment model must be performed at least as frequently as described in paragraph (a)(1)(ii) of this section;

(2) A State request to implement a recalibrated risk adjustment model or otherwise alter its risk adjustment methodology must include any changes to the parameters described in paragraph (a)(1) of this section.

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