

DEPARTMENT OF HEALTH & HUMAN SERVICES
Centers for Medicare & Medicaid Services
Center for Consumer Information and Insurance Oversight
200 Independence Avenue SW
Washington, DC 20201



Date: May 3, 2017

Subject: HHS-Operated Risk Adjustment Data Validation (HHS-RADV) – 2016 Benefit Year Implementation and Enforcement

CMS has assessed the results of the 2015 benefit year HHS-RADV pilot and received feedback from issuers and their initial validation audit (IVA) entities suggesting the need for an additional transition year to ensure the successful implementation of risk adjustment data validation. Therefore, CMS is converting 2016 benefit year HHS-RADV to a second pilot year, forgoing payment adjustments until 2017 benefit year HHS-RADV, and implementing process refinements that will reduce the burdens of HHS-RADV.

A new audit tool and revised HHS-RADV Protocols (to be released in May 2017) will account for lessons learned and streamline the HHS-RADV process. The additional pilot year will allow CMS to further adjust and refine audit procedures before implementing payment adjustments for 2017 benefit year HHS-RADV.

Given that CMS is instituting a second pilot year for 2016 benefit year HHS-RADV, CMS will exempt from the 2016 benefit year HHS-RADV pilot small issuers with total premiums of \$15 million or less, as of the May 1, 2017, EDGE data submission. In addition, we will not enforce participation in 2016 benefit year HHS-RADV for issuers that are not offering coverage in the 2017 benefit year.

Although 2016 benefit year HHS-RADV will be a second pilot year, CMS will assess issuers' performance in 2016 benefit year HHS-RADV, including efforts in medical record retrieval and good faith compliance with HHS-RADV requirements. If an issuer that has not been exempted from the pilot year does not engage an IVA entity or submit IVA results to CMS, CMS may impose civil monetary penalties (CMPs) as an enforcement action as appropriate under 45 C.F.R. 153.630(b)(9). Under 45 C.F.R. 153.630(e), CMS may also adjust issuers' 2016 benefit year risk adjustment transfers for issuers that do not comply with audit requirements and standards, including noncompliance with medical record retrieval. CMS will closely evaluate the 2016 benefit year HHS-RADV results to determine if issuers' risk adjustment data is accurate.