The Balanced Budget Act of 1997 (BBA) directed the Department of Health and Human Services (DHHS) to contract with an independent quality review organization to develop protocols to be used to fulfill the statutory requirement that State Medicaid agencies provide for an annual external independent review of the quality outcomes and timeliness of, and access to, services provided by Medicaid managed care organizations (MCOs) and prepaid inpatient health plans (PIHPs).

DHHS' final rule on External Quality Review (EQR) of Medicaid Managed Care Organizations, published on January 24, 2003, requires that information from three mandatory activities be used by state Medicaid agencies to complete the annual review. These three are: (1) validation of performance improvement projects undertaken by an MCO/PIHP; (2) validation of performance measures produced by an MCO or PIHP; and (3) a review, conducted within the past three years, to determine MCO/PIHP compliance with federal Medicaid managed care regulations. Additionally, there are optional activities that a State may use to gather information about the performance of its MCOs or PIHPs and include as a component of external quality review and enhanced Federal Financial Participation in the costs of these activities.

The protocols below are intended as guidelines to assist state Medicaid agencies in meeting these regulatory requirements. The final rule states that EQR activities are to be conducted in a manner *consistent with* (as opposed to *identical to*) the protocols. This approach ensures that the protocols do not prevent states and their EQR contractors from using more refined approaches to these activities as they develop.

These protocols address the following six areas of quality oversight and review:

1. **Performance Improvement Projects** [42 CFR 438.358(b) (1)]
   There are two protocols that relate to projects for improving performance.
   - One protocol addresses the validation of performance improvement projects undertaken by an MCO or PIHP. (PDF 322KB)
   - The second protocol addresses conducting a performance improvement project for the MCO/PHP. (PDF 302KB)
2. **Performance Measurement** [42 CFR 438.358(b) (2)]
   There are two protocols that address this activity.
   - One addresses validation of performance measures produced by an MCO or PIHP. (PDF 640KB)
   - The second protocol addresses calculating measures of the performance of an MCO/PHP. (PDF 408KB)
3. **Evaluation of MCO/PIHP Compliance with Federal Medicaid Managed Care Regulations** [42 CFR 438.358(b)(3)]
   - Appendix A (PDF 534KB)
   - Appendix B (PDF 447KB)
   - Appendix C (PDF 291KB)
4. **Encounter Data Validation** [42 CFR 438.358(c)(1)] (PDF 286KB)
5. **Quality of Care Surveys** - Administering or Validating Surveys [42 CFR 438.358(c)(2)] (PDF 346KB)
6. **Focused Quality of Care Studies** [42 CFR 438.358(c)(5)] (PDF 273KB)

DHHS has also developed Appendix Z, **Assessment of MCO/PIHP Information Systems** (PDF 781KB). This appendix provides an adjunct to several protocols included above.

All protocols were developed by The Joint Commission for the Accreditation of Healthcare Organizations (JCAHO), working with a number of contractors and in consultation with an expert panel composed of representatives of private accrediting organizations, quality measurement experts, state Medicaid agencies, and advocates for Medicaid beneficiaries. JCAHO was selected through a competitive process to develop the protocols consistent with the following three directives:

- **Consistency with industry standards.** All protocols have been designed to follow protocols and quality review activities currently used in the managed care and quality oversight industries. For example, several of the protocols follow processes used by the National Committee for Quality Assurance (NCQA), the Joint Commission for the Accreditation of Healthcare Organizations (JCAHO), and/or private sector organizations widely used to validate encounter data or administer surveys.
- **Accommodate continued evolution of quality assessment.** The art and science of assessing health care quality is continuously evolving. For example, private accrediting bodies revise their standards on a frequent basis, and also allow their surveyors to exercise judgment in pursuit of information that provides evidence of compliance with their standards. These protocols similarly allow states to incorporate better ways of performing protocol activities as they are developed, or to undertake more effective or efficient monitoring activities that might be proposed by entities that would be performing quality assessment reviews on behalf of the state Medicaid agencies.
- **Technical assistance to state Medicaid agencies.** The protocols are also intended to provide state Medicaid agencies with a clear description of the scope and depth of quality review activities that are consistent with the current state of the art. They also include sample worksheets that can be used or modified, at the states' discretion. This detail is intended to provide states with practical information to assist in the development of a scope of work for entities that would be undertaking this work on the state's behalf and tools that could be used as needed. It will also promote more standardization of common quality review practices across states.

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