

Corrective Actions to Prevent Improper Payments Snapshot

Federal Medicaid regulations require each State Medicaid agency (SMA) to adopt a “corrective action plan ... designed to reduce improper payments.” The Federal government requires States to conduct data analysis, program analysis, corrective action planning, and implementation and monitoring. The SMA’s data analysis must “determine the specific programmatic causes to which errors are attributed,” “identify root error causes,” and determine the amount of payments attributable to each error type.

Through program analysis, the SMA is required to review the findings of the data analysis and determine the specific causes of each type of error. Causes could include provider manuals that lack clarity or staff that lack knowledge.

Based on the program analysis, the SMA must “determine the corrective actions to be taken that address the root error causes” and prevent the recurrence of them. State corrective action might include revising provider manuals, training staff and providers, and scheduling regular data verification.[1] It might include imposing prior authorization requirements for services and items subject to high rates of improper payments or fraud, waste, and abuse such as orthodontics,[2] certain home health services,[3] certain durable medical equipment,[4] some brand name prescription drugs,[5] and certain therapy services.[6] When an SMA imposes prior authorization it may require verification that the requested service or item is covered under Medicaid, that the provider submits documentation supporting medical necessity, and that other requirements have been met.

SMA's may also implement pre-payment screening for services and items subject to high rates of improper payments such as providers billing unusually high numbers of services or an extremely large number of certain types of services. If a careful and judicious review of the data and other evidence relevant to those claims would support a finding that an allegation of fraud was credible, the SMA must suspend payments to the provider associated with those claims unless there is good cause not to suspend them.[7, 8]

It is important to note that SMA's are not required to correct every error and may want to concentrate on those that cause the larger amounts of improper payments.

To assist SMA's, CMS offers approved training materials at <https://www.cms.gov/Medicare-Medicaid-Coordination/Fraud-Prevention/Medicaid-Integrity-Education/edmic-landing.html> on the CMS website.

For More Information

Additional information about program integrity, including information about a recent report from HHS-OIG on provider enrollment, can be found in the forthcoming “Medicaid Provider Enrollment” Toolkit that will



be posted to the Medicaid Program Integrity Education page at <https://www.cms.gov/Medicare-Medicaid-Coordination/Fraud-Prevention/Medicaid-Integrity-Education/edmic-landing.html> on the CMS website.

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References

- 1 Centers for Medicare and Medicaid Services. (2016, May 2). Payment Error Rate Measurement (PERM) Instructions for Completing the State-Specific Corrective Action Plan (CAP) Template (pp. 2-3). Retrieved July 13, 2016, from <https://www.cms.gov/Research-Statistics-Data-and-Systems/Monitoring-Programs/PERM/Downloads/FY2014-NewCAPTemplateInstructions.pdf>
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- 3 Indiana Family & Social Services Administration. (2016, February 25). Provider Reference Module: Home Health Services (p. 1). Retrieved July 11, 2016, from <http://provider.indianamedicaid.com/media/155535/home%20health%20services.pdf>
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- 6 Indiana Family & Social Services Administration. (2016, February 25). Provider Reference Module: Therapy Services (p. 1). Retrieved July 11, 2016, from <http://provider.indianamedicaid.com/media/155586/therapy%20services.pdf>
- 7 Suspension of Payments in Cases of Fraud. 42 C.F.R. § 455.23. Retrieved July 10, 2016, from http://www.ecfr.gov/cgi-bin/retrieveECFR?gp=1&SID=00ab8b2167f60e22d1ebd38f89a1cd88&ty=HTML&h=L&mc=true&r=SECTION&n=se42.4.455_123
- 8 Medicare, Medicaid, and Children's Health Insurance Programs; Additional Screening Requirements, Application Fees, Temporary Enrollment Moratoria, Payment Suspensions and Compliance Plans for Providers and Suppliers; Final Rule with Comment Period. 76 Fed. Reg. 5862, 5932 (proposed Feb. 2, 2011). Retrieved April 25, 2016, from <https://www.gpo.gov/fdsys/pkg/FR-2011-02-02/pdf/2011-1686.pdf>

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