



# Payment Error Rate Measurement

## PERM Reform Effort

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# Agenda

- Overview and Process
- Measurements Completed
- Current Measurement Cycle Updates
- PERM Program Updates
- CHIPRA & the PERM NPRM



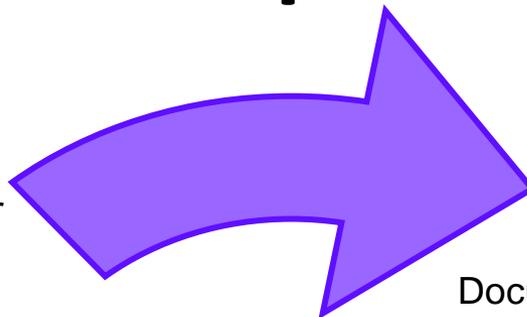
# PERM Overview

- CMS developed the PERM program to comply with the Improper Payments Information Act of 2002 (IPIA).
- PERM measures improper payments in Medicaid and the Children's Health Insurance Program (CHIP).
- PERM's first measurement was in FY 2006 with Medicaid FFS

# PERM Claims Component Process

1

Statistical Contractor conducts quality control on FFS and managed care universes submitted by states and selects random samples from universes for review.

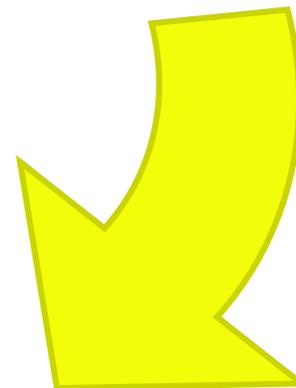


2

Documentation/Database Contractor collects policies from states and medical records from providers.

3

Review Contractor performs medical and data processing reviews and conducts difference resolution with states.



# PERM Eligibility Component Process

- Eligibility component has four phases:
  1. Sampling
  2. Eligibility Reviews
  3. Payment Reviews
  4. Error Rate Calculation



# FY 2006 and 2007 Measurements

- Published 06 Medicaid FFS error rate
- Published 07 Medicaid and CHIP FFS, managed care, and eligibility error rates
- First corrective action plans (CAPs) were submitted in April, 2009
- CMS submitted its error rate reduction plan to Dept. & OMB in May, 2009.

# Corrective Action Plan Update

- Each state submits a CAP to CMS after they receive their error rates.
- A CAP is a narrative of steps taken to identify cost-effective actions that can be implemented to correct error causes.
- CMS developed a corrective action team to assist States in submitting their CAPs and to review the CAPs.

# Corrective Action Plan Update

## Most frequent corrective actions proposed by States:

- Enhanced provider training through provider newsletters or alerts.
- Placing information concerning PERM on the State's provider website on the provider remittance advice.
- Tracking the contractor's medical record request and contacting providers not responding timely.
- Additional staff training in focused eligibility policy and procedure areas.
- Proposing new claims processing system edits.



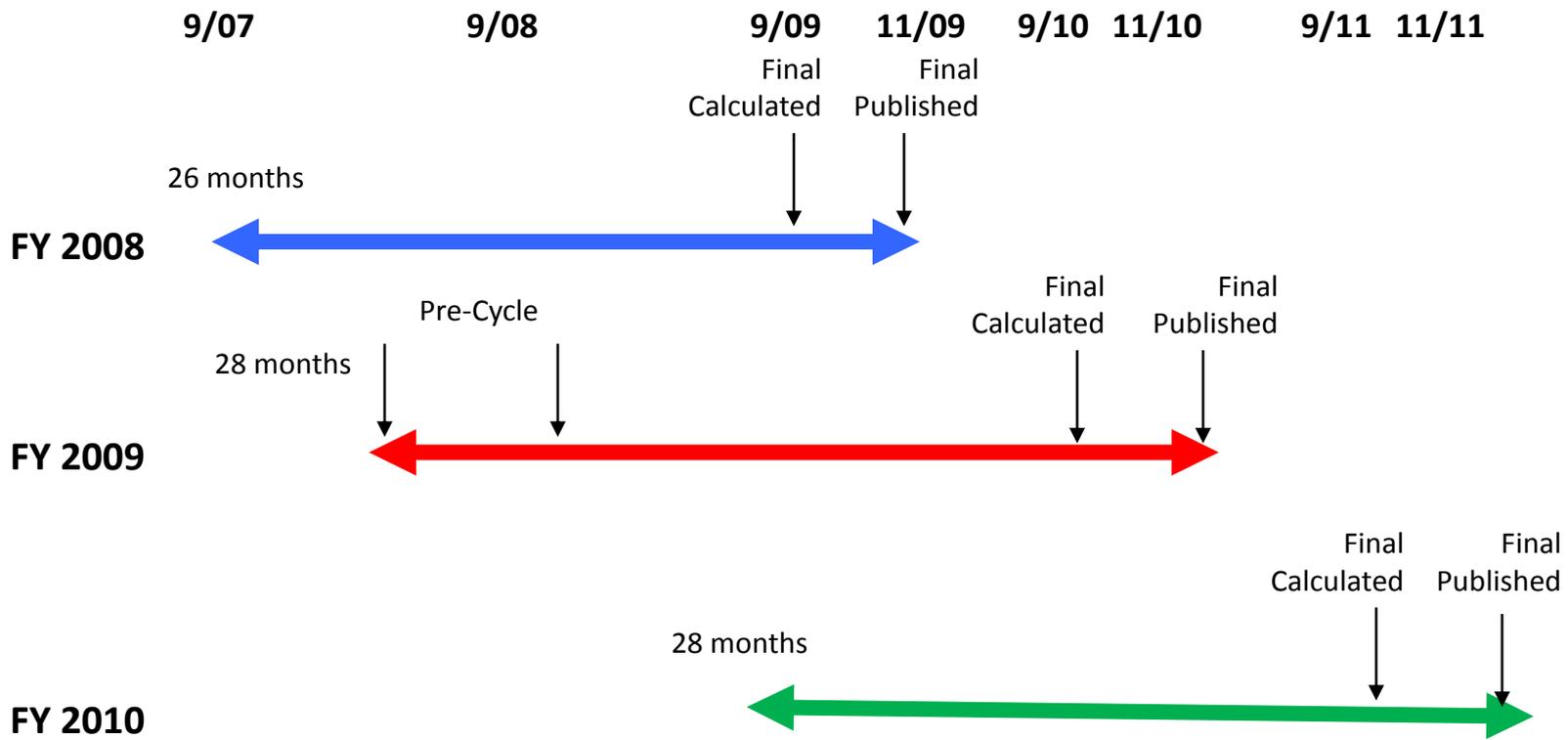
# Current & Upcoming Cycles

## Medicaid and CHIP States by Measurement Cycle

FY 2008	Alaska, Arizona, District of Columbia, Florida, Hawaii, Indiana, Iowa, Louisiana, Maine, Mississippi, Montana, Nevada, New York, Oregon, South Dakota, Texas, Washington
FY 2009	Arkansas, Connecticut, Delaware, Idaho, Illinois, Kansas, Michigan, Minnesota, Missouri, New Mexico, North Dakota, Ohio, Oklahoma, Pennsylvania, Virginia, Wisconsin, Wyoming
FY 2010	Alabama, California, Colorado, Georgia, Kentucky, Maryland, Massachusetts, Nebraska, New Hampshire, New Jersey, North Carolina, Rhode Island, South Carolina, Tennessee, Utah, Vermont, West Virginia



# Current & Upcoming Cycle Timeframes



# FY 2008 Cycle Update & Error Rate Rollout

- CMS calculates state and national error rates and develops report for Department and OMB review
- Once approved, CMS shares error rates with States
- National error rates reported in the Agency Financial Report (AFR)
- CMS provides specific error information to each State

# Cycle Updates

- **FY 2009:**

- Quarter 1-Quarter 3 FFS and managed care universe collected
- Medical record request process and data processing reviews underway
- States performing eligibility case and payment reviews
- Cycle Manager: Ron Armstrong 410-786-6691,  
[ronald.armstrong@cms.hhs.gov](mailto:ronald.armstrong@cms.hhs.gov)

- **FY 2010:**

- Cycle kickoff soon
- Intake calls follow
- Cycle Manager: Stacey Carroll 410-786-0241,  
[stacey.carroll@cms.hhs.gov](mailto:stacey.carroll@cms.hhs.gov)

Eligibility contact: Jessica Woodard 410-786-9249,  
[jessica.woodard@cms.hhs.gov](mailto:jessica.woodard@cms.hhs.gov)

# PERM Program Updates

- PERM manual
- PERM Provider Education Initiative (PEPI)
- State policy database
- Contractual strategy for FY 2010 cycle and forward
- PERM records tool
- MSIS+ and single source of Medicaid data

# PERM Records Tool

- Simplifies the PERM data submission process
  - Allows for a single data submission from states eliminating the need for back-and-forth between states and PERM contractors
  - Requires less up-front programming by the states—the burden is on the PERM contractor to identify and extract sampling units from the data and assign to the appropriate PERM universe
- Stepping stone towards MSIS+ initiative
  - Moving towards MSIS+ data set that can meet the data needs of multiple CMS programs including Medi-Medi and PERM

# PERM Records Tool

- FY 2009 Pilot a Success
  - Pilot states: Ohio and Oklahoma
  - States submitted PERM data for quarter 1 of FY 2009 in addition to routine PERM universe data submission
  - PERM contractor develop a PERM Q1 universe file from the data submission
  - PERM contractors tested and verified the statistical validity of the new PERM data collection methods
- Possible Implementation
  - FY 2010-2011: Phase-in use of new PERM records tool in normal PERM cycles; pilot test using MSIS+ as a source for PERM universes
  - FY 2012 and beyond: Full implementation of new PERM records tool; phase-in using MSIS+ in normal PERM cycles

# CHIPRA

- Section 601 of the Children's Health Insurance Program Reauthorization Act of 2009 (CHIPRA) requires a new final rule implementing PERM requirements
- CMS cannot publish a CHIP error rate until 6 months after the final rule is in effect.

# PERM NPRM: Sample Size

CHIPRA Sec. 601(f) requires State-specific sample sizes that minimize administrative cost burden and maintain State flexibility to manage the programs.

- Base sample size: 500 fee-for-service claims, 250 managed care payments, 504 active cases, and 204 negative cases.
- In subsequent cycles, sample size determined to meet precision goals based on error rate and payment variation.
- Universes under 10,000 sampling units will have a reduced sample size.
- Maximum sample size for Medicaid or CHIP fee-for-service, managed care, or eligibility will be 1,000 sampling units.

# PERM NPRM: Criteria for Errors

CHIPRA Sec. 601(c)(1)(A) requires rule include criteria for errors for States and providers

- Definitions added to tie data processing and eligibility errors to States and medical review errors to providers.
- All dollars in error identified through PERM reviews still contribute to the State and national error rates.
- Adds section to describe medical review, data processing, and eligibility errors.

# PERM NPRM: Self-Declaration

CHIPRA Sec. 601(c)(2) requires that State error rates not take into account payment errors resulting from the State's verification of an applicant's self-declaration of eligibility if the State process for verifying self-declaration satisfies the requirements for such process applicable under regulations promulgated by the Secretary.

- Self-declaration errors excluded from State-specific PERM error rates.
- States will delineate between undetermined cases based on not obtaining a new self-declaration statement and undetermined cases based on insufficient documentation.
- NPRM contains detailed requirements for acceptable self – declaration for eligibility reviews.

# PERM NPRM: Appeals

CHIPRA Sec. 601(c)(1)(B) requires process for appealing error determinations by review contractors and State eligibility review staff

- Added timeframe for difference resolution and CMS appeals process for claims.
- All data processing and medical review errors now appealable.
- Allows States to utilize State appeals process for eligibility errors.
- Provides State Medicaid/CHIP agency access to eligibility review findings for appeal purposes.

# PERM NPRM: MEQC/PERM

CHIPRA Sec. 601(e)(2) State may elect to use data resulting from application of PERM to the application of MEQC

- Offers States the option to do this after final rule is in effect.
- Both substitution options only apply to Medicaid and Title XXI Medicaid expansion.
- CMS will calculate PERM and MEQC error rates separately.

# PERM NPRM: PERM/MEQC

CHIPRA Sec. 601(e)(3) State may elect to use data resulting from application of MEQC to the application of the PERM if State MEQC reviews are based on a broad, representative sample

- Offers States the option to do this effective April 1, 2009.
- States still subject to MEQC provisions including disallowances if electing either substitution option.

# PERM NPRM: Corrective Action Plans

CHIPRA Sec. 601(c)(1)(C) requires responsibilities and deadlines for States implementing corrective action plans

- Details State responsibilities and deadlines.
- In order to develop an effective corrective action plan, States must conduct the following five steps: (1) Data Analysis, (2) Program Analysis, (3) Corrective Action Planning, (4) Implementation and Monitoring, and (5) Evaluation.
- Corrective action plans are required to be submitted to CMS and implemented no later than 60 days from the date the State's error rate is posted to the CMS Contractor's Web site.



# Questions

