Preparing for the New PERM Eligibility Review and Other Proposed PERM & MEQC Changes

Centers for Medicare & Medicaid Services

Office of Financial Management

Payment Accuracy & Reporting Group

The PERM Eligibility Team

August 30, 2016

Background

- The Affordable Care Act (ACA) included significant changes to Medicaid and CHIP eligibility processes that impacted the PERM program.

- CMS implemented the Medicaid and CHIP Eligibility Review Pilots which took the place of the PERM and MEQC eligibility reviews for four years.

- These pilots enabled CMS to update the eligibility component measurement methodology in order to accurately measure improper payments based on the new provisions implemented under the ACA.

- CMS issued the proposed rule outlining the changes to the PERM and MEQC programs in response to the new requirements under the ACA.
  - *Public Commenting period closed August 22*

Proposed Changes:
PERM Review Period

Item	Component Impacted	Current Regulation	Proposed Regulation	Rationale
Review Period	All	PERM reviews payments made in a Federal Fiscal Year (October through September)	PERM reviews payments made July through June	• Alignment with state fiscal years • Additional time to complete cycle before reporting

Review Period Shift

Report Error Rates

October 2017   September 2018   November 2019

Current Review Period

Report Error Rates

July 2017   June 2018   November 2019

Proposed Review Period

4

Proposed Changes: PERM Eligibility Review

Item	Component Impacted	Current Regulation	Proposed Regulation	Rationale
Eligibility Review Responsibility	Eligibility	States are required to conduct their own eligibility reviews and report results to CMS	A federal contractor performs the PERM eligibility reviews with support from the state	• Reduce state burden • Decrease review inconsistencies across states

Proposed Changes: PERM Eligibility Review

Item	Proposed Regulation	Notes
Eligibility Review Responsibility (Cont'd)	A federal contractor performs the PERM eligibility reviews with support from the state	<u>Pilot testing</u>: • Confirmed experienced contractor can review consistently across states while continuing to recognize state-specific factors • Developed processes to ensure effective and collaborative communication with states that minimizes burden

Proposed Changes:
PERM Eligibility Reviews – State Involvement

Item	Proposed Regulation	Notes
Eligibility Review Responsibility (Cont'd)	A federal contractor performs the PERM eligibility reviews with support from the state	State Involvement: • Provide policy information and case documentation to contractor as requested • Provide access to eligibility system • Monitor findings and request difference resolution/CMS appeal as necessary • Develop corrective action plans to address findings

Proposed Changes:
PERM Eligibility Review- Universe

Item	Component Impacted	Current Regulation	Proposed Regulation	Rationale
Eligibility Universe	Eligibility	States submit universes of Fee-for-Service (FFS) and managed care payments which are sampled for data processing and medical review States create universes of eligible individuals which are sampled for eligibility review	Use sampled FFS and managed care payments for eligibility review in addition to medical and data processing reviews Eligibility review conducted on the beneficiary associated with the sampled claim	• Reduce state burden • Reduce program costs by eliminating federal dollars spent on reviewing eligibility cases for which no payments were made

Proposed Changes:
PERM Eligibility Review-Universe (con't)

Item	Proposed Regulation	Notes
Eligibility Universe	Use sampled FFS and managed care payments for eligibility review in addition to medical and data processing reviews Eligibility review conducted on the beneficiary associated with the sampled claim	• CMS did not propose to require states to develop a separate negative case universe for review as part of PERM • It is possible for negative cases to be reviewed through PERM if relevant denied claims are sampled • Maintain important oversight of negative cases through proposed MEQC pilots

Proposed Changes:
PERM Eligibility Reviews- FFM

Item	Component Impacted	Current Regulation	Proposed Regulation	Rationale
Inclusion of Federally-Facilitated Marketplace (FFM) Determination Cases	Eligibility	N/A	Errors that result solely from an incorrect determination of eligibility by the FFM will be included in the national improper payment rate, but not in state improper payment rates States are only required to submit corrective actions for errors included in state improper payment rates	States that delegate authority to the FFM are required to accept FFM eligibility determinations with no further action

Conversely, errors resulting from incorrect state action taken on cases determined and transferred from the FFM or from the state's annual redetermination of cases initially determined by the FFM will be included in state and national improper payment rates

Proposed Changes:
PERM Payment System Access

Item	Component Impacted	Current Regulation	Proposed Regulation	Rationale
Payment System Access Requirements	All	N/A	States grant access to federal contractors to facilitate reviews to eligibility systems, and all systems that authorize payments, contain beneficiary demographics and provider enrollment information	Decrease delays and burden associated with the review process

Proposed Changes:
PERM Federal Improper Payments

Item	Component Impacted	Current Regulation	Proposed Regulation	Rationale
Federal Improper Payments	All	Improper payments only cited on total computable amount (i.e., federal share + state share)	Improper payments cited if the federal or state share is incorrect (even if total computable amount correct)	• An incorrect eligibility category assignment can result in the incorrect federal medical assistance percentage (FMAP) being claimed by the state • Size of the newly eligible adult category makes this change necessary to accurately identify federal improper payments

Proposed Changes: PERM Sample Sizes

Item	Component Impacted	Current Regulation	Proposed Regulation	Rationale
Sample Sizes	All	State-specific sample sizes calculated based on the state's previous error rate and state-level precision requirement	Establish a national annual sample size, which would then be distributed across states	• More stable sample sizes for each state • Increase control over the PERM program's budget

Proposed Changes: PERM Corrective Action Plans

Item	Component Impacted	Current Regulation	Proposed Regulation	Rationale
Corrective Action Plans (CAPs)	Eligibility	States implement CAPs for all errors and deficiencies identified in the FFS, managed care and eligibility reviews	States continue to implement CAPs for all errors and deficiencies More stringent requirements added for eligibility should a state have consecutive PERM eligibility improper payment rates over the 3% national standard set per 1903(u) of the Act	Allowable threshold for eligibility error rates is set by section 1903(u) of the Act

Proposed Changes: PERM CAPs

Item	Proposed Regulation	Notes
Corrective Action Plans (CAPs)	More stringent requirements added for eligibility should a state have consecutive PERM eligibility improper payment rates over the 3% national standard set per 1903(u) of the Act	Additional requirements include: • More frequent status updates on corrective actions • More details surrounding state implementation and evaluation of corrective actions • Information about setbacks with alternative corrective actions or workarounds • Examples demonstrating that corrective actions led to improvements that will reduce errors • Summary that demonstrates how the planned and implemented corrective actions will enable the state to meet the 3% threshold

Proposed Changes:
PERM Eligibility Payment Reductions/Disallowances

Item	Component Impacted	Current Regulation	Proposed Regulation	Rationale
Payment Reductions/ Disallowances	Eligibility	N/A	Payment reductions/disallowances under 1903(u) of the Act would only be applicable for eligibility reviews conducted during PERM years States have the ability to demonstrate a good faith effort if unable to meet the national standard; A good faith effort is defined as meeting PERM CAP and MEQC pilot requirements	Complies with 1903(u) requirements

Proposed Changes:
PERM Eligibility Payment Reduction/Disallowances con't

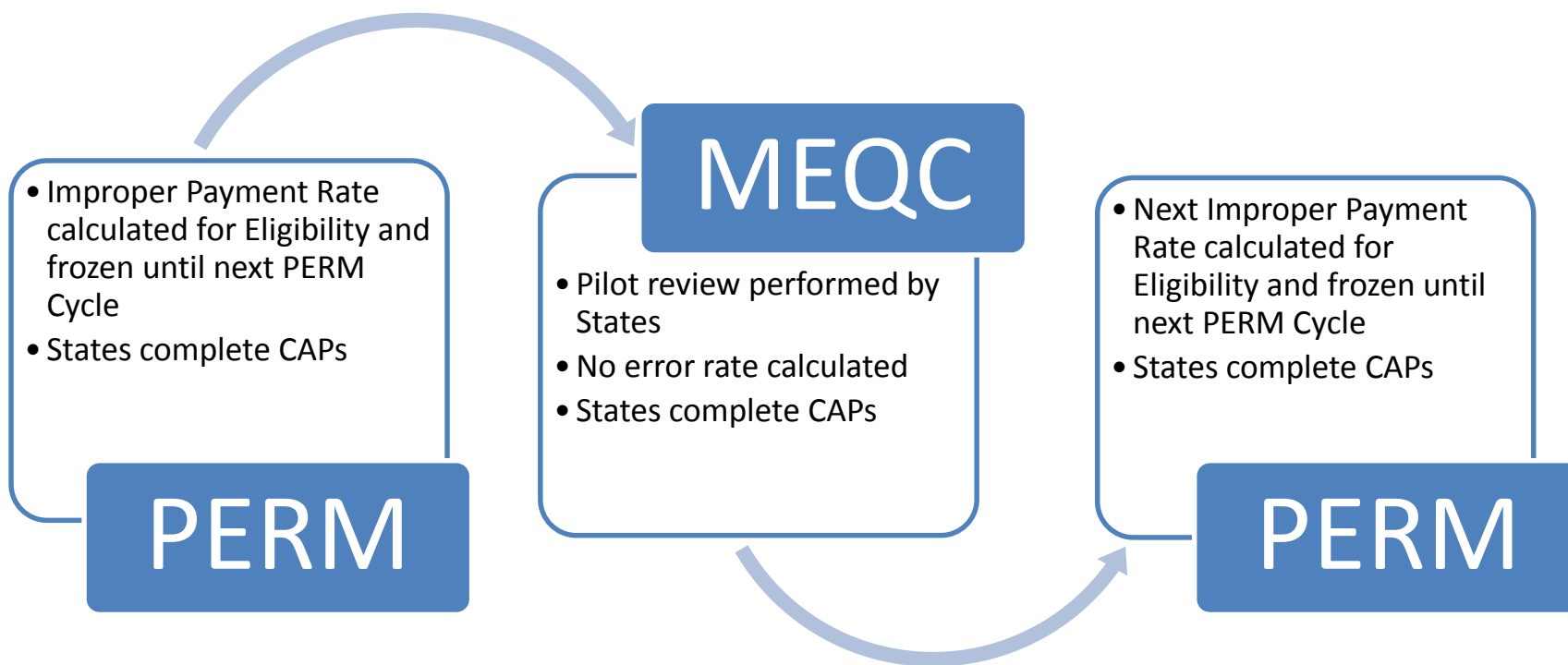| Item	Proposed Regulation	Notes
Payment Reductions/ Disallowances	Payment reductions/disallowances under 1903(u) of the Act would only be applicable for eligibility reviews conducted during PERM years States have the ability to demonstrate a good faith effort if unable to meet the national standard; A good faith effort is defined as meeting PERM CAP and MEQC pilot requirements	• Eligibility error rates only calculated in a state's PERM year • CMS would only pursue disallowances if a state does not demonstrate a good faith effort to meet the national standard • Not effective until a state's second PERM eligibility measurement under the new final rule • Disallowance amount is the percentage by which the <u>lower limit</u> of the state's eligibility improper payment rate exceeds 3%

Proposed Changes: MEQC

The NPRM restructures the MEQC program into a pilot program that states would be required to conduct during their off-years from the PERM program.

- States would conduct an MEQC pilot during the 2 off-years between PERM cycles

- MEQC pilots would focus on areas not addressed through PERM reviews (e.g. negative cases) and permit states to conduct focused reviews areas identified as error prone through PERM

- The calculated PERM eligibility improper payment rate would remain frozen at that level during each state's 2 off-years when it conducts its MEQC pilot. Error rates would not be calculated through MEQC, allowing states time to work on corrective actions before their next PERM eligibility improper payment rate would be measured

RATIONALE: PERM/MEQC rotations would be operationally complementary, and treated in a manner that allows for states to review identified issues, develop corrective actions, and effectively implement prospective improvements to their eligibility determinations.

PERM-MEQC Operational Relationship

PERM
- Improper Payment Rate calculated for Eligibility and frozen until next PERM Cycle
- States complete CAPs

MEQC
- Pilot review performed by States
- No error rate calculated
- States complete CAPs

PERM
- Next Improper Payment Rate calculated for Eligibility and frozen until next PERM Cycle
- States complete CAPs

Proposed Changes: MEQC

CMS will provide states detailed guidance for conducting MEQC pilots. States must submit MEQC pilot planning documents for CMS approval.

Review Requirements

- Includes both Medicaid & CHIP eligibility determinations
- Includes both active and negative case reviews
  - State flexibility for active case reviews
    - A state may conduct a comprehensive review or focus active case reviews on
      - Recent changes to eligibility policies and processes
      - Areas where the state suspects vulnerabilities
      - Proven error prone areas
    - If a state's PERM eligibility improper payment rate is above 3% for two consecutive PERM cycles, CMS will provide direction for active case reviews
  - Pilots must include comprehensive review of negative cases to ensure continuing oversight of the accuracy of state determinations to deny or terminate eligibility
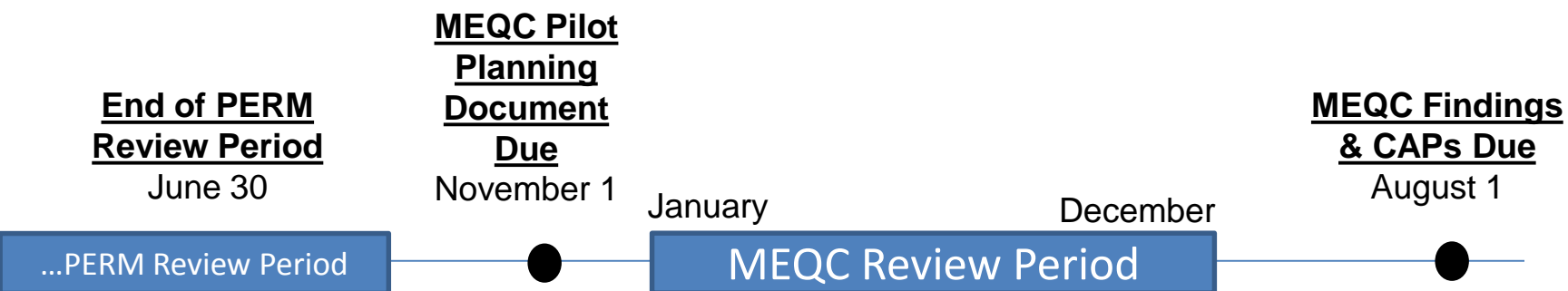
Proposed Changes: MEQC Sample Size

Minimum Sample Sizes

- Active cases: 400 total minimum (Medicaid and CHIP); at least 200 Medicaid cases

- Negative cases: 400 total minimum; 200 Medicaid minimum & 200 CHIP minimum

Timeline

- PERM review period: July – June

- MEQC pilot planning document due: November 1

- MEQC pilot review period: January – December

- MEQC pilot findings and corrective actions due: August 1

MEQC Timeline

End of PERM Review Period
June 30

MEQC Pilot Planning Document Due
November 1

MEQC Findings & CAPs Due
August 1

January

December

...PERM Review Period

MEQC Review Period

Proposed Changes: MEQC Cycle Timeline

Timeline

Following final rule publication, states will not all be at the same point in their MEQC/PERM timeline

Cycle 1 States	Cycle 2 States	Cycle 3 States
• **First PERM review period:** July 2017 – June 2018 • **MEQC planning document due:** November 1, 2018 • **MEQC review period:** January 1 – December 31, 2019 • **MEQC findings and CAP due:** August 1, 2020	• CMS will provide guidance regarding a modified MEQC pilot that will occur prior to the beginning of your first PERM cycle • **First PERM review period:** July 2018 – June 2019	• **First MEQC planning document due:** November 1, 2017 • **MEQC review period:** January 1 – December 31, 2018 • **MEQC findings and CAP due:** August 1, 2019 • **First PERM review period:** July 2019 – June 2020

Preparing for the New
PERM Eligibility Review

- Where are we now in the pilot process?

- What should states be doing to prepare for PERM eligibility?

- States are finalizing results for Round 4 case review pilots

- CMS is preparing Round 5 case review pilot guidance

**Final Round
of Eligibility Pilots**

- Goal: Preparing for PERM Eligibility
  - Cycle 3 States: Round 5 pilot reviews conducted by federal contractor as a "dry run" of PERM
  - Cycle 1 & 2 States: Round 5 pilot guidance will include changes that will assist states in preparing for PERM reviews

- States should use Round 5 pilots to:
  - Focus on fixing problems now before PERM resumes and error rates are reported
  - Be sure the action associated with an eligibility determination includes an audit trail and that records are maintained, as required
  - Improve collaboration with state staff

Plan for PERM Readiness Webinars

- States are at various stages in preparing for the future of PERM eligibility

- To assist states in this preparation, CMS will host a PERM Readiness Webinar with each state

- The goal of these state webinars is to focus on state-specific questions and readiness for the restart of PERM eligibility

- Who should participate on the call?
  - Systems/IT staff
  - Eligibility Policy staff (Medicaid and CHIP)
  - QC staff working with PERM
  - Additional staff - state should include other staff, as appropriate, including staff representing caseworkers

- Topics for discussion
  - What corrective actions are working and what corrective actions have not been effective? What is your progress on fixing identified errors?
  - Where is your state now and are you ready for PERM?
  - What type of audit trail will we see in your state when conducting PERM eligibility reviews?

1. Fix all issues/vulnerabilities identified through the first 4 rounds of pilots

2. Ensure your state is reviewing against all federal regulation eligibility requirements to fully assess compliance before resumption of PERM

3. Ensure your state is maintaining an audit trail to support the eligibility determinations

Step 1: Fix all issues/vulnerabilities identified through the first 4 rounds of pilots

Step 2: Ensure your state is reviewing against all federal regulation eligibility requirements to fully assess compliance before resumption of PERM

Notes:

- PERM will review for all eligibility requirements. The following slides are not a comprehensive list of eligibility requirements.

- The following slides highlight areas that all states may not have consistently reviewed for through the pilot reviews (areas where federal regulation specifies certain processes that states must follow when making an eligibility determination).

- States should assess their compliance in these areas (and other areas) if they did not do so through the first 4 rounds of pilots.

Citizenship

Federal Regulations require:

- Individuals to declare citizenship and states to document the individual's citizenship in the eligibility file
- States to verify citizenship using certain acceptable evidence

Examples of questions to assess compliance:

Note: States should check electronic data sources before asking for paper

- What documents is the state accepting to verify citizenship?
- Does the state ever accept a passport with limitations, a souvenir birth certificate, a voters registration card, or other unacceptable forms of documentation?

Determination of Disability/Blindness

Federal Regulations require:
- States to obtain a medical report and other evidence for individuals applying for Medicaid on the basis of disability/blindness
- States to review the medical report and other evidence to make a determination of disability/blindness
- States to determine whether and when reexaminations will be necessary for periodic redeterminations of eligibility

Examples of questions to assess compliance:
- Does the state have medical documentation that confirms the determination of disability/blindness?
- Are reexaminations occurring for periodic redeterminations of eligibility as required?

34

Redeterminations

Federal Regulations require:

- States to redetermine eligibility (for MAGI and non-MAGI) every 12 months

Examples of questions to assess compliance:

- Are there any instances where the state is not completing redeterminations within 12 months? How often does this occur?

Signatures

Federal Regulations require:

- All applications to be signed under penalty of perjury

Examples of questions to assess compliance:

- Is the state requiring and maintaining signatures on all applications?

SSN Verification

Federal Regulations require:

- States to verify the SSN of each applicant

Examples of questions to assess compliance:

- Are there any instances where the state is not verifying the applicant's SSN?

Follow-Up on Inconsistent Information

Federal Regulations require:

- States to seek additional information from individuals if information provided is not reasonably compatible with information obtained through an electronic data match

Examples of questions to assess compliance:

- Is the state appropriately following up on information that is not reasonably compatible?

Step 3: Ensure your state is maintaining an audit trail to support the eligibility determinations

- Is your state ready for PERM based on what reviewers will need to see for review of the eligibility criteria and all actions under review?

- If verifying electronically, does your state have a system indicator to confirm element was appropriately verified at the time of determination?

- Is your state maintaining all documents required in making eligibility determinations?

Electronic Verification

There must be an indicator in the eligibility system associated with the action under review for all eligibility elements where electronic verification is utilized.

Examples of acceptable indicators within an eligibility system:

- The state's eligibility system contains a check box where a check appears when a data match occurred.

An example of a check box:

Citizenship / Identity validated by SSA? ☑

Electronic Verification

Examples of acceptable indicators within an eligibility system:

- The state's eligibility system provides more detailed information related to the electronic data match.

Examples of indicators that contain detailed information about the electronic data match:

Verification Information for ID=SOM1HUB104170729SSA

Indicator	Category Code	Response Code	Authority Name	Authority Alpha Code	Date	Verification Requesting System
✔		HS000000		SSA	01/04/2016-05:07:29PM	Exchange System **Category Code State Code**

Verification Information for ID=DHSIncomeVerified

Indicator	Category Code	Response Code	Authority Name	Authority Alpha Code	Date	Verification Requesting System
✔	CurrentIncome	HS000000		State	01/04/2016-09:23:52AM	Exchange System **Category Code** MedicaidAgency

42

Electronic Verification

Examples of acceptable indicators within an eligibility system:

- The state's eligibility system displays information that the electronic data match occurred.

An example of a display:

Income records used to determine eligibility have been verified by a trusted data source

Electronic Verification

Examples of acceptable indicators within an eligibility system:

- The state's eligibility system contains a separate verification page for each eligibility decision. The verification page lists the verification element and the verification status.

An example of a verification page with pass/fail status:

Verification Element	Verification Status
Citizenship	Pass
SSN	Pass
Income	Fail

An example of a verification page with verified/not verified status:

Verification Element	Verification Status
Citizenship	Verified
SSN	Verified
Income	Not Verified

Citizenship and Immigration Status, Social Security Number

- If verified electronically, states will need to have an indicator in the eligibility system showing that citizenship/immigration status and/or social security is verified.

- If verified in hard copy, states must have the acceptable documents available.

Residency, Age/Date of Birth, Household Size

- If state does not accept self-attestation, and if verified electronically, there must be an indicator in the system showing that appropriate third party data sources were verified.

- If verified via hard copy, appropriate documents must be available to reviewer.

Income and Resources/Assets

- If verified electronically, states will need to have an indicator in the eligibility system showing that income and resources/assets were verified (for applicants for whom assets are a factor of eligibility).

- If verified in hard copy, states must have the acceptable documents available.

Blindness and Disability

- Documentation is required in the record that confirms blindness/disability was appropriately verified at the time of determination.

- PERM reviewers will need to see supporting medical documentation confirming disability/blindness.

Maintaining Medicaid and CHIP Applications

- The original application or redetermination form must be made available to the PERM reviewer.

- The original application or redetermination may be electronic or hard copy, but should include a record of the information the applicant submitted and the applicant's signature.

- Applies to all application types including: online, in person, and via phone, unless a passive renewal.

Maintaining Application Signatures

The type of documentation that must be provided for PERM reviewers to verify the signature varies by the channel of the application:

- **Paper application/redetermination form:** must be signed under penalty of perjury with a handwritten signature.

- **Fax application/redetermination form:** must be signed under penalty of perjury with a handwritten signature.

- **Electronic application/redetermination form:** must be signed under penalty of perjury with an electronic signature.

  An example of an electronic signature:

  ✓ By checking this box and typing my name below, I am electronically signing my application.

  Person's Name
  Date

- **Phone application/redetermination:** must be signed under penalty of perjury with a handwritten, electronic, or telephonically recorded signature. The audio file of the telephonically recorded signatures must be provided to PERM reviewers.

50

Change in Circumstance

Documentation should include when changes were reported to the state and how and when state acted on the change, if required.

Notices

Record of notices is required, including proof that appropriate notices were sent to applicants.

SSI cases, Title IV-E

Reviewers will need to see electronic or hard copy document showing that individual was receiving SSI or Title IV-E benefits.

Presumptive Eligibility

Reviewers will need to see appropriate presumptive eligibility information submitted by qualified entity.

Tax Filing Status

Reviewers will need to see applicant reported tax filing status or, if tax filer information was missing, evidence the state followed up with the applicant.

What are states doing to address audit trail issues?

Example: *State was missing a system indicator that confirmed electronic data sources were utilized in verifying income.*

Fix: *State successfully implemented a system fix that added an indicator that shows income was verified and the result of the verification.*

Collaboration and Communication

- Increase communication within your state

- Participate on the monthly All State Pilot calls

- Prepare for Readiness Webinars and follow up

- Contact Technical Advisory Group (TAG) Representatives

- Visit the CMS PERM Website

    www.cms.gov/perm

- Contact your PERM Eligibility Liaison

Please send questions to the

PERM Eligibility mailbox @

FY2014-2016EligibilityPilots@cms.hhs.gov