

PERM Manual Excerpt

120 - Corrective Action Process

Following each measurement cycle, the States included in the measurement are required to complete and submit a Corrective Action Plan (CAP) based on the errors found during the PERM process. States are required to submit a separate CAP for Medicaid and CHIP. CMS provides guidance to State contacts on the CAP process upon publishing of the PERM error rates and throughout the CAP development until the specified due date of the CAP. The specified due date is 90 calendar days after the date on which the State's error rates are posted on the RC's Website.

The CAP process involves analyzing findings from the PERM measurement, identifying root causes of errors, and developing corrective actions designed to reduce major error causes, trends in errors or other vulnerabilities for purposes of reducing improper payments. The new CAP should also include an evaluation of the previous submitted CAP. Through the CAP process, States are able to take administrative actions to reduce errors which cause improper Medicaid and CHIP payments.

The process of implementation of the CAP must start no later than 90 calendar days after the State's receipt of the Medicaid and CHIP error rates. Each CAP is in effect for three fiscal years and is updated after the next cycle's measurement and subsequent CAP submission.

120.1 - PERM CAP Team

The role of the CAP Team is to support the corrective action phase of the PERM program by analyzing error rate data for the purposes of reducing improper payments in Medicaid and CHIP through corrective actions taken at the Federal and State levels. The PERM CAP Team will maintain a partnership with the States in an effort to foster collaboration and gain State participation in establishing PERM State-level corrective actions. The CAP Team's primary responsibilities include working with the States to assist the States in the development, timely submission and implementation, and evaluation of previously submitted CAPs.

The CMS Region Office (RO) and the Medicaid Integrity Group (MIG) attend all calls scheduled by the Central Office PERM CAP team members (e.g., kick-off calls, State cycle summary call discussions, CAP evaluation, and other calls that are necessary and reasonable).

120.1.1 CAP Kick-off Call

In September, after the conclusion of the measurement review and prior to publishing the States' error rates on the website by the RC and in the AFR the PERM CAP Team will have an initial "CAP kick-off call" with all States in the measurement to discuss the corrective action process. Prior to the call several documents are forwarded to the State for review. These documents include a PowerPoint presentation explaining the CAP process, the October 2007 State Health Official (SHO) letter, a comprehensive CAP example, and a "kick-off call" agenda. The States are encouraged to invite whomever they feel needs to be included in this kick off conference call.

120.1.2 Individual State Calls

The next contact with the State is in November after the official error rate has been released and the contractor has posted the States error rate on the RC's website. Individual State specific calls are made to the 17 States that were a part of the yearly measurement process to discuss the Cycle Summary Report which includes an Executive Summary and State-specific error analysis findings that are prepared by the contractors. The States are encouraged to invite whomever they feel needs to be included in this call.

120.1.3 State Forum Call

CMS provides each State in the CAP phase of the PERM program with the opportunity to have a "State Forum Call" in which CMS provides a conference call line for the States to use and discuss best practices as they relate to developing corrective actions. While CMS provides the conference call line, a State volunteer within the cycle facilitates the discussions amongst the States. After the first State Forum Call, States may decide whether a second call is needed for further discussion.

120.2 - Corrective Action Panel

The key to a successful CAP is the formulation of a corrective action panel. The panel in turn must encourage participation and commitment of top management to coordinate efforts across the Agency and ensure participation of major department leaders.

Senior management could include managers responsible for policy and program development, field operations, research and statistics, finance, data processing, human resources (for staff development), and the legal department. These managers would comprise the corrective action panel. Leadership of the panel should rest with the State Medicaid or CHIP Director.

Responsibilities of the corrective action panel include:

- Providing insight on possible causes of errors
- Communicating the CAP progress to management and other stakeholders
- Developing strategies
- Making all major decisions on the planning, implementation and evaluation of corrective actions

120.3 - Components of the Corrective Action Plan

CAPs are composed of five elements and required by regulation. The five elements are: data analysis, program analysis, corrective action planning, implementation and monitoring, and evaluation. States are required to submit a separate CAP for Medicaid and CHIP.

The CAP template and instructions are included in the appendix located on the PERM website.

120.3.1 Data Analysis

States must conduct data analysis such as reviewing clusters of errors, general error causes, characteristics, and frequency of errors that are associated with improper payments. Data analysis enables the state to gain a more thorough understanding of the root cause of the payment/eligibility errors, when the errors occurred, and who or what caused the error.

Data analysis should sort the errors by:

- Type - general classification (e.g., FFS, managed care, eligibility)
- Element - specific type of classification (e.g., no documentation errors, duplicate claims, ineligible cases due to excess income)
- Nature - cause of error (e.g., providers not submitting medical records, lack of systems edits, unreported changes in income that caused ineligibility)

The CAP should specify that data analysis actions are broken out by program area; i.e. fee-for-service errors, managed care errors, and eligibility errors. The CAP should specify that its data analysis is broke out by error classification (i.e. no documentation error, duplicate claim errors, ineligible due to excess income, etc.) The CAP should specify that its data analysis actions are structured to target identification of root causes of errors (e.g., providers not submitting medical records, lack of system edits, unreported changes in income that caused ineligibility.) The State should explain the overall mathematical approach utilized in conducting their data analysis.

Note: States are not expected to convey in-depth mathematical analysis explaining how they conduct CAP-related data analysis activities.

120.3.2 Program Analysis

This component is the most critical part of the corrective action process where States must review the findings of the data analysis to determine the specific causes of the errors. States must identify the root causes of the errors to determine the best solutions (e.g., why providers are not complying with medical record requests). The States may need to analyze the agency's operational policies and procedures and identify those policies and/or procedures that are more prone to contribute to errors, e.g., policies are unclear, lack of operational oversight at the local level.

Program analysis, along with data analysis, provides the framework for evaluating relevant information to determine the facts and causal factors in order to develop the most appropriate, timely corrective actions to resolve the finding and prevent recurrence. If errors look to have been caused by inadequate training, then the State should take actions to strengthen its training programs. This could be accomplished by worker interviews, questionnaires, policy reviews, and conferences with local managers, etc.

States must explain how its program analysis activities address 100 % of the payment and eligibility error-types. Although States may not be inclined to plan corrective actions for one-time error situations, such as human error, or corrective actions which are not cost-effective, States must nevertheless at least address the fact that this is its position.

States should describe how program analysis activities go beyond the surface cause (nature) of an error and looks to the root cause and describes actions that the State is taking to meet or exceed its PERM error-rate target, as specified by CMS. States should discuss why a particular program/operational procedure caused the specific error and identify the root causes of errors.

All errors should be addressed including deficiencies, eligibility-undetermined, active, and negative cases.

120.3.3 Corrective Action Planning

Based on the data and program analysis, States must determine what corrective actions are to be implemented. States must address each error type however it remains the States decision which corrective actions they take to decrease or eliminate errors. It may not be cost effective to implement corrective actions for each and every error; States must determine what corrective actions to implement. States are encouraged to use the most cost effective corrective actions that can be implemented, to best correct and address the root causes of the errors. A cost benefit analysis will aid the State in calculating the total expected cost of corrective actions against the benefits of corrective actions. If the State determines that the cost of implementing a corrective action outweighs the benefits then the final decision of implementing the corrective action is the State's decision. The cost benefit analysis and the final decision should be documented in the State's Corrective Action Plans submitted to CMS.

Actions can be short or long term actions. Benefits for implementing corrective actions are reduction of improper payments and a management tool to promote efficiency in your program operations.

Sates should explain their overall approach towards CAP planning, identify their PERM error-rate target goal, as specified by CMS, and explains actions that the state is taking to meet this target goal. States should describe the corrective action initiatives that the state will implement and how these actions will reduce or eliminate improper payments, including:

- Specific error causes being targeted
- Timeline—listing expected due-dates for resolving the problem(s) (causes of errors)
- Describes the plan to monitor implementation of the corrective action plan
- Specify the name and title of the person who has overall responsibility for the CAP

States are required to address all errors including deficiencies, eligibility- undetermined, active, and negative cases.

For cycles through FY 2012, States are encouraged to include corrective actions for eligibility technical errors in their CAP's. Beginning with the FY 2013 cycle, States are required to include corrective actions for eligibility technical errors.

120.3.4 Implementation and Monitoring

Develop an implementation schedule for each corrective action initiative whether it is Statewide or just in certain geographical areas. The implementation schedule must identify major tasks, key personnel or components responsible for each activity, and a timeline for each action including target implementation dates, milestones (e.g., start dates, final implementation dates), and the monitoring process. Federal regulations also specify that states must monitor their CAPs. The purpose of monitoring is to determine whether the implemented CAP is in the process of yielding intended results and meeting identified goals for reducing errors. Monitoring activities are ongoing, operational activities that the state undertakes while CAP activities are being implemented. Monitoring activities enable a state to keep track of its organization's ongoing efforts to reduce its PERM errors. An integral part of a successful corrective action program monitoring is maintaining a systematic approach for tracking and reporting the status of the corrective actions to successful closure and implementation.

States should develop an implementation schedule (timeline) for performing corrective action and describe the tasks necessary for CAP implementation and ties those tasks to the implementation schedule specifying milestones and implementation dates. States should describe their CAP evaluation activities and describe actions that the State takes to monitor implementation of its CAP.

120.3.5 Evaluation

Evaluate the effectiveness of the corrective action by assessing improvements in operations and/or error reduction. States may then decide to discontinue, modify, or terminate and replace the corrective action. States must evaluate the current corrective actions to be implemented by assessing all of the following:

- Improvements in operations
- Efficiencies
- Number of errors

- Improper payments

As part of its new CAP, States must evaluate and include updates on the previous corrective actions taken in their prior cycle including:

- Effectiveness of implemented corrective actions using reliable data; such as performing special studies, State audits, focus reviews, etc.
- When the action was implemented
- A status of the corrective action (is it complete, in progress, or ongoing?)
- Expected completion date and if the corrective action is on target
- Actions not implemented, and those actions, if any, that were substituted, ineffective, or abandoned actions and what actions were used as replacements
- Findings on short-term corrective actions
- The status of the long-term corrective actions
- States should determine if they meet PERM error-rate targets as identified by CMS

States should utilize the Medicaid FFS, managed care, and eligibility comparisons information in their cycle summary report to evaluate the effectiveness of the corrective actions taken in the previous cycle.

120.4 - Corrective Action Plan Submission Details

CAPs are due to the assigned PERM State Liaison 90 calendar days after the date on which the State's error rates are posted on the RC's website. However, CMS encourages States to submit drafts to their designated PERM State Liaison prior to the due date to receive feedback prior to the final CAP submission date. While drafts are not required, they are strongly encouraged. Once the drafts are submitted, CMS will review them and provide additional feedback that States can incorporate into their final CAP submission. Final CAPs are submitted by the State to the appropriate PERM State Liaison for review and distribution to the appropriate CMS RO PERM contact staff and designated MIG staff. CMS will initially perform a high level review of the CAP to determine if each required element is addressed per regulation. If the CAP includes the required elements, the State will receive a letter of receipt acknowledging their CAP submission upon receipt of their CAP. If the CAP is not complete, States will receive a letter notifying them of the missing element(s) and request to submit a revised CAP. When all elements are complete, the State will receive the acknowledgment letter. CAPs will then undergo a detailed review by CMS, Regional Offices, CMS's contractors, and Medicaid Integrity Group. CMS will provide collaborative comments to the State and the State may or may not be asked to submit a revised CAP based on feedback. After review of the CAPs by all parties, an individual call may be held for further discussion if there are additional questions or concerns.

The templates for the CAP Summary Form and the Detailed CAP can be found on the PERM Website under the Corrective Action Tab.

120.5 - Post CAP Submission Activities

March 15 through end of April - After all CAPs have been evaluated, the PERM State Liaison, CMS RO PERM contact, and designated MIG staff, if needed, will participate in a conference

call with each State to discuss the findings, request clarification, and determine if additional information should be requested from the State.

Webinars and Onsite – Each State is required to have a post-CAP webinar or onsite visit. This is an opportunity for active dialogue between the State, CMS, Regional Offices, Medicaid Integrity Group, and CMS’ contractors. CMS presents information to the State on PERM initiatives and proposed improvements to the next PERM measurement. The State is required to do an oral presentation of their CAP.

CAP - Based on the meeting, States may need to submit revisions to their CAPs. States have 30 days from the meeting to submit revisions. States must notify their CAP liaison of any major changes to their corrective actions such as implementation, modifications, terminations, etc.

Follow-up – The CMS CAP liaison will contact States at least on a semi-annual basis to follow up on the State’s CAP implementation between cycles.