



# Payment Error Rate Measurement (PERM) Overview

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*Provider Compliance Group  
Office of Financial Management  
Centers for Medicare & Medicaid Services*



# Background & Regulations

- **In 2002 Congress enacted the Improper Payments Information Act of 2002 (IPIA)** - CMS Implemented PERM to measure improper payments in Medicaid and CHIP
- **August 2007 – Final Rule** – Finalized PERM program requirements
- **February 2009 - Children’s Health Insurance Program Reauthorization Act (CHIPRA)** – required changes to the PERM program; suspended CHIP measurement for 3 cycles
- **August 2010 – Final Rule** - Applied changes as specified by CHIPRA
- **IPIA was amended by the Improper Payments Elimination and Recovery Act (IPERA) in 2010, which was amended by the Improper Payments Elimination and Recovery Improvement Act (IPERIA) in 2012**

# PERM Cycle Schedule

CMS uses a 17-state rotation for PERM. Each state is reviewed once every three years. This rotation allows states to plan for the reviews as they know in advance when they will be measured.



Cycle	Medicaid and CHIP States Measured by Cycle
Cycle 1	Arkansas, Connecticut, Delaware, Idaho, Illinois, Kansas, Michigan, Minnesota, Missouri, New Mexico, North Dakota, Ohio, Oklahoma, Pennsylvania, Virginia, Wisconsin, Wyoming
Cycle 2	Alabama, California, Colorado, Georgia, Kentucky, Maryland, Massachusetts, Nebraska, New Hampshire, New Jersey, North Carolina, Rhode Island, South Carolina, Tennessee, Utah, Vermont, West Virginia
Cycle 3	Alaska, Arizona, District of Columbia, Florida, Hawaii, Indiana, Iowa, Louisiana, Maine, Mississippi, Montana, Nevada, New York, Oregon, South Dakota, Texas, Washington

# PERM Components

- PERM reviews three components of Medicaid and CHIP
  - **Fee-For-Service (FFS)**
    - Sample consists of FFS claims
    - Federal Contractor conducts Medical review & data processing reviews on sampled FFS claims
  - **Managed Care**
    - Sample consists of at-risk capitated payments
    - Federal Contractor conducts data processing review (no medical review) on sampled managed care payments
  - **Eligibility:**
    - Sample consists of beneficiaries
    - States conduct active & negative case reviews and report findings to CMS
- Note: The FY 2014 – FY 2016 PERM cycles will not include an eligibility component review. During these years states will be participating in Medicaid and CHIP eligibility review pilots

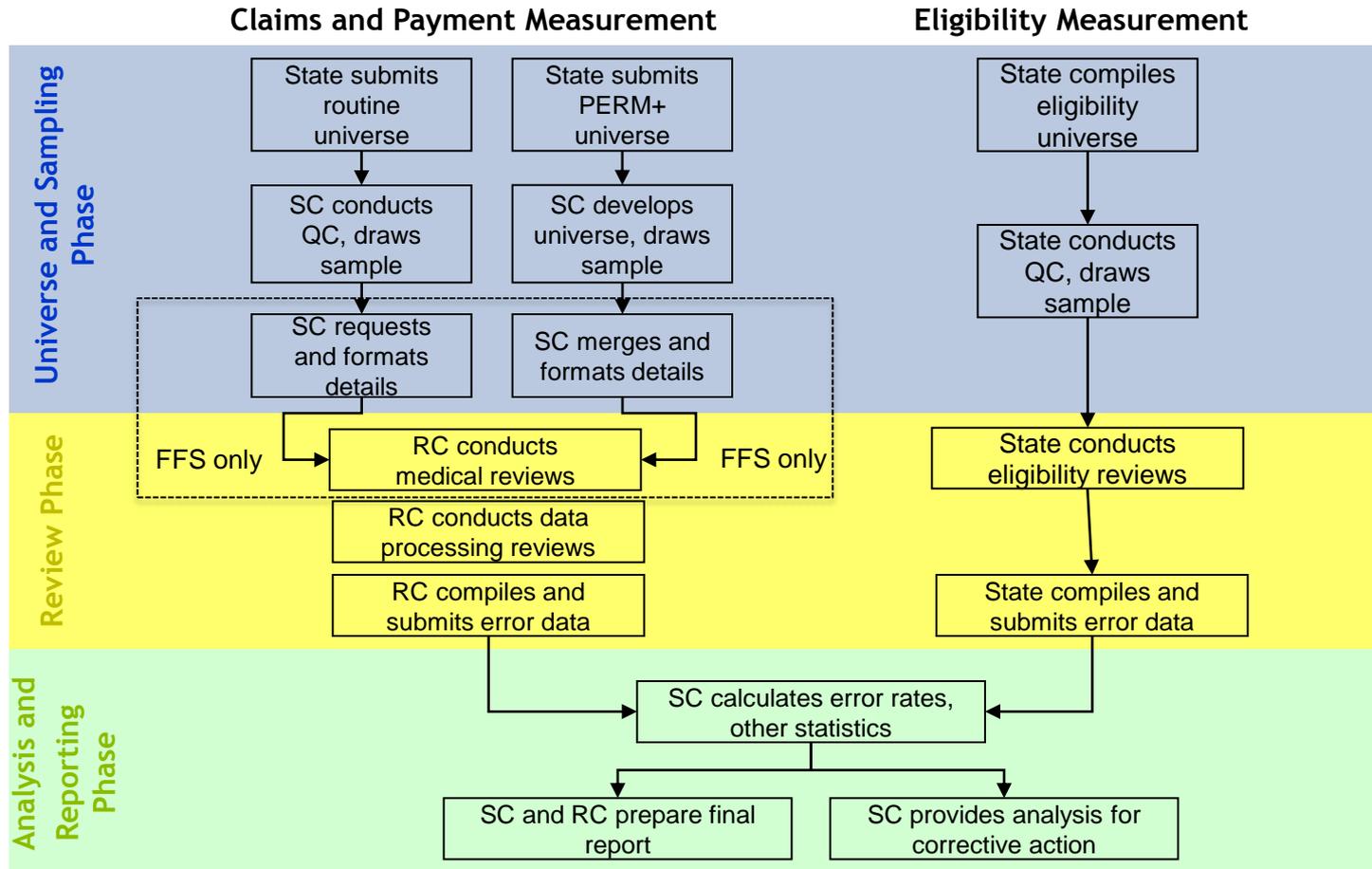
# PERM Review

- **Medical Review** – conducted on sampled FFS claims
  - Review of the provider’s medical record supporting the service(s) claimed, Code of Federal Regulations that are applicable to conditions of payment, and the State’s written policies to determine whether the service was medically necessary, reasonable, provided in the appropriate setting, billed correctly, and coded accurately.
- **Data Processing Review** – conducted on sampled FFS and managed care payments
  - On site or remote review of the claim and other information available in the State’s Medicaid Management Information System, related systems, or outside sources of provider verification.
- **Eligibility Review** – conducted on sampled eligibility cases
  - **Active case review** – Review of last caseworker action for recipients on the Medicaid/CHIP eligibility rolls
  - **Negative case review** – Review of caseworker action to deny or terminate recipient from Medicaid/CHIP coverage

# PERM Sample Sizes

- Each state is assigned a state-specific sample size for each component
- Sample sizes are based on the state's prior year component error rate and payment variation
- The maximum sample size is 1,000 for each component
- If a state doesn't have a prior year error rate for that component, the state is assigned the base sample size (500 FFS, 250 managed care, 504 eligibility active, 204 eligibility negative)

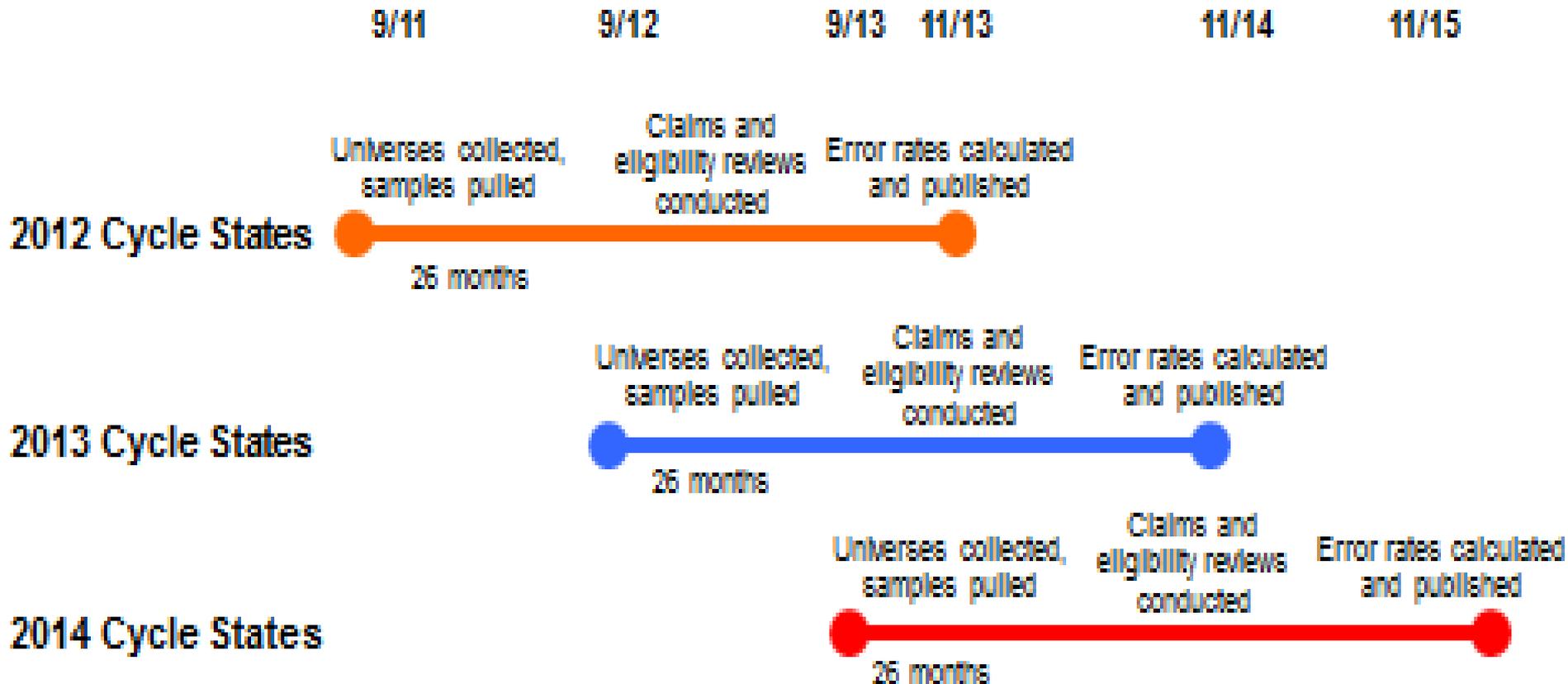
# PERM Process



SC = Statistical Contractor; RC = Review Contractor

# PERM Cycle Timeframes

It takes about 26 months from the time CMS begins working with states on a PERM cycle to when error rates are reported.



# PERM Cycle Timeframes

- Each PERM cycle reviews Medicaid and CHIP payments made in a federal fiscal year.
- The estimated error rate is typically reported the November a year following the end of the fiscal year being reviewed.
- Example: The FY 2013 PERM Cycle reviews payments made October 1, 2012 – September 30, 2013. The error rate for this time period will be reported November 2014.

# CMS PERM Team Responsibilities

- Structure the parameters for measurement through legal and policy decision-making processes
- Oversee the operation of PERM and PERM contractors to ensure that CMS meets its regulatory requirements
- Provide guidance and technical assistance to states throughout the process
- Ensure measurement remains on track and work with states when challenges occur
- Host calls with states regarding the measurement
- Provide educational resources for Medicaid and CHIP providers
- Make final decision on state-requested appeals of error findings
- Provide assistance as states develop corrective actions
- Ensure states return the federal share of identified overpayments

# State Responsibilities

- Provide a representative to spearhead PERM
- Conduct eligibility reviews and report findings to CMS
- Provide FFS and managed care universe claims data to the federal contractor
- Assist federal review contractor with on-site and/or remote data processing reviews
- Assist federal review contractor in accessing state policies needed for review
- Collaborate with review contractor in securing medical records from providers and educate providers on PERM process
- Track identified errors and respond
  - Request difference resolution with federal review contractor if disagree with error finding
  - If upheld and disagree, appeal error to CMS
- Develop and implement corrective actions to reduce improper payments
- Return federal share of identified FFS and managed care overpayments

# Statistical Contractor Responsibilities

- Conducts preliminary research and collects information on states before cycle starts
- Maintains eligibility website to collect eligibility findings from states
- Collects FFS and managed care universe data from states and ensures data is complete and accurate
- Selects random FFS and managed care samples from the universes on a quarterly basis
- Calculates the component (FFS, managed care, eligibility), state and national error rates for Medicaid and CHIP

# Review Contractor Responsibilities

- Researches, collects, and requests Medicaid and CHIP state policies
- Requests and receives medical records from providers
- Conducts data processing reviews on all sampled payments
- Conducts medical/coding reviews on relevant sampled FFS payments
- Maintains the SMERF website with a state portal to track activities and findings
- Reviews and responds to state requests for difference resolution

# Corrective Actions

- Each state submits a Corrective Action Plan (CAP) to CMS no later than 90 days after state-specific error rate information is issued
- State CAPs must address all errors identified by the PERM review
- CAPs must include:
  - Data analysis – an analysis of the findings to identify where and why errors are occurring
  - Program analysis – an analysis of the findings to determine the causes of errors in program operations
  - Corrective action planning – steps taken to determine actions that can be implemented to correct error causes
  - Implementation and monitoring – plans to implement the CAPs, including milestones, target dates, and how the corrective action will be monitored
  - Evaluation – to assess whether the CAPs are in place and are effective at reducing or eliminating the targeted error causes
- CMS also develops and implements CAPs at the federal level

# Communication and Collaboration

- **Website** - <http://www.cms.hhs.gov/PERM>
- **PERM Technical Advisory Group (TAG)** – quarterly teleconferences as a forum for discussions and recommendations to improve PERM.
- **Cycle Calls** – monthly calls with States being measured in each fiscal year to discuss issues on a detailed, operational level.
- **Resources for states**
  - Provider Education PERM Initiative (PEPI) Workgroup
  - State Systems Workgroup
  - PERM Manual
  - PERM Standard Operating Procedure
  - Mini-PERMs