

**Payment Error Rate Measurement (PERM)  
Instructions for Completing the State-Specific Corrective Action Plan (CAP) Template**

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**Corrective Action Cover Page**

These instructions will be used for each program (Medicaid and CHIP) cover page.

**Line-by-Line Instructions:**

**Line A: State and Fiscal Year:** Pre-populated by CMS.

**Line B: Date:** Enter the date that the plan is submitted to CMS.

**Line C: State Contact:** Enter the name, phone number, and e-mail address of the state person assigned as the contact for the CAP.

**Line D: Error Rates:** Pre-populated by CMS with the state's program and component error rates.

**Line E: Summary of Error Causes:** Pre-populated by CMS with the total number summary of causes of errors found in each component (Fee-For-Service and managed care).

**Line F: Optional State Corrective Action Discussion:** This is an optional field for states to provide a high-level summary of the state's planned corrective actions designed to address the errors. States may include an overall summary of the major error causes, general corrective action initiatives, and the anticipated results of the corrective actions, such as reducing improper payments and lowering the state and national error rates. Some examples states may include in the discussion are: systems edits, provider education and outreach, provider newsletters, and increased and intensified staff training.

## Component (FFS/Managed Care)

These instructions will be used for each Medicaid/CHIP component (FFS and Managed Care).

### Line-by-Line Instructions:

**Line G: Component & FY 2014 Component Error Rate:** Pre-populated by CMS.

**Component Error Category:** Pre-populated by CMS with the relevant error category (e.g. MR 1 – No Documentation)

These instructions will be used for each error category listed within a component.

- **Data Analysis:** Number of errors and dollars in error for each qualifier within the error category will be pre-populated by CMS. Space is provided for states to enter additional optional data analysis if they would like to add more information about the nature of the error. Data analysis enables the state to gain a more thorough understanding of the root cause of the errors, when the errors occurred, and who or what caused the error.
  - **Example:** This error accounted for 10% of the total errors (5) identified during the medical records review. It resulted in a total overpayment of \$100. The error occurred because the personal care assistant documentation was not maintained in accordance with state policy to support the 10 units of procedure code T1019 (Personal care services, per 15 minutes) for the date of service sampled.
- **Program Analysis:** This 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. 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. For each qualifier listed in the state's specific CAP template, describe why a particular program/operational procedure caused the error and identify the root causes of errors.
  - **Qualifier:** Pre-populated by CMS with the relevant qualifier (e.g. Provider cannot locate record), the PERM IDs that were cited with that qualifier, and the dollars in error for each PERM ID.

States must include the following information for each qualifier listed within the error category.

Describe why a particular program/operational procedure caused the specific error and identify the root causes of errors (e.g., provider manuals are unclear or outdated; eligibility staff needs training on application of earned income). States should describe how program analysis activities go beyond the surface cause (nature) of an error, look 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.

- **Example:** 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.
- **Corrective Action:** The state will describe the corrective action initiatives to be implemented for the error category. Corrective actions should address each root cause of error for this category. For example, a state may have numerous MR1 Errors (No Documentation), but are the errors due to a system issue where the provider information was not captured or did the provider move locations? Once the root cause is identified, the state should determine a corrective action and explain how the corrective action will reduce or eliminate that error category. Corrective actions can be short or long term and it remains the state's decision which corrective actions to take to decrease or eliminate errors. It may not be cost effective to implement corrective actions for each and every error. If the state determines the cost of implementing a corrective action outweighs the benefits, then the final decision of implementing the corrective action is the state's decision, but states must at least address the fact that this is its position. If the state conducted a cost benefit analysis, the analysis and the final decision should be documented in the state's CAP submitted to CMS.
  - **Example:** MR1 Error – The state had incorrect provider contact information, therefore the request for records were never received. A corrective action could be that the state will ensure contact information is correct by creating a database with provider information and verifying on a quarterly basis by sending emails, sending letters, making telephone calls, and updating the database accordingly.
- **Implementation and Monitoring:** Complete the implementation and monitoring chart for each corrective action. Each corrective action should be entered on its own row and the state should add rows to the table as needed. In each column, enter the following information.
  - **Corrective Action:** Place the corrective action the state has identified in this section.
    - **Example:** Creating a Provider Contact Database.
  - **Status:** Has the corrective action been implemented, not implemented or pending implementation?
    - **Example:** Implemented.
  - **Implementation date:** The date the corrective action was/will be implemented.
    - **Example:** August 14, 2014.
  - **Responsible Party:** Agency, program, or personnel responsible for the implementation and oversee of the corrective action.
    - **Example:** The Centers for Medicare & Medicaid, Office of Financial Management, Tracy Smith.
  - **How State Plans to Monitor the Effectiveness: Describe how your state plans to assess the progress of the implemented corrective action.** 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 the state undertakes while CAP activities are being implemented.

- **Example:** The state will perform quarterly audits to determine if the database is up to date and provider contact information is current.

**Example of Implementation and Monitoring table:**

<b>Corrective Action</b>	<b>Status</b>	<b>Scheduled Implementation Date</b>	<b>Responsible Party</b>	<b>How State plans to monitor the effectiveness</b>
Create provider contact database	Implemented	8/10/14	CMS, OFM, Tracy Smith	The state will perform quarterly audits to determine if the database is up to date and provider contact information is current.

- **Evaluation:** Describe how your state plans to evaluate if the implemented corrective actions are accomplishing the desired results. Evaluate the corrective action by assessing improvements in operations and/or error reduction. States may use a variety of data to evaluate corrective actions such as performing special studies, state audits, focused review, etc. This section should evaluate the current corrective actions or describe how the state will evaluate the corrective actions when they are implemented. It should be clear from the evaluation that the state will be able to determine if the corrective actions are achieving the expected results. Based on the evaluation, states may decide to continue, modify, replace, or terminate the corrective action.
  - **Example:** The state will conduct program integrity reviews of providers every six months to determine if there is a reduction in the amount of errors and document findings to compare with pre corrective actions findings.

**Note:** After the evaluation section, the template will list the next error category for that component and the state should follow the same process until all error categories are addressed.

**Line H: Component Target Error Rate**

**FY 2017 Component Target:** Pre-populated by CMS with the state’s component error rate target for the next cycle.

**Discussion:** Provide a brief discussion of how the proposed corrective actions will assist your state in meeting the target error rate.

- **Example:** MMIS system edits, provider education, and agency training will all help to assist the state in meeting the target rate of 1.5%. Implementing the

eligibility system edits will ensure that beneficiary's eligibility status will be verified prior to provider payments decreasing eligibility errors state wide. Monthly PERM e-learning modules with providers will ensure providers are educated on the importance of submitting documentation to the PERM contractor in a timely manner, and monthly agency training will ensure that data entry is imputed to state systems correctly.

### **Line I: Component Evaluation of Previous Cycle Corrective Actions**

A comparison chart prepopulated by CMS includes the state's number of errors, dollars in error, error rate, and target error rate for that component in the current cycle and previous cycle. States can use this chart to help evaluate their previous cycle CAP.

Under the chart the state will provide an evaluation of the corrective actions implemented for the component (FFS Managed Care and Eligibility) for the state's previous PERM cycle. Include a discussion on the overall effectiveness of your previous CAP and consider the discussion questions below within the response. Also discuss your state meeting or not meeting the current PERM component error rate targets and whether or not your state was satisfied with the results.

1. Were the corrective actions implemented as intended?
2. Did the corrective action that was implemented reduce/prevent recurrence of error findings? Is the state's plan for monitoring the CAP's effectiveness between cycles working? Has collaboration with other state staff/components contributed to any improvements?
3. Have the corrective actions improved program/process performance?
4. Were there any corrective action not implemented, discontinued, or modified? If yes, why did the corrective action plan change? Are there any significant policy or procedure changes that had an impact on the corrective action plan or this ongoing process?

**Note:** After the component's evaluation of the previous cycle corrective action section, the template will list the next component and the state should follow the same process. States will be required to enter the same information specified above for each component. The FY 2017 PERM cycle will not contain an eligibility component. Therefore, the eligibility component described in line H, Component Target Error Rate, will not include a discussion of the FY 2017 eligibility component target.