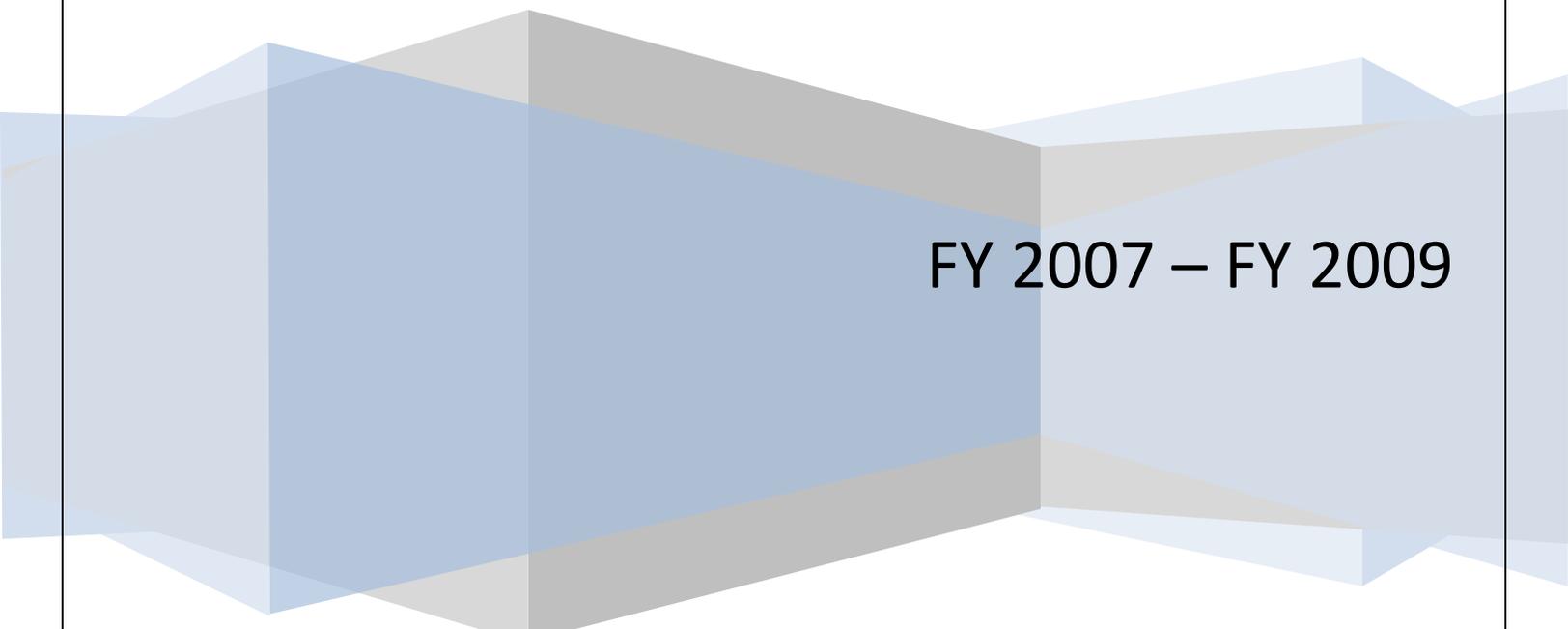




# Medicaid Improper Payment Findings

FY 2007 – FY 2009 Payment Error Rate  
Measurement (PERM) Cycles

CMS



FY 2007 – FY 2009

# Table of Contents

<b>Background</b> .....	<b>3</b>
<b>Overall Medicaid</b> .....	<b>4</b>
Table 1: Medicaid Errors by Component.....	4
<b>Medicaid Fee-For-Service</b> .....	<b>5-10</b>
Medical Review Errors .....	5-7
Table 2: FFS Medical Review Errors by Error Type.....	5
Table 3: FFS Medical Review Errors by Service Type .....	5
Table 4: FFS Medical Review Errors by Service Type and Error Type.....	6-7
Data Processing Errors.....	8-10
Table 5: FFS Data Processing Review Errors by Error Type .....	8
Table 6: FFS Data Processing Review Errors by Service Type and Error Type .....	8-10
<b>Medicaid Managed Care</b> .....	<b>11</b>
Table 7: Managed Care Data Processing Review Errors by Error Type.....	11
<b>Medicaid Eligibility</b> .....	<b>12</b>
Table 8: Eligibility Errors by Error Type.....	12
Table 9: Eligibility Negative Case Errors by Error Type.....	12

## **Background**

The data contained in this package is a compilation of Medicaid improper payments identified in Fiscal Years (FYs) 2007, 2008, and 2009 through the Payment Error Rate Measurement (PERM) program. PERM is the Medicaid and Children's Health Insurance Program (CHIP) improper payment measurement required by the Improper Payment Information Act (IPIA) and Improper Payments Elimination and Recovery Act (IPERA). CMS annually estimates the amount of Medicaid improper payments and submits those estimates to Congress.

Through the PERM program, CMS samples state Fee-For-Service (FFS) and managed care Medicaid payments, collects documentation from providers, conducts a data processing review on sampled FFS and managed care payments, and performs a medical record review on sampled FFS claims. If an error is identified during medical or data processing review, states are given the opportunity to request a difference resolution. In addition, states perform eligibility reviews and submit the results of their eligibility reviews to CMS.

The PERM program uses a 17-state three-year rotation for measuring improper payments in Medicaid, so that CMS measures each state once every three years. The data presented in this package consists of findings from the three most recently completed PERM cycles, FY 2007, FY 2008, and FY 2009, and, therefore, contains findings from all 50 states and the District of Columbia. This package also includes the most recent data available to CMS.

CMS recovers the federal share of Medicaid payments from states on a claim-by-claim basis from the overpayments found in error. CMS also works closely with states to review their error rates, determine root causes of errors and develop corrective actions to address the major causes of errors.

**Table 1: Medicaid Errors by Component**

Component	Overpayments		Underpayments		Total Errors	
	Number of Payment Errors	Dollar Amount of Errors	Number of Payment Errors	Dollar Amount of Errors	Number of Payment Errors	Dollar Amount of Errors
FFS Data Processing	197	\$532,219	94	\$10,625	291	\$542,844
FFS Medical Review	758	\$1,727,001	18	\$102,256	776	\$1,829,257
Managed Care	57	\$9,899	27	\$1,688	84	\$11,587
Eligibility	2140	\$722,492	38	\$7,863	2178	\$730,355
<b>Total</b>	<b>3152</b>	<b>\$2,991,611</b>	<b>177</b>	<b>\$122,432</b>	<b>3329</b>	<b>\$3,114,043</b>

**Table 2: Fee – For – Service (FFS) Medical Review Errors by Error Type**

Error Code	Error Type Description	Payment Errors		Dollars in Error	
		Number	% of Total Number of Errors	Dollars In Error	% of Total Dollars in Error
MR1	No Documentation	244	31.4%	\$468,739	25.6%
MR2	Insufficient Documentation	309	39.8%	\$711,906	38.9%
MR3	Procedure Coding Error	57	7.3%	\$95,320	5.2%
MR4	Diagnosis Coding Error	26	3.4%	\$245,601	13.4%
MR5	Unbundling	1	0.1%	\$92	0.0%
MR6	Number of Units Error	91	11.7%	\$114,300	6.2%
MR7	Medically Unnecessary Service	18	2.3%	\$170,405	9.3%
MR8	Policy Violation	15	1.9%	\$16,428	0.9%
MR9	Administrative/Other	15	1.9%	\$6,466	0.4%
	<b>Total</b>	<b>776</b>	<b>100%</b>	<b>\$1,829,257</b>	<b>100%</b>

**Table 3: Fee – For – Service (FFS) Medical Review Errors by Service Type**

Service Type	Payment Errors		Dollars in Error	
	Number	% of Total Number of Errors	Dollars In Error	% of Total Dollars in Error
Outpatient Services	159	20.5%	\$105,685	5.8%
Personal Support Services	143	18.4%	\$136,501	7.5%
Long Term Care	85	11.0%	\$489,593	26.8%
Diagnostic Services & Supplies	115	14.8%	\$159,044	8.7%
Prescribed Drugs	84	10.8%	\$35,459	1.9%
Mental Health Services	72	9.3%	\$238,973	13.1%
Inpatient Hospital	66	8.5%	\$646,968	35.4%
Transportation	17	2.2%	\$3,702	0.2%
Home Health Services	13	1.7%	\$7,499	0.4%
Dental Services	22	2.8%	\$5,833	0.3%
<b>Total</b>	<b>776</b>	<b>100%</b>	<b>\$1,829,257</b>	<b>100%</b>

**Table 4: Fee – For – Service (FFS) Medical Review Errors by Service Type and Error Type**

Error Code	Error Type	Inpatient Hospital				Mental Health Services			
		Number of Errors		Dollars in Error		Number of Errors		Dollars in Error	
MR1	No Documentation	5	7.6%	\$49,011	7.6%	23	31.9%	\$127,744	53.5%
MR2	Insufficient Documentation	8	12.1%	\$80,279	12.4%	26	36.1%	\$84,942	35.5%
MR3	Procedure Coding Error	5	7.6%	\$77,544	12.0%	4	5.6%	\$2,992	1.3%
MR4	Diagnosis Coding Error	26	39.4%	\$245,601	38.0%	0	0.0%	\$0	0.0%
MR5	Unbundling	0	0.0%	\$0	0.0%	0	0.0%	\$0	0.0%
MR6	Number of Units Error	5	7.6%	\$24,384	3.8%	18	25.0%	\$23,180	9.7%
MR7	Medically Unnecessary	17	25.8%	\$170,149.00	26.3%	0	0.0%	\$0	0.0%
MR8	Policy Violation	0	0.0%	\$0	0.0%	0	0.0%	\$0	0.0%
MR9	Administrative/Other	0	0.0%	\$0	0.0%	1	1.4%	\$115	0.1%
	<b>Total</b>	<b>66</b>	<b>100.0%</b>	<b>\$646,968</b>	<b>100.0%</b>	<b>72</b>	<b>100.0%</b>	<b>\$238,973</b>	<b>100.0%</b>

Error Code	Error Type	Outpatient Services				Dental Services			
		Number of Errors		Dollars in Error		Number of Errors		Dollars in Error	
MR1	No Documentation	45	28.3%	\$53,105	50.2%	12	54.5%	\$3,945	67.6%
MR2	Insufficient Documentation	50	31.4%	\$30,475	28.8%	4	18.2%	\$366	6.3%
MR3	Procedure Coding Error	44	27.7%	\$13,563	12.8%	2	9.1%	\$968	16.6%
MR4	Diagnosis Coding Error	0	0.0%	\$0	0.0%	0	0.0%	\$0	0.0%
MR5	Unbundling	0	0.0%	\$0	0.0%	0	0.0%	\$0	0.0%
MR6	Number of Units Error	14	8.8%	\$6,893	6.5%	0	0.0%	\$0	0.0%
MR7	Medically Unnecessary	1	0.6%	\$256	0.2%	0	0.0%	\$0	0.0%
MR8	Policy Violation	1	0.6%	\$1,032	1.0%	2	9.1%	\$161	2.8%
MR9	Administrative/Other	4	2.5%	\$361	0.3%	2	9.1%	\$393	6.7%
	<b>Total</b>	<b>159</b>	<b>100.0%</b>	<b>\$105,685</b>	<b>100.0%</b>	<b>22</b>	<b>100.0%</b>	<b>\$5,833</b>	<b>100.0%</b>

Error Code	Error Type	Long Term Care				Prescribed Drugs			
		Number of Errors		Dollars in Error		Number of Errors		Dollars in Error	
MR1	No Documentation	26	30.6%	\$113,613	23.2%	42	50.0%	\$16,178	45.6%
MR2	Insufficient Documentation	54	63.5%	\$364,952	74.5%	33	39.3%	\$16,519	46.6%
MR3	Procedure Coding Error	0	0.0%	\$0	0.0%	0	0.0%	\$0	0.0%
MR4	Diagnosis Coding Error	0	0.0%	\$0	0.0%	0	0.0%	\$0	0.0%
MR5	Unbundling	0	0.0%	\$0	0.0%	0	0.0%	\$0	0.0%
MR6	Number of Units Error	2	2.4%	\$3,952	0.8%	0	0.0%	\$0	0.0%
MR7	Medically Unnecessary	0	0.0%	\$0	0.0%	0	0.0%	\$0	0.0%
MR8	Policy Violation	1	1.2%	\$3,677	0.8%	7	8.3%	\$1,662	4.7%
MR9	Administrative/Other	2	2.4%	\$3,399	0.7%	2	2.4%	\$1,100	3.1%
	<b>Total</b>	<b>85</b>	<b>100.0%</b>	<b>\$489,593</b>	<b>100.0%</b>	<b>84</b>	<b>100.0%</b>	<b>\$35,459</b>	<b>100.0%</b>

**Table 4: Fee – For – Service (FFS) Medical Review Errors by Service Type and Error Type (Continued)**

Error Code	Error Type	Home Health Services				Personal Support Services			
		Number of Errors		Dollars in Error		Number of Errors		Dollars in Error	
MR1	No Documentation	2	15.4%	\$2,112	28.2%	50	35.0%	\$45,375	33.2%
MR2	Insufficient Documentation	6	46.2%	\$2,318	30.9%	61	42.7%	\$55,210	40.4%
MR3	Procedure Coding Error	0	0.0%	\$0	0.0%	0	0.0%	\$0	0.0%
MR4	Diagnosis Coding Error	0	0.0%	\$0	0.0%	0	0.0%	\$0	0.0%
MR5	Unbundling	0	0.0%	\$0	0.0%	0	0.0%	\$0	0.0%
MR6	Number of Units Error	5	38.5%	\$3,069	40.9%	29	20.3%	\$35,255	25.8%
MR7	Medically Unnecessary	0	0.0%	\$0	0.0%	0	0.0%	\$0	0.0%
MR8	Policy Violation	0	0.0%	\$0	0.0%	2	1.4%	\$36	0.0%
MR9	Administrative/Other	0	0.0%	\$0	0.0%	1	0.7%	\$625	0.5%
	<b>Total</b>	<b>13</b>	<b>100.0%</b>	<b>\$7,499</b>	<b>100.0%</b>	<b>143</b>	<b>100.0%</b>	<b>\$136,501</b>	<b>100.0%</b>

Error Code	Error Type	Diagnostic Services & Supplies				Transportation			
		Number of Errors		Dollars in Error		Number of Errors		Dollars in Error	
MR1	No Documentation	30	26.1%	\$57,043	35.9%	9	52.9%	\$613	16.6%
MR2	Insufficient Documentation	64	55.7%	\$74,387	46.8%	3	17.6%	\$2,458	66.4%
MR3	Procedure Coding Error	2	1.7%	\$253	0.2%	0	0.0%	\$0	0.0%
MR4	Diagnosis Coding Error	0	0.0%	\$0	0.0%	0	0.0%	\$0	0.0%
MR5	Unbundling	0	0.0%	\$0	0.0%	1	5.9%	\$92	2.5%
MR6	Number of Units Error	15	13.0%	\$17,283	10.9%	3	17.6%	\$284	7.7%
MR7	Medically Unnecessary	0	0.0%	\$0	0.0%	0	0.0%	\$0	0.0%
MR8	Policy Violation	1	0.9%	\$9,605	6.0%	1	5.9%	\$255	6.9%
MR9	Administrative/Other	3	2.6%	\$473	0.3%	0	0.0%	\$0	0.0%
	<b>Total</b>	<b>115</b>	<b>100.0%</b>	<b>\$159,044</b>	<b>100.0%</b>	<b>17</b>	<b>100.0%</b>	<b>\$3,702</b>	<b>100.0%</b>

**Table 5: Fee – For – Service (FFS) Data Processing Review Errors by Error Type**

Error Code	Error Type	Number Of Errors		Dollars In Error	
		Number of Payment Errors	% of Total Number of Errors	Dollars in Error	% of Total Dollars in Error
DP1	Duplicate Item	12	4.12%	\$46,828	8.63%
DP2	Non-Covered Service	62	21.31%	\$162,577	29.95%
DP3	FFS Claim for a Managed Care Service	5	1.72%	\$43,334	7.98%
DP4	Third-party Liability	7	2.41%	\$2,660	0.49%
DP5	Pricing Error	145	49.83%	\$27,832	5.13%
DP6	Logic Edit	11	3.78%	\$62,693	11.55%
DP7	Data Entry Error	9	3.09%	\$22,077	4.07%
DP8	Rate Cell Error	0	0.00%	\$0	0.00%
DP9	Managed Care Payment Error	1	0.34%	\$0	0.00%
DP10	Administrative/Other	39	13.40%	\$174,843	32.21%
	<b>Total</b>	<b>291</b>	<b>100%</b>	<b>\$542,844</b>	<b>100%</b>

**Table 6: Fee – For – Service (FFS) Data Processing Review Errors by Service Type and Error Type**

Error Code	Error Type	Inpatient Hospital				Mental Health Services			
		Number of Errors		Dollars in Error		Number of Errors		Dollars in Error	
DP1	Duplicate Item	1	1.6%	\$16,250	7.5%	1	4.2%	\$157	0.2%
DP2	Non-Covered Service	0	0.0%	\$0	0.0%	14	58.3%	\$59,713	84.7%
DP3	FFS Claim for MC Service	2	3.2%	\$43,067	19.8%	1	4.2%	\$115	0.2%
DP4	Third Party Liability	0	0.0%	\$0	0.0%	0	0.0%	\$0	0.0%
DP5	Pricing Error	47	75.8%	\$15,992	7.3%	2	8.3%	\$889	1.3%
DP6	Logic Edit	3	4.8%	\$49,315	22.6%	4	16.7%	\$9,072	12.9%
DP7	Data Entry Error	3	4.8%	\$7,658	3.5%	1	4.2%	\$360	0.5%
DP8	Rate Cell Error	0	0.0%	\$0	0.0%	0	0.0%	\$0	0.0%
DP9	Managed Care Payment Error	0	0.0%	\$0	0.0%	0	0.0%	\$0	0.0%
DP10	Administrative Error/Other	6	9.7%	\$85,558	39.3%	1	4.2%	\$213	0.3%
	<b>Total</b>	<b>62</b>	<b>100.0%</b>	<b>\$217,840</b>	<b>100.0%</b>	<b>24</b>	<b>100.0%</b>	<b>\$70,519</b>	<b>100.0%</b>

**Table 6: Fee – For – Service (FFS) Data Processing Review Errors by Service Type and Error Type (Continued)**

Error Code	Error Type	Outpatient Services				Dental Services			
		Number of Errors		Dollars in Error		Number of Errors		Dollars in Error	
DP1	Duplicate Item	0	0.0%	\$0	0.0%	0	0.0%	\$0	0.0%
DP2	Non-Covered Service	14	21.5%	\$11,223	43.0%	2	66.7%	\$191	61.0%
DP3	FFS Claim for MC Service	2	3.1%	\$152	0.6%	0	0.0%	\$0	0.0%
DP4	Third Party Liability	2	3.1%	\$534	2.0%	0	0.0%	\$0	0.0%
DP5	Pricing Error	36	55.4%	\$1,701	6.5%	1	33.3%	\$122	39.0%
DP6	Logic Edit	0	0.0%	\$0	0.0%	0	0.0%	\$0	0.0%
DP7	Data Entry Error	2	3.1%	\$11,739	44.9%	0	0.0%	\$0	0.0%
DP8	Rate Cell Error	0	0.0%	\$0	0.0%	0	0.0%	\$0	0.0%
DP9	Managed Care Payment Error	0	0.0%	\$0	0.0%	0	0.0%	\$0	0.0%
DP10	Administrative Error/Other	9	13.8%	\$771	3.0%	0	0.0%	\$0	0.0%
	<b>Total</b>	<b>65</b>	<b>100.0%</b>	<b>\$26,120</b>	<b>100.0%</b>	<b>3</b>	<b>100.0%</b>	<b>\$313</b>	<b>100.0%</b>

Error Code	Error Type	Long Term Care				Prescribed Drugs			
		Number of Errors		Dollars in Error		Number of Errors		Dollars in Error	
DP1	Duplicate Item	2	4.7%	\$18,403	10.9%	0	0.0%	\$0	0.0%
DP2	Non-Covered Service	12	27.9%	\$53,541	31.8%	1	3.8%	\$11,783	86.6%
DP3	FFS Claim for MC Service	0	0.0%	\$0	0.0%	0	0.0%	\$0	0.0%
DP4	Third Party Liability	0	0.0%	\$0	0.0%	4	15.4%	\$1,799	13.2%
DP5	Pricing Error	14	32.6%	\$4,689	2.8%	21	80.8%	\$28	0.2%
DP6	Logic Edit	1	2.3%	\$4,028	2.4%	0	0.0%	\$0	0.0%
DP7	Data Entry Error	1	2.3%	\$2,241	1.3%	0	0.0%	\$0	0.0%
DP8	Rate Cell Error	0	0.0%	\$0	0.0%	0	0.0%	\$0	0.0%
DP9	Managed Care Payment Error	0	0.0%	\$0	0.0%	0	0.0%	\$0	0.0%
DP10	Administrative Error/Other	13	30.2%	\$85,234	50.7%	0	0.0%	\$0	0.0%
	<b>Total</b>	<b>43</b>	<b>100.0%</b>	<b>\$168,136</b>	<b>100.0%</b>	<b>26</b>	<b>100.0%</b>	<b>\$13,610</b>	<b>100.0%</b>

**Table 6: Fee – For – Service (FFS) Data Processing Review Errors by Service Type and Error Type (Continued)**

Error Code	Error Type	Home Health Services				Personal Support Services			
		Number of Errors		Dollars in Error		Number of Errors		Dollars in Error	
DP1	Duplicate Item	0	0.0%	\$0	0.0%	1	5.0%	\$1,693	7.2%
DP2	Non-Covered Service	0	0.0%	\$0	0.0%	5	25.0%	\$20,444	86.9%
DP3	FFS Claim for MC Service	0	0.0%	\$0	0.0%	0	0.0%	\$0	0.0%
DP4	Third Party Liability	1	25.0%	\$327	41.8%	0	0.0%	\$0	0.0%
DP5	Pricing Error	0	0.0%	\$0	0.0%	12	60.0%	\$969	4.1%
DP6	Logic Edit	2	50.0%	\$260	33.2%	0	0.0%	\$0	0.0%
DP7	Data Entry Error	0	0.0%	\$0	0.0%	1	5.0%	\$10	0.0%
DP8	Rate Cell Error	0	0.0%	\$0	0.0%	0	0.0%	\$0	0.0%
DP9	Managed Care Payment Error	0	0.0%	\$0	0.0%	0	0.0%	\$0	0.0%
DP10	Administrative Error/Other	1	25.0%	\$196	25.0%	1	5.0%	\$422	1.8%
	<b>Total</b>	<b>4</b>	<b>100.0%</b>	<b>\$783</b>	<b>100.0%</b>	<b>20</b>	<b>100.0%</b>	<b>\$23,538</b>	<b>100.0%</b>

Error Code	Error Type	Diagnostic Services & Supplies				Transportation			
		Number of Errors		Dollars in Error		Number of Errors		Dollars in Error	
DP1	Duplicate Item	6	40.0%	\$10,318	82.8%	0	0.0%	\$0	0.0%
DP2	Non-Covered Service	1	6.7%	\$136	1.1%	0	0.0%	\$0	0.0%
DP3	FFS Claim for MC Service	0	0.0%	\$0	0.0%	0	0.0%	\$0	0.0%
DP4	Third Party Liability	0	0.0%	\$0	0.0%	0	0.0%	\$0	0.0%
DP5	Pricing Error	6	40.0%	\$1,375	11.0%	1	100.0%	\$39	100.0%
DP6	Logic Edit	0	0.0%	\$0	0.0%	0	0.0%	\$0	0.0%
DP7	Data Entry Error	0	0.0%	\$0	0.0%	0	0.0%	\$0	0.0%
DP8	Rate Cell Error	0	0.0%	\$0	0.0%	0	0.0%	\$0	0.0%
DP9	Managed Care Payment Error	0	0.0%	\$0	0.0%	0	0.0%	\$0	0.0%
DP10	Administrative Error/Other	2	13.3%	\$635	5.1%	0	0.0%	\$0	0.0%
	<b>Total</b>	<b>15</b>	<b>100.0%</b>	<b>\$12,464</b>	<b>100.0%</b>	<b>1</b>	<b>100.0%</b>	<b>\$39</b>	<b>100.0%</b>

**Table 7: Managed Care Data Processing Review Errors by Error Type**

Error Code	Error Type	Managed Care			
		Number of Errors		Dollars in Error	
DP1	Duplicate Item	2	2.4%	\$40	0.3%
DP2	Non-Covered Service	26	31.0%	\$3,848	33.2%
DP3	FFS Claim for MC Service	0	0.0%	\$0	0.0%
DP4	Third Party Liability	0	0.0%	\$0	0.0%
DP5	Pricing Error	2	2.4%	\$166	1.4%
DP6	Logic Edit	0	0.0%	\$0	0.0%
DP7	Data Entry Error	0	0.0%	\$0	0.0%
DP8	Rate Cell Error	19	22.6%	\$6,715	58.0%
DP9	Managed Care Payment Error	33	39.3%	\$533	4.6%
DP10	Administrative Error/Other	2	2.4%	\$285	2.5%
	<b>Total</b>	<b>84</b>	<b>100.0%</b>	<b>\$11,587</b>	<b>100.0%</b>

**Table 8: Eligibility Payment Errors by Error Type**

Error Code	Error Type	Total Number of Errors	Overpayments		Underpayments		Percentage of Total Errors	
			Number of Errors	Dollars in Error	Number of Errors	Dollars in Error	% of Total Number of Errors	% of Total Dollars in Error
U	Undetermined	1064	1064	\$350,268	0	\$0	48.9%	50.0%
NE	Not eligible	809	809	\$264,523	0	\$0	37.1%	36.2%
EI	Eligible with ineligible services	106	106	\$74,032	0	\$0	4.9%	10.1%
L/U	Liability understated	150	150	\$32,242	0	\$0	6.9%	4.4%
L/O	Liability overstated	38	0	\$0	38	\$7,863	1.7%	1.1%
MCE1	Managed care error, ineligible for managed care	8	8	\$1,270	0	\$0	0.4%	0.2%
MCE2	Managed care error, eligible for managed care but improperly enrolled	3	3	\$156	0	\$0	0.1%	0.0%
	<b>Total</b>	<b>2178</b>	<b>2140</b>	<b>\$722,491</b>	<b>38</b>	<b>\$7,863</b>	<b>100.0%</b>	<b>100.0%</b>

**Table 9: Eligibility Negative Case Errors by Error Type**

Stratum	Number of Cases	Percentage of All Cases	Percentage of Cases in Error
Correct	9,962	95.47%	--
Improper Termination	323	3.10%	68.3%
Improper Denial	150	1.44%	31.7%
<b>Total Negative Cases</b>	<b>10,435</b>	<b>100%</b>	<b>100.00%</b>