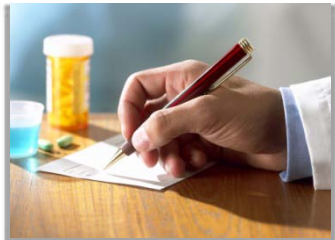


Payment Error Rate Measurement (PERM) Update

Cindy D'Annunzio, Director, Division of Error Rate Measurement
Office of Financial Management
Centers for Medicare & Medicaid Services



August 16, 2011

What We Will Cover

- Improper Payment Measurement Requirements
- Recent PERM Regulation and Implementation Status
- Medicaid Improper Payment Trends 2007-2009
- PERM Program Updates

Improper Payment Measurement Requirements

- IPIA (Improper Payment Information Act of 2002) - amended in July 2010 by Improper Payments Elimination and Recovery Act (IPERA).
- Executive Order 13520 – Reducing Improper Payments (November 20, 2009)
- Medicaid and CHIP are defined by OMB as susceptible to improper payments



IPIA/IPERA Activities and Milestones

- CMS will report results of FY 2010 cycle states in November 2011.
- On or about November 15, 2011 HHS will report the following in the 2011 DHHS Agency Financial Report (AFR) and CMS Financial Report:
 - A rolling rate for Medicaid. This rolling rate will be an average of states measured over the past 3 years.
 - Out-year Medicaid targets
 - Overpayments recovered
- CMS recently began reviews for 2011 cycle states and will report results in November 2012.
- CMS will begin measurement of 2012 cycle states this fall.

PERM EO Activities and Milestones

- CMS is working on supplemental improper payment measures for high risk areas:
 - Prescription drug payment accuracy improvement group launched in July 2010; results will be published in 2012 (CMS/CPI/MIG)
 - Home and Community Based Services FY 2011 PERM Oversample; results tentatively scheduled to be published Fall 2012 (Collaboration between CMS CPI & OFM)
- CMS provides improper payment information regularly on the Treasury payment accuracy website at www.paymentaccuracy.gov.



PERM EO Activities and Milestones

Medicaid Error Rate Targets

- CMS is required to report out-year reduction targets for Medicaid in the HHS AFR and on the paymentaccuracy.gov website.
- The out-year targets are based on a 3-year average, or rolling rate, reflecting all States measured.
- The targets for the national error rate are :

	Nov 2010 AFR (actual)	Nov 2011 AFR	Nov 2012 AFR	Nov 2013 AFR
Rolling rate	9.4%	8.4%	7.4%	6.4%

Recent PERM Final Rule

- Section 601 of CHIPRA required a new final rule implementing PERM requirements.
- CHIPRA prevented CMS from continuing with ongoing CHIP measurements.
- CMS published the PERM rule on August 10, 2010 and was effective on September 30, 2010. The regulation is located at <https://www.cms.gov/PERM>.
- CHIP is restarting for FY 2011. The next CHIP error rate will be reported in 2013.



Federal Register

Thursday,
June 5, 2008

Part II

Department of
Health and Human
Services

Centers for Medicare & Medicaid Services

42 CFR Part 418
Medicare and Medicaid Programs: Hospice
Conditions of Participation; Final Rule

PERM Final Rule Implementation

- **State-specific sample sizes**
 - State-specific claims and eligibility sample sizes are based on previous cycle's error rate and margin of error
 - Were implemented for all states in the FY 2011 cycle for Medicaid
 - Will be implemented for CHIP once baseline measurement is established
- **More time for providers to submit documentation and for states to appeal**
 - Currently implemented
- **States can appeal errors of any dollar amount to CMS**
 - Currently implemented

PERM Final Rule Implementation

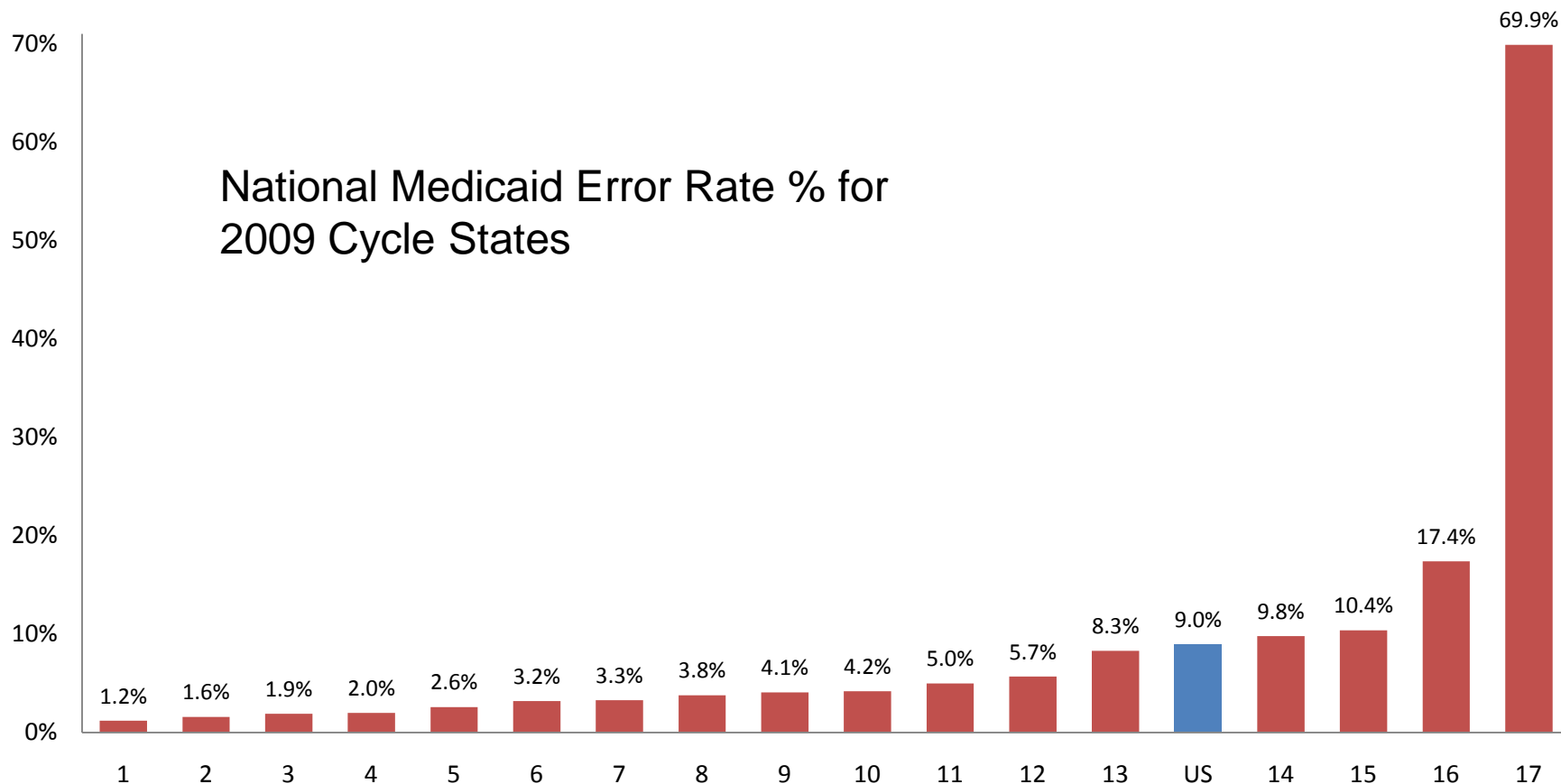
- **States can accept current self declaration documentation in the case file during eligibility reviews**
 - FY 2010 states had option to go back and re-review cases completed before the final rule effective date under this new policy
 - Entire FY 2011 eligibility review under new policy
- **States can substitute traditional MEQC for PERM or PERM for MEQC**
 - MEQC for PERM substitution implemented in the FY 2009 PERM cycle
 - Four states have substituted MEQC for PERM
 - PERM for MEQC substitution implemented in the FY 2011 PERM cycle
 - One FY 2011 state has elected to substitute PERM for MEQC

Findings Across the FY 2007-2009 Cycles: Summary by Component

Error Rate	Overall	Fee For Service	Managed Care	Eligibility with Undetermined As Errors	Eligibility Without Undetermined
FY 2007	10.5%	8.9%	3.1%	2.9%	2.4%
FY 2008	8.7%	2.6%	0.1%	6.7%	3.9%
FY 2009	9.0%	1.9%	0.1%	7.6%	3.6%
Rolling Error Rate*	9.4%	4.4%	1.0%	5.9%	3.3%

*Number reported in the 2010 AFR

Findings Across the FY 2007-2009 Cycles: Significant Variation in Error Rates



Findings Across the FY 2007-2009 Cycles: There Are Few Underpayment Errors

Overpayments		Underpayments	
Number of Payment Errors	Dollar Amount of Errors	Number of Payment Errors	Dollar Amount of Errors
3152	\$2,991,611	177	\$122,432

- While the PERM error rates consider both underpayments and overpayments as “improper,” underpayments account for a substantially smaller proportion of payment errors than overpayments
- States do not appear to be systematically denying claims improperly

Findings Across the FY 2007-2009 Cycles: Majority of Errors Found in Medical Review of FFS Claims and Eligibility Reviews

Component	Number of Errors	Dollar Amount of Errors
Eligibility Cases	2178	\$730,355
FFS Claims Medical Review	776	\$1,829,257
FFS Claims Data Processing	291	\$542,844
Managed Care Payments Data Processing	84	\$11,587
Total	3329	\$3,114,043

Findings Across the FY 2007-2009 Cycles: FFS Claims Errors

Error Type Descriptions	Number of Payment Errors	% of Total Number of Errors
Insufficient Documentation	309	39.8%
No Documentation	244	31.4%
Number of Units Error	91	11.7%
Procedure Coding Error	57	7.3%
Diagnosis Coding Error	26	3.4%
Medically Unnecessary Service	18	2.3%
Policy Violation	15	1.9%
Administrative/Other	15	1.9%
Unbundling	1	0.1%
Total	776	100%

- Insufficient documentation and no documentation errors made up over 70% of the FFS errors identified
- However, we saw a major decrease in the FY 2009 cycle
 - This decrease may be caused by the increase in provider knowledge about the PERM process and provider responsibilities.



Findings Across the FY 2007-2009 Cycles: FFS Claims Errors

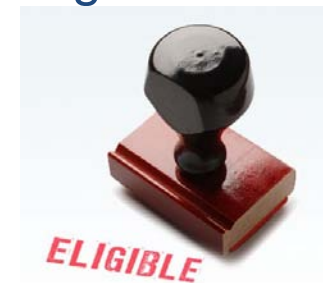
Service Type	Number of Payment Errors	% of Total Number of Errors
Outpatient Services	159	20.5%
Personal Support Services	143	18.4%
Diagnostic Services & Supplies	115	14.8%
Long Term Care	85	11.0%
Prescribed Drugs	84	10.8%
Mental Health Services	72	9.3%
Inpatient Hospital	66	8.5%
Dental Services	22	2.8%
Transportation	17	2.2%
Home Health Services	13	1.7%
Total	776	100%

- Over half the errors identified across states in the past three cycles are in three service categories:
 - Outpatient services
 - Personal support services
 - Diagnostic services and supplies

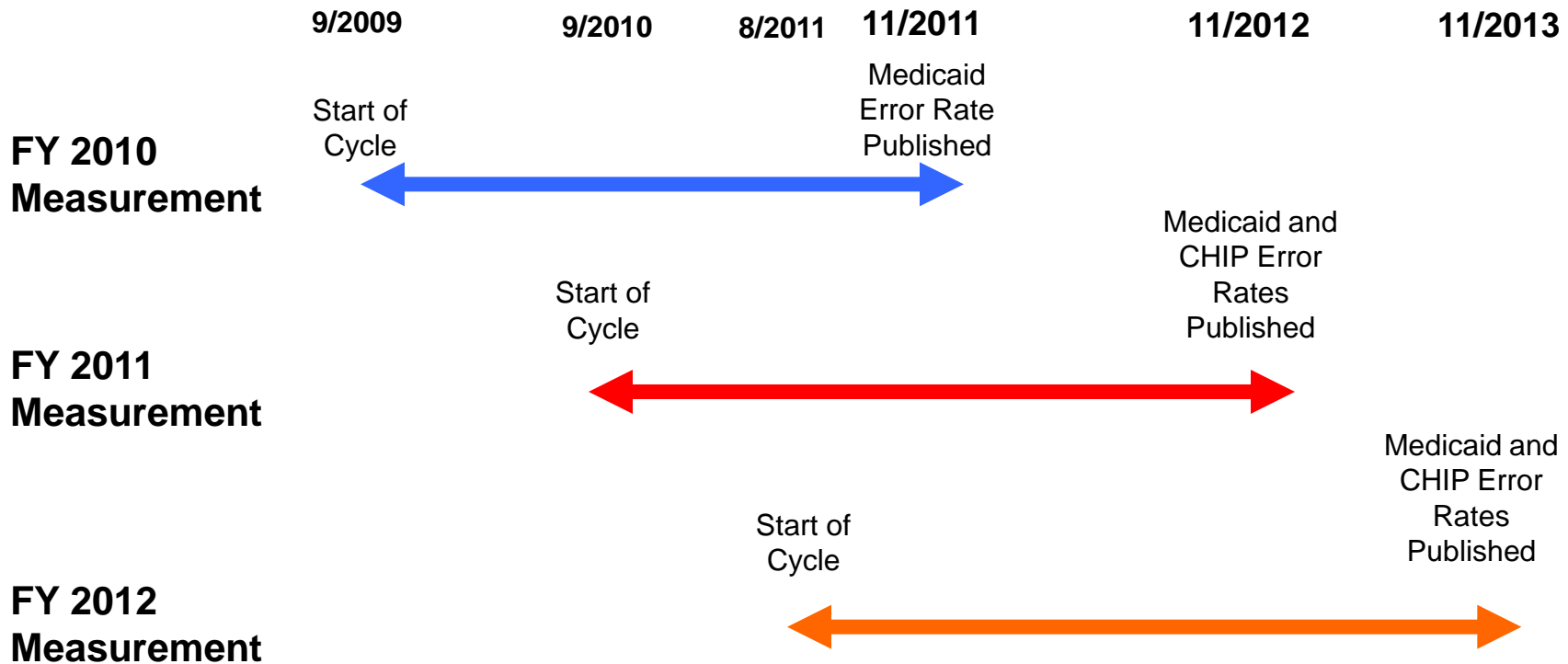
Findings Across the FY 2007-2009 Cycles: Eligibility Errors

Error Type	Number of Errors	% of Total Number of Errors
Undetermined	1064	48.85%
Not eligible	809	37.14%
Liability understated	150	6.89%
Eligible with ineligible services	106	4.87%
Liability overstated	38	1.74%
Managed care error, ineligible for managed care	8	0.37%
Managed care error, eligible for managed care but improperly enrolled	3	0.14%
Total	2178	100.00%

- Undetermined cases make up the majority of eligibility errors
- The number of undetermined cases is expected to decrease with the implementation of the final regulation



PERM Program Updates: Cycle Timeline



PERM Program Updates: Recent PERM Initiatives

- **Increased Focus on High-risk areas**

- FY 2011 HCBS supplemental sample
- New sampling methodology starting in FY 2012
- Focus on high-risk services to develop targeted corrective actions



- **“Mini-PERMs”**

- A few states conduct mini-PERM measurements during fiscal years they are not being measured under the PERM program
- Some states have expressed interest in conducting off-year measurements but don't have the resources
- CMS is offering statisticians, reviewers, and other resources to assist states in conducting mini-PERMs

PERM Program Updates: Recent PERM Initiatives

- **PERM+/Medicaid and CHIP Business Information Solutions (MACBIS)**
 - PERM+ live in FY 2011 PERM cycle
 - MACBIS governance structure in place to oversee the introduction of significant efficiencies and quality improvement activities into our data management
 - Use of MACBIS data will eventually reduce the requests of States to provide data without compromising the ability to generate valuable performance information
- **MEQC/PERM Harmonization**
 - Current workgroup

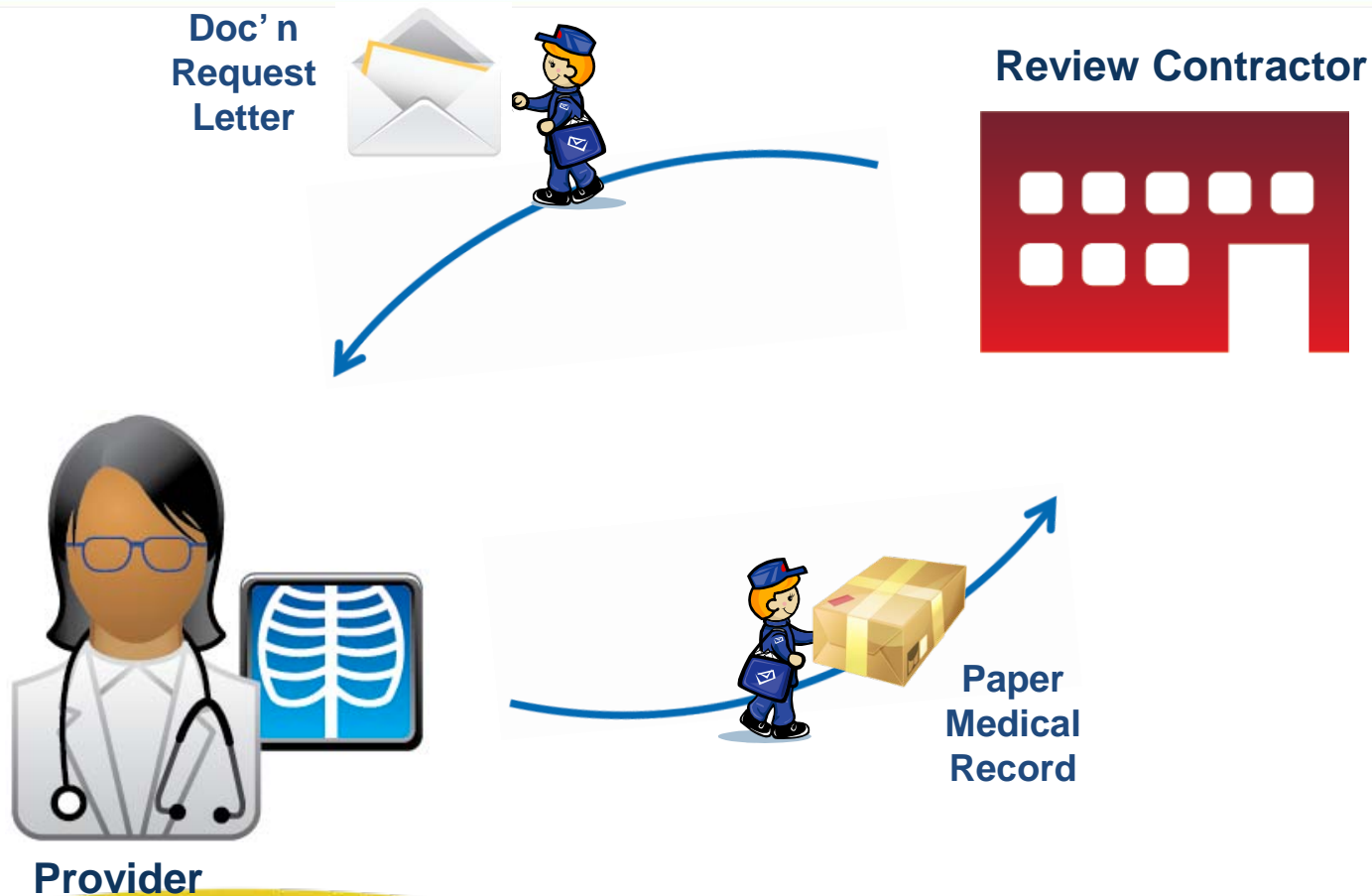
PERM Program Updates: Recent PERM Initiatives

- **Comprehensive State Policy Database**
 - Conducted feasibility study
 - Reviewing contractual options
- **Provider Education PERM Initiative (PEPI)**
 - Developing YouTube provider education video on the PERM regulation
 - PERM providers page & email address for questions
 - Provider education conference calls
- **Improvements to PERM website**
- **PERM Manual**
 - Available on website



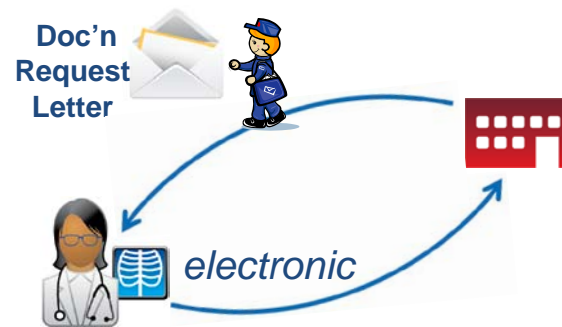
Electronic Submission of Medical Documentation (eSMD)

Today's Medical Documentation Process

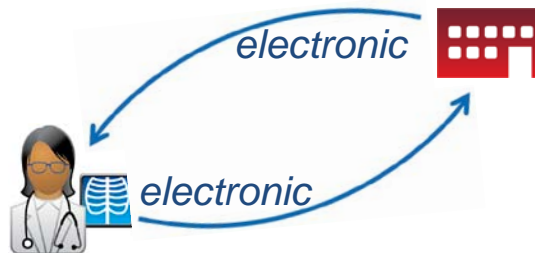


esMD The Solution

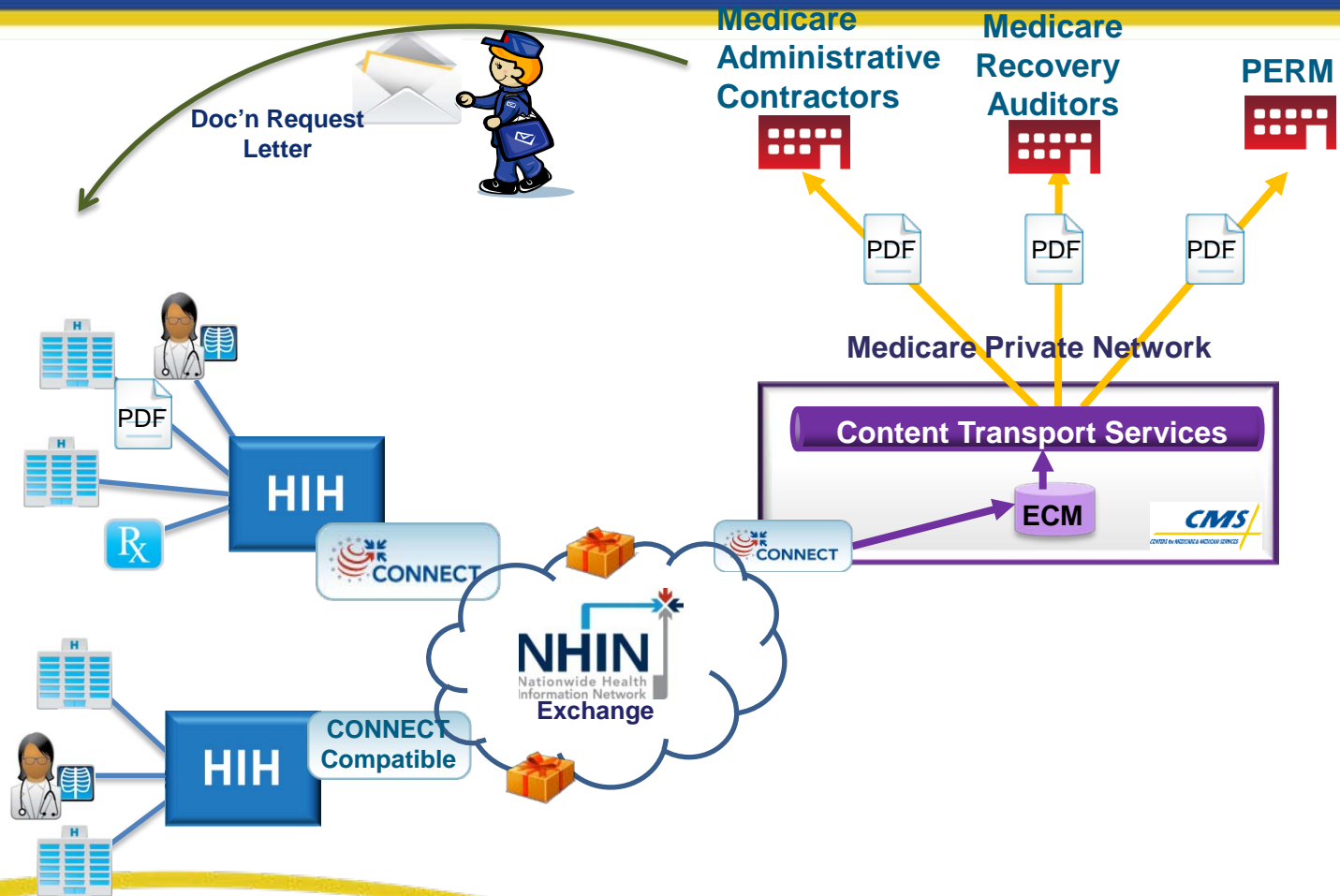
Phase 1:



Phase 2:



esMD Phase 1



esMD: For More Information

- If States Want More Information About How The State Agency, Fiscal Agent or Medicaid RAC could join esMD, contact Melanie Combs-Dyer at Melanie.Combs-Dyer@cms.hhs.gov
- CMS esMD Website: www.cms.gov/esMD
- Follow Us on Twitter: @CMSGov (Look for #CMS_esMD)

PERM: For More Information

- General Questions, Contact Cindy D'Annunzio, 410-786-1878, Cynthia.dannunzio@cms.hhs.gov
- Cycle Questions, Contact the Cycle Managers:
 - 2010 & 2012 Cycles – Stacey Carroll, 410-786-0241, stacey.carroll@cms.hhs.gov
 - 2011 Cycle – Nicole Perry, 410-786-8786, nicole.perry@cms.hhs.gov
- Visit the PERM website at www.cms.gov/perm
- Questions?

