



Payment Error Rate Measurement

PERM Reform Effort

Presented by

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Agenda

- Overview and Process
- Measurements Completed
- Current Measurement Cycle Updates
- PERM Program Updates
- CHIPRA & PERM Final Rule



PERM Overview

- CMS developed the PERM program to comply with the Improper Payments Information Act of 2002 (IPIA)
- PERM measures improper payments in Medicaid and the Children's Health Insurance Program (CHIP).
- PERM's first fully implemented measurement was in FY 2007 with Medicaid and CHIP FFS, Managed Care and Eligibility.



PERM Claims Component Process

1

Statistical Contractor conducts quality control on FFS and managed care universes submitted by States and selects random samples from universes for review.

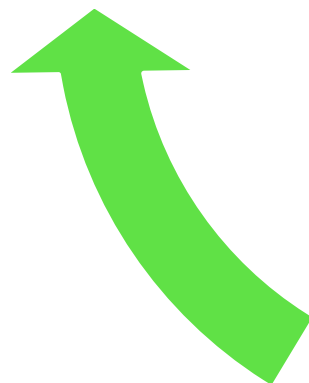


2

Documentation/ Database Contractor collects State payment policies from States and medical records from providers.

3

Review Contractor performs medical and data processing reviews and conducts difference resolution with States.





PERM Eligibility Component Process

- Eligibility Component has four phases:
 1. Sampling
 2. Eligibility Reviews
 3. Payment Reviews
 4. Error Rate Calculation



FY 2007 and 2008 Measurements

- Published FY 2007 Medicaid and CHIP FFS, managed care and eligibility error rates in November 2008.
- Published FY 2008 Medicaid and CHIP error rates in November 2009.
- Implemented Corrective Action Plan process with PERM CAP team for all States.
- CMS responsible for submitting its own Error Rate Reduction Plan to OMB and DHHS.



Corrective Action Plan Update

- Each State submits a CAP to CMS after they receive their error rates.
- A CAP is a narrative of steps taken to identify cost-effective actions that can be implemented to correct error causes.
- CMS developed a corrective action team to assist States in submitting CAPs for review.



Corrective Action Plan Update

Most frequent corrective actions proposed by States:

- Enhanced provider training through provider newsletters or alerts.
- Placing information concerning PERM on the States' provider website.
- Tracking the contractors' medical record requests and contacting providers not responding timely.
- Additional staff training in error prone eligibility policies and procedures.
- Proposing new claims processing system edits.



Current & Upcoming Cycles

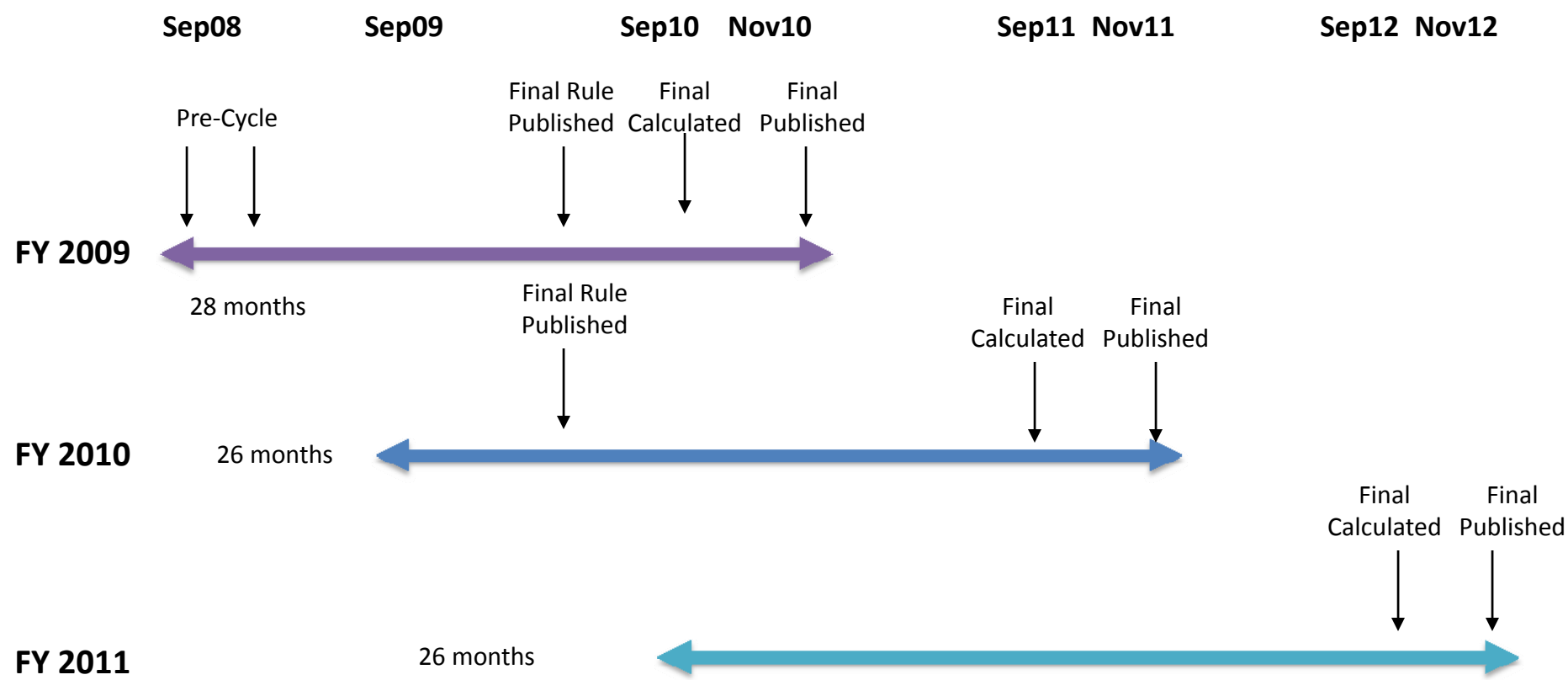
FY 2010: Alabama, California, Colorado, Georgia, Kentucky, Maryland, Massachusetts, Nebraska, New Hampshire, New Jersey, North Carolina, Rhode Island, South Carolina, Tennessee, Utah, Vermont, West Virginia

FY 2011: Alaska, Arizona, District of Columbia, Florida, Hawaii, Indiana, Iowa, Louisiana, Maine, Mississippi, Montana, Nevada, New York, Oregon, South Dakota, Texas, Washington

FY 2012: Arkansas, Connecticut, Delaware, Idaho, Illinois, Kansas, Michigan, Minnesota, Missouri, New Mexico, North Dakota, Ohio, Oklahoma, Pennsylvania, Virginia, Wisconsin, Wyoming



PERM Cycle Timeframes





FY 2009 Cycle Update & Error Rate Rollout

- CMS calculates State and National error rates and develops a final report for DHHS and OMB.
- Once reviewed and signed off on, CMS shares error rate information with the States.
- National error rates are reported in the Agency Financial Report (AFR).
- State-specific error rates are only shared with States individually.



Cycle Updates

- FY 2009:
 - Medical and data processing reviews for FFS and managed care were completed on August 16th, 2010.
 - Eligibility reviews were completed July 1st, 2010.
 - CMS will calculate a Medicaid error rate only.
- FY 2010:
 - Cycle kick off held in September 2009.
 - Measuring Medicaid only.
 - Quarter 1 – Quarter 3 FFS and managed care universes collected.
 - Medical records requests currently underway.
 - States administering eligibility reviews.
 - Cycle Manager: Stacey Carroll (410) 786-0241, stacey.carroll@cms.hhs.gov



PERM Program Updates

- PERM manual
- PERM Provider Education Initiative (PEPI)
- State policy database
- Contractual Strategy for FY 2010 cycle and beyond
- PERM records tool
- MSIS+ and single source of Medicaid data



New Contractual Strategy

Statistical contractor conducts quality control on FFS and managed care universes submitted by States and selects random samples from universes for review.



Review contractor collects State payment policies from States, collects medical records from providers, performs medical and data processing reviews and conducts difference resolution with States.



PERM Records Tool

- Simplifies the PERM data submission process.
 - Allows for a single data submission from States eliminating the need for back-and-forth between States and PERM contractors.
 - Requires less up-front programming by the States—the burden is on the PERM contractor to identify and extract sampling units from the data and assign to the appropriate PERM universe.
- Stepping stone towards MSIS+ initiative
 - Moving towards MSIS+ data set that can meet the data needs of multiple CMS programs including Medi-Medi and PERM.



PERM Records Tool

- FY 2009 Pilot Success
 - Pilot States: Ohio and Oklahoma
 - States submitted PERM data for Quarter 1 of FY 2009 in addition to routine PERM universe data submission.
 - PERM contractor developed a PERM Q1 universe file from the data submission.
 - PERM contractors tested and verified the statistical validity of the new PERM data collection methods.
- Possible Implementation
 - FY 2010-2011: Phase-in use of the PERM records tool in normal PERM cycles
 - FY 2012 and beyond: Full implementation of new PERM records tool



CHIPRA

- Section 601 of the Children's Health Insurance Reauthorization Act of 2009 (CHIPRA) required a new final rule implementing PERM requirements.
- CHIPRA prevented CMS from continuing with ongoing CHIP measurements.
- CMS could not publish a CHIP error rate until 6 months after the final rule is in effect.
- CHIP will be restarting in FY 2011.



PERM Final Rule: Sample Size

CHIPRA Section 601(f) requires State-specific sample sizes that minimize administrative cost burden and maintain State flexibility to manage the programs.

- Base sample size: 500 fee-for-service, 250 managed care payments, 504 active cases, 204 negative cases.
- In subsequent cycles, sample size determined to meet precision goals based on error rate and payment variation.
- Universes under 10,000 sampling units will have a reduced sample size.
- Maximum sample size for Medicaid or CHIP fee-for-service, managed care or eligibility will be 1,000 sampling units.



PERM Final Rule: Criteria for Errors

CHIPRA Section 601(c)(1)(A) requires the PERM rule to include criteria for errors for States and providers.

- Definitions added to tie data processing and eligibility errors to States and medical review errors to providers.
- All dollars in error identified through PERM reviews still contribute to the State and national error rates.
- Adds regulatory section to describe medical review, data processing and eligibility errors.



PERM Final Rule: Self-Declaration

CHIPRA Section 601(c)(2) requires that State error rates not take into account payment errors resulting from the State's verification of an applicant's self-declaration of eligibility if the State process for verifying self-declaration satisfies the requirements for such process applicable under regulations promulgated by the Secretary.

- States can accept current self-declaration documentation in the case file.
- Self-declaration statement must be:
 - Present in the record
 - Not outdated (more than 12 months old)
 - Originating from the last case action that was not more than 12 months prior to the sample month
 - In a valid, state-approved format
 - Consistent with other facts in the case record



PERM Final Rule: Appeals

CHIPRA Section 601(c)(1)(B) requires CMS to describe the process for appealing error determinations by review contractors and State eligibility review staff.

- Added timeframe for difference resolution and CMS appeals process for claims.
- All data and medical review errors are now appealable.
- Allows States to utilize State appeals process for eligibility errors.
- Provides State Medicaid /CHIP agency access to eligibility review findings for appeal purposes.



PERM Final Rule: MEQC/PERM

CHIPRA Section 601(e)(2) gives States the option to elect to use data resulting from application of PERM to the application of MEQC.

- Offers States this option after final rule is in effect.
- Both substitution options only apply to Medicaid and Title XXI Medicaid expansion.
- CMS will calculate PERM and MEQC error rates separately.



PERM NPRM: PERM/MEQC

CHIPRA Section 601(e)(3) gives States the option to elect to use data resulting from application of MEQC to the application of PERM if the State MEQC reviews are based on a “broad, representative sample” of Medicaid recipients.

- Offers States this option April 1, 2009.
- States still subject to MEQC provisions including disallowances if electing either substitution option.



PERM Final Rule: Corrective Action Plans

CHIPRA Section 601(c)(1)(C) requires CMS to list responsibilities and deadlines for States implementing corrective action plans.

- Details State responsibilities and deadlines.
- In order to develop an effective corrective action plan, States must conduct the following five steps: (1) Data Analysis, (2) Program Analysis, (3) Corrective Action Planning, (4) Implementation and Monitoring, and (5) Evaluation.
- Corrective action plans are required to be submitted to CMS and implemented no later than 90 days from the date the State's error rate is posted to the CMS contractor's website.



Other Regulatory Changes

- FY 2007 or FY 2013 CHIP Election
- FY 2008 or FY 2011 CHIP Election
- Express Lane Eligibility Cases Excluded
- 75 Day Medical Records Requests
- No \$100 Threshold for CMS Appeals
- 20 Business Days for Difference Resolution
- “Case”: an individual or family enrolled in or denied or terminated from Medicaid or CHIP
- CMS will calculate eligibility error rates
- Option to Stratify Eligibility Universes



**PERM
Eligibility
Questions?**

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