



# Payment Error Rate Measurement (PERM)

## Overview

Presented by

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





# Background

- **Prior to FY 2001**
  - Developed methodology to measure accuracy in Medicaid in response to the Government Performance and Results Act (GPRA).
  - No systematic means to measure improper payments in Medicaid or the Children's Health Insurance Program (CHIP) at the national level.
- **FY 2002 – 2004 PAM – Payment Accuracy Measurement**
  - Tested and refined methodologies to measure payment accuracy rate in fee-for-service (FFS), managed care, and eligibility for Medicaid and CHIP.
  - Improper Payments Information Act (IPIA) of 2002 enacted, Medicaid and CHIP identified as susceptible programs.
- **FY 2005 – PERM Pilot**
  - In light of the IPIA, CMS refined methodology to measure payment error rate.
- **FY 2006 and beyond**
  - PERM program implemented.



# Regulations

- **August 27, 2004 – Proposed Rule**
  - Required state agencies to estimate improper payments in Medicaid and CHIP every year
- **October 5, 2005 – First Interim Final Rule**
  - Intent to adopt a national contracting strategy
- **August 28, 2006 – Second Interim Final Rule**
  - Established guidelines for States to conduct eligibility reviews
- **August 31, 2007 – Final Rule**
  - Finalized eligibility reviews
- **July 15, 2009 – Proposed Rule**
  - Proposes changes as specified by the Children’s Health Insurance Program Reauthorization Act of 2009 (CHIPRA)



# PERM Overview

- 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.

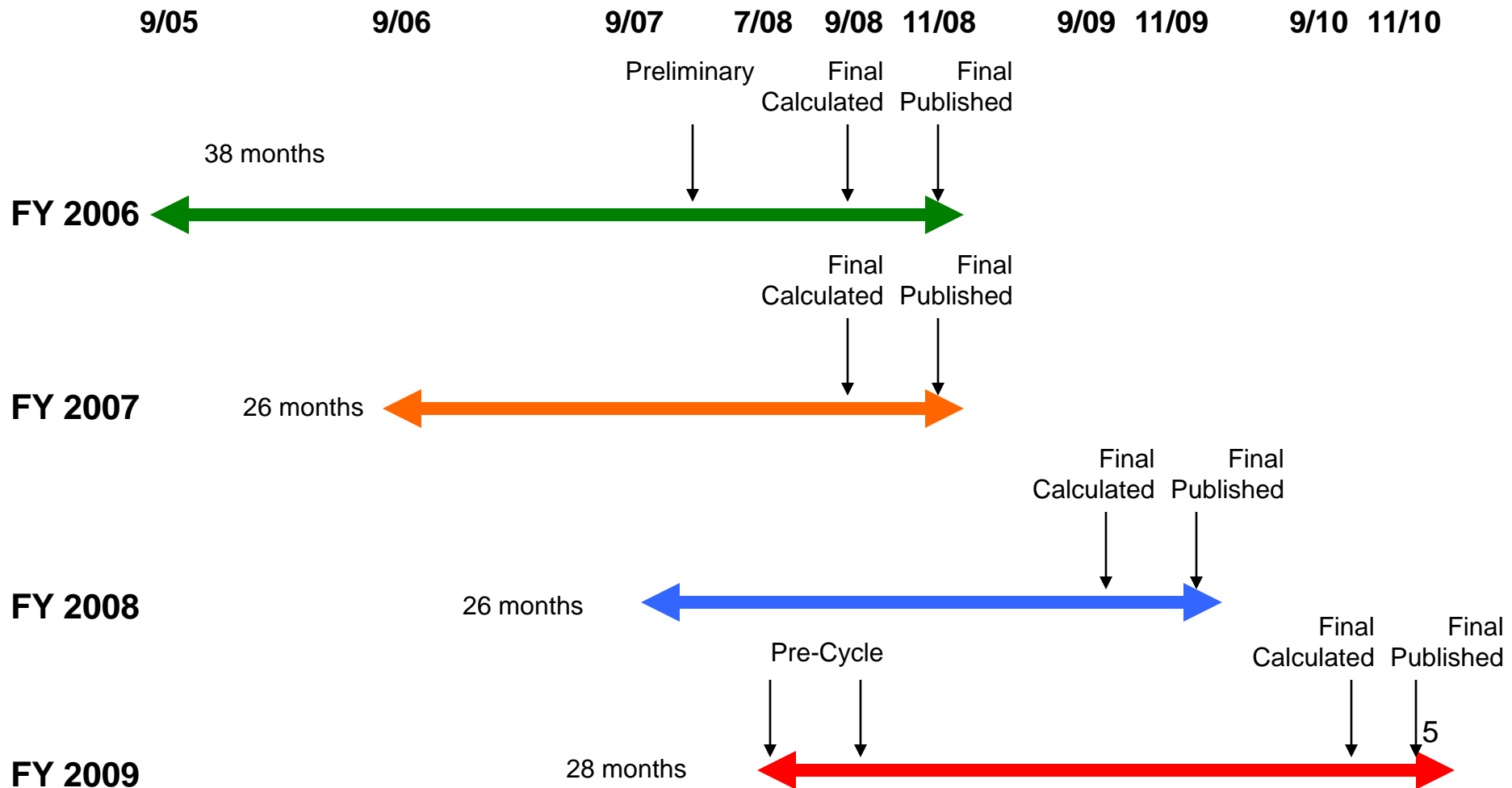


## Medicaid and CHIP States by Measurement Cycle

FY 2008	Alaska, Arizona, District of Columbia, Florida, Hawaii, Indiana, Iowa, Louisiana, Maine, Mississippi, Montana, Nevada, New York, Oregon, South Dakota, Texas, Washington
FY 2009	Arkansas, Connecticut, Delaware, Idaho, Illinois, Kansas, Michigan, Minnesota, Missouri, New Mexico, North Dakota, Ohio, Oklahoma, Pennsylvania, Virginia, Wisconsin, Wyoming
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



# PERM Cycle Timeframes





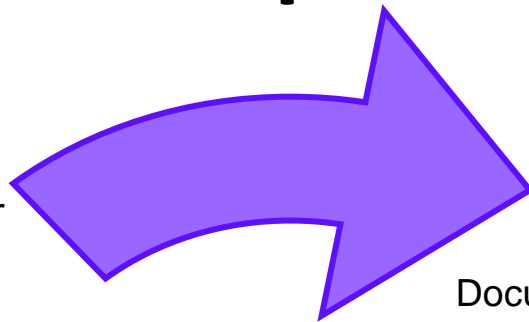
# Components & Sample Sizes

- Medicaid
  - FFS: 500 line items
  - Managed Care: 250 capitation payments
  - Eligibility: 504 active cases, 204 negative cases
- CHIP
  - FFS: 500 line items
  - Managed Care: 250 capitation payments
  - Eligibility: 504 active cases, 204 negative cases



# PERM Claims Component Process

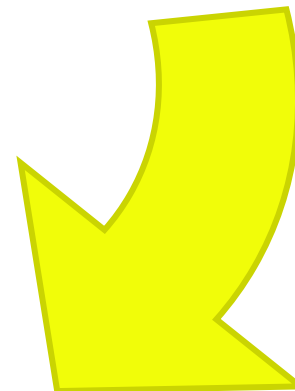
Statistical Contractor conducts quality control on FFS and managed care universes submitted by states and selects random samples from universes for review.



Documentation/Database Contractor collects policies from states and medical records from providers.



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





# PERM Eligibility Component

- States perform their own eligibility reviews according to state and Federal eligibility criteria.
- States submit monthly random samples, review sampled cases for eligibility, and collect payments for services received in the sample month.
- States must submit all monthly findings to CMS according to the eligibility timeline.
- The eligibility component produces its own error rates.
- The eligibility error rate is included in the national program error rate with FFS and managed care error rates.





# PERM Error Rates

CMS reported the FY 2006 and FY 2007 error rates in the FY 2008 Agency Financial Report (AFR).

## FY 2006 Error Rate

	<b>National</b>
<b>Medicaid FFS</b>	4.7%

# PERM Error Rates

## FY 2007 Medicaid:

	<b>National</b>
<b>FFS</b>	8.9%
<b>Managed Care</b>	3.1%
<b>Eligibility</b>	2.9%
<b>Overall</b>	10.5%

## FY 2007 CHIP:

	<b>National</b>
<b>FFS</b>	11.0%
<b>Managed Care</b>	0.1%
<b>Eligibility</b>	11.0%
<b>Overall</b>	14.7%



# Corrective Actions

- Each state submits a Corrective Action Plan (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.
- FY 2006 and FY 2007 states submitted their CAPs in April, 2009.



# Communication & 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.
- **Collaboration with CMSO** –
  - Medicaid Integrity Group: cross-training, using CAPs in audits, identifying ways to reduce duplication of efforts, provider education
  - Established recovery and reconciliation processes with the Regional Offices
  - Involve Regional Offices in resolving data issues with states <sup>12</sup>

