



A SNAPSHOT OF THE

PAYMENT ERROR RATE MEASUREMENT

Overview

Payment Error Rate Measurement (PERM) is a federal audit required by law. The audit is conducted by the Centers for Medicare and Medicaid Services (CMS) to determine the accuracy of Medicaid and State Children's Health Insurance Program (SCHIP) claims payments and the accuracy of eligibility determinations made by the state.

CMS uses the audit results to produce the payment error rate for both Medicaid and SCHIP (PeachCare for Kids™ in Georgia). The federal audit examines whether fee-for-service (FFS) claims were priced/paid/denied correctly; whether the service was medically necessary; and whether the person was correctly determined eligible for the benefit coverage when the service was delivered.

The ultimate purpose and use of PERM data is to enable CMS and the U.S. Department of Health & Human Services (HHS) to develop national estimates of Medicaid and SCHIP error rates and report an HHS payment error rate to Congress, as required by the Improper Payments Information Act of 2002.

The federal share of the payments determined to have been made in error will have to be repaid to CMS by the Georgia Department of Community Health (DCH).

Program Description

The PERM program consists of two components:

- A quarterly review of random samples extracted from all Medicaid and SCHIP FFS and managed care claims. The random sample consist of paid and denied claims from each program. Most recently, CMS drew samples from claims adjudicated during the 12-month period, October 2006 through September 2007; and
- A monthly review of randomly sampled Medicaid and SCHIP eligibility case decisions. Cases have been sampled from the nine-month period between, January 2007 through September 2007.



CMS expects to sample payments again beginning October 1, 2009.

Payment Error Rate Measurement Method

The improper payment estimate for each program (Georgia Medicaid and PeachCare for Kids™) is based on the overpayments, underpayments, or payments made on behalf of ineligible members identified during PERM reviews. Improper payments for FFS are determined by conducting claims processing validation, an eligibility review and a medical necessity review. Improper payments for managed care are determined by conducting a processing validation and an eligibility review. A medical necessity review was not necessary for managed care payments.

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○ **Is Georgia the only state selected for this type of audit?**

All 50 states and the District of Columbia are participating in this federal audit. Georgia was selected to participate in the second audit cycle, which covered claims paid or denied during Federal Fiscal Year (FFY) 2007 (October 1, 2006 – September 30, 2007). Other states that participated in the FFY07 PERM audit include: Alabama, California, Colorado, Kentucky, Maryland, Massachusetts, Nebraska, New Hampshire, New Jersey, North Carolina, Rhode Island, South Carolina, Tennessee, Utah, Vermont and West Virginia. (FFY) 2007 (October 1, 2006 – September 30, 2007). Other states that will participate in the FFY07 PERM audit include: Alabama, California, Colorado, Kentucky, Maryland, Massachusetts, Nebraska, New Hampshire, New Jersey, North Carolina, Rhode Island, South Carolina, Tennessee, Utah, Vermont and West Virginia.

○ **Why was the Payment Error Rate Measurement project initiated?**

PERM is required by the federal Improper Payments Information Act of 2002. More information regarding the PERM program can be found at <http://www.cms.hhs.gov/MedicaidPERM/>.

○ **What should a provider do if he/she has a question about a request for medical records?**

A provider should refer to the request you received on CMS letterhead and call the phone number provided for more information. DCH cannot answer questions about the requests, as CMS and CMS contractors are conducting the reviews.

○ **What subjects does CMS review?**

CMS reviews for errors in three categories including, data processing, medical records and eligibility.

○ **What are the most frequent overpayment findings that result in DCH having to recover claim payments from providers?**

“Medical Record 1” PERM Overpayments: No records received from the provider

“Medical Record 2” PERM Overpayments: CMS’ medical review contractor received a response to the original request; CMS medical review contractor needed additional information from the provider; the additional information was either not received, or was deemed inadequate to support the claim payment

○ **Are PERM error rates comparable across different states?**

Medicaid and SCHIP programs vary across the nation and caution should be taken in comparing the state error rates.

○ **How often will CMS conduct a PERM Audit?**

CMS has stated that for Georgia it will review a sample of payments every three years that are made to providers via the Medicaid and SCHIP programs.