

Payment Error Rate Measurement (PERM) Program

July 2009

The Improper Payments Information Act of 2002 directs Federal agency heads, in accordance with the Office of Management and Budget (OMB), guidance to annually review its programs that are susceptible to significant erroneous payments and report the improper payment estimates to Congress. OMB identified the Medicaid and SCHIP as programs at risk for significant erroneous payments.

The Centers for Medicare & Medicaid Services (CMS) is measuring the accuracy of Medicaid and SCHIP payments made by States for services rendered to recipients through the Payment Error Rate Measurement (PERM) program. CMS uses three national contractors to measure improper payments in Medicaid and SCHIP. Your interaction in this process will be primarily with the documentation/database contractor (DDC), currently Livanta, who will collect medical policies from the State and medical records from you either in hardcopy or electronic format.

Medical records are needed to support required medical reviews for PERM so that the review contractor can evaluate the Medicaid and SCHIP claims to determine if the claims were correctly paid. If one of your claims for a service rendered to either a Medicaid or SCHIP recipient is selected in the sample, the DDC will contact you for a copy of the required medical records to support the medical review of the claim. For reviews that require extra information, the DDC will contact you for additional documentation. You will then have fifteen (15) days to respond to the request. Upon contact by the DDC you are also required to notify the Bureau of your DDC. Please contact David Estes, Bureau of TennCare, at (615) 507-6387.

Understandably, you are concerned with maintaining the privacy of patient information. You are, however, required by Section 1902(a)(27) of the Social Security Act to retain records necessary to disclose the extent of services provided to individuals receiving assistance and furnish CMS with information regarding any payments claimed by the provider for rendering services. The furnishing of information includes medical records. As for SCHIP, section 2107(b)(1) of the Act requires an SCHIP state plan to provide assurances to the Secretary that the State will collect and provide to the Secretary any information required to enable the Secretary to monitor program administration and compliance and to evaluate and compare the effectiveness of States' SCHIP plans. In addition, the collection and review of protected health information contained in the individual-level medical records for payment review purposes is in keeping with the Administrative Simplification Act, 42 USC §1320d and permissible uses under its implementing regulations, the Health Insurance Portability and Accountability Act of 1996 (HIPAA) at 45 CFR, Parts 160 and 164.

In order to obtain medical records for a claim sampled for review, the DDC will contact you to verify the correct name and address and to determine how you want to receive the request (i.e., facsimile or U.S. mail) for medical records. Please keep in mind that, based on the nature of this sensitive, confidential information, the method you elect to receive the request and to produce the response to DDS must continue to protect the information; therefore, you must establish a secure methodology for receipt and transfer of the information utilizing encryption technology or other secure transfer protocol. Once you receive the request for medical records, you **must send** the information electronically or in hard copy within sixty (60) days. Please note that it will be the responsibility of the provider who is identified on the claim to receive payment to ensure that any and all supporting medical records, from any and all provider(s) who rendered a service for which the claim payment under review was requested, is submitted in a timely manner. During this sixty (60) day timeframe, the DDC will follow up to ensure that you submit the documentation before the timeframe has expired, and State officials from the Bureau or other authorized state agencies may contact you to assist in identifying the required documentation for submission.

It is important that you cooperate with submitting all requested documentation in a timely manner because no response or insufficient documentation will count against the State of Tennessee as an error. Past studies have shown that the largest cause of error in medical reviews is no documentation or insufficient documentation. As such, it is very important that information be sent in a timely and complete manner. Failure to reply as requested may result in recoupment of funds paid for services previously rendered. If you have any questions about this matter, please contact David Estes, Bureau of TennCare, (615) 507-6387.

Thank you for your support of the PERM program.