



**TO: All Providers**

**RE: Payment Error Rate Measurement (PERM) Program Audit Requests**

The Improper Payments Significant 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 the Children's Health Insurance Program (CHIP) as programs at risk for erroneous payments.

The Centers for Medicare and Medicaid Services (CMS) will measure the accuracy of Medicaid and CHIP payments made by States for services rendered to clients through the Payment Error Rate Measurement (PERM) program. Under the PERM program, CMS uses national contractors to measure improper payments in Medicaid and CHIP. Providers' interactions in this process will be primarily with NCI Inc. (NCI), who will collect medical policies from the State and medical records from providers either in hardcopy or electronic format.

Medical records are needed to support required medical reviews for PERM so that our review contractor can review the fee-for-service Medicaid and CHIP claims to determine if the claims were correctly paid.

Understandably, providers are concerned with maintaining the privacy of patient information. However, providers are 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 CHIP, section 2107(b)(1) of the Act requires a CHIP 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' CHIP plans. In addition, the collection and review of protected health information contained in individual-level medical records for payment review purposes **is permissible** by the Health Insurance Portability and Accountability Act of 1996 (HIPAA) and implementing regulations at 45 Code of Federal Regulations, parts 160 and 164.

In order to obtain medical records for a claim sampled for review, NCI will contact providers to verify the correct name and address information and to determine the preferred method of receiving requests (i.e., facsimile or U.S. mail) for medical records. Once providers receive the request for medical records, providers must submit the information electronically or in hardcopy within 75 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 75 day timeframe, NCI will follow up to ensure documentation has been submitted before the timeframe has expired. In addition, State officials may contact providers to assist in identifying the required documentation for submission. For reviews that require extra information, NCI will contact providers for additional documentation. Providers will then have 15 days to respond to the request.

It is important that providers cooperate with submitting all requested documentation in a timely manner because no response or insufficient documentation will count against the State as an error. Past studies have shown that the largest cause of error in medical reviews is no documentation or insufficient documentation. CMS requires reimbursement for all errors cited in this review and accordingly, State officials will pursue recovery of payment for claims cited as errors. As such, it is important that information be sent in a timely and complete manner.

Please direct any questions about this matter to:

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Thank you for your support of the PERM program.