

South Carolina's Payment Error Rate Measurement (PERM) Program for 2021/2022

Background

In 2002, the Improper Payments Information Act (IPIA) was passed to monitor all of its programs and identify areas susceptible to payment errors in accordance with the direction of the Office of Management and Budget (OMB). This act was later amended by the Improper Payments Elimination and Recovery Act of 2010 (IPERA) and the Improper Payments Elimination and Recovery Improvement Act of 2012 (IPERIA) to further improve the effectiveness of the Payment Error Rate Measurement (PERM) Program.

The Centers for Medicare and Medicaid Services (CMS) employs a 17-state rotation for PERM, with each state being reviewed every three years. During these reviews, the CMS:

- Conducts their annual review of the programs they administer,
- Identify programs that may be susceptible to significant improper payments,
- Estimate the number of improper payments,
- Submit those estimates to Congress, and
- Submit a report outlining the actions taken to minimize or eliminate those improper payments.

Updates in South Carolina

The CMS has identified Medicaid and the Children's Health Insurance Program (CHIP) as programs that may be especially vulnerable to improper payments. As such, they have employed the PERM program to seek out and address chronic issues of improper payment in these specific programs.

When conducting their analysis, the PERM program requests samples of medical documentation and reviews those documents to produce an error rate for each program. The error rates are formulated through reviews of fee-for-service (FFS), managed care, and eligibility components of Medicaid and CHIP. Importantly, the error rate is not the same as a "fraud rate" and should not be thought of as such. Instead, it is merely an indicator of payments that do not sufficiently meet statutory, regulatory, or administrative requirements. That said, issues with improper payment could still result in sanctions.

The CMS recently notified the South Carolina Department of Health and Human Services (SCDHHS) that the South Carolina Healthy Connections Medicaid program will take part in the PERM program during the 2022 State Fiscal Year. The samples for review will be taken from claims with paid dates between July 1st, 2021 and June 30th, 2022.

The CMS has contracted with The Lewin Group and NCI Information Systems, Inc. to collect these samples. NCI Information Systems, Inc. intends to request the samples beginning in December 2021 and will contact the provider directly if a claim is selected for further review.

When a provider receives a request for medical records, they have 75 days to comply and submit the information requested. It is the provider's responsibility (that is, the provider identified on the claim who received payment) to collect all supporting medical records from any additional providers who may have rendered service for the claim. If more information is required from the provider, an additional 14 days will be allotted to provide the requested documentation.



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Because the CMS is authorized to monitor administration and compliance of payments made through states' Medicaid programs, providers do not require patient permission to release the requested documentation.

In the past, it has been shown that the most common form of payment errors occur due to insufficient documentation; therefore, it is very important that all providers relay the requested information in a complete and timely manner. Failure to do so can sometimes result in sanctions being imposed, payment recoupment, or termination from participation in the South Carolina Healthy Connections Medicaid program.

In the event that a provider takes issue with the results of their documentation review, the normal state appeal rights will apply to each claim.

If you have any questions regarding the obligations included in this program, you are encouraged to visit the [CMS PERM website](#) or reach out to your Practice Manager. As always, APS will continue to monitor any developments on this topic and do our best to keep you informed on any new updates.