

Payment Error Rate Measurement (PERM) Overview

In 2002 Congress enacted the Improper Payments Information Act of 2002, and The Centers for Medicare & Medicaid Services (CMS) implemented PERM to measure improper payments in Medicaid and Children's Health Insurance Program (CHIP).

CMS uses a 17-state rotation for PERM. Each state is reviewed once every three years and is assigned a state-specific sample size for each component. PERM reviews three components of Medicaid and CHIP:

- **Fee-For-Service (FFS)**—Federal contractor conducts medical review and data processing review on sampled FFS claims.
- **Managed Care**—Federal contractor conducts data processing review (no medical review) on sampled managed care payments.
- **Eligibility**—States conduct active and negative case reviews and report findings to CMS

Note: The FY2014—2016 PERM cycles will not include an eligibility component review. During these years, states will be participating in Medicaid and CHIP eligibility review pilots.

Following is a brief explanation of each type of review:

- **Medical Review**—conducted on sample FFS claims. This is a review of the provider's record supporting the service(s) claimed, Code of Federal Regulations that are applicable to conditions of payment, and the State's written policies to determine whether the service was medically necessary, reasonable, provided in the appropriate setting, billed correctly, and coded correctly.
- **Data Processing Review**—conducted on sampled FFS and managed care payments. On-site or remote review of the claim and other information available in the State's Medicaid Management Information System, related systems, or outside sources of provider verification.
- **Eligibility Review**—conducted on sampled eligibility cases. Active case reviews look at the last case worker action for recipients on the Medicaid/CHIP eligibility rolls. Negative case reviews look at the caseworker action to deny or terminate recipient from Medicaid/CHIP coverage.

Please contact Susan.Mateja@state.de.us if you have any questions.