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MEMORANDUM

TO: RHCF and Community Services Members

FROM: Patrick Cucinelli, Senior Financial Policy Analyst

DATE: March 3, 2009

SUBJECT: PERM Audits of New York's Providers

ROUTE TO: Administrator, CFO

ABSTRACT: CMS and OMIG issue first request for claims data for PERM audits.

Introduction

New York has been selected as one of 17 states to participate in the *Payment Error Rate Measurement (PERM)* project. PERM is a federal initiative and was developed to comply with the [*Improper Payments Information Act*](#) (Public Law 107-300). On the federal level, the program is administered by the Centers for Medicare and Medicaid Services (CMS) and on the state level by the Office of Medicaid Inspector General (OMIG). By law, CMS must complete the following:

- An annual process to identify programs that may be susceptible to a significant level of improper payments;
- An estimate of the amount of improper payments;
- A report to Congress on its findings; and
- A report on corrective actions taken to reduce the improper payments.

The CMS PERM Web site is available at: <http://www.cms.hhs.gov/PERM/>.

Contracting Agent

Under PERM, reviews will be conducted in three areas: 1) fee-for-service (FFS) claims; 2) managed care claims; and 3) program eligibility. The FFS claims review component also

includes a medical review. The federal government has contracted with Livanta, LLC to conduct the FFS and managed care claims review and to be their documentation/database contractor. Livanta, LLC will request documentation from a sample of providers to substantiate claims paid in Federal Fiscal Year 2008 (October 1, 2007- September 30, 2008). The provider will have 60 days to provide the required medical documentation to Livanta, LLC. If the medical documentation is not received an error will be assessed.

OMIG's Role

With New York being on the list of states under review, OMIG has decided to mirror the federal review and is requesting that providers submit a duplicate copy of the documentation to them. The OMIG Web site (see <http://www.omig.state.ny.us/data/content/view/106/921/>) details their role in process.

According to [OMIG's 2008-09 Work Plan](#):

The OMIG will use PERM samples to collect information that might not be required as part of the project, but which is useful to the OMIG in identifying potential threats to the integrity of the Medicaid program. OMIG staff will look at each sample payment as it relates to the overall billing pattern of the provider, the utilization pattern of Medicaid recipients and the health care relationships between the client, the provider and other health care providers dealing with the client and the sampled provider. PERM review is scheduled for every three years. Between cycles, the OMIG will use the PERM model to continuously perform random sampling of Medicaid claims.

First Quarter Collection

For impacted providers, Livanta, LLC has requested the medical records for the first quarter (10/1/07-12/31/07) Medicaid FFS claim sample. In addition, OMIG has requested their duplicate copies. All providers that have been sampled for the first quarter of PERM should have been contacted by Livanta, LLC and the OMIG. Again, the failure to provide the documentation will result in an error being charged against the provider for the claim sampled.

Please contact me with any questions at: pcucinelli@nyahsa.org or call 518-449-2707 ext. 145.