




Commonwealth of Massachusetts
Executive Office of Health and Human Services
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**MassHealth
All Provider Bulletin 166
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TO: All Providers Participating in MassHealth
FROM: Tom Dehner, Medicaid Director 
RE: CMS Payment Error Rate Measurement Project (PERM)

Introduction

Massachusetts is one of 17 states participating in the 2007 Centers for Medicare and Medicaid (CMS) Payment Error Rate Measurement (PERM) project. The project is designed to estimate a national and state Medicaid payment error rate and to identify opportunities for improvement. CMS and their partners will randomly select a sample of about 3,000 Massachusetts MassHealth claims paid or denied in the fiscal year ending September 30, 2007. Sampling will be done in four quarterly claim-file extracts throughout fiscal year 2007. CMS will test each selected claim for accuracy and medical necessity. **A provider with claims selected in the sample will be contacted by CMS and required to provide medical records and supporting documentation for the sampled claim(s).**

**Background
and Authority**

The Improper Payments Information Act (IPIA) of 2002 directs federal agency heads, in accordance with the Office of Management and Budget (OMB) guidance, to annually review significant federal programs and report the improper payment estimates to Congress. The PERM regulations at 42 CFR 431.950 through 431.1002 (published in the *Federal Register* on October 5, 2005), directs the states to work with CMS in developing a national payment error rate to comply with the IPIA. MassHealth will be working closely with CMS and their partners to support this federal project.

Understandably, providers are concerned with maintaining the privacy of patient information. Section 1902(a)(27) of the Social Security Act requires providers to retain records necessary to disclose the extent of services provided to individuals receiving assistance and to furnish CMS with information, including medical records, about any payments claimed by the provider for furnishing services. Also, 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 regulations at 45 CFR, parts 160 and 164. Thus, no special patient permission is necessary for the release of records under this project.

Process

Sample claims will be selected from four quarterly extracts of the MassHealth data base of paid claims in FFY 2007. Providers who have claims selected in the sample will be contacted by the CMS contractor, Livanta LLC, to verify correct name and address information and to determine how they want to receive the request for information (RFI) for medical records (fax or U.S. mail). **Providers are required to respond to the RFI within 90 days of receipt.** Livanta LLC will follow up to ensure that providers have an opportunity to submit the documentation before the 90-day time frame expires. **Failure to respond to the Livanta RFI will result in an error and a claim adjustment against the provider's claim, and may also result in an on-site review.**

If, after reviewing records, an error is determined, providers will be notified and given a chance to respond.

Questions

For questions about a medical-record request, call Livanta's customer-service representatives at 301-957-2380. If you have any questions about the information in this bulletin, please contact MassHealth Customer Service at 1-800-841-2900, e-mail your inquiry to providersupport@mahealth.net, or fax your inquiry to 617-988-8974.

Visit the CMS PERM Web site at <http://www.cms.hhs.gov/PERM> for complete information relating to the CMS PERM Project.
