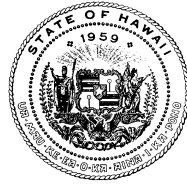


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In reply, please refer to:  
File:

Medicaid I/DD Waiver  
Memo No.: FY2021-07  
Date: November 5, 2020

TO: Medicaid I/DD Waiver Providers

FROM: Mary Brogan, Administrator  
Developmental Disabilities Division

SUBJECT: Payment Error Rate Measurement (PERM) Audit

Hawaii is currently participating in the Payment Error Rate Measurement (PERM) audit conducted by the Center for Medicare and Medicaid Services (CMS) for claims paid during fiscal year 2020. Most providers have participated in PERM reviews in previous PERM cycles. **Please note: It is mandatory that you respond to CMS or its PERM contractor with the requested information within the required timeline.**

#### Background

The Improper Payments Information Act (IPIA) of 2002 (amended in 2010 by the Improper Payments Elimination and Recovery Act or IPERA) requires the heads of Federal agencies to annually review programs they administer and identify those that may be susceptible to significant improper payments, to estimate the amount of improper payments, to submit those estimates to Congress, and to submit a report on actions the agency is taking to reduce the improper payments. The Office of Management and Budget (OMB) has identified Medicaid and the Children's Health Insurance Program (CHIP) as programs at risk for significant improper payments. As a result, CMS developed the PERM program to comply with the IPIA and related guidance issued by OMB.

The PERM program measures improper payments in Medicaid and CHIP and produces error rates for each program. The error rates are based on reviews of the fee-for-service (FFS), managed care, and eligibility components of Medicaid and CHIP in the fiscal year (FY) under review. It is important to note the error rate is not a "fraud rate" but simply a measurement of payments made that did not meet statutory, regulatory or administrative requirements. For more information on the CMS PERM program and its requirements see: <https://www.cms.gov/Research-Statistics-Data-and-Systems/Monitoring-Programs/Improper-Payment-Measurement-Programs/PERM>.

Medicaid I/DD Waiver Program – Provider Memo  
Memo No. FY2021-07  
November 5, 2020  
Page 2 of 2

#### Current PERM

CMS uses a 3-cycle rotation for the PERM, in which states will undergo PERM audits every 3 years. Hawaii is in Cycle 3, and reviews are occurring this fiscal year. **The PERM will include services paid between July 1, 2019 to June 30, 2020.**

CMS uses contractors to perform the PERM. This year, the CMS PERM contractor is NCI, Inc., not to be confused with National Core Indicators (NCI). NCI, Inc. will be sending out timelines and requests for medical records and documentation to support claims that have been billed. **It is very important that providers respond to requests from NCI, Inc. within the timelines to avoid any errors.** If a provider fails to submit all the requested information, the claim will be considered an error. All errors are considered improper payments. Hawaii is required to reimburse the federal government for all improper payments and has the right to seek recoupment from those providers.

For more information on Provider Requirements, see the Medicaid Provider Manual Chapter 2, sections 2.8.1.4 Medical Records Management and 2.8.1.5 Medical Records Standards at <https://medquest.hawaii.gov/> and the Waiver Provider Standards Manual Version B-3, section 2.4.C at <https://health.hawaii.gov/ddd/files/2018/10/Waiver-Standards-B-3.pdf>.

If you have any questions, please email the Community Resources Branch at [doh.dddcrb@doh.hawaii.gov](mailto:doh.dddcrb@doh.hawaii.gov) or call (808) 733-2135.

c: Jon Fujii, DHS-MQD  
DDD Management Team