



In reply, please refer to:

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Medicaid I/DD Waiver
Memo No.: FY2023-06
Date: January 5, 2023

TO: Medicaid I/DD Waiver Providers

FROM: Mary Brogan, Administrator
Developmental Disabilities Division

SUBJECT: Payment Error Rate Measurement (PERM) Audit

The Payment Error Rate Measurement (PERM) audit, conducted by the Centers for Medicare and Medicaid Services (CMS) for claims paid during fiscal year 2023, is starting up again. 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 Payment Integrity Information Act (PIIA) of 2019 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 PIIA and related guidance issued by OMB.

The PERM program measures improper payments in Medicaid and CHIP and produces improper payment rates for each program. The improper payment rates are based on reviews of the Fee-For-Service (FFS), managed care, and eligibility components of Medicaid and CHIP in the year under review. It is important to note that the improper payment rate is not a "fraud rate" but simply a measurement of payments made that did not meet statutory, regulatory, or administrative requirements. 2008 was the first year in which CMS reported improper payment rates for each component of the PERM program. 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>.

Current PERM

CMS uses a 3-cycle rotation for 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 claims paid between July 1, 2022 to June 30, 2023.**

CMS uses contractors to perform the PERM. This year, the CMS PERM contractor is Empower AI. Empower AI 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 Empower AI 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 A, effective April 1, 2022, section 3.2.C at <https://health.hawaii.gov/ddd/files/2022/02/2021-Waiver-Standards-Manual-Version-A-Apr2022-FINAL.pdf>.

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

c: Jon Fujii, DHS-MQD
DDD Management Team