Centers for Medicare & Medicaid Services, HHS

§ 431.974

(a) Data processing systems manuals;
(b) Repricing information for claims that are determined during the review to have been improperly paid;
(c) Information on claims that were selected as part of the sample, but changed in substance after selection, for example, successful provider appeals;
(d) Adjustments made within 60 days of the adjudication dates for the original claims or line items with sufficient information to indicate the nature of the adjustments and to match the adjustments to the original claims or line items;
(e) For the eligibility improper payment measurement, information as set forth in §§ 431.978 through 431.988;
(f) A corrective action plan for purposes of reducing erroneous payments in FFS, managed care, and eligibility; and
(g) Other information that the Secretary determines is necessary for, among other purposes, estimating improper payments and determining error rates in Medicaid and CHIP.

(b) Sample size. CMS estimates a State’s annual sample size for claims review at the beginning of the PERM cycle.

(1) Precision and confidence levels. The annual sample size should be estimated to achieve a State-level error rate within a 3 percent precision level at 95 percent confidence interval for the claims component of the PERM program, unless the precision requirement is waived by CMS on its own initiative.

(2) Base year sample size. The annual sample size in a State’s first PERM cycle (the “base year”) is—
(i) Five hundred fee-for-service claims and 250 managed care payments drawn from the claims universe; or
(ii) If the claims universe of fee-for-service claims or managed care capitation payments from which the annual sample is drawn is less than 10,000, the State may request to reduce its sample size by the finite population correction factor for the relevant PERM cycle.

(3) Subsequent year sample size. In PERM cycles following the base year:
(i) CMS considers the error rate from the State’s previous PERM cycle to determine the State’s annual sample size for the current PERM cycle.
(ii) The maximum sample size is 1,000 fee-for-service or managed care payments, respectively.
(iii) If a State measured in the FY 2007 or FY 2008 cycle elects to reject its State-specific CHIP PERM rate determined during those cycles, information from those cycles will not be used to calculate its annual sample size in subsequent PERM cycles and the State’s annual sample size in its base year is 500 fee-for-service and 250 managed care payments.


§ 431.974 Basic elements of Medicaid and CHIP eligibility reviews.

(a) General requirements. (1) States selected in any given year for Medicaid and CHIP improper payments measurement under the Improper Payments Information Act of 2002 must conduct reviews of a statistically valid random sample of beneficiary cases for such programs to determine if improper
§ 431.978 Eligibility sampling plan and procedures.

(a) Plan approval. For each review year, the agency must—

1. Submit its Medicaid or CHIP sampling plan (or revisions to a current plan) for both active and negative cases to CMS for approval by the August 1 before the review year; and

2. Have its sampling plan approved by CMS before the plan is implemented.

(b) Maintain current plan. The agency must do both of the following:

1. Keep its plan current, for example, by making adjustments to the plan when necessary due to fluctuations in the universe.

2. Review its plan each review year. If it is determined that the approved plan is—

   i. Unchanged from the previous review year, the agency must notify CMS that it is using the plan from the previous review year; or

   ii. Changed from the previous review year, the agency must submit a revised plan for CMS approval.

(c) Sample size.

(1) Precision and confidence levels. Annual sample size for eligibility reviews should be estimated to achieve within a 3 percent precision level at 95 percent confidence interval for the eligibility component of the program.

(2) Base year sample size. Annual sample size for each State’s base year of PERM is—

   i. Five hundred four active cases and 204 negative cases drawn from the active and negative universes; or

   ii. If the active case universe or negative case universe of Medicaid or CHIP beneficiaries from which the annual sample is drawn is less than 10,000, the State may request to reduce its sample size by the finite population correction factor for the relevant PERM cycle.

(3) Subsequent year sample size. In PERM cycles following the base year the annual sample size may increase or decrease based on the State’s prior results of the previous cycle PERM error rate information. The State may provide information to CMS in the eligibility sampling plan due to CMS by the August 1 prior to the start of the review year to support the calculation of a reduced annual sample size for the next PERM cycle.

   i. CMS considers the error rate from the State’s previous PERM cycle to determine the State’s annual sample size for the current PERM cycle.

   ii. The maximum sample size is 1,000 for the active cases and negative cases, respectively.

   iii. If the active case universe or negative case universe of Medicaid or CHIP beneficiaries from which the annual sample is drawn is less than 10,000, the State may request to reduce its sample size by the finite population correction factor for the relevant PERM cycle.

   iv. If a State measured in the FY 2007 or FY 2008 cycle elects to reject its PERM CHIP rate as determined during those cycles, information from those cycles is not used to calculate the State’s sample size in subsequent PERM cycles and the State’s sample size in its base year is 504 active cases and 204 negative cases.

(d) Sample selection. The sample must be stratified in accordance with § 431.978(d)(3). Cases must be selected...