




Commonwealth of Massachusetts
Executive Office of Health and Human Services
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MassHealth
All Provider Bulletin 203
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TO: All Providers Participating in MassHealth
FROM: Terence G. Dougherty, Medicaid Director 
RE: **Centers for Medicare & Medicaid Services (CMS) FY2010 Payment Error Rate Measurement (PERM) Project**

Introduction

Massachusetts is one of 17 states participating in the CMS FY2010 PERM project. The PERM project is designed to estimate a national and state-specific Medicaid payment error rate and to identify opportunities for improvement. CMS and their contractors will randomly select a sample of approximately 3,000 processed claims from MassHealth, including the State Children's Health Insurance Program (SCHIP), paid or denied, in the fiscal year ending September 30, 2010. Sampling will be based on four quarterly claim-file extracts throughout fiscal year 2010. The CMS contractors will test each selected claim for data processing accuracy and for medical necessity.

A provider with claims selected in the sample will be contacted directly by the CMS contractor and will be required to provide the contractor with copies of the medical records and the supporting documentation for the sampled claim(s).

The claim will be classified as an error if the CMS contractors determine that

- the provider failed to respond to the request for supporting medical records;
- there is insufficient documentation of medical necessity for the claim; or
- the claim was incorrectly billed based on the medical records supplied.

Provider cooperation to furnish requested records is critical in this CMS project. Insufficient documentation or failure to respond to requests will be considered a payment error.

All claims that are classified as errors will result in a claim adjustment against the provider's claim. This in turn may also result in an on-site visit.

(continued on next page)

**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 that are susceptible to significant erroneous payments, 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. Providers are reminded of the requirements of Section 1902a(a)(27) of the Social Security Act, federal regulation 42 CFR Part 431.107, and regulations at 130 CMR 450.205, to retain any records necessary to disclose the extent of services provided to individuals and, upon request to furnish information about any payments claimed by the provider for services.

Also, the Health Insurance Portability and Accountability Act of 1996 (HIPAA) permits the collection and review of protected health information contained in individual-level medical records for payment review purposes. Therefore, no special patient permission is necessary for the release of records under this project.

Questions

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.

You may also visit CMS's PERM Web site at <http://www.cms-perm.org/> for complete information about the CMS PERM Project.
