

Report in Brief

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U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES
OFFICE OF INSPECTOR GENERAL



Why OIG Did This Audit

The Centers for Medicare & Medicaid Services (CMS) is responsible for overseeing States' design and operation of their Medicaid programs and ensuring that Federal funds are appropriately spent. CMS developed the Payment Error Rate Measurement (PERM) program to measure improper payments in Medicaid and the Children's Health Insurance Program (CHIP). This is the second in a series of three OIG audits that will assess the adequacy of the PERM program by reviewing the accuracy of determinations for each of its three components.

The objective of this audit was to assess the adequacy of the PERM program by determining whether CMS's contractors conducted Medicaid fee-for-service (FFS) reviews in accordance with Federal and State requirements.

How OIG Did This Audit

Our audit covered 1,653 Medicaid FFS claims reviewed by CMS's PERM contractors, totaling over \$2.9 million (Federal share), included in the Medicaid FFS component of the Reporting Year 2019 PERM program for 3 States. We judgmentally selected these States based on various factors, including total Medicaid payments, individual State FFS error rates, and the types of errors identified by CMS's review contractors. We reviewed a random sample of 100 Medicaid FFS claims (total) for the 3 States.

The Centers for Medicare & Medicaid Services' Review Contractors Generally Conducted Medicaid Fee-for-Service Claim Reviews for Selected States Under the Payment Error Rate Measurement Program in Accordance with Federal and State Requirements

What OIG Found

CMS's contractors generally conducted Medicaid FFS reviews in accordance with Federal and State requirements. Of the 100 sampled Medicaid PERM FFS claims we reviewed, 90 claims were correctly determined and adequately documented. However, claim review determinations for the remaining 10 claims were not documented and therefore may be incorrect. Based on our sample results, we estimated that 10 percent of the sampled Medicaid FFS claims reviewed by CMS's contractors were not documented and claim review determinations for these claims may not have been correct. We also estimated the total amount paid related to these claims to be \$6,411 (Federal share) during our audit period.

CMS's contractors did not always maintain documentation of their claim review determinations because CMS did not include specific contract language requiring its contractors to maintain all documentation to support the contractors' Medicaid FFS claim review determinations for non-error claims.

We are not making recommendations because CMS took action to address the deficiencies we identified. Additionally, our sample estimates indicated that these potential errors were immaterial when applied to our sampling frame.