



C A L I F O R N I A D E P A R T M E N T O F

Mental Health

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March 9, 2007

DMH INFORMATION NOTICE NO.: 07-03

TO: LOCAL MENTAL HEALTH DIRECTORS
LOCAL MENTAL HEALTH PROGRAM CHIEFS
LOCAL MENTAL HEALTH ADMINISTRATORS
COUNTY ADMINISTRATIVE OFFICERS
CHAIRPERSONS, LOCAL MENTAL HEALTH BOARDS

SUBJECT: NOTIFICATION OF REVISED SAMPLING AND EXTRAPOLATION
PROCEDURES FOR EARLY AND PERIODIC SCREENING,
DIAGNOSIS AND TREATMENT (EPSDT) CHART AUDITS

REFERENCE: DMH INFORMATION NOTICE NO: 06-16
REVIEW OF SAMPLING AND EXTRAPOLATION
METHODOLOGIES, EPSDT CLAIMS AUDITS (INSTITUTE OF
SOCIAL RESEARCH, CALIFORNIA STATE UNIVERSITY,
SACRAMENTO, OCTOBER 2006)

The purpose of this notice is to provide information regarding the revision of methodologies used in the EPSDT chart audit processes for Fiscal Year 2006-07. The revision includes methodological modification and rationale, and covers the following areas:

1. Sample sizes, methods for sample stratification, and the 5% threshold of error rate
2. The confidence interval and RAT-STATS software of the US Department of Health and Human Services (DHHS)
3. The likelihood of being reviewed by volume of claims
4. Pass for Good Performance
5. State Department of Mental Health (DMH) written description of methodologies for EPSDT audits

1. Sample Sizes, Methods for Sample Stratification, and the 5% Threshold Error Rate

Sample sizes remain the same as in current practice. Samples will be stratified by service type per current practice. The 5% threshold of error rate for extrapolation remains in place.

Rationale: Probability sampling theory and demonstrations of it have repeatedly shown that a sample of 200 claims could be used to estimate the total amount of claims' errors in a universe of perhaps thousands of claims. Current DMH sample sizes, when compared to

sample size public services audits reviewed by DHHS, are already at the upper end of the range used by the federal agency in its audits. The California Department of Health Services (CDHS) also suggests that DMH not increase sample sizes. Each service type sampled will have a valid number [approximately 200 for large Legal Entities (LEs)]. Errors found in the chart review, if numerous enough to meet the 5% error threshold, will only be extrapolated to the total amount the LE billed for that service type. The rationale for drawing samples from within service type and maintaining the 5% threshold of error is that these features were legislatively mandated in July 2006.

2. The Confidence Interval and DHHS' RAT-STATS Software

Immediately and retroactive to July 1, 2006, DMH will calculate the extrapolated recoupment amounts for the Fiscal Year 2006-07 chart reviews using DHHS' RAT-STATS software to derive the lower limit of a one-sided 90% confidence interval.

Rationale: Both CDHS and DHHS use and recommend using a lower limit confidence interval method of extrapolation. The most recent Medicare Program Integrity Manual (6/30/06), Chapter 3, Section 3.10.5 also specifies that the application of a one-tailed 90% confidence level in audits incorporates the uncertainty inherent in the sample design, yields a demand amount for recovery that is very likely less than the true amount of overpayment, and allows a reasonable recovery without requiring the tight precision that might support a need for the point estimate. The rationale for choosing DHHS' RAT-STATS software for calculation of the confidence level is that it takes into account varying precision levels of each sample to accurately determine repayment amounts, and it is the standard software tool used in Medicare/Medicaid audits.

3. The Likelihood of Being Reviewed based on Legal Entities' Volume of Claims

LEs will continue to be selected randomly for review, with weighted likelihoods of being selected that are determined by the annual total dollar amount claimed. All LEs will have some likelihood of potential review.

Rationale: Previously, a small number of LEs whose claiming data indicated that they provided a very small volume of EPSDT services were not reviewed. Under the revised system, these very-low-volume claimers will have some small likelihood of review. LEs will be selected randomly for review from four categories (i.e., very-low, low, mid, and highest total dollars of annual claims) having different probabilities of being selected. Consistent with current practice in other government agencies including CDHS, DMH does not make public the exact details regarding which entities fall into each level that is likely to be selected for review.

4. Pass for Good Performance

Criteria are currently being developed which will allow Legal Entities with good performance on past EPSDT chart reviews to be excluded from the next year audit if drawn as part of the random sample. This is planned to begin in FY 07-08.

Rationale: DMH believes it is useful to develop specific criteria which allow a Legal Entity to be excluded for good performance from an audit if they meet past performance criteria established by the Department.

5. DMH's Written Descriptions of EPSDT Audit Methodologies

DMH will develop written descriptions of its revised sampling and extrapolation methodologies consistent with the standard of disclosure that parallels CDHS and Medicare/Medicaid practice. DMH will provide to all Mental Health Plans the details of how the universe of claims subject to review was defined, how the sample was randomized and drawn, what the sample size was, and a description of the calculations concerning how data from claims errors found in the sample were used to determine extrapolated recoupment amounts.

Rationale: DMH plans to establish and maintain a standard of disclosure about methodology that parallels CDHS and Medicare/Medicaid practice.

If you have questions, please contact Mark Wiederanders, Ph.D. of the DMH Medi-Cal, Epidemiology and Forecasting Support unit at (916) 653-6317.

Sincerely,

Original signed by:

STEPHEN W. MAYBERG, Ph.D.
Director