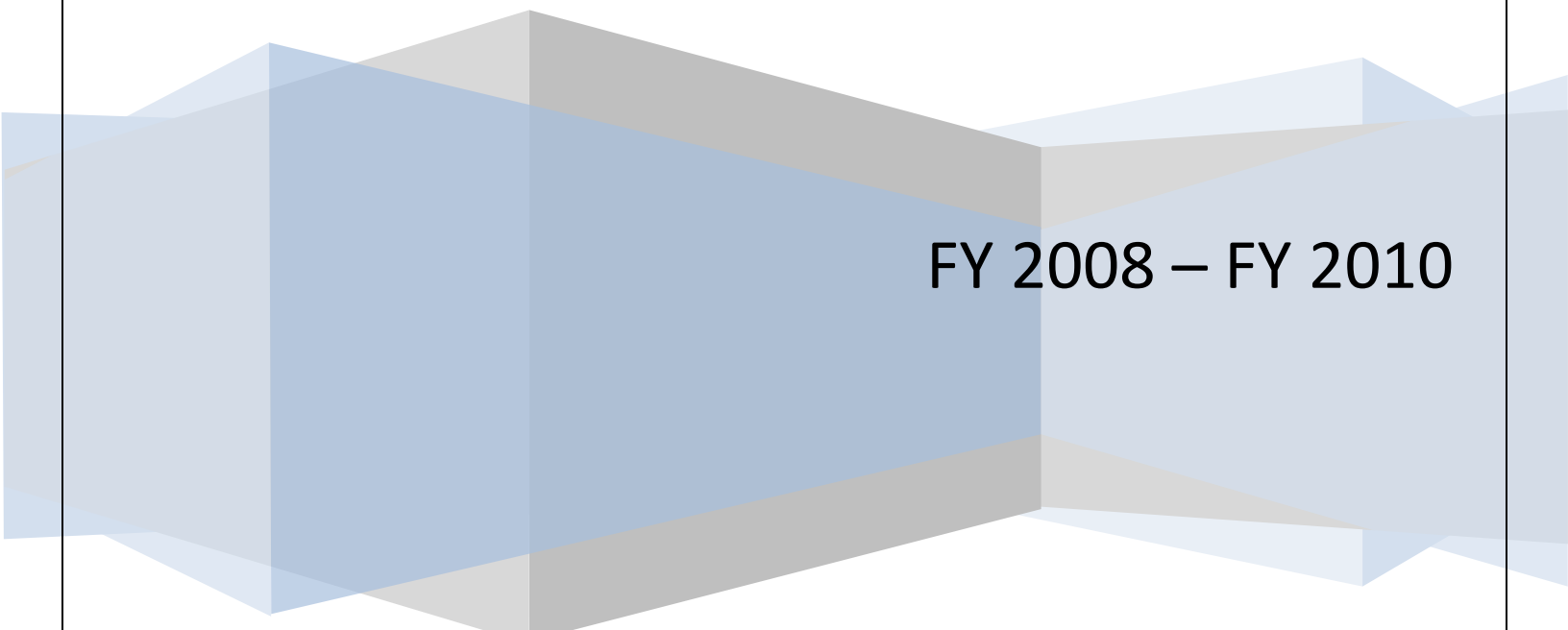# Medicaid Improper Payment Findings

FY 2008 – FY 2010 Payment Error Rate Measurement (PERM) Cycles

CMS

FY 2008 – FY 2010

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Background

The data contained in this package is a compilation of Medicaid improper payments identified in Fiscal Years (FYs) 2008, 2009, and 2010 through the Payment Error Rate Measurement (PERM) program. PERM is the Medicaid and Children's Health Insurance Program (CHIP) improper payment measurement required by the Improper Payment Information Act (IPIA) and Improper Payments Elimination and Recovery Act (IPERA). CMS annually estimates the amount of Medicaid improper payments and submits those estimates to Congress.

Through the PERM program, CMS samples state Fee-For-Service (FFS) and managed care Medicaid payments, collects documentation from providers, conducts a data processing review on sampled FFS and managed care payments, and performs a medical record review on sampled FFS claims. If an error is identified during medical or data processing review, states are given the opportunity to request a difference resolution. In addition, states perform eligibility reviews and submit the results of their eligibility reviews to CMS.

The PERM program uses a 17-state three-year rotation for measuring improper payments in Medicaid, so that CMS measures each state once every three years. The data presented in this package consists of findings from the three most recently completed PERM cycles, FY 2008, FY 2009, and FY 2010, and, therefore, contains findings from all 50 dates and the District of Columbia. This package also includes the most recent data available to CMS.

CMS recovers the federal share of Medicaid payments from states on a claim-by-claim basis from the overpayments found in error. CMS also works closely with states to review their error rates, determine root causes of errors and develop corrective actions to address the major causes of errors.

Table 1: Medicaid Errors by Component

Component	Overpayments		Underpayments		Total Errors	
	Number of Payment Errors	Dollar Amount of Errors	Number of Payment Errors	Dollar Amount of Errors	Number of Payment Errors	Dollar Amount of Errors
FFS Data Processing	225	$652,299	70	$9,764	295	$662,063
FFS Medical Review	778	$2,147,518	30	$147,932	808	$2,295,450
Managed Care	59	$35,180	20	$242	79	$35,422
Eligibility	2,003	$757,487	37	$8,034	2,040	$765,521
Total	**3,065**	**$3,592,484**	**157**	**$165,972**	**3,222**	**$3,758,456**

Table 2: Fee – For – Service (FFS) Medical Review Errors by Error Type

Error Code	Error Type Description	Payment Errors		Dollars in Error	
		Number	% of Total Number of Errors	Dollars In Error	% of Total Dollars in Error
MR1	No Documentation	140	17.3%	$450,961	19.6%
MR2	Insufficient Documentation	298	36.9%	$940,585	41.0%
MR3	Procedure Coding Error	55	6.8%	$94,708	4.1%
MR4	Diagnosis Coding Error	59	7.3%	$454,793	19.8%
MR5	Unbundling	1	0.1%	$92	0.0%
MR6	Number of Units Error	161	19.9%	$158,263	6.9%
MR7	Medically Unnecessary Service	13	1.6%	$68,758	3.0%
MR8	Policy Violation	55	6.8%	$112,657	4.9%
MR9	Administrative/Other	26	3.2%	$14,635	0.6%
	Total	**808**	**100%**	**$2,295,450**	**100%**

Table 3: Fee – For – Service (FFS) Medical Review Errors by Service Type

Service Type	Payment Errors		Dollars in Error	
	Number	% of Total Number of Errors	Dollars In Error	% of Total Dollars in Error
Habilitation and Waiver Programs	184	22.8%	$530,350	23.1%
Outpatient Services	133	16.5%	$87,178	3.8%
Inpatient Hospital	95	11.8%	$760,439	33.1%
Nursing & Intermediate Care Facilities	89	11.0%	$639,936	27.9%
Personal Support Services	78	9.7%	$35,918	1.6%
Prescribed Drugs	72	8.9%	$38,978	1.7%
Mental Health Services	70	8.7%	$112,459	4.9%
Dental Services	18	2.2%	$3,910	0.2%
Hospice Services	16	2.0%	$42,441	1.8%
Home Health Services	13	1.6%	$5,621	0.2%
Lab/X-Ray/Imaging	13	1.6%	$4,925	0.2%
Durable Medical Equipment & Environmental Modifications	9	1.1%	$28,632	1.2%
Transportation	9	1.1%	$3,063	0.1%
Therapies and Rehabilitation Services	7	0.9%	$1,431	0.1%
Vision Services	2	0.2%	$170	0.0%
Total	**808**	**100%**	**$2,295,450**	**100%**

Table 4: Fee – For – Service (FFS) Medical Review Errors by Service Type and Error Type

Error Code	Error Type	Inpatient Hospital				Mental Health Services			
		Number of Errors		Dollars in Error		Number of Errors		Dollars in Error	
MR1	No Documentation	4	4.2%	$66,714	8.8%	15	21.4%	$46,770	41.6%
MR2	Insufficient Documentation	4	4.2%	$62,512	8.2%	22	31.4%	$31,672	28.2%
MR3	Procedure Coding Error	4	4.2%	$76,254	10.0%	4	5.7%	$2,992	2.7%
MR4	Diagnosis Coding Error	59	62.1%	$454,793	59.8%	0	0.0%	$0	0.0%
MR5	Unbundling	0	0.0%	$0	0.0%	0	0.0%	$0	0.0%
MR6	Number of Units Error	12	12.6%	$31,664	4.2%	25	35.7%	$28,704	25.5%
MR7	Medically Unnecessary	12	12.6%	$68,502	9.0%	0	0.0%	$0	0.0%
MR8	Policy Violation	0	0.0%	$0	0.0%	1	1.4%	$44	0.0%
MR9	Administrative/Other	0	0.0%	$0	0.0%	3	4.3%	$2,276	2.0%
	Total	**95**	**100%**	**$760,439**	**100%**	**70**	**100%**	**$112,458**	**100%**

Error Code	Error Type	Nursing & Intermediate Care Facilities				Outpatient Services			
		Number of Errors		Dollars in Error		Number of Errors		Dollars in Error	
MR1	No Documentation	12	13.5%	$108,706	17.0%	25	18.8%	$33,584	38.5%
MR2	Insufficient Documentation	57	64.0%	$467,796	73.1%	41	30.8%	$32,454	37.2%
MR3	Procedure Coding Error	0	0.0%	$0	0.0%	43	32.3%	$14,144	16.2%
MR4	Diagnosis Coding Error	0	0.0%	$0	0.0%	0	0.0%	$0	0.0%
MR5	Unbundling	0	0.0%	$0	0.0%	0	0.0%	$0	0.0%
MR6	Number of Units Error	4	4.5%	$8,628	1.4%	15	11.3%	$5,078	5.8%
MR7	Medically Unnecessary	0	0.0%	$0	0.0%	1	0.8%	$256	0.3%
MR8	Policy Violation	14	15.7%	$51,407	8.0%	3	2.3%	$1,298	1.5%
MR9	Administrative/Other	2	2.3%	$3,399	0.5%	5	3.8%	$365	0.4%
	Total	**89**	**100%**	**$639,936**	**100%**	**133**	**100%**	**$87,179**	**100%**

Error Code	Error Type	Prescribed Drugs				Personal Support Services			
		Number of Errors		Dollars in Error		Number of Errors		Dollars in Error	
MR1	No Documentation	11	15%	$3,162	8%	24	31%	$11,157	31%
MR2	Insufficient Documentation	36	50%	$27,075	69%	28	36%	$16,097	45%
MR3	Procedure Coding Error	0	0%	$0	0%	0	0%	$0	0%
MR4	Diagnosis Coding Error	0	0%	$0	0%	0	0%	$0	0%
MR5	Unbundling	0	0%	$0	0%	0	0%	$0	0%
MR6	Number of Units Error	1	1%	$295	1%	22	28%	$7,920	22%
MR7	Medically Unnecessary	0	0%	$0	0%	0	0%	$0	0%
MR8	Policy Violation	21	29%	$6,900	18%	4	5%	$745	2%
MR9	Administrative/Other	3	4%	$1,547	4%	0	0%	$0	0%
	Total	**72**	**100%**	**$38,979**	**100%**	**78**	**100%**	**$35,919**	**100%**

Table 4: Fee – For – Service (FFS) Medical Review Errors by Service Type and Error Type (Continued)

Error Code	Error Type	Habilitation and Waiver Programs				Dental Services			
		Number of Errors		Dollars in Error		Number of Errors		Dollars in Error	
MR1	No Documentation	32	17.4%	$178,235	33.6%	7	38.9%	$892	22.8%
MR2	Insufficient Documentation	85	46.2%	$285,494	53.8%	3	16.7%	$326	8.3%
MR3	Procedure Coding Error	0	0.0%	$0	0.0%	2	11.1%	$968	24.8%
MR4	Diagnosis Coding Error	0	0.0%	$0	0.0%	0	0.0%	$0	0.0%
MR5	Unbundling	0	0.0%	$0	0.0%	0	0.0%	$0	0.0%
MR6	Number of Units Error	58	31.5%	$37,294	7.0%	0	0.0%	$0	0.0%
MR7	Medically Unnecessary	0	0.0%	$0	0.0%	0	0.0%	$0	0.0%
MR8	Policy Violation	5	2.7%	$26,009	4.9%	2	11.1%	$161	4.1%
MR9	Administrative/Other	4	2.2%	$3,317	0.6%	4	22.2%	$1,563	40.0%
	Total	184	100%	$530,349	100%	18	100%	$3,910	100%

Error Code	Error Type	Hospice Services				Home Health Services			
		Number of Errors		Dollars in Error		Number of Errors		Dollars in Error	
MR1	No Documentation	0	0.0%	$0	0.0%	0	0.0%	$0	0.0%
MR2	Insufficient Documentation	3	18.8%	$8,574	20.2%	3	23.1%	$817	14.5%
MR3	Procedure Coding Error	0	0.0%	$0	0.0%	1	7.7%	$101	1.8%
MR4	Diagnosis Coding Error	0	0.0%	$0	0.0%	0	0.0%	$0	0.0%
MR5	Unbundling	0	0.0%	$0	0.0%	0	0.0%	$0	0.0%
MR6	Number of Units Error	13	81.3%	$33,867	79.8%	8	61.5%	$4,660	82.9%
MR7	Medically Unnecessary	0	0.0%	$0	0.0%	0	0.0%	$0	0.0%
MR8	Policy Violation	0	0.0%	$0	0.0%	0	0.0%	$0	0.0%
MR9	Administrative/Other	0	0.0%	$0	0.0%	1	7.7%	$42	0.8%
	Total	16	100%	$42,441	100%	13	100%	$5,620	100%

Error Code	Error Type	Lab/X-Ray/Imaging			
		Number of Errors		Dollars in Error	
MR1	No Documentation	3	23.1%	$110	2.2%
MR2	Insufficient Documentation	8	61.5%	$4,504	91.5%
MR3	Procedure Coding Error	1	7.7%	$249	5.1%
MR4	Diagnosis Coding Error	0	0.0%	$0	0.0%
MR5	Unbundling	0	0.0%	$0	0.0%
MR6	Number of Units Error	0	0.0%	$0	0.0%
MR7	Medically Unnecessary	0	0.0%	$0	0.0%
MR8	Policy Violation	1	7.7%	$62	1.3%
MR9	Administrative/Other	0	0.0%	$0	0.0%
	Total	13	100%	$4,925	100%

Table 5: Fee – For – Service (FFS) Data Processing Review Errors by Error Type

Error Code	Error Type	Number Of Errors		Dollars In Error	
		Number of Payment Errors	% of Total Number of Errors	Dollars in Error	% of Total Dollars in Error
DP1	Duplicate Item	11	3.7%	$45,186	6.8%
DP2	Non-Covered Service	78	26.4%	$188,242	28.4%
DP3	FFS Claim for a Managed Care Service	6	2.0%	$50,772	7.7%
DP4	Third-party Liability	12	4.1%	$62,634	9.5%
DP5	Pricing Error	128	43.4%	$45,233	6.8%
DP6	Logic Edit	9	3.1%	$59,281	9.0%
DP7	Data Entry Error	7	2.4%	$14,778	2.2%
DP8	Rate Cell Error	0	0.0%	$0	0.0%
DP9	Managed Care Payment Error	1	0.3%	$0	0.0%
DP10	Administrative/Other	43	14.6%	$195,937	29.6%
	Total	**295**	**100%**	**$662,063**	**100%**

Table 6: Fee – For – Service (FFS) Data Processing Review Errors by Service Type and Error Type

Error Code	Error Type	Inpatient Hospital				Mental Health Services			
		Number of Errors		Dollars in Error		Number of Errors		Dollars in Error	
DP1	Duplicate Item	1	1.7%	$16,250	6.1%	1	3.2%	$157	0.2%
DP2	Non-Covered Service	0	0.0%	$0	0.0%	19	61.3%	$64,779	82.7%
DP3	FFS Claim for MC Service	3	5.2%	$48,498	18.1%	1	3.2%	$115	0.2%
DP4	Third Party Liability	2	3.5%	$43,123	16.1%	0	0.0%	$0	0.0%
DP5	Pricing Error	42	72.4%	$24,674	9.2%	4	12.9%	$2,098	2.7%
DP6	Logic Edit	2	3.5%	$44,414	16.6%	4	12.9%	$10,579	13.5%
DP7	Data Entry Error	0	0.0%	$0	0.0%	1	3.2%	$360	0.5%
DP8	Rate Cell Error	0	0.0%	$0	0.0%	0	0.0%	$0	0.0%
DP9	Managed Care Payment Error	0	0.0%	$0	0.0%	0	0.0%	$0	0.0%
DP10	Administrative Error/Other	8	13.8%	$90,657	33.9%	1	3.2%	$213	0.3%
	Total	**58**	**100%**	**$267,616**	**100%**	**31**	**100%**	**$78,301**	**100%**

Table 6: Fee – For – Service (FFS) Data Processing Review Errors by Service Type and Error Type (Continued)

Error Code	Error Type	Nursing & Intermediate Care Facilities				Outpatient Services			
		Number of Errors		Dollars in Error		Number of Errors		Dollars in Error	
DP1	Duplicate Item	2	5.3%	$18,403	10.5%	1	1.8%	$58	0.1%
DP2	Non-Covered Service	13	34.2%	$60,274	34.4%	15	26.8%	$10,953	23.6%
DP3	FFS Claim for MC Service	0	0.0%	$0	0.0%	2	3.6%	$2,159	4.7%
DP4	Third Party Liability	0	0.0%	$0	0.0%	1	1.8%	$414	0.9%
DP5	Pricing Error	8	21.1%	$5,300	3.0%	26	46.4%	$4,868	10.5%
DP6	Logic Edit	1	2.6%	$4,028	2.3%	0	0.0%	$0	0.0%
DP7	Data Entry Error	1	2.6%	$2,241	1.3%	3	5.4%	$12,098	26.1%
DP8	Rate Cell Error	0	0.0%	$0	0.0%	0	0.0%	$0	0.0%
DP9	Managed Care Payment Error	0	0.0%	$0	0.0%	0	0.0%	$0	0.0%
DP10	Administrative Error/Other	13	34.2%	$85,234	48.6%	8	14.3%	$15,842	34.2%
	Total	**38**	**100%**	**$175,480**	**100%**	**56**	**100%**	**$46,392**	**100%**

Error Code	Error Type	Prescribed Drugs				Habilitation and Waiver Programs			
		Number of Errors		Dollars in Error		Number of Errors		Dollars in Error	
DP1	Duplicate Item	0	0.0%	$0	0.0%	5	26.3%	$10,270	40.6%
DP2	Non-Covered Service	2	9.1%	$12,674	82.8%	9	47.4%	$13,679	54.1%
DP3	FFS Claim for MC Service	0	0.0%	$0	0.0%	0	0.0%	$0	0.0%
DP4	Third Party Liability	6	27.3%	$2,608	17.0%	0	0.0%	$0	0.0%
DP5	Pricing Error	14	63.6%	$30	0.2%	5	26.3%	$1,350	5.3%
DP6	Logic Edit	0	0.0%	$0	0.0%	0	0.0%	$0	0.0%
DP7	Data Entry Error	0	0.0%	$0	0.0%	0	0.0%	$0	0.0%
DP8	Rate Cell Error	0	0.0%	$0	0.0%	0	0.0%	$0	0.0%
DP9	Managed Care Payment Error	0	0.0%	$0	0.0%	0	0.0%	$0	0.0%
DP10	Administrative Error/Other	0	0.0%	$0	0.0%	0	0.0%	$0	0.0%
	Total	**22**	**100%**	**$15,312**	**100%**	**19**	**100%**	**$25,299**	**100%**

Table 6: Fee – For – Service (FFS) Data Processing Review Errors by Service Type and Error Type (Continued)

Error Code	Error Type	Hospice Services				Lab/X-Ray/Imaging			
		Number of Errors		Dollars in Error		Number of Errors		Dollars in Error	
DP1	Duplicate Item	0	0.0%	$0	0.0%	1	16.7%	$48	6.3%
DP2	Non-Covered Service	4	23.5%	$20,376	83.8%	1	16.7%	$62	8.2%
DP3	FFS Claim for MC Service	0	0.0%	$0	0.0%	0	0.0%	$0	0.0%
DP4	Third Party Liability	0	0.0%	$0	0.0%	0	0.0%	$0	0.0%
DP5	Pricing Error	12	70.6%	$3,921	16.1%	2	33.3%	$484	63.6%
DP6	Logic Edit	0	0.0%	$0	0.0%	0	0.0%	$0	0.0%
DP7	Data Entry Error	1	5.9%	$10	0.0%	0	0.0%	$0	0.0%
DP8	Rate Cell Error	0	0.0%	$0	0.0%	0	0.0%	$0	0.0%
DP9	Managed Care Payment Error	0	0.0%	$0	0.0%	0	0.0%	$0	0.0%
DP10	Administrative Error/Other	0	0.0%	$0	0.0%	2	33.3%	$167	21.9%
	Total	**17**	**100%**	**$24,307**	**100%**	**6**	**100%**	**$761**	**100%**

Table 7: Managed Care Data Processing Review Errors by Error Type

Error Code	Error Type	Managed Care			
		Number of Errors		Dollars in Error	
DP1	Duplicate Item	5	6.3%	$3,493	9.9%
DP2	Non-Covered Service	40	50.6%	$22,146	62.5%
DP3	FFS Claim for MC Service	0	0.0%	$0	0.0%
DP4	Third Party Liability	0	0.0%	$0	0.0%
DP5	Pricing Error	1	1.3%	$166	0.5%
DP6	Logic Edit	1	1.3%	$9,053	25.6%
DP7	Data Entry Error	0	0.0%	$0	0.0%
DP8	Rate Cell Error	0	0.0%	$0	0.0%
DP9	Managed Care Payment Error	31	39.2%	$533	1.5%
DP10	Administrative Error/Other	1	1.3%	$31	0.1%
	Total	**79**	**100%**	**$35,422**	**100%**

Table 8: Eligibility Payment Errors by Error Type

Error Code	Error Type	Total Number of Errors	Overpayments		Underpayments		Percentage of Total Errors	
			Number of Errors	Dollars in Error	Number of Errors	Dollars in Error	% of Total Number of Errors	% of Total Dollars in Error
U	Undetermined	910	910	$349,677	0	$0	44.6%	45.7%
NE	Not eligible	814	814	$299,920	0	$0	39.9%	39.2%
EI	Eligible with ineligible services	122	122	$75,979	0	$0	6.0%	9.9%
L/U	Liability understated	145	145	$30,459	0	$0	7.1%	4.0%
L/O	Liability overstated	37	-	$0	37	$8,034	1.8%	1.1%
MCE1	Managed care error, ineligible for managed care	8	8	$1,270	0	$0	0.4%	0.2%
MCE2	Managed care error, eligible for managed care but improperly enrolled	4	4	$181	0	$0	0.2%	0.0%
	Total	**2,040**	**2,003**	**$757,487**	**37**	**$8,034**	**100%**	**100%**

Table 9: Eligibility Negative Case Errors by Error Type

Stratum	Number of Cases	Percentage of All Cases	Percentage of Cases in Error
Correct	9,829	95.2%	--
Improper Termination	337	3.3%	68.2%
Improper Denial	157	1.5%	31.8%
Total Negative Cases	**10,323**	**100%**	**100%**