



SHO #06-004

Dear State Health Official:

CMS developed the Payment Error Rate Measurement (PERM) program to comply with the Improper Payments Information Act of 2002, under which the Office of Management and Budget requires us to estimate improper payments in Medicaid and the State Children's Health Insurance Program (SCHIP).¹ We began implementation of the PERM program last year to measure a component of the Medicaid program in seventeen States. This year, CMS will use PERM to measure improper payments in SCHIP and has selected the States for review in Fiscal Year (FY) 2007 and beyond.

As part of our national implementation strategy, we have selected States for the improper payment measurement in Medicaid by using a sampling methodology that ensures a State is selected for measurement once and only once every three years. In selecting the States for the improper payment measurement in SCHIP, we determined that we can measure the same States that are measured for Medicaid each year and produce a SCHIP error rate that will meet IPPIA requirements. As with Medicaid, we will measure each State's SCHIP program once and only once every three years. We believe that reviewing a State's Medicaid and SCHIP programs in the same year will reduce administrative complexities, costs and burdens since some States may be able to combine staff and resources for both reviews. The SCHIP State selection for fiscal years (FY) 2007-2009 (which will rotate thereafter) is as follows:

States Selected for SCHIP Improper Payment Measurements

FY 2007	North Carolina, Georgia, California, Massachusetts, New Jersey, Tennessee, West Virginia, Kentucky, Maryland, Alabama, South Carolina, Colorado, Utah, Vermont, Nebraska, New Hampshire, Rhode Island
FY 2008	New York, Florida, Texas, Louisiana, Indiana, Mississippi, Iowa, Maine, Oregon, Arizona, Washington, District of Columbia, Alaska, Hawaii, Montana, South Dakota, Nevada
FY 2009	Pennsylvania, Ohio, Illinois, Michigan, Missouri, Minnesota, Arkansas, New Mexico, Connecticut, Virginia, Wisconsin, Oklahoma, North Dakota, Wyoming, Kansas, Idaho, Delaware

The PERM measurement for both Medicaid and SCHIP beginning in FY 2007 will review the fee-for-service (FFS), managed care, and eligibility components of the program. CMS has engaged Federal contractors to measure improper payments in the FFS and managed care components of Medicaid and SCHIP. In the year a State is reviewed under PERM, the State itself will conduct the measurement for the eligibility components of Medicaid and SCHIP. The

¹ To obtain more information on the PERM program, we invite you to visit our website at <http://www.cms.hhs.gov/MedicaidPERM>.

States selected for review in FY 2007 will receive more detailed information regarding State responsibilities under PERM, including instructions for conducting the eligibility reviews and an invitation to participate in a “kick-off” teleconference.

We appreciate the cooperation States have afforded us in measuring improper payments in FY 2006 and we look forward to our continued partnership in the forthcoming years as we work to ensure the integrity of the Medicaid and SCHIP programs.

Sincerely,

/s/

Timothy B. Hill
Director
Office of Financial Management

Dennis G. Smith
Director
Center for Medicaid and State Operations

cc:

CMS Regional Administrators

CMS Associate Regional Administrators
for Medicaid and State Operations

Martha Roherty
Director, Health Policy Unit
American Public Human Services Association

Joy Wilson
Director, Health Committee
National Conference of State Legislatures

Matt Salo
Director of Health Legislation
National Governors Association

Jacalyn Bryan Carden
Director of Policy and Programs
Association of State and Territorial Health Officials

Christie Raniszewski Herrera
Director, Health and Human Services Task Force
American Legislative Exchange Council

Lynne Flynn
Director for Health Policy
Council of State Governments