

Payment Error Rate Measurement (PERM) Fast Facts



What is the PERM program, and why is it important?

The Centers for Medicare & Medicaid Services (CMS) implemented the [Payment Error Rate Measurement](#) (PERM) program to comply with the requirements of the [Payment Integrity Information Act of 2019](#). The PERM program's goal is to measure and report an unbiased estimate of the true national improper payment rate for the Medicaid program and the Children's Health Insurance Program (CHIP). The improper payment rate is based on assessments of the eligibility, Fee-for-Service (FFS), and Managed Care (MC) components for both Medicaid and CHIP. Through a state's Corrective Action Plan (CAP), CMS and states work together to understand the root cause of improper payments in order to lower the state and national improper payment rates.

Who supports PERM?

The PERM team consists of the CMS PERM team as well as its contractors and state partners who work together to measure improper payments in Medicaid and CHIP. CMS has contracted with a Statistical Contractor (SC), a Review Contractor (RC), and an Eligibility Review Contractor (ERC) to administer the PERM program.

Roles and Responsibilities

- **CMS PERM Team:** Responsible for providing program oversight of the measurement, confirming it remains on track and meets regulatory requirements. Provides guidance and technical assistance to states throughout the measurement process through monthly meetings and educational resources. Reviews and responds to any state-requested appeals of error findings, and works with states to report and recover improper payments.
- **CMS CAP Team:** Responsible for overseeing the PERM CAP development process. The Center for Program Integrity Division of State Partnership provides assistance when states develop CAPs and follows up with states to assess the status of corrective actions.
- **PERM SC:** Responsible for collecting FFS and MC claims universe data, and selecting a random sample of claims on a quarterly basis. Reviews and validates universe data with the assistance of the state to confirm the sample is valid for Medicaid and CHIP, and delivers the samples to the RC and the ERC. At the end of each measurement, calculates state and national improper payment rates for Medicaid and CHIP.
- **PERM RC:** Responsible for completing Medical Reviews (MRs) and Data Processing (DP) reviews for FFS and MC claims. Works with providers to collect medical records needed for MR, and uses states' enrollment and payment information in the Medicaid Management Information Systems to complete DP reviews. Maintains the State Medicaid Error Rate Finding (SMERF) website that reports PERM findings and communicates requests for additional information with states.
- **PERM ERC:** Responsible for completing eligibility case reviews and reporting eligibility case review findings through SMERF. Accesses states' eligibility systems and eligibility case files to verify that eligibility elements and the eligibility for beneficiaries of a sampled claim is correct.
- **States:** Responsible for providing overall PERM support to PERM contractors. Confirm essential staff are engaged in all PERM processes where contractors need technical assistance or need information; state PERM teams are typically staffed with Subject Matter Experts (SMEs) and individuals with Medicaid and CHIP policy and process knowledge. Staff members of a state's PERM team most often have the following expertise:
 - **Claims data and CMS reporting (CMS-64 and CMS-21)** to assist with claims data submissions and universe builds.
 - **Provider relations and education** to educate providers on the medical records requests and review processes.
 - **Claim Payment and eligibility systems** to assist with access to the necessary systems for PERM reviewers.
 - **Claim Payment and eligibility policy** to respond to policy and process questions during the cycle.
 - **IT security** to develop security and data use agreements, when required.

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When do states participate in PERM?

States participate in PERM every 3 years as part of CMS' three-cycle rotation of 17 states.¹

In each review cycle, there are three phases.

1. **Universe and Sampling Phase:** States submit claims data to the SC who then develops the claims universe to pull random samples. Once samples are drawn, they are shared with the state, the RC, and the ERC.
2. **Review Phase:** The RC and ERC use the samples sent from the SC to collect documentation needed to complete MRs, DP reviews, and eligibility case reviews. Review findings are posted on the SMERF website.
3. **Analysis and Reporting Phase:** The SC uses the review findings stored in SMERF to calculate state and national improper payment rates. All three contractors work together to prepare and distribute cycle summary reports and other reports required by CMS.

Since PERM is conducted in three annual cycles, the national improper payment rate encompasses the most current cycle and the previous two cycles; therefore, all 50 states and the District of Columbia are currently included in the national rate.

How can State Medicaid Directors support PERM?

State Medicaid Directors (SMDs) can support the PERM process by ensuring that the necessary staff are available to assist PERM contractors in completing the different phases of PERM in a timely manner. PERM contractors need regular communication with points of contact who are SMEs in various areas, including but not limited to, claims data, provider relations and education, and payment and eligibility systems and policy. SMDs may also review error findings and provide oversight for implementing corrective actions to reduce states' future improper payment rates.

More information about PERM can be found in the [PERM Manual](#).

Other Useful Links:

- [OMB A-123 \(Improper Payment Implementing Guidance\)](#)
- [PERM July 2017 Regulation](#)

¹ In RY 2024, Puerto Rico will complete a PERM pilot; therefore, Cycle 3 will have 18 states moving forward, and "state" includes the District of Columbia and Puerto Rico.