Notification of RY 2019 CHIP Improper Payment Rates

State: **Pennsylvania**
Date: November 26, 2019

The Improper Payments Information Act (IPIA) of 2002[1] requires federal agencies to annually review programs susceptible to significant improper payments to estimate the amount of improper payments, report those estimates to Congress, and submit a report on actions the agency is taking to reduce the improper payments.

Medicaid and the Children's Health Insurance Program (CHIP) were identified as programs at risk for significant improper payments. CMS measures Medicaid and CHIP improper payments through the Payment Error Rate Measurement (PERM) program. Under PERM, reviews are conducted in three component areas (Fee-For-Service [FFS], managed care, and eligibility) for both the Medicaid program and CHIP. The results of these reviews are used to produce national program improper payment rates, as well as state-specific program improper payment rates. The PERM program uses a 17-state, three-year rotation cycle for measuring improper payments, so every state is measured once every three years. Pennsylvania is a Cycle 1 state, measured in Reporting Year (RY) 2019[2], and will be measured again in RY 2022[3].

This letter is an official notice of Pennsylvania's RY 2019 CHIP program and component improper payment rates, as well as preliminary CHIP sample sizes and target CHIP improper payment rates for Pennsylvania's next PERM cycle.

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[1]Amended by the Improper Payments Elimination and Recovery Act of 2010 (IPERA) and the Improper Payments Elimination and Recovery Improvement Act of 2012 (IPERIA).
[2]Please note that RY 2019 is comprised of reviews of payments made July 1, 2017 – June 30, 2018.
[3]Please note that RY 2022 is comprised of reviews of payments made July 1, 2020 – June 30, 2021.

Pennsylvania CHIP Improper Payment Rates for RY 2019

Table 1 displays RY 2019 samples sizes, improper payment rates, and confidence intervals for each component.[4]

Table 1: Pennsylvania RY 2019 CHIP Improper Payment Rates[5]

Component	RY 2019 Sample Size	Improper Payment Rate Estimate	Lower Confidence Interval (95%)	Upper Confidence Interval (95%)
Overall	**358**	**20.67%**	**15.52%**	**25.82%**
Fee-For-Service	--	--	--	--
Managed Care	41	11.31%	6.84%	15.77%
Eligibility	317	10.55%	6.88%	14.22%

Please note that improper payments do not necessarily represent expenses that should not have occurred. For example, instances where information required for payment was missing from the claim and/or states did not follow the appropriate process for enrolling providers are cited as improper payments. However, if the missing information had been on the claim and/or had the state complied with the enrollment requirements, then the claims may have been payable. For a breakout of Pennsylvania's improper payments representing claims where CMS determined that the CHIP payment should not have been made or should have been made in a different amount and are considered a known monetary loss to the program (i.e., not medically necessary, made for a non-covered service, paid to a provider not enrolled in the program), please see Pennsylvania's cycle summary report.

RY 2019 Next Steps

Your state must develop a corrective action plan to address all errors and deficiencies identified during the RY 2019 PERM cycle and CMS expects to recover the federal share on a claim-by-claim basis from the FFS and managed care overpayments found in error. **There will be no eligibility recoveries or disallowances in RY 2019. However, if eligibility disallowances had been in effect for this cycle and if your state had not met the good faith effort requirement established by section 1903(u) of the Social Security Act (i.e., complying with the Medicaid Eligibility Quality Control and corrective action plan requirements outlined in 82 FR 31158), the total extrapolated dollars available for disallowance would be $23,648,553.**

[4] A confidence interval is a range around a measurement that conveys the precision of that measurement. If multiple samples were drawn and reviewed, the results would fall within the ranges shown 95% of the time.

[5] The eligibility component sample is derived from the FFS and managed care universes.

Pennsylvania Preliminary RY 2022 CHIP Sample Size Estimates

Table 2 displays your state's estimated component sample sizes for RY 2022. Your state's previous CHIP improper payment rates, expenditures, and payment variation were reviewed to establish the RY 2022 sample sizes.

Table 2: Pennsylvania Preliminary RY 2022 CHIP Sample Size

Component	RY 2022 CHIP Sample Size
Overall	**505**
Fee-For-Service	0
Managed Care	80
Eligibility	425
Note: The Overall sample size is based on the total number of reviews for the state. Some claims may be sampled for multiple reviews.	

Note that the sample sizes for each component in Table 2 are preliminary. Your state's sample size will be finalized by CMS at the beginning of the RY 2022 cycle.

Pennsylvania CHIP Target Improper Payment Rates for RY 2022

OMB guidance requires agencies to set targets for future erroneous payment rates. National CHIP targets are negotiated by the Department of Health & Human Services, OMB, and CMS. CMS calculates state-specific improper payment rate targets to allow CMS to partner with states to meet the national CHIP improper payment rate target. Table 3 shows Pennsylvania's target improper payment rates for the next cycle.

Table 3: Pennsylvania RY 2022 CHIP Target Improper Payment Rates

Pennsylvania	FFS	Managed Care	Eligibility	Overall
Target RY 2022 Rate	N/A	6.15%	3.00%	8.97%

For the RY 2022 targets, states are asked to reduce their FFS and managed care component improper payment rates by 50 percent of the difference between the current RY 2019 rate and an anchor rate (anchor rates are currently set at 1.5 percent for FFS, and 1 percent for managed care). If the current rate is below the anchor, the RY 2022 target is the same as the current rate. Eligibility targets are set at 3 percent for every state, as the 3 percent threshold for state eligibility-related improper payments in any year is established by section 1903(u) of the Social Security Act.