



## **Notification of RY 2022 Medicaid Improper Payment Rates**

**State:** Pennsylvania  
**Date:** November 15, 2022

The Payment Integrity Information Act of 2019 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. The Centers for Medicare & Medicaid Services (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) 2022<sup>1</sup>, and will be measured again in RY 2025<sup>2</sup>.

This letter is an official notice of Pennsylvania's RY 2022 Medicaid program and component improper payment rates, as well as preliminary Medicaid sample sizes and target Medicaid improper payment rates for Pennsylvania's next PERM cycle.

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<sup>1</sup>Please note that RY 2022 is comprised of reviews of payments made July 1, 2020 – June 30, 2021.

<sup>2</sup>Please note that RY 2025 is comprised of reviews of payments made July 1, 2023 – June 30, 2024.

## Pennsylvania Medicaid Improper Payment Rates for RY 2022

Table 1 displays RY 2022 sample sizes, target rates, improper payment rates, and confidence intervals for each component.<sup>3</sup>

**Table 1: Pennsylvania RY 2022 Medicaid Improper Payment Rates**

Component	RY 2022 Sample Size	RY 2022 Target Rate	Improper Payment Rate Estimate	Lower Confidence Interval (95%)	Upper Confidence Interval (95%)
<b>Overall</b>	<b>1,231</b>	<b>4.84%</b>	<b>2.57%</b>	<b>1.13%</b>	<b>4.00%</b>
Fee-For-Service	634	5.12%	1.23%	-0.04%	2.49%
Managed Care	77	0.00%	0.00%	0.00%	0.00%
Eligibility <sup>4</sup>	520	3.00%	2.39%	0.96%	3.82%

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 Medicaid 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 (e.g., 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.

Please also note that, in response to the Coronavirus Disease 2019 (COVID-19) Public Health Emergency (PHE), the RY 2022 improper payment estimates reflect PERM reviews that accounted for certain flexibilities afforded to states during the PHE, such as postponed eligibility determinations and reduced requirements around provider enrollment/revalidation. The impact of COVID-19 PHE flexibilities on PERM review results should be considered when evaluating improvements in improper payments from the previous cycle. This impact should also be accounted for in planning for the next cycle in order to avoid future improper payments when those flexibilities are no longer in place.

<sup>3</sup> 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.

<sup>4</sup> The eligibility component sample is derived from the FFS and managed care universes.

## **RY 2022 Next Steps**

Your state must develop a corrective action plan to address all errors and deficiencies identified during the RY 2022 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. Eligibility disallowances can be enforced if your state does not meet 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).

## **Pennsylvania Preliminary RY 2025 Medicaid Sample Size Estimates**

Table 2 displays your state’s estimated component sample sizes for RY 2025. Your state’s previous Medicaid improper payment rates, expenditures, and payment variation were reviewed to establish the RY 2025 sample sizes.

**Table 2: Pennsylvania Preliminary RY 2025 Medicaid Sample Size**

<b>Component</b>	<b>RY 2025 Medicaid Sample Size</b>
Overall	918
Fee-For-Service	390
Managed Care	72
Eligibility	456
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 2025 cycle.

### **Pennsylvania Medicaid Target Improper Payment Rates for RY 2025**

The Office of Management and Budget (OMB) guidance requires agencies to set targets for future improper payment rates. National Medicaid 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 Medicaid improper payment rate target. Table 3 shows Pennsylvania’s target improper payment rates for the next cycle.

**Table 3: Pennsylvania RY 2025 Medicaid Target Improper Payment Rates**

<b>Pennsylvania</b>	<b>FFS</b>	<b>Managed Care</b>	<b>Eligibility</b>	<b>Overall</b>
Target RY 2025 Rate	1.23%	0.00%	3.00%	3.17%

For the RY 2025 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 2022 rate and an anchor rate (currently set at 3 percent for FFS and 1 percent for managed care). If the current rate is below the anchor, the RY 2025 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.