



DEPARTMENT OF HEALTH & HUMAN SERVICES

Office of Inspector General

Office of Audit Services, Region V  
233 North Michigan Avenue  
Suite 1360  
Chicago, IL 60601

February 7, 2011

Report Number: A-05-10-00063

Mr. Douglas E. Lumpkin  
Director  
The Ohio Department of Job and Family Services  
30 E. Broad St.  
Columbus, OH 43215

Dear Mr. Lumpkin:

Enclosed is the U.S. Department of Health & Human Services (HHS), Office of Inspector General (OIG), final report entitled *Review of Ohio's Payment Error Rate Measurement Corrective Action Plan*. We will forward a copy of this report to the HHS action official noted below.

Section 8L of the Inspector General Act, 5 U.S.C. App., requires that OIG post its publicly available reports on the OIG Web site. Accordingly, this report will be posted at <http://oig.hhs.gov>.

If you have any questions or comments about this report, please direct them to the HHS action official. Please refer to report number A-05-10-00063 in all correspondence.

Sincerely,

/James C. Cox/  
Regional Inspector General  
for Audit Services

Enclosure

**HHS Action Official:**

Ms. Jackie Garner  
Consortium Administrator  
Consortium for Medicaid and Children's Health Operations  
Centers for Medicare & Medicaid Services  
233 North Michigan Avenue, Suite 600  
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Department of Health & Human Services

**OFFICE OF  
INSPECTOR GENERAL**

**REVIEW OF OHIO'S  
PAYMENT ERROR RATE  
MEASUREMENT  
CORRECTIVE ACTION PLAN**



Daniel R. Levinson  
Inspector General

February 2011  
A-05-10-00063

# *Office of Inspector General*

<http://oig.hhs.gov>

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The mission of the Office of Inspector General (OIG), as mandated by Public Law 95-452, as amended, is to protect the integrity of the Department of Health & Human Services (HHS) programs, as well as the health and welfare of beneficiaries served by those programs. This statutory mission is carried out through a nationwide network of audits, investigations, and inspections conducted by the following operating components:

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The Office of Audit Services (OAS) provides auditing services for HHS, either by conducting audits with its own audit resources or by overseeing audit work done by others. Audits examine the performance of HHS programs and/or its grantees and contractors in carrying out their respective responsibilities and are intended to provide independent assessments of HHS programs and operations. These assessments help reduce waste, abuse, and mismanagement and promote economy and efficiency throughout HHS.

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The Office of Counsel to the Inspector General (OCIG) provides general legal services to OIG, rendering advice and opinions on HHS programs and operations and providing all legal support for OIG's internal operations. OCIG represents OIG in all civil and administrative fraud and abuse cases involving HHS programs, including False Claims Act, program exclusion, and civil monetary penalty cases. In connection with these cases, OCIG also negotiates and monitors corporate integrity agreements. OCIG renders advisory opinions, issues compliance program guidance, publishes fraud alerts, and provides other guidance to the health care industry concerning the anti-kickback statute and other OIG enforcement authorities.

# *Notices*

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**THIS REPORT IS AVAILABLE TO THE PUBLIC**  
at <http://oig.hhs.gov>

Section 8L of the Inspector General Act, 5 U.S.C. App., requires that  
OIG post its publicly available reports on the OIG Web site.

## **OFFICE OF AUDIT SERVICES FINDINGS AND OPINIONS**

The designation of financial or management practices as questionable,  
a recommendation for the disallowance of costs incurred or claimed,  
and any other conclusions and recommendations in this report represent  
the findings and opinions of OAS. Authorized officials of the HHS  
operating divisions will make final determination on these matters.

## INTRODUCTION

### BACKGROUND

#### Medicaid Program

Pursuant to Title XIX of the Social Security Act, the Medicaid program provides medical assistance to low-income individuals and individuals with disabilities. The Federal and State Governments jointly fund and administer the Medicaid program. At the Federal level, the Centers for Medicare & Medicaid Services (CMS) administers the program. Each State administers its Medicaid program in accordance with a CMS-approved State plan. Although the State has considerable flexibility in designing and operating its Medicaid program, it must comply with applicable Federal requirements. In Ohio, the Department of Job and Family Services (State agency) is responsible for administering the Medicaid program.

#### Improper Payments Information Act of 2002

The Improper Payments Information Act of 2002<sup>1</sup> (IPIA), P.L. No. 107-300, requires the head of a Federal agency with any program or activity that may be susceptible to significant improper payments to report to Congress the agency's estimates of the improper payments. In addition, for any program activity with estimated improper payments exceeding \$10 million, the agency must report to Congress the actions that the agency is taking to reduce those payments. Pursuant to section 2(f) of the IPIA, the Director of the Office of Management and Budget (OMB) has issued guidance on implementing IPIA requirements.

#### Improper Payments Information Act of 2002 Implementation Guidance

Unless a written waiver is obtained from OMB, OMB Circular A-123, Appendix C requires an agency to:

Review all programs and activities and identify those which are susceptible to significant erroneous payments. . . . Obtain a statistically valid estimate of the annual amount of improper payments in programs and activities. . . . Implement a plan to reduce erroneous payments. . . . [and] Report estimates of the annual amount of improper payments in programs and activities and progress in reducing them.

OMB identified the Medicaid program and the Children's Health Insurance Program (CHIP) as programs at risk for significant erroneous payments. OMB requires the Department of Health and Human Services (HHS) to report the estimated amount of improper payments for each program annually in its accountability report.

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<sup>1</sup> The Improper Payments Elimination and Recovery Act of 2010 (IPERA) superseded the IPIA.

## **Payment Error Rate Measurement Program**

CMS developed the Payment Error Rate Measurement (PERM) program to comply with IPIA and OMB requirements for measuring improper Medicaid and CHIP payments. CMS intended for the PERM program to measure improper payments made in Medicaid's fee-for-service (FFS) component in FY 2006 and to measure improper payments made in the FFS, managed care, and eligibility components of Medicaid and CHIP in FY 2007 and future years.

In August 2008, CMS issued its 2006 Medicaid FFS PERM report for Ohio. The report contained a detailed analysis of the Ohio Medicaid FFS component payment error rate for FY 2006 Medicaid claims. In this report, the most common errors found were medical necessity, insufficient documentation, and policy violations.

## **Federal Regulations**

Federal regulations at 42 CFR § 431.950, requires States to submit information necessary to enable the Secretary to produce national improper payment estimates for Medicaid and CHIP. In addition, IPIA requires a State to report on what actions it will take to reduce improper payments.

Federal regulations at 42 CFR§ 431.992 provide that "The State agency must submit to CMS a corrective action plan to reduce improper payments in its Medicaid and [CHIP] programs based on its analysis of the error causes in the FFS, managed care, and eligibility components."

Pursuant to CMS's interim final rule on Payment Error Rate Measurement, a State's corrective action plan format should include the following: data analysis, program analysis, corrective actions, implementation and monitoring and evaluation. 71 Fed. Reg. 51050, 51071 (Aug. 28, 2006).

## **Ohio's Corrective Action Plan**

In February 2009, the State agency submitted its corrective action plan in response to the 2006 PERM report. The corrective action plan contained three detailed sections based on the major sources of errors identified in the CMS report: medical necessity, insufficient documentation, and policy violations. The State's corrective action plan consisted of educating providers and reviewing its programs as follows:

- educate providers through newsletters and an outreach program;
- conduct a precertification review program;
- perform an inpatient retrospective review program;
- add to the training packet, a list of requirements for prescriptions and clarify rule regarding oral transmission of a prescription;

- review rules related to prescriptions;
- educate providers on State policy for documentation required;
- educate providers on the use of modifiers, units, and required documentation;
- offer additional education of providers by the Case Management agency; and
- conduct quarterly reviews of documentation and claims.

## **OBJECTIVES, SCOPE, AND METHODOLOGY**

### **Objectives**

Our objectives were to determine whether the State submitted corrective action plans for PERM results in accordance with Federal regulations and implemented corrective actions as stipulated in its approved corrective action plan.

### **Scope**

Our review related to the State agency's corrective action plan addressing the findings disclosed in CMS's FY 2006 Medicaid FFS Component Final Annual Error Rate Report. We reviewed the State agency's corrective action plan and the implementation of corrective actions performed during calendar year 2009.

We did not review the State agency's overall internal control structure for the Medicaid program. We limited our internal control review to obtaining an understanding of the State agency's implementation of its PERM corrective actions.

We performed our field work at the State agency in Columbus, Ohio.

### **Methodology**

To accomplish our objectives, we:

- reviewed Federal regulations related to PERM,
- interviewed State agency officials to obtain an understanding of their role in the PERM process and the implementation of the PERM corrective actions, and
- reviewed the PERM corrective action plan and supporting documentation to determine whether the State agency implemented the corrective action plan.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions

based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our finding and conclusion based on our audit objectives.

### **RESULTS OF AUDIT**

The State agency submitted its corrective action plan for PERM results in accordance with Federal regulations and implemented corrective actions as stipulated in its approved corrective action plan. As a result, this report contains no recommendations.