

2007 Fact Sheet:

Federal Medicaid Program Integrity Initiatives

THE BACKGROUND

Medicaid is a joint state-federal medical assistance program operated under a “State Plan” contract between the two governments that outlines approved services and programs. Fiscal integrity has always been a goal of the Medicaid program, and from Medicaid’s inception, both state and federal auditors regularly reviewed expenditures and accounting in the program. In recent years as data systems and analysis matured, these efforts have intensified, with states working more closely than before with their federal counterparts. Additionally, federal legislation has increased expectations of CMS to be a more active participant in Medicaid program integrity as demonstrated by:

Deficit Reduction Act of 2005 – Congress initiated the creation of the Medicaid Integrity Group (MIG) within CMS. MIG I charged with developing a thorough plan for combating fraud, waste and abuse in Medicaid.

Improper Payments Information Act of 2002 (IPIA; Public Law 107-300) – To comply with this Act, CMS implemented the Payment Error Rate Measurement (PERM) program to measure improper payments in the Medicaid program and the State Children’s Health Insurance Program (SCHIP).

Several federal payment integrity initiatives are active in Washington to include:

- **The Medicare-Medicaid Data Matching Project:** “Medi-Medi,” as this program is known, is essentially an agreement between a state Medicaid program and the federal Medicare program to exchange provider billing data from Medicare and Medicaid, giving fiscal analysts a wider range of payments to compare and contrast. Analyzing the shared data discloses previously invisible patterns of overbilling or possible fraud. Washington State was the eighth state to join this program, which was launched here in 2004. State and federal auditors are working together on this data exchange.
- **Medicaid Integrity Contractors (MICs):** The CMS Medicaid Integrity Group is responsible for obtaining contracted resources to audit State Medicaid providers. Washington is one of three States currently piloting this new program and is collaborating with the MICs to ensure audits are performed in accordance with Washington State Medicaid requirements. It should be noted that while the audits are performed by federal contractors, providers will be subject to state laws and regulations regarding audit overpayments (e.g., dispute conference, administrative hearing, etc.).
- **The Payment Error Rate Measurement (PERM):** CMS has implemented a strategy of developing state payment error rates which in turn will be used to support development of a national payment error rate. PERM will include the audit of provider payments by contracted and state resources and audit of Medicaid eligibility determinations performed by state resources. The audit will include both Medicaid and the State Children’s Health Insurance Program (SCHIP). Washington State is one of 17 states participating in federal fiscal 2008, with results expected in 2010. States will repeat the PERM audit cycle every three years.