

North Carolina
Department of Health and Human Services
Division of Medical Assistance

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Michael F. Easley, Governor
Carmen Hooker Odom, Secretary

L. Allen Dobson, Jr., M.D., Assistant Secretary
for Health Policy and Medical Assistance

December 20, 2006

Jay Campell, Executive Director
North Carolina Board of Pharmacy
PO Box 4560
Chapel Hill, NC 27515-4560

Re: Implementation of the Payment Error Rate Management initiative by the Center for Medicare and Medicaid Services (CMS)

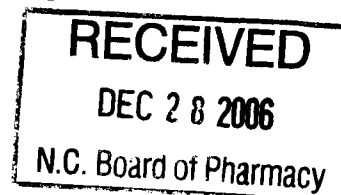
Dear Mr. Campbell:

The purpose of this letter is to solicit your assistance in communicating to members of your Association the importance of a new federal initiative with which they may become involved.

The "Improper Payments Information Act of 2002", requires all federal agencies to review programs that are susceptible to errors in payments and eligibility determination. All Medicaid programs and State Children's Health Insurance Programs (SCHIP), known here as North Carolina Health Choice program, are subject to federal review under this new law.

Beginning early next calendar year, CMS will begin measuring the accuracy of NC's Medicaid and SCHIP payments made by States for services rendered to recipients through a newly created federal Payment Error Rate Measurement (PERM) program.

Under the PERM program, CMS will use three national contractors to measure improper payments in North Carolina's Medicaid and SCHIP programs. The State will submit Medicaid and SCHIP claims data to the Lewin Group, the statistical contractor. The Lewin Group will select a sample of Medicaid and SCHIP claims for detailed review. A second contractor, Livanta LLC, will collect North Carolina's medical policies and obtain medical records pertinent to the claims selected for review from Medicaid and SCHIP providers. And a third contractor, HDI Incorporated, will review the medical records to ensure the provider's documentation supports the claim and payment amount and to ensure that the claim was paid in accordance with the State's relevant medical policy.



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Livanta LLC will contact providers directly for a copy of their pertinent medical records. Livanta will contact the provider to verify the correct name and address information and to determine how the provider wants to receive the official request(s) (facsimile or US mail) for medical records. Once the provider receives the request for medical records, the records must be submitted to Livanta either electronically or in hard copy within ninety days.

It is critical for providers to cooperate and respond timely (within 90 days) to ensure that the North Carolina error rates are calculated properly. **No response, a partial response and/or insufficient documentation will count against North Carolina as an error. Per instructions received from federal authorities, Livanta will not accept or review medical records submitted after the ninety day deadline.**

Understandably, your members may express concerns regarding the privacy of patient information. Please remind them that Section 1902(a) (27) of the Social Security Act requires all providers to retain records necessary to disclose the extent of services provided to individuals receiving assistance and furnish CMS with information regarding any payments claimed by the provider for rendering services. The furnishing of information includes medical records. In addition, the collection and review of protected health information contained in individual-level medical records for payment review purposes is permissible by the Health Insurance Portability and Accountability Act of 1996 and implementing regulations at 45 Code of Federal Regulations, parts 160 and 164.

I would like to thank you in advance for the cooperation of your association and its members. If there are any questions, please contact Tom Galligan, PERM Project Manager, Division of Medical Assistance, (919) 855-4100.

Sincerely,



Mark T. Benton
Senior Deputy Director and Chief Operating Officer