

## **POLICY POSITION**

### **3. CONCERNING FEDERAL TRANSPARENCY ON STATE MEDICAID PAYMENT ERROR RATE MEASUREMENT (PERM)**

#### **BACKGROUND**

Recent estimates indicate that Medicaid fraud costs taxpayers over \$30 billion per year, including \$19 billion in federal expenditures and \$11 billion for states. Despite this troubling figure, substantial progress has been made in recent years. According to the Centers for Medicaid/Medicare Services (CMS), the Payment Error Rate Measurement (PERM) for Medicaid, an imperfect but important indicator of potential fraud and waste, has dropped by more than 30 percent during the past two years, from 10.4 percent in 2010 to 7.1 percent in 2012. Much of this improvement has been attributed to the efforts of the Medicaid Integrity Institute at the University of South Carolina, which receives funding from CMS, to share best practices among state Medicaid agencies and train staff.

However, payment error rates continue to vary substantially among states from lows approaching 1 percent to highs exceeding 30 percent. Reducing payment error and controlling fraud in states with the highest error rates will likely require increased state investments in program integrity staffing, passage of False Claims Acts or other legal measures, and close legislative oversight.

The subject has received far less legislative scrutiny than would be expected given the scale of the problem in part due to the fact that CMS fails to release state-by-state statistics on payment error rates. Individual state statistics currently are provided to each state Medicaid Program Integrity Office, but there is no current mechanism for state leaders to compare their rates to other states, and the information often is confined within the executive branch of state government. Increased transparency likely would prompt comparisons among states, facilitate state legislative oversight, and motivate action in states with high error rates.

#### **RECOMMENDATION**

The Southern Legislative Conference of The Council of State Governments urges Congress and CMS to publicly release state-by-state breakdowns of annual Payment Error Rate Measurement (PERM) statistics which are currently collected by the Centers for Medicaid/Medicare Services (CMS). By making these statistics publicly available the federal government can equip state legislatures with the information they need to make informed resource decisions, weigh new legislation, and take other actions that could significantly reduce Medicaid fraud and save billions for state and federal tax payers. This recommendation also would have no cost for the federal government, as these statistics already are collected and compiled by CMS.

The Southern Legislative Conference of The Council of State Governments requests that a copy of this policy position be forwarded to the Southern Congressional delegation, secretary of the U.S. Department of Health and Human Services, and the president of the United States.