FOR IMMEDIATE RELEASE: January 17, 2020

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Ohio Medicaid releases improper payment audit results
Corrective action plan cited as “promising”

COLUMBUS, Ohio – Today the Ohio Department of Medicaid (ODM) released results of the Centers for Medicare and Medicaid Services (CMS) fiscal year 2019 (FY2019) Payment Error Rate Measurement (PERM) audit along with the department’s corrective action plan addressing case backlogs. CMS recognized strategies proposed by ODM to strengthen regulatory compliance for shortcomings including eligibility and enrollment issues.

CMS praised ODM’s ability, under new leadership, to tackle eligibility and backlog issues.

“We appreciate the proactive leadership of Governor DeWine and his team to resolve these long-standing challenges,” said CMS Administrator Seema Verma. “Their steadfast commitment to program integrity will ensure we protect the most vulnerable of Ohioans. I look forward to working with them toward the successful implementation of their plan of correction, which will result in improvements to their systems and more accurate and timely eligibility determinations on behalf of Medicaid beneficiaries.”

CMS uses PERM to measure Medicaid and Children’s Health Insurance Program (CHIP) improper payments. Reviews are conducted annually by examining 17 states per year, or cycle, with each state reviewed once every three years. The FY2019 PERM Review for Cycle 1 states, which includes Ohio, provides insights into national and state-specific estimates of improper payment made during the historical FY2018 (July 1, 2017 – June 30, 2018). It relies on eligibility records of up to one year prior (July 1, 2016 – June 30, 2017).

CMS clarifies in its report that PERM findings do not necessarily represent expenses that should not have occurred. Instead, it measures the agency’s performance in meeting timely administrative deadlines, obtaining and securing qualifying documentation and accurately managing renewals and redeterminations.

Upon her arrival to Ohio Medicaid in January 2019, Director Maureen Corcoran instituted a series of far-reaching operational improvements to address backlog and eligibility determination compliance. They
represent only a portion of a larger scope of systemic improvements being implemented by ODM in partnership with federal, state, and county agencies.

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OHIO MEDICAID EXECUTIVE SUMMARY

FY 2019 CENTERS FOR MEDICARE AND MEDICAID SERVICES PAYMENT ERROR RATE MEASUREMENT (PERM) REPORT

PERM OVERVIEW

The Payment Error Rate Measurement (PERM) program is used by the federal Centers for Medicare and Medicaid Services (CMS) to measure Medicaid and Children’s Health Insurance Program (CHIP) improper payments. PERM reviews are conducted annually, examining 17 states per year or cycle, with each state reviewed once every three years.

CMS recently completed its 2019 PERM review for Cycle 1 states, which includes Ohio. Results from the FY 2019 report provide insights into national and state-specific estimates of improper payment made during the historical fiscal year 2018 (July 1, 2017 – June 30, 2018), and relies on eligibility records of up to one year prior (July 1, 2016 – June 30, 2017).

PERM reviews three components: fee-for-service (FFS) medical review and data processing errors (based on payments made to providers); managed care data processing errors (based on capitation payments made to managed care plans); and eligibility errors (based on eligibility determinations). If a state has an error rate of greater than 3% for two consecutive PERM cycles, CMS may recoup the difference between the state improper payment rate and the 3% allowable threshold from the federal medical assistance percentage (FMAP) claimed by the state.

The FY 2019 Medicaid and CHIP PERM review included for the first time in many years an enrollment eligibility component that measures the accuracy of Medicaid and CHIP eligibility determinations, including documentation, record-keeping, and timelines.

FY 2019 PERM FINDINGS

CMS issued its FY 2019 PERM report findings on Nov. 26, 2019. The results of the Cycle 1 national (17-state) and Ohio-specific reviews were as follows:

<table>
<thead>
<tr>
<th>NATIONAL ERROR RATE</th>
<th>MEDICAID</th>
<th>CHIP</th>
</tr>
</thead>
<tbody>
<tr>
<td>FFS estimated error rate</td>
<td>15.12%</td>
<td>15.29%</td>
</tr>
<tr>
<td>Managed care estimated error rate</td>
<td>0%</td>
<td>2.91%</td>
</tr>
</tbody>
</table>
Eligibility estimated error rate | 20.60% | 32.97%

**OHIO ERROR RATE**

<table>
<thead>
<tr>
<th></th>
<th>MEDICAID</th>
<th>CHIP</th>
</tr>
</thead>
<tbody>
<tr>
<td>FFS estimated error rate</td>
<td>3.82%</td>
<td>3.60%</td>
</tr>
<tr>
<td>Managed care estimated error rate</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>Eligibility estimated error rate</td>
<td>43.49%</td>
<td>55.16%</td>
</tr>
</tbody>
</table>

The table below breaks down Ohio’s eligibility errors by type as identified by CMS.

<table>
<thead>
<tr>
<th>ELIGIBILITY ERROR TYPES</th>
<th>MEDICAID COUNT</th>
<th>CHIP COUNT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Documentation to support eligibility determination not available to auditors</td>
<td>132</td>
<td>89</td>
</tr>
<tr>
<td>Determination/renewal not conducted timely <em>(deemed ineligible by auditors)</em></td>
<td>69</td>
<td>55</td>
</tr>
<tr>
<td>Incomplete verification and/or documentation</td>
<td>55</td>
<td>70</td>
</tr>
<tr>
<td>Other miscellaneous errors</td>
<td>15</td>
<td>31</td>
</tr>
</tbody>
</table>

ODM has been working with CMS for months to understand CMS’ preliminary eligibility error findings. ODM reiterated to CMS its legal obligation under federal Medicaid law to continue an individual’s eligibility and payment for services until the beneficiary is formally found ineligible. We also provided extensive documentation supporting county eligibility determinations and record-keeping.

During our internal evaluation, ODM uncovered a multitude of issues with Ohio Benefits – the technology system designed to manage Medicaid and CHIP eligibility and enrollment determination process. Problems included:

- Flaws allowing system users to inadvertently overwrite archived data when new or updated eligibility information is entered.
- Restricted access to stored data tables prohibiting caseworkers, auditors and ODM staff from gathering requisite eligibility determination documents to satisfy audit requirements.
- Erroneous, system-generated event management triggers that altered critical dates and deadlines, resulting in both late and voided eligibility authorizations and renewals.
- Duplicate, system-generated member identifications prompting dual provider payments and undetected financial liabilities.
- System inability to electronically manage and track critical tax filings and reporting with the Internal Revenue Service.
• Technical shortfalls that inhibit system access and navigation to those with vision and English language deficits.

NEXT STEPS
Ohio Medicaid continues to work with CMS to finalize interpretations and findings of the 2019 PERM report. Once complete, the agency will submit a corrective action plan (CAP) to CMS that identifies the root cause for each error, the actions needed to resolve each delinquency, and the measures to be implemented to monitor improvement. The plan is due to CMS by the end of February 2020, and will include implementation milestones and deadlines.

FINANCIAL IMPLICATIONS
Ohio Medicaid must reimburse federal Medicaid dollars for claim errors identified only in the sample data collected for the 2019 PERM review. CMS has the authority to demand recoupment based on extrapolated findings – a value based on the statistical likelihood of similar errors across all claims from the period – only if a state has two consecutive PERM cycles resulting in error findings that exceed the allowable rate threshold.