



Notification of FY 2012 Medicaid Error Rates

State: Pennsylvania
Date: December 20, 2013

The Improper Payments Information Act of 2002 (IPIA), amended by the Improper Payments Elimination and Recovery Act of 2010 (IPERA) and later the Improper Payments Elimination and Recovery Improvement Act of 2012 (IPERIA), requires the heads of Federal agencies to annually review programs they oversee that are susceptible to significant erroneous payments, to estimate the amount of improper payments, to report those estimates to the Congress, and to submit a report on actions the agency is taking to reduce erroneous expenditures. The Office of Management and Budget (OMB) identified Medicaid and the Children's Health Insurance Program (CHIP) as programs at risk for significant improper payments.

To implement the requirements of IPERIA, CMS developed the Payment Error Rate Measurement (PERM) program. Under PERM, reviews are conducted in three component areas (fee-for-service [FFS], managed care, and eligibility) for both the Medicaid and CHIP programs. The results of these reviews are used to produce national program error rates as well as state-specific program error rates.

This letter is official notice of your state's fiscal year (FY) 2012 Medicaid program and component error rates, preliminary FY 2015 Medicaid sample sizes, and target FY 2015 Medicaid error rates.

Pennsylvania Medicaid Error Rates for FY 2012

Table 1 below displays FY 2012 samples sizes, error rates, and confidence intervals for each component.¹

¹ A confidence interval is a range around a measurement that conveys the precision of that measurement. If multiple samples were drawn and reviewed, the results would fall within the ranges shown 95% of the time.

Table 1: Pennsylvania FY 2012 Medicaid Error Rates

Component	FY 2012 Sample Size	Error Rate Estimate	Lower Confidence Interval (95%)	Upper Confidence Interval (95%)
Overall	1674	1.02%	0.49%	1.55%
Fee-for-service	966	1.84%	0.84%	2.84%
Managed care	240	0.00%	0.00%	0.00%
Eligibility payment error rate	468	0.07%	-0.07%	0.20%
Eligibility active case error rate	468	0.21%	-0.20%	0.63%
Eligibility negative case error rate	132	0.00%	0.00%	0.00%

Pennsylvania Preliminary FY 2015 Medicaid Sample Size Estimates

Table 2 below displays your state’s estimated component sample sizes for FY 2015. Your state’s FY 2012 Medicaid error rates and payment variation were reviewed to determine if smaller or larger sample sizes will be required to meet the precision goals established for the FY 2015 PERM cycle. Preliminary eligibility sample sizes are not included in the table since the FY 2015 PERM cycle will not include an eligibility component review².

Table 2: Pennsylvania Preliminary FY 2015 Medicaid Sample Size

Component	FY2015 Medicaid Sample Size
Overall	576
Fee-for-service	336
Managed care	240

Note that the sample sizes for each component in Table 2 are preliminary. Your state’s final sample size will be determined by CMS at the beginning of the FY 2015 cycle.

² See State Health Official Letter #13-005 at <http://www.medicaid.gov/Federal-Policy-Guidance/downloads/SHO-13-005.pdf>

Pennsylvania Medicaid Target Error Rates for FY 2015

OMB guidance requires agencies to set targets for future erroneous payment rates. Medicaid targets are negotiated by the Department of Health and Human Services, OMB, and CMS. CMS calculates state-specific error rate targets to allow CMS to partner with states to meet the national Medicaid improper payment error rate target. Table 3 shows your state's target error rates for the next cycle.

Table 3: Pennsylvania FY 2015 Medicaid Target Error Rates

Pennsylvania	FFS	Managed Care	Overall
Target FY 2015 Rate	1.67%	0.00%	0.86%

States are asked to reduce their component error rates by a fixed proportion relative to an anchor rate (anchor rates are currently set at 1.5 percent for FFS and 1 percent for managed care). The target FY 2015 rates are based on a reduction in the difference between your FY 2012 component error rates and the component anchor rates by 50 percent.

No state-specific eligibility error rates will be calculated for FY 2015 and, thus, there are no state-specific eligibility target error rates. For purposes of FY 2015 national error rate estimation, CMS will freeze eligibility error rates at the FY 2012 level.