



STATE OF MICHIGAN

DEPARTMENT OF COMMUNITY HEALTH  
LANSING

JENNIFER M. GRANHOLM  
GOVERNOR

JANET OLSZEWSKI  
DIRECTOR

March 2006

Dear Provider:

The purpose of this letter is to make you aware of a new federal initiative called the **Payment Error Rate Measurement (PERM)** program, and the impact it may have on you.

PERM is a result of the Federal Improper Payments Act of 2002 which directs federal agency heads to annually review programs that are susceptible to significant erroneous payments (both underpayments and overpayments) and report the improper payment estimates to Congress. The Medicaid program and the State Children's Health Insurance Program (SCHIP) (referred to as MICHild in Michigan) have been identified as programs at risk for significant erroneous payments.

The PERM program has already begun in Michigan with the Michigan Department of Community Health (MDCH) providing paid claims files to the Centers for Medicare and Medicaid Services (CMS). CMS, through the use of national contractors, will select a random sample of claims from the files and conduct a medical record review to determine if the claims were correctly paid. If one or more of your claims is selected in the CMS sample, you will be contacted by Livanta LLC, one of the CMS contractors. Livanta LLC will verify your correct name and address information and determine how you want to receive the request(s) for medical records (fax or US mail). Once you receive the request for medical records, you must submit the information electronically or in hard copy within 90 days. Livanta LLC and/or MDCH will follow-up to ensure the medical record documentation is submitted before the 90-day time limit has expired.

Provision of protected health information contained in your medical records is permissible by the Health Insurance Portability and Accountability Act (HIPAA) of 1996 and implementing regulations at 45 Code of Federal Regulations, parts 160 and 164 for payment review purposes. In addition, MDCH policy requires that providers make records available upon request from authorized agents of the state or federal government.

It is very important that providers cooperate with sending in all requested documentation as no response or insufficient documentation will count against the state as an error. Past studies have shown that the largest cause of errors in medical reviews is no documentation or insufficient documentation. Therefore, information should be sent timely and should be complete. It is anticipated that the impact on individual providers will be minimal as the sample size will be modest and most providers will not be sampled. It is unlikely that the number of records requested from any single provider will be more than one or two.

Livanta LLC will begin contacting providers within the next few weeks. If Livanta LLC requests medical records from you and you have questions, call Robin Reed at Livanta LLC at 301-957-2380. You may also contact the Michigan Medicaid Provider Support Section at [ProviderSupport@michigan.gov](mailto:ProviderSupport@michigan.gov) or 1-800-292-2550.

Sincerely,

Paul Reinhart, Director  
Medical Services Administration