



Liability Reporting for PERM Eligibility: Review Guidance, Review Finding Definitions and PETT 2.0 Reporting

Liability errors occur when the state miscalculates the amount of a client premium, spend down amount, or other contribution to care amount and the miscalculation causes an incorrect eligibility determination and/or improper payments to be made on the client's behalf. The miscalculated client liability may be above the correct amount (i.e., liability overstated) or below the correct amount (i.e., liability understated).

The way that states should report liability errors depends on a number of factors, including the type of liability calculated and whether the miscalculated liability amount was higher or lower than the correct amount. The following document outlines how states should report liability overstated and understated errors for the PERM eligibility reviews.

General Guidance on PERM Liability Reviews

- States should be reviewing all aspects of a sampled individual's eligibility including any liability calculations which could have an impact on an individual's eligibility for coverage and/or on what payments the state makes on behalf of the individual. Client liability could include a premium paid to the state by the client as a condition of eligibility, a spend down amount or other required contributions to care as a condition of eligibility.
- Generally, if the miscalculation of the client liability had no impact on the individual eligibility for coverage and/or on what payments the state made on the client's behalf, then the state should consider any miscalculation to be a technical error only and not an eligibility or payment error.
- States should not be verifying whether a client actually paid the assigned premium or required contribution to care amount.
- There could be additional payment errors on cases in addition to miscalculation of client liability (e.g., eligible with ineligible services). PERM considers each type of payment error to be an absolute value meaning that an overpayment would not cancel out an underpayment.

Guidance on Review of Client Premiums

No premium calculation error - If the state reviews a calculated premium amount and it is determined that the premium amount was calculated correctly, the premium amount should be disregarded for the PERM eligibility payment review (i.e., the amount paid by the client should not be included in the payment review). States would only report payment amounts associated with other services received by the client in the sample month.

Client was not asked to pay enough (or any premium at all) - If the state reviews a calculated premium amount and it is determined that the premium amount the client was told to pay was lower than what the amount should have been, the state would report the difference between what the client was told to pay and what the client should have been told to pay as an error whether or not payments were made in the sample month on the individual's behalf. *See below for guidance on how to report Liability Understated – Beneficiary Premium errors.*

Client was asked to pay too much - If the state reviews a calculated premium amount and it is determined that the premium amount the client was told to pay was more than what the amount should have been, the state would report the difference between what the client was told to pay and

what the client should have been told to pay as an error whether or not payments were made in the sample month on the individual's behalf. *See below for guidance on how to report Liability Overstated – Beneficiary Premium errors.*

Guidance on Review of Spend Down and Client Contribution to Care

No calculation error - If the state reviews a spend down or client contribution to care calculation in a given sample month and it is determined that the client liability amount was calculated correctly, the amount should be disregarded for the PERM eligibility payment review (i.e., the medical expenses incurred to meet the spend down amount should not be included in the payment review). States would only report payment amounts associated with other services received by the client in the sample month.

Spend down/client contribution to care amount calculated was too low - If the state reviews a calculated spend down amount and it is determined that the spend down amount the client was told to pay was lower than what the amount should have been (including cases where no spend down amount was assigned when one should have been), there are two potential outcomes:

- 1) If the client did not meet the lower original spend down amount and, therefore the state did not pay any claims for the individual, there would be no payment error. The state should report this error as a technical error.
- 2) If the client met the lower spend down amount, any claims paid by the state above the originally calculated spend down amount and below what the spend down amount should have been would be considered an error. *See below for guidance on how to report Liability Understated – Spend Down and Liability Understated - Other errors.*

Example 1: A client was assigned a spend down amount of \$300 in the sample month. The spend down amount should have been \$400. The client had medical expenses totaling \$350, \$50 of which were paid by the state. The error would be \$50.

Example 2: A client was assigned a spend down amount of \$300 in the sample month. The spend down amount should have been \$400. The client had medical expenses totaling \$500, \$200 of which were paid by the state. The error would be \$100 as the state would have paid the other \$100 (i.e., the medical expenses over \$400) if the spend down was calculated correctly.

Example 3: A client was not assigned a spend amount. The spend down amount should have been \$500. The client had medical expenses totaling \$450 in the sample month all of which were paid by the state. The error would be \$450.

Spend down/client contribution to care amount calculated was too high - If the state reviews a calculated premium amount and it is determined that premium amount the client was told to pay was higher than what the amount should have been, there are two potential outcomes:

- 1) If the client did not meet the original spend down amount and, upon review of medical expense documentation, the client also would not have met the corrected lower spend down amount, there would be no payment error as the state would not have incorrectly denied claims that should have been paid. The state should report this error as a technical error.
- 2) If the client met the original spend down amount, then the difference between the original spend down amount and the corrected spend down amount would be considered an error for PERM as the client overpaid and the state underpaid based on eligibility spend down rules. This holds true even if the client just met the original spend down amount and the state did not make any further payments for the client in the sample month. *See below for guidance on how to report Liability Overstated – Spend Down and Liability Overstated - Other errors.*

Example 1: A client was assigned a spend down amount of \$500 in the sample month. The spend down amount should have been \$400. The client had medical expenses totaling \$450. The error would be \$50 as the state underpaid and the client overpaid based on the correct spend down calculation.

Example 2: A client was assigned a spend down amount of \$500 in the sample month. The spend down amount should have been \$400. The client had medical expenses totaling \$500, which just met the spend down total and the client had no further medical expenses in the sample month. The error would be \$100 as the state underpaid and the client overpaid based on the correct spend down calculation.

Reporting Liability Understated Errors on PETT 2.0

(1) **Liability Understated – Beneficiary Premium:** The caseworker incorrectly determined what the client’s premium amount should have been and the client was told to pay **less** for their premium amount than what the amount should have been; the state overpaid.

a. **Total Dollars field:** Enter the total dollars the State paid for services received in the sample month for each case. It includes payments to a provider, insurer or managed care organization for the program and for the services received. Do not include payments made by the beneficiary as the state should not verify whether the payment had been made. Place a zero in this column if the State did not make any payments for the sample month.

Note: The Total Dollars field may be zero, even if the Total Dollars in Error is not zero. For instance, say there is a case where the beneficiary premium calculated by the state was \$20, but it should have been \$25. If the state did not pay for any services received in the sample month, the Total Dollars field would be \$0, but the Total Dollars in Error field would be \$5.

b. **Total Dollars in Error field:** For cases that involve an incorrect calculation of a beneficiary-paid premium to the state, enter the difference between what the beneficiary was told to pay versus what the beneficiary should have been told to pay. For cases that are found to have both an error in the beneficiary premium calculation and an error for any other reason (e.g., Eligible with Ineligible Services), Total Dollars in Error would equal the sum of the absolute value of the two errors (i.e., the error should not be netted out).

c. **Total Dollars Correct:** Enter the portion of the payments, in whole or in part, as appropriate, that were correct for each sampled case. Place a zero in this column if there is no correct payment amount. Do not include payments made by the beneficiary as the state should not verify whether the payment had been made.

(2) **Liability Understated – Spend Down:** The caseworker incorrectly determined what the client’s spend down amount should have been and the client was assigned a spend down amount that was **less** than what the amount should have been; the state overpaid.

a. **Total Dollars field:** Enter the total dollars the State paid for services received in the sample month for each case. It includes payments to a provider, insurer or managed care organization for the program and for the services received. Place a zero in this column if the State did not make any payments for the sample month.

b. **Total Dollars in Error field:** For cases that involve an incorrect calculation of a spend down, enter the amount of any claims that were paid by the state in error as a result of the incorrect spend down amount. For cases that are found to have both an error in the

spend down calculation and an error for any other reason (e.g., Eligible with Ineligible Services), Total Dollars in Error would equal the sum of absolute value of the two errors (i.e., the error should not be netted out).

- c. **Total Dollars Correct:** Enter the portion of the payments, in whole or in part, as appropriate, that were correct for each sampled case. Place a zero in this column if there is no correct payment amount.

(3) **Liability Understated – Other:** The caseworker incorrectly calculated an assigned liability amount or cost of institutional care (*other than a premium or spend down*) and the client was assigned a liability that was **less** than the amount should have been; the state overpaid.

- a. **Total Dollars field:** Enter the total dollars the State paid for services received in the sample month for each case. It includes payments to a provider, insurer or managed care organization for the program and for the services received. Do not include payments made by the beneficiary. Place a zero in this column if the State did not make any payments for the sample month.
- b. **Total Dollars in Error field:** For cases that involve any other incorrect calculation of a client contribution to care (e.g., contribution for nursing home stay), enter the difference between the contribution to care amount assigned to the client versus what the client should have been assigned. For cases that are found to have both an error in the contribution to care calculation and an error for any other reason (e.g., Eligible with Ineligible Services), Total Dollars in Error would equal the sum of the absolute value of the two errors (i.e., the error should not be netted out).
- c. **Total Dollars Correct:** Enter the portion of the payments, in whole or in part, as appropriate, that were correct for each sampled case. Place a zero in this column if there is no correct payment amount.

Reporting Liability Overstated Errors on PETT 2.0

(1) **Liability Overstated – Beneficiary Premium:** The caseworker incorrectly determined what the client's premium amount should have been and the client was told to pay **more** for their premium amount than what the amount should have been; the state underpaid.

- a. **Total Dollars field:** Enter the total dollars the State paid for services received in the sample month for each case. It includes payments to a provider, insurer or managed care organization for the program and for the services received. Do not include payments made by the beneficiary. Place a zero in this column if the State did not make any payments for the sample month.

Note: The Total Dollars field may be zero, even if the Total Dollars in Error is not zero. For example, say a client was assigned a beneficiary premium of \$20, but the beneficiary premium should have been \$15. If the state did not pay for any services received in the sample month, the Total Dollars field would be \$0, but the Total Dollars in Error field would be \$5.

- b. **Total Dollars in Error field:** For cases that involve an incorrect calculation of a beneficiary-paid premium to the state, enter the difference between what the beneficiary was told to pay versus what the beneficiary should have been told to pay. For cases that are found to have both an error in the beneficiary premium calculation and an error for any other reason

(e.g., Eligible with Ineligible Services), Total Dollars in Error would equal the sum of the absolute value of the two errors (i.e., the error should not be netted out).

- c. **Total Dollars Correct:** Enter the portion of the payments, in whole or in part, as appropriate, that were correct for each sampled case. Place a zero in this column if there is no correct payment amount. Do not include payments made by the beneficiary as the state should not verify whether the payment had been made.

(2) **Liability Overstated – Spend Down:** The caseworker incorrectly determined what the client's spend down amount should have been and the client was assigned a spend down amount that was **more** than what the amount should have been; the state underpaid.

- a. **Total Dollars field:** Enter the total dollars the State paid for services received in the sample month for each case. It includes payments to a provider, insurer or managed care organization for the program and for the services received. Do not include payments made by the beneficiary. Place a zero in this column if the State did not make any payments for the sample month.

Note: The Total Dollars field may be zero, even if the Total Dollars in Error field is not zero. For example, say the client was assigned a spend down amount of \$500, should have been assigned a spend down amount of \$400, and had medical expenses totaling \$500. In this instance, the Total Dollars field would be \$0 and the Total Dollars in Error field would be \$100.

- b. **Total Dollars in Error field:** For cases that involve an incorrect calculation of a spend down, enter the difference between the spend down amount assigned to the client versus what the client should have been assigned. For cases that are found to have both an error in the spend down calculation and an error for any other reason (e.g., Eligible with Ineligible Services), Total Dollars in Error would equal the sum of absolute value of the two errors (i.e., the error should not be netted out).
- c. **Total Dollars Correct:** Enter the portion of the payments, in whole or in part, as appropriate, that were correct for each sampled case. Place a zero in this column if there is no correct payment amount.

(3) **Liability Overstated – Other:** The caseworker incorrectly calculated an assigned liability amount or cost of institutional care (*other than a premium or spend down*) and the client was assigned a liability that was **more** than the amount should have been; the state underpaid.

- a. **Total Dollars field:** Enter the total dollars the State paid for services received in the sample month for each case. It includes payments to a provider, insurer or managed care organization for the program and for the services received. Do not include payments made by the beneficiary. Place a zero in this column if the State did not make any payments for the sample month.
- b. **Total Dollars in Error field:** For cases that involve any other incorrect calculation of a client contribution to care (e.g., contribution for nursing home stay), enter the difference between the contribution to care amount assigned to the client versus what the client should have been assigned. For cases that are found to have both an error in the contribution to care calculation and an error for any other reason (e.g., Eligible with Ineligible Services), Total Dollars in Error would equal the sum of the absolute value of the two errors (i.e., the error should not be netted out).

- c. **Total Dollars Correct:** Enter the portion of the payments, in whole or in part, as appropriate, that were correct for each sampled case. Place a zero in this column if there is no correct payment amount.