



Issues Regarding Zero-Dollar Errors

Definition of a Zero-Dollar Error

A zero-dollar error occurs if a medical or data processing review detects an error(s) in a claim, but the error does not result in any improper payment. Claims paid by DRG, encounter rate, or in other fashion as a fixed payment may have errors in coding, date, level of service, etc., that do not change the amount of payment.

Example: A dental clinic is paid by an encounter rate, i.e., the dollar amount of the payment is the same for that day of service, regardless of the number and type of services delivered. A child comes to the clinic for a recall dental exam and Medicaid is billed for the recall exam, oral health instructions, and fluoride treatment. The medical record, upon review, does not document delivery of the oral health instructions or the fluoride treatment. The lack of documentation does not change the amount paid because the encounter rate is the same - whether the two services in question were or were not documented.

Zero-Dollar Errors and the Error Rate

Errors that have a zero-dollar improper payment have no effect on the improper payment rate. The error rate is determined by the ratio of improper payments to total dollar amount of payments. Thus, any error that has no dollar amount will not alter the dollar value of the improper payments and will neither increase nor decrease the error rate.

The conceptual formula for all error rate calculations is:

$$\text{Error Rate} = \text{Total Improper Payments} / \text{Total Payments}$$

Since a zero-dollar error does not change either the numerator or the denominator, any number of zero-dollar errors will not affect the error rate. Though a zero-dollar error has no effect on the error rate, the claim is a valid member of both the universe and the sample, and is not dropped from the sample and replaced with another claim.

Treatment of Zero-Dollar Errors

Zero-dollar errors are reported in the MR 9 Administration/Other category. Though zero-dollar errors do not impact the error rate, they are errors nonetheless, and reported. Though zero-dollar errors do not affect error rates or recoveries, Administration/Other findings may point to issues of interest to the States.