CMS Manual System	Department of Health & Human Services (DHHS)
Pub 100-08 Medicare Program Integrity	Centers for Medicare & Medicaid Services (CMS)
Transmittal 203	Date: MAY 25, 2007
	Change Request 5519

SUBJECT: Strategy Analysis Report (SAR)

I. SUMMARY OF CHANGES: Currently, contractors are required to submit a quarterly analysis update to their MR Strategy Report. This requirement is being changed to 6-month update which is titled SAR.

NEW / REVISED MATERIAL
EFFECTIVE DATE: JULY 1, 2007
IMPLEMENTATION DATE: JULY 2, 2007

Disclaimer for manual changes only: The revision date and transmittal number apply only to red italicized material. Any other material was previously published and remains unchanged. However, if this revision contains a table of contents, you will receive the new/revised information only, and not the entire table of contents.

II. CHANGES IN MANUAL INSTRUCTIONS: (N/A if manual is not updated)
R=REVISED, N=NEW, D=DELETED

R/N/D	CHAPTER / SECTION / SUBSECTION / TITLE
R	1/1.2.2/MR Manager
R	1/1.2.3/Annual MR Strategy
R	7/Table of Contents
R	7/7.8/The Strategy Analysis Report (SAR)
R	7/7.8.1/The SAR Format
R	7/7.8.1.1/Executive Summary
R	7/7.8.1.2/Problem Specific Activities
R	7/7.8.1.2.1/Problem Specific Activity Definitions
R	7/7.8.1.3/Narrative

III. FUNDING:

No additional funding will be provided by CMS; contractor activities are to be carried out within their FY 2007 operating budgets.

IV. ATTACHMENTS:

Business Requirements
Manual Instruction

Unless otherwise specified, the effective date is the date of service.

Attachment - Business Requirements

Pub. 100-08	Transmittal: 203	Date: May 25, 2007	Change Request: 5519

SUBJECT: Strategy Analysis Report (SAR)

Effective Date: July 1, 2007
Implementation Date: July 2, 2007

I. GENERAL INFORMATION

Contractors are required to submit an MR Strategy. Contractors shall submit one update – 6 months after the beginning of the fiscal year.

A. Background: Contractors are required to submit an MR Strategy. The MR Strategy was updated on a quarterly basis. The requirement is being changed so that contractors will only have to submit one update – 6 months after the beginning of the fiscal year.

B. Policy: Contractors are required to submit an MR Strategy.

II. BUSINESS REQUIREMENTS TABLE

Number	Requirement	Responsibility (place an "X" in each applicable column)										
		A/B MAC	DME MAC	FI	CARRIER	DMERC	RHHI	Shared-System Maintainers				OTHER
								FISS	MCS	VMS	CWF	
5519.1	Contractors shall develop a MR strategy, Strategy Analysis Report (SAR)and quality assurance process.	X		X	X	X	X					MR PSCs
5519.2	Contractors shall follow the SAR guidelines	X		X	X	X	X					MR PSCs
5519.3	Contractors shall submit a SAR by May 15 of each year.	X		X	X	X	X					MR PSCs
5519.4	Contractors shall provide a high-level summation of overall program requirements enacted and any progress, changes or updates in the executive summary of the SAR.	X		X	X	X	X					MR PSCs
5519.5	Contractors shall use a spreadsheet to track the progress made on each problem addressed until the problem is resolved	X		X	X	X	X					MR PSCs

III. PROVIDER EDUCATION TABLE

Number	Requirement	Responsibility (place an "X" in each applicable column)

		A / B MAC	DME MAC	FI	CARRIER	DMERC	RHHI	Shared-System Maintainers				OTHER
								FISS	MCS	VMS	CWF	
5519.n	None.											

IV. SUPPORTING INFORMATION

A. For any recommendations and supporting information associated with listed requirements, use the box below:

X-Ref Requirement Number	Recommendations or other supporting information:

B. For all other recommendations and supporting information, use this space:

V. CONTACTS

Pre-Implementation Contact(s): Debbie Skinner, debbie.skinner@cms.hhs.gov, 410-786-7480
Post-Implementation Contact(s): Debbie Skinner, debbie.skinner@cms.hhs.gov, 410-786-7480

VI. FUNDING A. *For Fiscal Intermediaries, Carriers, and the Durable Medical Equipment Regional Carrier (DMERC),* use only one of the following statements:

No additional funding will be provided by CMS; contractor activities are to be carried out within their FY 2007 operating budgets.

B. *For Medicare Administrative Contractors (MAC),* use the following statement:

The contractor is hereby advised that this constitutes technical direction as defined in your contract. CMS does not construe this as a change to the Statement of Work (SOW). The contractor is not obligated to incur costs in excess of the amounts alloted in your contract unless and until specifically authorized by the contracting officer. If the contractor considers anything provided, as described above, to be outside the current scope of work, the contractor shall withhold performance on the part(s) in question and immediately notify the contracting officer, in writing or by e-mail, and request formal directions regarding continued performance requirements.

1.2.2 - MR Manager

(Rev. 203, Issued: 05-25-07; Effective: 07-01-07; Implementation: 07-02-07)

An effective MR program begins with the strategies developed and implemented by senior management staff. Contractors must name an MR point of contact referred to as the MR manager who will act as the primary contact between the contractor and CMS concerning the contractor's MR program. The MR manager will also have primary responsibility for the development, oversight and implementation of the contractor's MR Strategy, *Strategy Analysis Report (SAR)* and quality assurance process. In addition, the MR manager shall have the primary responsibility for ensuring the timely submission of the MR strategy and *SAR*. For the PSC, the MR manager shall be designated as key personnel in the PSC SOW.

1.2.3 - Annual MR Strategy

(Rev. 203, Issued: 05-25-07; Effective: 07-01-07; Implementation: 07-02-07)

Each fiscal year, the contractors shall develop and document a unique annual MR Strategy within their jurisdiction. This strategy must be consistent with the goal of reducing the claims payment error rate.

The MR strategy shall detail identified MR issues, activities, projected goals, and the evaluation of activities and goals. It must be a fluid document that is revised, as targeted issues are successfully resolved, and other issues take their place. The initial strategy submitted at the beginning of the fiscal year shall be based on the strategy from the current fiscal year and updated and expanded upon as necessary.

The contractor shall analyze data from a variety of sources in the initial step in updating the MR strategy. The contractor shall use their CERT findings as the primary source of data to base further data analysis in identifying program vulnerabilities. Other data sources can include, but are not limited to, information gathered from other operational areas, such as appeals and inquiries, that interact with MR and POE.

After information and data is gathered and analyzed, the contractor shall develop and prioritize a problem list. A problem list is a list of the program vulnerabilities that threaten the Medicare Trust Fund that can be addressed through MR activities. The contractor shall consider resources and the scope of each identified medical review issue, when prioritizing their problem list. In addition, the contractor shall identify and address, in the problem list, work that is currently being performed and problems that will carry over to the following fiscal year. Once a problem list is created, the contractor shall develop MR interventions using the PCA process (IOM Pub 100-8, chapter 3, section 14) to address each problem.

The methods and resources used for MR interventions depend on the scope and severity of the problems identified and the action needed to successfully address the problems. For example, if initial MR actions such as an MR notification letter to the provider and placement on prepayment review are insufficient to improve the provider's billing accuracy, a priority referral to POE for potential intervention may be necessary.

Alternately, if on initial probe, a medium or high priority problem is identified, MR may determine that the initial issuance of probe result letter is insufficient, and a priority referral to POE, and/or more intensive medical review corrective actions may be required. A priority referral is an indication to the POE department that this is a problem which MR has determined will likely require further educational intervention. If, through communication with POE, it is determined that MR intervention and POE educational efforts have not effectively resolved the problem, a referral to the PSC BI unit may be indicated.

In addition, all claims reviewed by medical review shall be identified by MR data analysis and addressed as a prioritized problem in the MR strategy and reflected in the *SAR*. If resources allow, an MR nurse may be shared with another functional area, such as claims processing, as long as only the percentage of the nurses time spent on MR activities is identified in the strategy and accounted for in the appropriate functional area. For example, if MR agrees to share 0.5 of an FTE with claims processing to assist with the pricing of NOC claims, this 0.5 FTE shall be accounted for in claims processing.

The contractor shall develop multiple tools to effectively address identified problems for the local Medicare providers. The MR strategy shall include achievable goals and evaluation methods that test the effectiveness and efficiency of activities designed to resolve targeted medical review problems. These evaluation methods will be dependent upon effective communication between the MR and POE departments. MR shall work with POE to develop an effective system of communication regarding the disposition of problems referred to POE. Within MR, a system shall be used to track referrals to POE, follow-up communication with POE, and MR interventions used to address identified problems. *The PSC shall include what information is required in the referrals to POE within the AC or MAC JOA.*

As problems are addressed within MR or referred to POE, the MR department shall incorporate processes for follow-up that ensure appropriate resolution of the issue. If aberrancies continue, the contractor shall use the information gathered through communication with POE to determine a more progressive course of action, such as increase in prepay MR, priority referral to POE, or referral to BI in cases of suspected fraud. Effective tracking of MR and POE efforts to resolve identified problems is integral to development of any case referred for potential investigation by the PSC (See PIM, chapter 4, section 4.3). As issues are successfully resolved, the contractor shall continue to address other program vulnerabilities identified on the problem list.

The MR strategy shall include a section that describes the process used to monitor spending in each CAFM II Activity Code. The process shall ensure that spending is consistent with the allocated budget and include a process to revise or amend the plan when spending is over or under the budget allocation. In addition, the strategy shall describe how workload for each CAFM II Activity Code is accurately and consistently reported. The workload reporting process shall also assure the proper allocation of employee hours required for each activity. Program safeguard contractors (PSC) shall not report cost and workload using the CAFM II system. Instead, the contractor shall report cost and workload in the CMS *analysis, reporting, and tracking* (ART) system.

In each element of the MR strategy, the contractor shall incorporate quality assurance activities as described below. Quality assurance activities ensure that each element is being performed consistently and accurately throughout the contractor's MR program. In addition, the contractor shall have in place procedures for continuous quality improvement. Quality Improvement builds on quality assurance in that it allows the contractor to analyze the outcomes from their program and continually improve the effectiveness of their processes.

In order to assist contractors in developing their strategies, the CMS has developed the following generic template that can be used to help guide contractor planning and ensure that all activities and expected outcomes are reported. Examples of actions which might be listed in the intervention list include, but are not limited to service-specific probes, notification letters, POE priority referrals, and automated denials based on LCDs**.**

Figure 1

FY 200_ Medicare Medical Review Strategy

Contractor Name:
Contractor Number:
Contractor MR site location(s):

Data Analysis Plan:
Prioritized Problems: **(1)**
(2)
(3)
Intervention Plan: **(1)**
(2)
(3)
Follow up Plan: **(1)**
(2)
(3)
Program Management:

- **Workload management process**
- **Cost allocation management process**
- **Staffing & Resource management process**
- **CMS Mandates**
- **PSC support**

Budget and Workload Chart:

Staffing Chart:

The contractor shall include the following elements in the MR strategy:

Medicare Program Integrity Manual
Chapter 7 - MR Reports

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(Rev. 203, 05-25-07)

7.8. - The *Strategy Analysis Report (SAR)*

(Rev. 203, Issued: 05-25-07; Effective: 07-01-07; Implementation: 07-02-07)

The problem-focused, outcome-based strategy (IOM 100-8, Chapter 1) provides a continuous feedback process that will assist the contractor with the management of their MR program. To assist in the feedback process, the contractor shall utilize a *SAR*. The PSC's shall follow the *SAR* guidelines to the extent they can report on the elements they are responsible per their individual SOW. The goals of the *SAR* are to:

- *Provide CMS with more specific information on how program funds are being used to reduce the claims payment error rate.*

- *Assist the contractor in performing analyses of the MR program and the allocation of resources.*

- *Assist the contractor in monitoring progress toward resolution of targeted problems.*

- *Improve the quality of information that will assist in the creation of outcome-based strategies.*

The *SAR* shall address each problem identified in the strategy and the progress toward the projected outcomes. Monitoring the actions taken toward rectifying targeted problems will allow for early evaluation of the effectiveness of the interventions used. Close monitoring of the progress toward projected outcomes is crucial in alerting the contractor's MR management of when shifts in workload, targets, or resources will be needed. Shifts in the strategy are expected and should be identified in the *SAR*.

The contractor shall develop and submit a *SAR* that focuses on the progress made in the implementation of the contractor's MR Strategy. The *SAR* will be *problem-focused, and outcome-based, and* will continually assess and evaluate the interventions being performed during the *next 6 months* to rectify the problems. The contractor shall also address quality assurance (QA) monitoring activities being performed in concurrence with the strategy and chosen interventions. QA activities shall include any follow-up activities performed to ensure resolution of problems addressed in the past.

In analyzing the activities for each problem, it may become evident that there needs to be a shift in workload or focus. Any shift in strategy should be identified in the *SAR*. If a shift in strategy impacting workload and/or dollars becomes evident, the contractor shall identify the specific activity line(s) impacted (increased or decreased) and provide the rationale for any redistribution of workload and funds amongst the activity lines and contractor sites in the *SAR*. Any shift of this nature impacting workload and/or costs would necessitate an MR Strategy revision. In addition, the contractor shall provide an analysis of any site-specific variance between the fiscal year 2007 (FY 07) notice of budget approval (NOBA) and the reported quarterly cumulative Interim Expenditure Report (IER) workload and costs. Furthermore, the contractor shall provide explanations for variances as defined by the parameters in the following chart.

Required Variance Analysis Reporting for Medical Review (MR) Activity Codes
(use this as a guideline for Variance Analysis reporting only)

		Cost	Wrkld #1	Wrkld #2	Wrkld #3
21001	Automated Review	+/- 5%			
21002	Routine Manual Review	+/- 5%	+/- 10%		
21007	Data Analysis	+/- 5%			
21010	TPL	+/- 5%	+/- 10%		
21100	PSC Support Services	+/- 5%			
21206	Policy Reconsideration/Revision	+/- 5%	+/- 10%		
21207	MR Program Management	+/- 5%			
21208	New Policy Development	+/- 5%	+/- 10%		
21210	MR Reopenings	+/- 5%			
21220	Complex Manual Probe Review	+/- 5%	+/- 10%		
21221	Prepay Complex Review	+/- 5%	+/- 10%		
21222	Postpay Complex Review	+/- 5%	+/- 10%		

1) The contractor shall provide explanations for variances that fall outside of the above parameters
2) Please note that a variance analysis may not be required for NOBA/IER variance amounts < $5,000
3) Please note that the variance analysis should be site specific.
4) A copy of the variance analysis should be sent to the regional office.

This chart is included as a guideline to contractors for variance analysis reporting, and is not a required form to be completed or submitted with the *SAR*. The contractor shall include with the variance analysis any corrective actions that are planned or implemented. This process will allow the *SAR* to be the MR operations tool for analysis and reporting of variances by contractors, while the Variance Analysis Report (VAR) in CAFM II will be a contractor budget function. Contractor MR management shall review the budget VAR and add or expound upon the explanations provided their by budget staff. Since the PSC's are not responsible for reporting their costs by CAFM code, they are not required to follow the CAFM II reporting and variance elements of the *SAR*. However, if there is a variation in workload that will effect the MR Strategy at the PSC or the AC, the PSC shall be sure this is reflected in the *SAR*.

The contractor shall submit the *SAR by May 15* of each year.

Contractors shall send the completed *SAR* to their regional office medical review business function expert(s) at their respective e-mail address(es), and to central office at: MRSTRATEGIES@cms.hhs.gov. The subject line of the e-mail shall begin with the contractor name followed by "*SAR*". PSCs shall see Appendix A of the PSC Umbrella SOW for reporting requirements.

7.8.1 - The *SAR* Format

(Rev. 203, Issued: 05-25-07; Effective: 07-01-07; Implementation: 07-02-07)

The cover page shall contain the following information:

Contractor name;
Contractor number;
Contactor site;
Reporting period;
Report coordinator contact information (name, telephone number and e-mail address); and
Date submitted.

7.8.1.1 – Executive Summary

(Rev. 203, Issued: 05-25-07; Effective: 07-01-07; Implementation: 07-02-07)

The *SAR* is an outgrowth of the MR strategy. The executive summary of the *SAR* shall provide a high-level summation of overall program requirements enacted, and any progress, changes or updates since the submission of the MR Strategy. Program requirements include things such as program management, continuous quality improvement activities, and the Comprehensive Error Rate Test (CERT) findings. This allows contractors an opportunity to address important projects and CMS requirements that are not captured under the prioritized MR problem list and addressed in the Problem Specific Activities, section 7.8.1.3, and to provide additional information on problem specific activities that are not covered under the *SAR* criteria. For contractor specific error rates, the contractor shall list actions that have already been taken and that are currently in effect, as well as those actions planned for implementation in the future. The contractor shall utilize this analysis tool as the MR reporting mechanism for the CERT Error Rate Reduction Plan (ERRP). This section should include the above-mentioned analysis of cost and workload from the quarterly variance report. The quarterly variance report is not required by the PSCs.

7.8.1.2 – Problem Specific Activities

(Rev. 203, Issued: 05-25-07; Effective: 07-01-07; Implementation: 07-02-07)

In accordance with the MR strategy process (IOM 100-8, chapter1), contractors shall develop a prioritized medical review problem list. The *SAR* will summarize the activities taken to address each of the problems identified in the MR strategy that the contractor focused on. For each problem the contractor shall report on the following:

- Problem Description (include problem number as identified in the strategy)
- Probe Reviews
    - Number Identified
    - Number Initiated
    - Number Completed
- Targeted Reviews
    - Number Identified
    - Number Initiated
    - Number Completed

A spreadsheet shall track the progress made on each problem addressed until the problem is resolved. The spreadsheet should not be greater than one page per problem. Refer to the following chart for the recommended spreadsheet format.

CMS
CONTRACTOR MEDICAL REVIEW
FY 200*7* MR *STRATEGY ANALYSIS REPORT*

CONTRACTOR NAME/NUMBER: **ANALYZE BY CONTRACTOR SITE**

PROBLEM DESCRIPTION:

Activity	***October 1st to March 31st – Numeric Data***			
A. PROBE REVIEWS				
1. Number Identified				
2. Number Initiated				
3. Number Completed				
B. TARGETED REVIEW				
1. Number Identified				
2. Number Initiated				
3. Number Completed				

FINDINGS AND FOLLOW-UP PLANS FOR PROBES SHALL BE REFERENCED IN NARRATIVE.

RESULTS AND FOLLOW-UP PLANS FOR REVIEWS SHALL BE REFERENCED IN NARRATIVE.

7.8.1.2.1 - Problem Specific Activity Definitions

(Rev. 203, Issued: 05-25-07; Effective: 07-01-07; Implementation: 07-02-07)

A. Probe Reviews

1. Number Identified: The number of probe reviews cases that have been identified by the contractor through data analysis and earmarked as part of the medical review activities to address the particular medical review problem. A probe review case is a random sample of 20 to 40 claims in the case of a provider-specific problem, or 100 randomly sampled claims for a widespread or service-specific problem (see IOM 100-8, chapter 3, §14).

2. Number Initiated: The number of probe review cases identified to address the particular medical review problem area for which substantive medical review resources have been deployed. In general, initiation of a probe case is usually the date a request for medical records is sent to the provider(s).

3. Number completed: For the purposes of reporting in the *SAR*, a probe case is considered completed when the medical review is concluded and corrective actions have been initiated. Examples of corrective action initiation include:

a) Initial feedback on the review findings and results have been supplied to the provider along with instructions on how to correct the problems and notification of any other corrective actions to be implemented as a result of the review,

b) Referrals for overpayment collection (as applicable) have been made,

c) Referrals for targeted prepayment medical review (as applicable) have been made,

d) Referrals for follow-up action (as applicable) have been made (e.g., in the case of no prepay review, a referral has been made to the data analysis area for follow-up; or referral for follow-up probe review has been made to the appropriate medical review area),

e) Referrals for quality of care or QIO (as applicable) have been made, and

f) Referrals for any other category of corrective action have been made.

B. Targeted Review

1. Number Identified: The number of providers that have been identified through probe review (or other method) as billing in error for a particular service or services, and referred for placement on targeted medical review as a means of corrective action to address the particular medical review problem area. In the case of more than one service, the range of services must all be part of a general heading of services that can be grouped under the particular medical review problem (e.g., physical medicine & rehabilitation as a medical review problem area may include a range of services being supplied by a provider such as 97110-97112, 97116, 97140, and 97530).

In addition, targeted medical review could also be directed toward a specific service or group of services that can be included under the general heading of the particular medical

review problem, having been validated as a widespread problem through probe review. For example, with physical medicine & rehabilitation as a widespread medical review problem area and the range of services including 97110-97112, 97116, 97140, and 97530, the number of services identified for this problem area would 5.

2. Number Initiated: The number of providers or services identified for placement on targeted medical review to address the particular medical review problem area and for which a screen or suspension of claims has been initiated.

3. Number Completed: For the purposes of reporting in the *SAR* targeted medical review case is considered completed when data analysis shows there is no longer an aberrance in billing patterns, denial rates for claims included in the targeted review are at or below an acceptable threshold, and the screen has been deactivated for the provider or service(s).

7.8.1.3 – Narrative

(Rev. 203, Issued: 05-25-07; Effective: 07-01-07; Implementation: 07-02-07)

In a narrative for each problem, the contractor shall provide feedback for that particular problem. The narrative will be the mechanism for the contractor to communicate changes in problem priority, rational for variances, or any other item the contractor feels would be beneficial to the problem at hand. The contactor shall include in the narrative any QA initiatives performed during the *6 months.* In particular, the contractor shall discuss the effectiveness of interventions performed. The contractor shall include actions that will continue or begin in the next *6 months*. In addition, the contractor shall indicate when follow-up activities will occur, and the actions that will be taken. The contactor shall update the analysis after the follow-up is complete and describe the results to provide closure to the problem. Furthermore, the contractor shall indicate whether a LCD was generated or revised during the quarter as it relates to the problem addressed. In addition, this section shall identify those problems being addressed as a result of CERT findings.

Finally, as problems are resolved and closed, the problem list should be evaluated, re-prioritized and a new problem(s) initiated. The contractor shall address the evaluation process and problem selection in the *SAR*.