



TO: Hospitals – Chief Executive Officers

SUBJECT: Award of Contract to Permedion for Medicaid Utilization Reviews, DRG Validation and Review of Quality of Care Standards, DMAHS

EFFECTIVE: November 1, 2010

PURPOSE: To notify providers that effective November 1, 2010 Permedion, an HMS subsidiary, will conduct utilization control audits for inpatient services for approved acute care general hospitals and their excluded units, special hospitals, rehabilitative hospitals and private psychiatric hospitals per N.J.A.C 10:52 1.15. Permedion will conduct Diagnosis Related Groups (DRG) Validation audits for inpatient services for approved acute care general hospitals that are reimbursed under the DRG system. In addition, Permedion will include review of Quality of Care standards as part of all conducted audits.

BACKGROUND: Currently the State of New Jersey is under contract with Blue Cross/Blue Shield of New Jersey (BCBSNJ) for the purpose of conducting DRG validation audits. New Jersey Peer Review (NJPR) and Healthcare Quality Strategies, Inc (HQSI) currently work with approved acute care general hospitals for the purpose of conducting concurrent and retrospective Utilization Review Audits.

ACTION: Permedion will take over all audit responsibilities that are currently provided by NJPR and HQSI for Utilization Reviews and BCBSNJ for DRG validation. The State of New Jersey's contract with BCBSNJ will terminate on October 31, 2010 and will not be extended. Add-on payments received by general acute care hospitals related to NJPR and HQSI audit functions will be terminated effective October 31, 2010 as previously announced to the Hospital provider community in Newsletter Volume 19 No. 43, dated August 2009.

Upon commencement of the contract, Permedion will be tasked with determining, with the approval from DMAHS, the assignment of delegated/non-delegated status to approved acute care general hospitals and their excluded units, special hospitals, rehabilitative hospitals and private psychiatric hospitals. A delegated hospital would be subject to oversight by Permedion for compliance and continued authority. Non-delegated hospitals would be subject to concurrent reviews or a review of the medical necessity of hospital admission upon or within a short time following admission and periodic review of services provided during the course of treatment.

Items that hospitals must make available to the Permedion auditor at the time of an audit shall include, but shall not be limited to:

- 1) Complete Medical Record;
- 2) UB04;
- 3) Medicaid Remittance Advice;
- 4) Third Party Payer Explanation of Benefits (E.O.B.) information;
- 5) Liability information; and,
- 6) Utilization Review Certification (delegated institutions).

Hospitals are required to respond to Permedion's request for documentation and/or findings concerning reviewed claims within the time period provided in the original request. Such time periods will not be extended and failure to do so will result in recoupment of subject claims.

If you have any questions regarding this Newsletter, please contact Hospital Reimbursement Services at 609-588-2668.

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