



State of New Jersey
Department of Human Services
Division of Medical Assistance & Health Services

NEWSLETTER

Volume 35 No. 02

December 2024

TO: All providers – **For Action**
Health Maintenance Organizations – **For Information Only**

SUBJECT: **Information Regarding Payment Error Rate Measurement (PERM) Audits**

EFFECTIVE: January 1, 2025

PURPOSE: To provide NJ FamilyCare Fee-For-Service (FFS) providers information regarding the intent of PERM audits conducted by a contractor, on behalf of the federal Centers for Medicare and Medicaid Services (CMS), and a provider's responsibility to respond to any PERM audit request.

BACKGROUND: CMS developed the PERM program to comply with the Improper Payment Information Act (IPIA), enacted on November 26, 2002, which has been supplemented by the Improper Payments Elimination and Recovery Act (IPERA), based on Executive Order 13520. The Act requires federal agencies to review programs that are susceptible to significant erroneous payments every three years. PERM measures improper payments in Medicaid and the Children's Health Insurance Program (CHIP), which have been identified by the federal Office of Management and Budget (OMB), as programs at risk for improper payments.

As part of the PERM program, claims are randomly selected, and providers are required to provide documentation that supports the appropriateness of FFS claim payments.

To determine if claims have been paid correctly, PERM audits utilize following criteria:

- Adherence to State guidelines and policies based on service types.
- Completeness of medical record documentation to substantiate claim payments.
- Medical necessity for services provided.
- Validation that services were provided as ordered and claimed.
- Accuracy of coding on claims submitted for payment.

ACTION: Providers will be notified of their participation in a PERM audit first via telephone call from a PERM Review Contractor (PERM RC) Customer Service Representative and

then a hard copy of a **“Medical Records Request Letter”** will be sent via first-class mail. The PERM RC will validate a provider’s contact information by phone before sending the “Medical Records Request Letter”.

The following link is an example of the Medical Records Request Letter each participating provider will receive, **“PERM Initial Request for Records Example Letter Packet”**. This Initial Request specifies the types of documents required for each claim type under audit and will provide instructions for submitting the requested records to the PERM RC.

It is important that providers update their contact information with Gainwell Technologies, the State’s Fiscal Agent, and respond to any request for medical records promptly. Failure to respond to an auditor’s request for medical records and/or the audit’s findings may result in sanctions or other penalties, including but not limited to, termination or suspension of eligibility to participate as a NJ Medicaid provider, suspensions or denials of provider payments, and/or civil monetary penalties.

Submission of medical records to the PERM RC does not violate the Health Insurance Portability and Accountability Act (HIPAA) of 1996. The collection and review of Protected Health Information (PHI) contained in medical records are authorized by U.S. Department of Health and Human Services (HHS) regulations at 45 C.F.R. 164.512(d), as a disclosure authorized to conduct health oversight activities, pursuant to HIPAA.

The following links provide additional information about the PERM program:

- [Payment Error Rate Measurement Overview for Providers](#)
- [PERM Initial Request for Records Example Letter Packet \(PDF\)](#)
- [PERM Provider Education FAQs \(PDF\)](#)
- [PERM Overview for Providers Webinar](#)

If you have any questions concerning this Newsletter, please contact Gainwell Technologies Provider Services at 1-800-776-6334.

RETAIN THIS NEWSLETTER FOR FUTURE REFERENCE