The Centers for Medicare & Medicaid Services (CMS) has drafted the attached sub-regulatory guidance for public release. This guidance is intended to assist states in implementing the final regulation entitled “Changes to the Payment Error Rate Measurement (PERM) and Medicaid Eligibility Quality Control (MEQC) Programs (CMS-6068-F),” issued on July 5, 2017. The regulations implementing a revised MEQC program are now incorporated at 42 CFR 431, Subpart P—Quality Control. The core provisions run from 42 CFR §§ 431.800 through 431.820.

Background

The MEQC program dates back to 1978 in various iterations and involves a state review of Medicaid and CHIP eligibility determinations to ensure they were made correctly. The Affordable Care Act (ACA) included significant changes to Medicaid and CHIP eligibility processes that impacted both the PERM and MEQC programs. Following a series of Medicaid and CHIP eligibility pilots to help states get acclimated to these changes, on July 5, 2017, CMS issued a final regulation restructuring the MEQC program into an ongoing series of pilots that states are required to conduct during the two off-years between their triennial PERM review years. While states have great flexibility in developing their MEQC pilots, the intention is to focus on potentially vulnerable or error prone areas. In addition, states are required to devote part of their MEQC pilots to the review of negative case actions (Medicaid and CHIP denials/terminations that are not addressed through PERM reviews).

Overview of MEQC Requirements

The regulation sets general MEQC program requirements and specifies that CMS will issue further implementing guidance under which the program will operate. Regarding specific MEQC requirements:

- States must review a minimum of 400 total active cases (at least 200 Medicaid cases)
- States must review a minimum of 400 total negative case actions (at least 200 Medicaid and 200 CHIP cases)
- States have flexibility to design active case reviews unless they have a PERM eligibility improper payment rate above 3% for two consecutive PERM cycles, in which case CMS
will provide direction for the reviews. A state may select samples from the entire universe of active case reviews or focus active case reviews on:

- Recent changes to eligibility policies and processes
- Areas where the state suspects vulnerabilities
- Proven error prone areas

- States must select samples from the entire universe of negative case actions.

States are required to submit their pilot proposals to CMS for review and approval. States also must submit the results of their pilots to CMS in the form of case level reports. MEQC does not generate an error rate like PERM. However, states are required to submit to CMS corrective action plans that address identified errors and deficiencies. In addition, states will be expected to make adjustments in their quarterly claiming submissions based on a review of paid claims and FMAP\(^1\) determinations found to be in error. Adjustments will be applied only to individual cases, and no extrapolation will be involved.

**MEQC Sub-Regulatory Guidance**

The attached MEQC sub-regulatory guidance describes how states must operationalize the MEQC program requirements. The guidance also provides a template for the MEQC planning documents that states must submit to CMS no later than November 1\(^{st}\) of the year in which their PERM review period ends. The guidance being released today is the first of two parts. CMS plans to develop a subsequent release providing specifications for the MEQC case level and corrective action reports required under 42 CFR §§ 431.816-820. The next release is tentatively scheduled for the end of 2018.

**Next Steps**

CMS plans to follow up the issuance of the attached guidance by convening a conference call no later than the first week in September 2018 for the first group of states that have to submit their MEQC pilot planning documents by November 1, 2018. We will follow this up by arranging an open door forum at which all states will have an opportunity to ask questions about the MEQC program. CMS is also drafting a “frequently asked questions” document to share with all states. It is also soliciting feedback on MEQC issues and policies on an ongoing basis from a State Advisory Committee that consists of 12 states.

If you have questions about the MEQC program or the guidance, please feel free to contact the project lead, Joel Truman, at Joel.Truman@cms.hhs.gov or 212-616-2437. You can also direct questions to the MEQC mailbox at CMS-MEQC-Inquiries@cms.hhs.gov.

\(^1\) Federal Medical Assistance Percentage