

## Why are states required to participate in PERM?

States are required to participate under the statutory provisions of section 1902(a)(27) of the Social Security Act (the "Act"). The Act requires states to:

- Submit expenditures, claims data, medical policies and processing manuals and other necessary information for, among other purposes, identifying improper payment.
- Submit corrective action reports for the purpose of reducing their payment error rates.

Further,

- PERM is required by CMS pursuant to the Improper Payments Information Act of 2002 (IPIA; Public Law 107-300).
- The IPIA directs Federal agencies to annually review its programs and report the improper payment to Congress.
- Medicaid is a Federal program identified as a program potentially at risk for significant erroneous payments; therefore,
- CMS must provide estimates of the accuracy of medical payments made by Medicaid as part of their annual budget request using PERM.