

## Proposed Statute on Extrapolation

The Department shall project an overpayment and recover the amount so projected as being due from a Medicaid provider using probability sampling in conformance with generally accepted statistical standards and procedures

with a confidence level of 95% or higher and a confidence interval of plus or minus 5%

and the initial sample transaction error rate or dollar error rate exceeds 10%

to extrapolate the recoverable amount when, at the discretion of the Director of Internal Audit and Program Integrity, performing the audit is cost effective.

**R380. Health, Administration.**

**R380-400. Use of Statistical Sampling.**

**R380-400-1. Use of Statistical Sampling Techniques.** The Department's procedures for auditing or reviewing Medicaid or other providers may include the use of random sampling and extrapolation. Extrapolation will be used when, at the discretion of the Director of Internal Audit, performing the audit or review will be cost effective for the Department.

**R380-400-2. Methodology.**

(1). A statistically valid random sample will be selected from the universe of records to be audited or reviewed. The sample size shall be selected using accepted sample size estimation methods. The confidence level of the sample size calculation shall be 95% with a confidence interval of plus or minus 5%.

(2). Following the sample audit or review, the statistical margin of error of the sample will be computed and a confidence interval will be determined. The estimated error rate will be extrapolated to the universe from which the sample was drawn within the computed margin of error of the sampling process.

(3). Commonly accepted statistical analysis program may be used to estimate the sample and calculate the confidence interval, consistent with the sampling parameters.

**R380-400-2. Prima Facie Effect of Review Findings.** The audit or review findings generated through statistical sampling procedures shall constitute prima facie evidence in all department proceedings regarding the number and amount of overpayments or underpayments received by the provider.

**R380-400-3. Preliminary report of an audit or review findings and minimum 10% error rate for extrapolation.** If the department concludes from the audit or review that an overpayment has occurred, the department will issue the preliminary findings of a tentative overpayment and inform the provider of an opportunity to request a fair hearing. In cases where an error rate of 10% or less is discovered, actual damages will be used to calculate the overpayment. In cases where the error rate is greater than 10% extrapolation methodology will be utilized to calculate the overpayment. The Department will determine the 10% error rate without statistical parameters. The 10% error rate may be determined by the dollar error rate or the actual number of claims with errors. If either error rate exceeds 10%, extrapolation will be used to determine the overpayment and will be based on sound statistical sampling.

**R380-400-4. Dollar amount of cost errors.** The dollar amount of the overpayment will be based on actual cost errors. For example, if a provider submits an incorrect bill for an Evaluation and Management Code 99215 and the correct billing code should have been for 99212, the difference in the fee schedule between the two codes will be the overpayment.

**KEY: Medicaid**

**Authorizing, and Implemented or Interpreted Law: 26-1-5, 26-18-3**