(i) Each month, the State may stratify the Medicaid and CHIP active case universe into three strata:

(A) Program applications completed by the beneficiaries in which the State took action in the sample month to approve such beneficiaries for Medicaid or CHIP based on the eligibility determination.

(B) Redeterminations of eligibility in which the State took action in the sample month to approve the beneficiaries for Medicaid or CHIP based on information obtained through a completed redetermination.

(C) All other cases.

(ii) States that do not stratify the universe will sample from the entire active case universe each month.

(4) *Sample selection.* Each month, an equal number of cases are selected for review from one of the following:

(i) Each stratum as described in paragraph (d)(3)(i) of this section.

(ii) The entire active case universe if opting not to stratify cases under paragraph (d)(2)(ii) of this section.

(iii) Otherwise provided for in the State's sampling plan approved by CMS.

[71 FR 51081, Aug. 28, 2006, as amended at 72 FR 50513, Aug. 31, 2007; 75 FR 48849, Aug. 11, 2010]

§431.980 Eligibility review procedures.

(a) *Active case reviews.* The agency must verify eligibility for all selected active cases for Medicaid and CHIP for the review month for compliance with the State's eligibility criteria.

(b) *Negative case reviews.* The agency must review all selected negative cases for Medicaid and CHIP for the review month to determine whether the cases were properly denied or terminated.

(c) *Payment review.* The agency must identify all Medicaid and CHIP payments made for services furnished, either in the first 30 days of eligibility or in the review month for applications under §431.978(d)(3)(i) and redeterminations under §431.978(d)(3)(ii) in accordance to State policy or from the sample month for all other cases under §431.978(d)(3)(iii), to identify erroneous payments resulting from ineligibility for services or for the program.

(d) *Eligibility review decision*—(1) *Active cases—Medicaid.* Unless the State has selected to substitute MEQC data for PERM data under paragraph (f) of this section, the agency must complete all of the following:

(i) Review the cases specified at §§431.978(d)(3)(i)(A) and 431.978(d)(3)(i)(B) of this subpart in accordance with the State's categorical and financial eligibility criteria and documented policies and procedures as of the review month and identify payments made on behalf of such beneficiary or family for services received in the first 30 days of eligibility.

(ii) For cases specified in §431.978(d)(3)(i)(C) of this subpart, review the last action as follows:

(A) If the last action was not more than 12 months prior to the sample month, review in accordance with the State's categorical and financial eligibility criteria and documented policies and procedures as of the last action and identify payments made on behalf of such beneficiary or family in the first 30 days of eligibility.

(B) If the last action occurred more than 12 months prior to the sample month, review in accordance with the State's categorical and financial eligibility criteria and documented policies and procedures as of the sample month and identify payments made on behalf of the beneficiary or family for services received in the sample month.

(iii) For cases in States that do not stratify the universe, as specified in §431.978(d)(3)(ii) of this subpart, review the last action as follows:

(A) If the last action was no more than 12 months prior to the sample month, review in accordance with the State's categorical and financial eligibility criteria and documented policies and procedures as of the last action and identify payments made on behalf of such beneficiary or family for services received in the sample month.

(B) If the last action occurred more than 12 months prior to the sample month, review in accordance with the State's categorical and financial eligibility criteria, and documented policies and procedures, as of the sample month and identify payments made on behalf of the beneficiary or family for services received in the sample month.

(C) Cases that are not stratified must have the last action identified as either

falling under the criteria of § 431.978(d)(3)(i)(A) or § 431.978(d)(3)(i)(B) of this subpart after the sample is selected.

(iv) Examine the evidence in the case file that supports categorical and financial eligibility for the category of coverage in which the case is assigned, and independently verify information that is missing, outdated (older than 12 months) and likely to change, or otherwise as needed, to verify eligibility.

(v) For managed care cases, also verify residency and eligibility for and actual enrollment in the managed care plan during the month under review.

(vi) Elements of eligibility in which State policy allows for self-declaration or self-certification are considered to be verified with a self-declaration or self-certification statement. The self-declaration or self-certification must be—

(A) Present in the record;

(B) Not outdated (more than 12 months old);

(C) Originating from the last case action that was not more than 12 months prior to the sample month;

(D) In a valid, State-approved format; and

(E) Consistent with other facts in the case record.

(vii) If a self-declaration or self-certification statement does not meet the provisions of paragraphs (e)(1)(vi)(A) through (D) of this section, eligibility may be verified through a new self-declaration or self-certification statement or other third party sources.

(A) If eligibility or ineligibility cannot be verified, cite a case as undetermined.

(ix) As a result of paragraphs (e)(1)(i) through (e)(1)(vii) of this section—

(A) Cite the case as eligible or ineligible based on the review findings and identify with the particular beneficiary the payments made on behalf of the particular beneficiary for services received in the first 30 days of eligibility, the review month, or sample month, as appropriate; or

(B) Cite the case as undetermined if after due diligence an eligibility determination could not be made and identify with the particular beneficiary the payments made on behalf of the particular beneficiary for services received in the first 30 days of eligibility, the review month or sample month, as appropriate.

(2) *Active cases—CHIP.* In addition to the procedures for active cases as set forth in paragraphs (e)(1)(i) through (e)(1)(vii) of this section, the agency must verify that the case is not eligible for Medicaid by determining that the child has income above the Medicaid levels in accordance with the requirements in § 457.350 of this chapter. Upon verification, the agency must—

(e) *Negative cases—Medicaid and CHIP.* The agency must—

(1) Identify the reason the State agency determined ineligibility;

(2) Examine the evidence in the case file to determine whether the State agency's denial or termination was correct or whether there is any reason the case should have been denied or terminated; and

(i) Record the State agency's finding as correct if the case record review substantiates that the individual was not eligible; or

(ii) Record the case as an error if there is no valid reason for the denial or termination.

(f) *Substitution of MEQC data.* (1) A State in their PERM year may elect to substitute the random sample of selected cases, eligibility review findings, and payment review findings, as qualified by paragraphs (d)(2) and (d)(3) of this section, which are obtained through MEQC reviews conducted in accordance with section 1903(u) of the Act for data required in this section, as long as the State MEQC reviews meet the requirements of the MEQC Sampling Plan and Procedures at § 431.814 of this part, and if the only exclusions are those set forth in section 1902(e)(13) of the Act, § 431.814(c)(4), and § 431.978(d)(1) of this part.

(2) MEQC samples must also meet PERM confidence and precision requirements.

(3) MEQC cases that are dropped due to the acceptable reasons listed in the State Medicaid Manual are included in the PERM error rate calculation.

[71 FR 51081, Aug. 28, 2006, as amended at 75 FR 48850, Aug. 11, 2010]