



Part C Improper Payment Measure (Part C IPM) Fiscal Year 2020 (FY 2020) Payment Error Rate Results

For FY 2020, CMS reported an improper payment measurement for the Part C program based on Calendar Year 2018 (CY 2018) payments.¹ The CY 2018 Part C IPM payment error rate of 6.78% is below the 7.77% target established. This is also a decrease of 1.09 percentage points from the 7.87% payment error rate reported for CY 2017 payments (in FY 2019). Analysis of the CY 2018 Part C IPM identified a decrease in both the overpayments and underpayments, resulting in the decrease in improper payments.

- The Part C Payment Error Rate due to overpayments decreased by 0.9 percentage points from CY 2017 (4.6%) to CY 2018 (3.7%).
- The Part C Payment Error Rate due to underpayments decreased by 0.2 percentage points from CY 2017 (3.3%) to CY 2018 (3.1%).

The CY 2018 estimated gross payment error for Part C is approximately \$16.27 billion and the estimated net payment error is approximately \$1.33 billion. **Table 1** presents the CY 2018 Part C Payment Error Estimate results.

Table 1: CY 2018 Part C Payment Error Estimates for FY 2020 Reporting*

Type of Estimate	Part C Payment Error
Overpayments	\$8,799,942,438
Underpayments	\$7,471,716,989
Gross Payments in Error (error rate numerator)	\$16,271,659,427
Part C Denominator (total Part C expenditures) ²	\$240,082,813,356
Payment Error Rate	6.78%
Net Payment in Error	\$1,328,225,449
Net Payment Error Rate	0.55%
Unknown Monetary Loss**	\$351,824,063
Percent of Gross Payments in Error Due to Unknown Monetary Loss	2.16%

*Payment error results include an adjustment for COVID-19 bias. See "Impact of COVID-19 Pandemic" Section for details.

**"Unknown" monetary loss is due to no medical records being submitted to support the payments (i.e., missing

¹ Information on the Part C Improper Payment Measure is available in the Department of Health and Human Services Agency Financial Report for FY 2020, and prior years' data are available at <https://www.hhs.gov/about/agencies/asfr/finance/financial-policy-library/agency-financial-reports/index.html>.

² Total expenditures as calculated by the Office of Financial Management for Part C improper payment reporting.

medical records). Since all missing medical records were excluded from the CY 2018 sample, the unknown monetary loss was estimated based on the CY 2017 results reported in FY 2019. The change in risk score due to missing medical records from CY 2017 was applied to the COVID-19 bias-adjusted overpayments for CY 2018. See “Impact of COVID-19 Pandemic” Section for details.

Impact of COVID-19 Pandemic

In response to the COVID-19 pandemic, CMS instructed Medicare Advantage (MA) Organizations on April 2, 2020 to suspend the collection of medical records, which occurred nearly seven (7) weeks into the 18-week medical record collection period. This reduced the number of collected medical records that could be used to substantiate an enrollee’s CMS-Hierarchical Condition Categories (CMS-HCCs), potentially introducing a bias in the CY 2018 payment error rate estimate when compared to previous years.

Of the 930 enrollees sampled, 303 had at least one HCC for which plans were unable to submit a medical record. CMS excluded sampled enrollees with any missing documentation. As the excluded enrollees had somewhat higher HCCs per enrollee than the included enrollees, a bias was expected to result. CMS applied a bias adjustment to create an unbiased estimate for the 627 enrollees in the included sample.

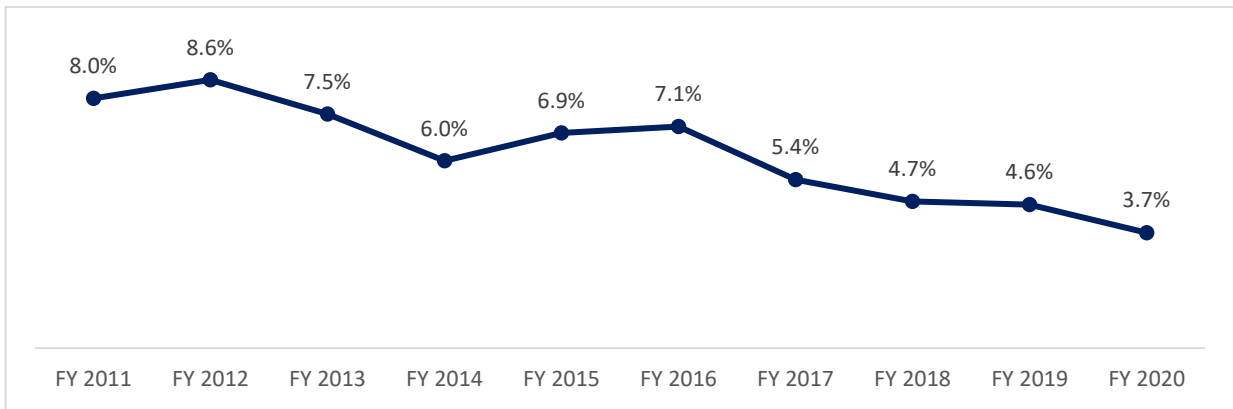
Findings on Overpayments

Overpayments occur when CMS-HCCs originally reported to the CMS Encounter Data System (EDS) or the Risk Adjustment Processing System (RAPS) for payment are not supported by the medical record, or are identified during medical record review as lower manifestations in the disease hierarchies.

- The overall percent of sampled CMS-HCCs that were discrepant (i.e., not confirmed during medical record review) decreased year-over-year from CY 2016 to CY 2018 for both EDS and RAPS CMS-HCCs combined.
- The percent of enrollees with overpayments in the sample decreased year-over-year from CY 2016 to CY 2018.

Figure 1 presents the percent of the payment error attributed to overpayments for FY 2011 through FY 2020.

Figure 1: Part C Population Error from Overpayments, FY 2011 – FY 2020



Findings on Underpayments

Underpayments occur when CMS-HCCs not originally reported to RAPS or EDS for payment are identified during medical record review.

- Medical record reviewers identified less unreported (i.e., additional) CMS-HCCs contributing to underpayments in CY 2018 than CY 2017.
- The percent of enrollees with underpayments in the sample increased from CY 2016 to CY 2017 and decreased from CY 2017 to CY 2018.
- The increase in total Part C payments from CY 2017 (\$212 billion) to CY 2018 (\$240 billion) more than offsets the actual dollar increase in total estimated underpayments from CY 2017 to CY 2018 (COVID-bias adjusted), resulting in a lower payment error rate due to underpayments.

Figure 2 presents the percent of the payment error attributed to underpayments for FY 2011 through FY 2020.

Figure 2: Part C Population Error from Underpayments, FY 2011 – FY 2020

