



Part D Improper Payment Measurement (Part D IPM) Fiscal Year 2020 (FY2020) Error Rates Results

For FY 2020, CMS reported an improper payment measurement for the Part D program based on Calendar Year 2018 (CY 2018) payments.¹ The CY 2018 Part D IPM payment error rate is 1.15%. Although this is an increase of 0.40 percentage points from the 0.75% Part D Improper Payment Rate reported for CY 2017, the program is considered to meet its target of 0.74% as the lower bound of the confidence interval surrounding the rate was below the reduction target.²

- The Part D Improper Payment Measure Rate due to overpayments increased by 0.62% from CY 2017 (0.42%) to CY 2018 (1.04%).
- The Part D Improper Payment Measure Rate due to underpayments decreased by 0.22% from CY 2017 (0.34%) to CY 2018 (0.11%).

The CY 2018 Part D Estimated Gross Improper Payment is approximately \$927.50 million, and the Net Improper Payment Estimate is approximately \$748.10 million. **Table 1** presents the CY 2018 Part D Improper Payment Estimate results.

Table 1. CY18 Part D Improper Payment Estimates for FY 2020 Reporting

Type of Estimate	
Overpayments	\$ 837,801,782.01
Underpayments	\$ 89,702,985.96
Gross Improper Payments (error rate numerator)	\$ 927,504,767.98
Part D Denominator	\$80,738,396,728.62
Improper Payment Rate	1.15%
Net Improper Payment	\$ 748,098,796.05
Net Improper Payment Rate	0.93%

Impact of COVID-19 Pandemic

In response to the COVID-19 pandemic, CMS directed Medicare Advantage Organizations and Prescription Drug Plans to cease requesting documentation from providers regarding the Part D IPM until CMS issued further guidance. CMS also delayed the submission deadline for Part D sponsors to upload supporting documentation to the HPMS PDE Validation Module by two weeks, from April 17, 2020 to May 1, 2020.

¹ Information on the Part D 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 Reduction targets are considered as being met if the 95% confidence interval includes the reduction target. The confidence interval for the Part D measure in FY 2020 (CY 2018) is 0.44% – 1.86%, thus it meets its target

Of the 4,526 PDEs sampled, 27 PDEs were unable to obtain the requested supporting documentation. CMS excluded the 27 PDEs from the calculation of the Part D IPM.

Findings on Overpayments

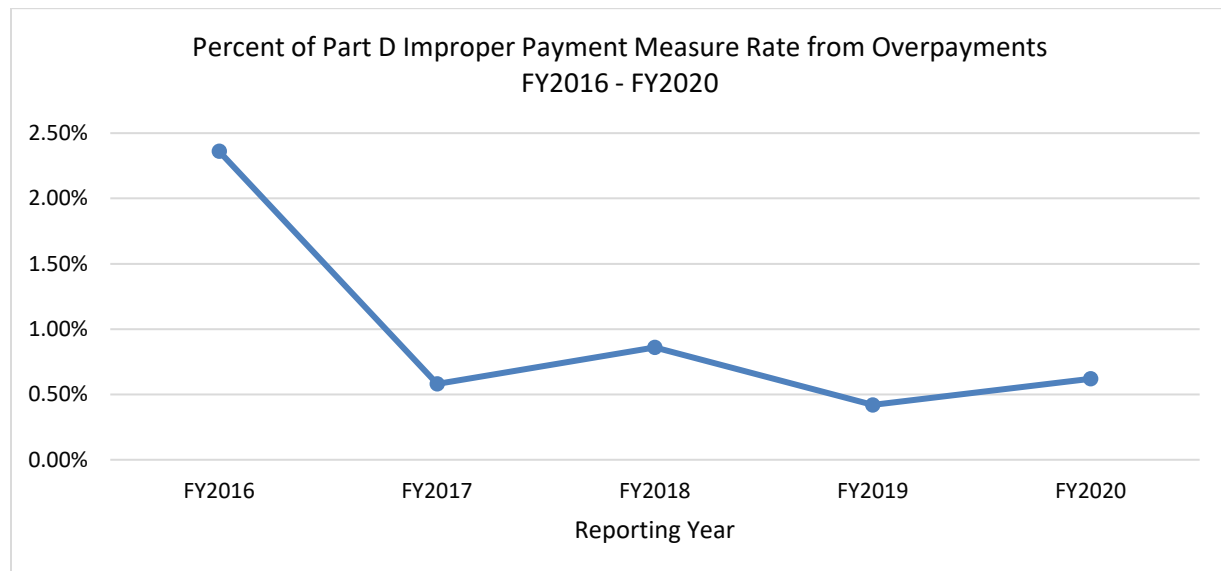
CMS compares details associated with the prescribed drug to the dispensed drug to the information supplied on a PDE record to identify any discrepancies. If values are inconsistent between the supporting documentation and the PDE record, then CMS deems the PDE to have a partial GDC³ error as determined by the difference once the discrepancy has been corrected post-audit. If corrected GDC is less than the GDC on the PDE record, it is considered an overpayment error.

Table 2 and **Figure 1** present the percent of the National Improper Payment attributed to overpayments from FY 2016 – FY 2020.

Table 2: Part D Improper Payment Rate from Overpayments FY 2016 – FY 2020

FY	Overpayments
FY2016	2.36%
FY2017	0.58%
FY2018	0.86%
FY2019	0.42%
FY2020	0.62%

Figure 1: Part D Improper Payment Measure Rate from Overpayments FY 2016 – FY 2020



Findings on Underpayments

In situations in which inconsistent values identified during the review process shows that a greater amount should have been paid, the discrepancy is considered an underpayment. Underpayments

³ GDC is defined as the sum of the values for Ingredient Cost Paid, Dispensing Fee Paid, Total Amount Attributed to Sales Tax, and Vaccine Administration Fee on the PDE record. Conceptually, the GDC is the combined plan and beneficiary liability for the cost of a drug; the government subsidizes portions of plan and beneficiary liability according to statutory rules.

occur if the corrected GDC is more than the GDC on the PDE record.

Table 3 and **Figure 2** present the percent of the National Payment Error attributed to underpayments from FY 2016 – FY 2020.

Table 3: Part D Improper Payment Rate from Underpayments FY 2016 – FY 2020

FY	Underpayments
FY2016	1.04%
FY2017	1.09%
FY2018	0.80%
FY2019	0.34%
FY2020	0.11%

Figure 2: Part D Improper Payment Measure Rate from Underpayments FY 2016 – FY 2020

