



## Part C Improper Payment Measure (Part C IPM) Fiscal Year 2023 (FY 2023) Payment Error Rate Results

For Fiscal Year 2023 (FY 2023), CMS reported an Improper Payment Measurement (IPM) for the Part C program based on calendar year 2021 (CY21) payments.<sup>1</sup> In FYs 2021 and FY 2022, CMS implemented methodology and policy changes, and FY 2023 establishes a baseline. The FY 2023 error rate calculation follows those previously implemented policy changes. While FY 2023 and FY 2022 are comparable, they are not directly comparable to earlier reporting years. Details on the policy changes can be found in the United States (U.S.) Department of Health and Human Services (HHS) Agency Financial Report (AFR).

The CY21 estimated gross payment error for Part C is approximately \$16.55 billion and the estimated net payment error is approximately \$12.75 billion. The improper payment estimate due to missing or insufficient documentation is 0.01 percent or \$0.04 billion, representing 0.24 percent of total improper payments. **Table 1** presents the CY21 Part C Payment Error Estimate results.

**Table 1: CY21 Part C Payment Error Estimates for FY 2023<sup>2</sup> Reporting**

Type of Estimate	Part C Payment Error
Overpayments	\$14,648,720,324
Underpayments	\$1,902,036,492
Gross Payments in Error (Error Rate Numerator)	\$16,550,756,816
Part C Denominator (Total Part C Expenditures)	\$275,605,962,817
Improper Payment Error Rate	6.01%
Net Payment in Error	\$12,746,683,832
Net Payment Error Rate	4.62%
Portion of improper payments due to Missing Documentation*	\$40,281,425
Portion of improper payments in Error Due to Missing Documentation*	0.01%

\*Missing documentation indicates no medical records were submitted to support the payments. Missing documentation is a subset of total overpayments.

<sup>1</sup> Information on the Part C Improper Payment Measure is available in the U.S. Department of Health and Human Services Agency Financial Report for FY 2022, and prior years' data are available at <https://www.hhs.gov/about/agencies/asfr/finance/financial-policy-library/agency-financial-reports/index.html>.

<sup>2</sup> CMS made significant methodology changes during the past two years' reporting (FY 2021 and FY 2022), and FY 2023 establishes a baseline. CMS expects the FY 2024 rate to be statistically similar to the FY 2023 rate; however, CMS will continue to observe how the rate fluctuates over the next couple of years when setting CY+1 targets. For FY 2024, CMS establishes a relationship mid-way between the upper limit of the 95 percent confidence interval and the current year IPM estimated error rate to provide a realistic outyear target.

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## Change to Part C IPM Error Rate Calculation Methodology for FY 2023

In FY 2023, CMS implemented a revised sample allocation methodology to reallocate the sampled beneficiaries across the stratum proportionally according to stratum size rather than evenly, to yield a more efficient sample and an overall more precise error estimate. With this change, and the significant methodology changes that were incorporated into FY 2021 and FY 2022 (CY19 and CY20), FY 2023 establishes a baseline. The FY 2023 error rate calculation follows those previously implemented policy changes. While FY 2023 and FY 2022 (CY21 and CY20) are comparable to each other, they are not directly comparable to earlier reporting years.

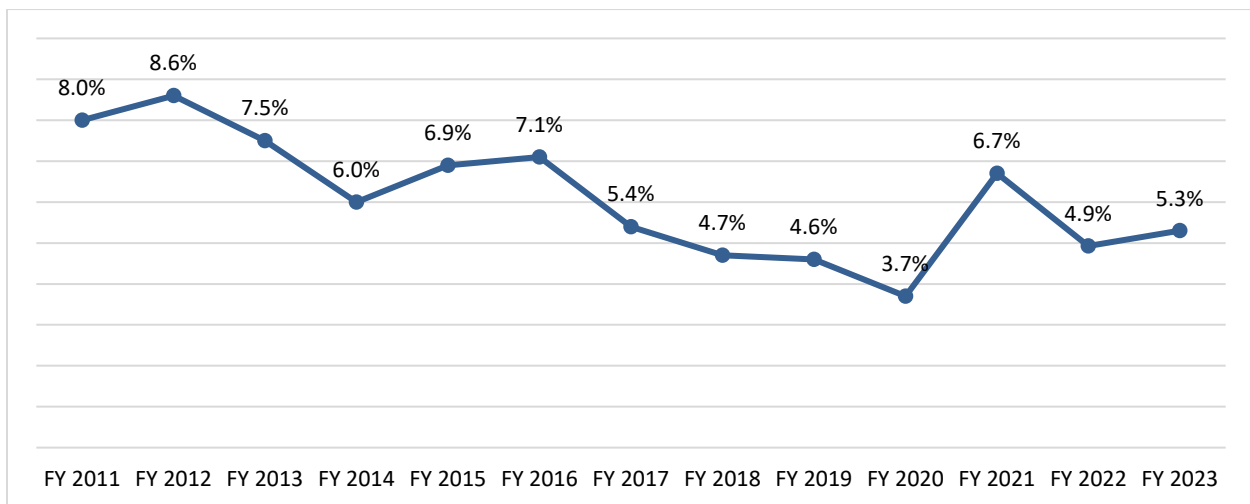
## Findings on Overpayments

When Medicare Advantage (MA) Organizations report diagnoses to the CMS Encounter Data System (EDS) or the Risk Adjustment Processing System (RAPS) for payment, CMS uses the CMS Hierarchical Condition Category (CMS-HCC) Risk Adjustment model to assign CMS-HCCs and calculate a risk score for each enrollee. Overpayments occur when CMS-HCCs originally reported to EDS or the RAPS for payment are not supported by the medical records documentation or are identified during medical record review as lower manifestations within the disease hierarchies of the CMS-HCC risk adjustment model. Overpayments also reflect instances when missing or insufficient documentation was provided to validate the CMS-HCC.

The primary overpayment category of FY 2023 Medicare Part C IPM consists of medical record discrepancies (5.3 percent in overpayments) and a smaller portion of overpayments resulting from missing or insufficient documentation to determine whether payment was proper or improper (0.01 percent).

**Figure 1** presents the percentage of the payment error attributed to overpayments for FY 2011 through FY 2023.

**Figure 1: Part C Population Error (%) from Overpayments, FY 2011 – FY 2023**



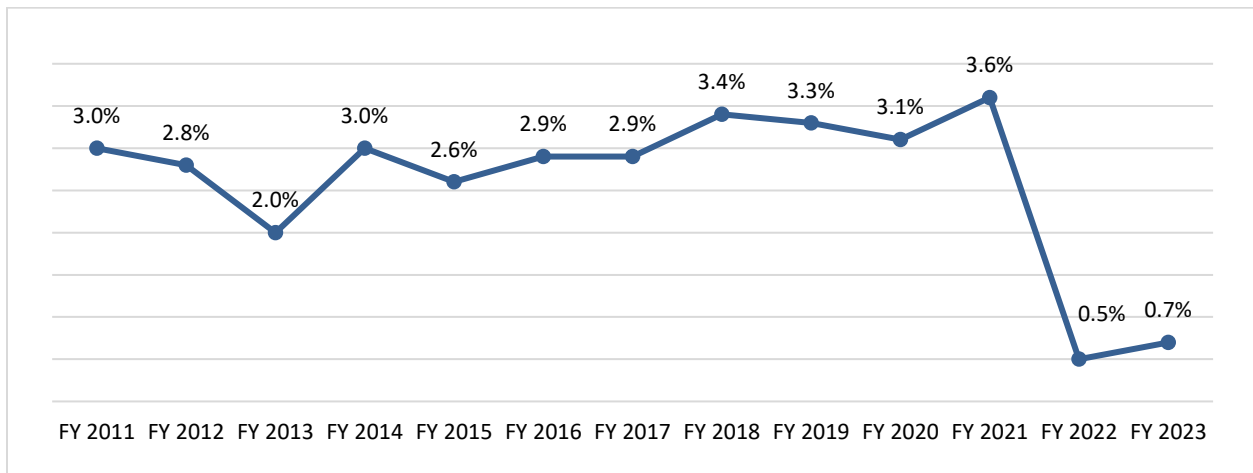
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## Findings on Underpayments

The underpayment component is comprised of CMS-HCCs that were not included in risk scores because related diagnoses were identified during the medical review process that the MA Organization did not submit to be used in the risk score calculation. The underpayments category of FY 2023 Medicare Part C IPM consists of medical record discrepancies (0.69 percent in underpayments).

**Figure 2** presents the percentage of the payment error attributed to underpayments for FY 2011 through FY 2023. Note that CMS ended the policy of including new additionals in the underpayment calculation in CY20. This makes CY21 comparable only to CY20, and not to prior years.

**Figure 2: Part C Population Error (%) from Underpayments, FY 2011 – FY 2023**



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