



Part D Improper Payment Measure (Part D IPM) Fiscal Year 2023 (FY 2023) Error Rates Results

For FY 2023, CMS reported an improper payment measurement for the Part D program based on Calendar Year 2021 (CY 2021) payments.¹ The CY 2021 Part D IPM rate is 3.72%. The increase from the prior year’s estimate of 1.54% is attributed to the multiple methodological changes implemented for the FY 2023 improper payment estimate. Due to the methodology changes introduced in FY 2023, the rates for FY 2022 and FY 2023 are not comparable. The Medicare Part D IPM complied with Office of Management and Budget (OMB) guidance on sampling and estimation plans to produce a statistically valid methodology in the FY 2023 Agency Financial Report.

In FY 2023, CMS implemented methodology refinements that contributed to an increase in the FY 2023 improper payment rate estimate. Specifically, CMS adjusted the methodology to recognize payment errors resulting from the use of incorrect benefit parameters. Other technical methodology changes included: improving the accuracy of the simulation by using a more appropriate sampling unit, decreasing the number of simulation iterations to align to statistical literature, aligning the confident interval calculation to the estimation method, and improving the simulation by applying more accurate parameter assumptions when benefit parameters are missing or incomplete. Due to the methodology changes introduced in FY 2023, the rates for FY 2022 and FY 2023 are not comparable. A baseline for improper payments in Medicare Part D has not yet been established, as the Reporting Year (RY) 2023 estimate reflects numerous methodology changes.

The CY 2021 Part D gross improper payments estimate is approximately \$3.35 billion, and the net improper payments estimate is approximately \$1.32 billion. **Table 1** presents the CY 2021 Part D IPM results.

Table 1. CY 2021 Part D IPM Estimates for FY 2023 Reporting

Type of Estimate	Part D Payment Error
Overpayments	\$2,330M
Underpayments	\$1,020M
Gross Improper Payments (error rate numerator)	\$3,350M
Part D Denominator	\$90,070M
Improper Payment Rate	3.72%
Net Improper Payment	\$1,320M
Net Improper Payment Rate	1.46%
95% Confidence Interval, Lower Bound (\$)	\$2,630M
95% Confidence Interval, Upper Bound (\$)	\$4,170M
95% Confidence Interval, Lower Bound (%)	2.92%
95% Confidence Interval, Upper Bound (%)	4.63%

¹ Information on the Part D Improper Payment Measure is available in the Department of Health and Human Services (HHS) Agency Financial Report for FY 2023, and prior years’ data are available at <https://www.hhs.gov/about/agencies/asfr/finance/financial-policy-library/agency-financial-reports/index.html>.

Findings on Overpayments

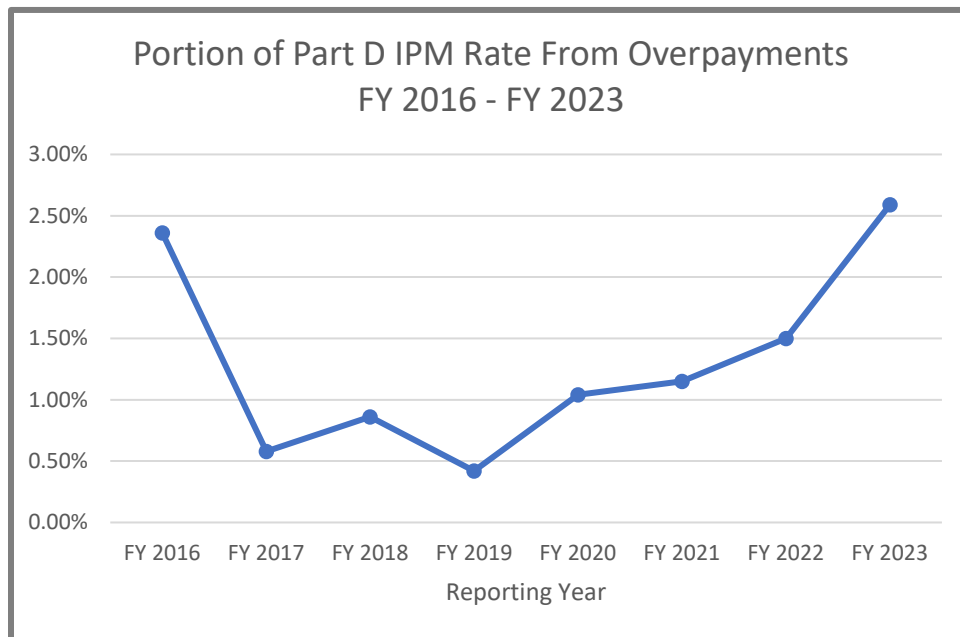
CMS compares details associated with the prescribed drug to the dispensed drug to the information supplied on a Prescription Drug Event (PDE) record to identify any discrepancies. If values are inconsistent between the supporting documentation and the PDE record, then CMS deems the PDE to have a partial Gross Drug Cost (GDC)² error as determined by the difference once the discrepancy has been corrected post-audit. If the corrected GDC is less than the GDC on the PDE record, it is considered an overpayment error. The FY 2023 Medicare Part D IPM overpayment error categories are drug or drug pricing discrepancies (0.20% in overpayments) and insufficient documentation to determine whether the PDE was proper or improper (i.e., missing documentation) (2.39%).

Table 2 and **Figure 1** present the portion of the Part D IPM attributed to overpayments from FY 2016 to FY 2023.

Table 2: Portion of the Part D IPM Derived From Overpayments, FY 2016 – FY 2023

FY	Overpayments
FY 2016	2.36%
FY 2017	0.58%
FY 2018	0.86%
FY 2019	0.42%
FY 2020	1.04%
FY 2021	1.15%
FY 2022	1.50%
FY 2023	2.59%

Figure 1: Portion of the Part D IPM Derived From Overpayments, FY 2016 – FY 2023



² 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.

Findings on Underpayments

In situations in which inconsistent values identified during the review process show that a greater amount should have been paid, the discrepancy is considered an underpayment. Underpayments occur if the corrected GDC is more than the GDC on the PDE record. The FY 2023 Medicare Part D IPM underpayment error categories are drug or drug pricing discrepancies (1.13% in underpayments).

Table 3 and **Figure 2** present the portion of the Part D IPM attributed to underpayments from FY 2016 to FY 2023.

Table 3: Portion of the Part D IPM Derived From Underpayments, FY 2016 – FY 2023

FY	Underpayments
FY 2016	1.04%
FY 2017	1.09%
FY 2018	0.80%
FY 2019	0.34%
FY 2020	0.11%
FY 2021	0.17%
FY 2022	0.04%
FY 2023	1.13%

Figure 2: Portion of the Part D IPM Derived From Underpayments, FY 2016 – FY 2023

