

## Part C Improper Payment Measure (Part C IPM) Fiscal Year 2025 (FY 2025) Payment Error Rate Results

For Fiscal Year 2025 (FY 2025), CMS reported an Improper Payment Measurement (IPM) for the Part C program based on calendar year 2023 (CY23) payments.<sup>1</sup>

The CY23 Part C improper payment rate is 6.09%, which represents an increase of 0.48 percentage points from the 5.61% Part C improper payment rate reported in CY 2022. This rate meets the target established in the FY 2024 Agency Financial Report (AFR).

The CY23 Part C gross improper payment estimate is approximately \$23.67 billion, and the net improper payment estimate is approximately \$19.20 billion. The improper payment estimate due to missing or insufficient documentation is 0.22% of all Part C Expenditures, or \$869 million, representing 3.67% of total improper payments. **Table 1** presents the CY23 Part C Payment Error Estimate results.

**Table 1: CY23 Part C Payment Error Estimates for FY 2025 Reporting (dollar amounts in billions)**

Type of Estimate	Part C Payment Error
Overpayments	\$21.43
Underpayments	\$2.23
Gross Payments in Error <sup>2</sup> (Error Rate Numerator)	\$23.67
Part C Expenditures <sup>3</sup> (Error Rate Denominator)	\$388.72
Improper Payment Error Rate	6.09%
Net Payment in Error <sup>4</sup>	\$19.20
Net Payment Error Rate	4.94%
Improper Payments Due to Missing Documentation <sup>5</sup>	\$0.87
Percent of Improper Payments Due to Missing Documentation	0.22%

### Findings on Overpayments

When Medicare Advantage (MA) Organizations report diagnoses to the CMS Encounter Data System (EDS), CMS uses the CMS Hierarchical Condition Category (CMS-HCC) Risk Adjustment model to assign

<sup>1</sup> Information on years prior to FY 2025 of the Part C Improper Payment Measure is available in the U.S. Department of Health and Human Services Agency Financial Reports: <https://www.hhs.gov/about/agencies/asfr/finance/financial-policy-library/agency-financial-reports/index.html>

<sup>2</sup> Gross Payments in Error is calculated by taking the sum of the absolute values of the underpayments and overpayments (including overpayments due to missing or insufficient documentation).

<sup>3</sup> Part C Expenditures represent total Part C outlays subject to certain excluded amounts related to plan types outside scope of the Part C IPM.

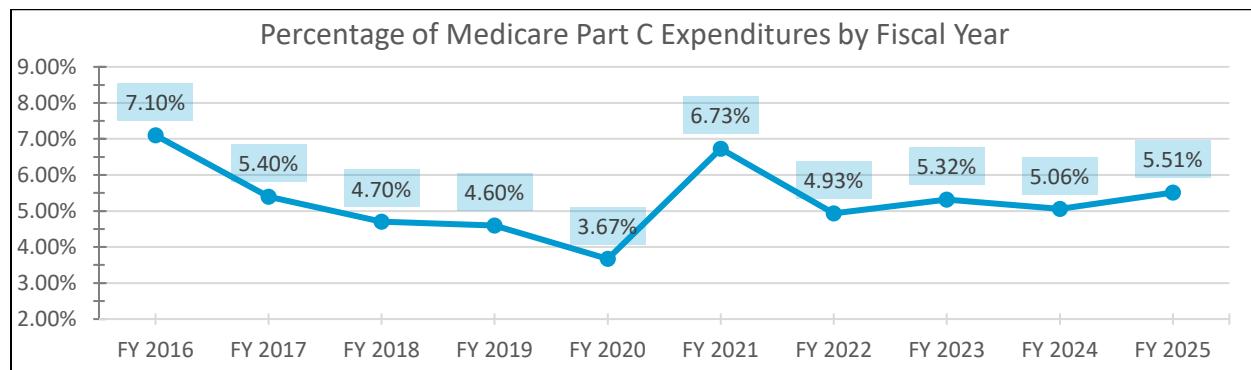
<sup>4</sup> Net Payments in Error is the difference between total overpayments (including overpayments due to missing or insufficient documentation) and the absolute value of the total underpayments.

<sup>5</sup> Missing documentation indicates no medical records were submitted to support the payments. Missing documentation is a subset of total overpayments.

CMS-HCCs and calculate a risk score for each enrollee. Overpayments are recognized when CMS-HCCs originally reported to the EDS for payment are not supported by the medical record 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.

For the FY 2025 Medicare Part C IPM, total overpayments consist primarily of unsupported diagnoses (5.51% of Part C expenditures) and a smaller portion from missing or insufficient documentation to determine whether payment was proper or improper (0.22% of Part C expenditures). **Figure 1** presents the percentage of the payment error attributed to overpayments for FY 2016 through FY 2025.

**Figure 1: Part C Population Error (%) from Overpayments, FY 2016 – FY 2025**



## Findings on Underpayments

Underpayments are recognized when CMS-HCCs originally reported to the EDS for payment did not include diagnoses which were identified during the medical review process. For the FY 2025 Medicare Part C IPM, underpayments represent 0.57% of Part C expenditures.

**Figure 2** presents the percentage of the payment error attributed to underpayments for FY 2016 through FY 2025. Note that CMS ended the policy of including new additional diagnoses in underpayment calculations starting in CY20. This makes FY 2022 and forward comparable, but not to prior years.

**Figure 2: Part C Population Error (%) from Underpayments, FY 2016 – FY 2025**

