

Part D Improper Payment Measure (Part D IPM) Fiscal Year (FY) 2025 Error Rates Results

For FY 2025, CMS reported an Improper Payment Measure (IPM) for the Part D program based on calendar year (CY) 2023 payments.¹ 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 2025 Agency Financial Report.

The CY 2023 Part D IPM payment error rate of 4.00%, which represents an increase of 0.30 percentage points from the 3.70% Part D Improper Payment Rate reported in CY 2022. This rate meets the target established in the FY 2024 Agency Financial Report. The CY 2023 error rate calculation included some methodology changes that did not impact the baseline. Most significantly, CMS transitioned the sampling methodology from cohort to random beneficiary selection.

The CY 2023 Part D gross improper payments estimate is approximately \$4.23 billion, and the net improper payments estimate is approximately \$3.18 billion. **Table 1** presents the CY 2023 Part D IPM results.

Table 1: CY 2023 Part D IPM Estimates for FY 2025 Reporting

Type of Estimate	Part D Payment Error
Overpayments	\$3.70B
Underpayments	\$0.52B
Gross Improper Payments (error rate numerator)	\$4.23B
Part D Denominator	\$105.56B
Improper Payment Rate	4.00%
Net Improper Payment	\$3.18B
Net Improper Payment Rate	3.01%
95% Confidence Interval, Lower Bound (\$)	\$3.77B
95% Confidence Interval, Upper Bound (\$)	\$4.71B
95% Confidence Interval, Lower Bound (%)	3.57%
95% Confidence Interval, Upper Bound (%)	4.46%

Part D improper payments fall into three main categories:

- Missing or invalid documentation errors, which occur when Part D plans are unable to provide sufficient documentation to support a claim, accounting for 75.00% of errors found in the FY 2025 audit sample;

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 2025. Prior years' data are available at <https://www.hhs.gov/about/agencies/asfr/finance/financial-policy-library/agency-financial-reports/index.html>.

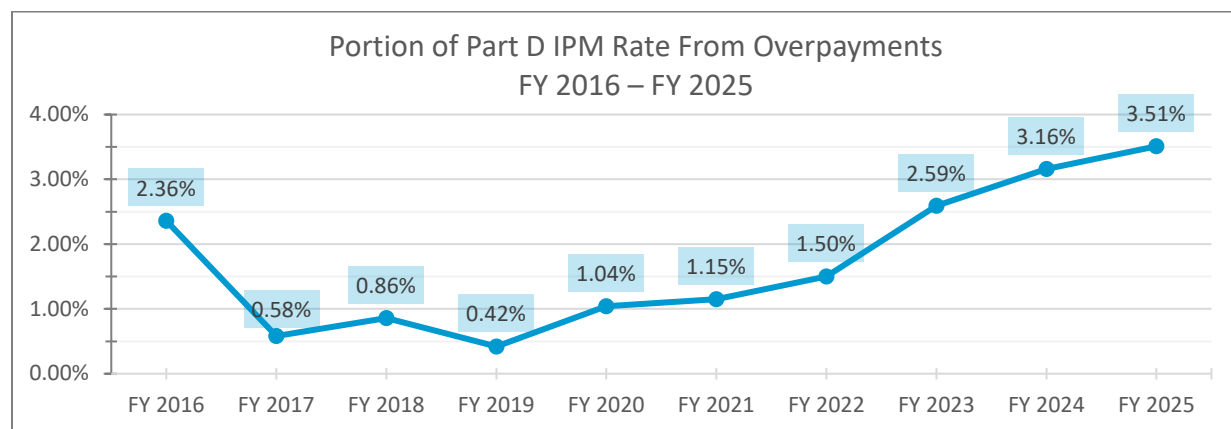
- Drug discrepancies, which occur when the drug that was given to the beneficiary differs than what is prescribed, accounted for 7.14% of errors; and
- Drug pricing discrepancies, which occur when the price of the drug dispensed differs from the price of what is prescribed, accounted for 17.86% of errors.

Findings on Overpayments

CMS compares details of the prescribed drug to the dispensed drug and to the information on a Prescription Drug Event (PDE) record to identify discrepancies. If values are inconsistent between the supporting documentation and the PDE record, CMS determines the PDE has a partial Gross Drug Cost (GDC)² error based on the difference after the discrepancy is corrected. If the corrected GDC is less than the GDC on the PDE record, it is considered an overpayment error. The FY 2025 Medicare Part D IPM overpayment error categories are drug or drug pricing discrepancies (0.28% in overpayments) and insufficient documentation to determine whether the PDE was proper or improper (i.e., invalid or missing documentation; 3.22%).

Figure 1 presents the portion of the Part D IPM attributed to overpayments from FY 2016 to FY 2025.

Figure 1: Portion of the Part D IPM Derived from Overpayments, FY 2016–FY 2025³



Findings on Underpayments

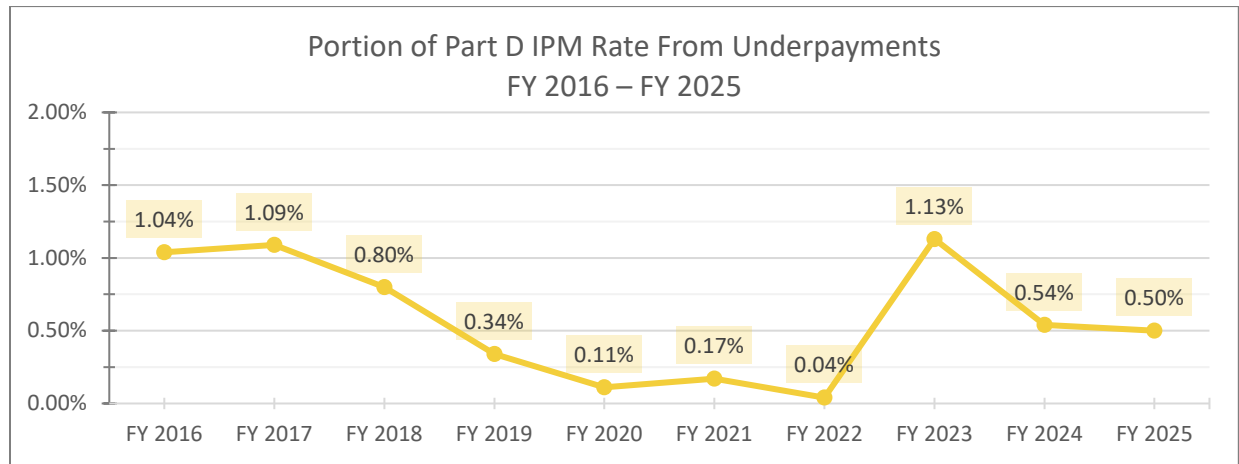
When inconsistent values identified during the review process show that a greater amount should have been paid, the discrepancy is considered an underpayment. Underpayments occur when the corrected GDC is more than the GDC on the PDE record. The FY 2025 Medicare Part D IPM underpayment error categories are drug or drug pricing discrepancies (0.50% in underpayments).

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.

³ For FY 2023, the Department of Health and Human Services (HHS) implemented several methodology changes, and FY 2024 established a new baseline.

Figure 2 presents the portion of the Part D IPM attributed to underpayments from FY 2016 to FY 2025.

Figure 2: Portion of the Part D IPM Derived from Underpayments, FY 2016–FY 2025⁴



⁴ For FY 2023, the Department of Health and Human Services (HHS) implemented several methodology changes, and FY 2024 established a new baseline.