



Medicare Part D Improper Payment Measurement Program – Improper Payment Rates

Improper Payment Error Rate Results

Part D Payment Error Results

In the CY 2017 Part D IPM, the reported rate of 0.75% met the target published in the FY 2019 Agency Financial Report. This is a decrease of 0.87 percentage points from the 1.62% National Payment Error Rate reported in CY 2016. For CY 2017 Part D IPM, the analysis identified a decrease in overpayments and a decrease in underpayments as the key drivers for the change in Part D Payment Error.

- The Part D Payment Error Rate due to overpayments decreased by 0.47% from CY 2016 (0.89%) to CY 2017 (0.42%).
- The Part D Payment Error Rate due to underpayments decreased by 0.40% from CY 2016 (0.73%) to CY 2017 (0.33%).

The CY 2017 Part D Estimated Gross Payment Error is approximately \$607.94 million, and the Net Payment Error Estimate is approximately \$63 million. **Table 1** presents the CY 2017 Part D Payment Error Estimate results.

Table 1. CY17 Part D Payment Error Estimates for FY 2019 Reporting

Type of Estimate	Part D Error
Overpayments	\$ 335,471,712.31
Underpayments	\$ 272,472,032.93
Gross Payments in Error (error rate numerator)	\$ 607,943,745.24
Part D Denominator	\$ 80,787,842,253
Payment Error Rate	0.75%
Net Payment in Error	\$ 62,999,679.38
Net Payment Error Rate	0.08%

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 GDC¹ error as determined by the difference once the discrepancy has been corrected post-audit.

if $GDC_{corrected} < GDC_{PDE}$ then CMS overpayment error.

¹ 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.

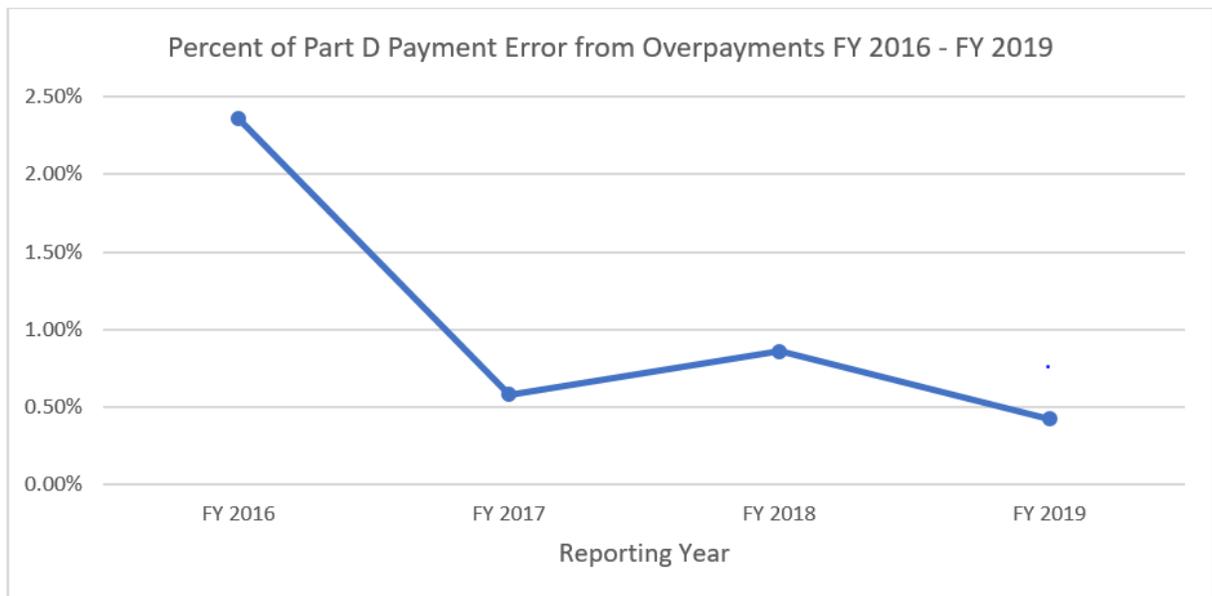
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Table 2 and **Figure 1** present the percent of the National Payment Error attributed to overpayments from FY 2016 – FY 2019.

Table 2: Part D Error from Overpayments FY 2016 – FY 2019

FY	Overpayments
FY 2016	2.36%
FY 2017	0.58 %
FY 2018	0.86%
FY 2019	0.42%

Figure 1: Part D Error from Overpayments FY 2016 – FY 2019



Findings on Underpayments

CMS compares details associated with the prescribed drug to those of the dispensed drug (e.g. ingredient cost) to identify any discrepancies. If these 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.

$$GDC_{corrected} \neq GDC_{PDE}$$

if $GDC_{corrected} > GDC_{PDE}$ then CMS underpayment error,

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.

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Table 3 and **Figure 2** present the percent of the National Payment Error attributed to underpayments from FY 2016 – FY 2019.

Table 3: Part D Error from Underpayments FY 2016 – FY 2019

FY	Underpayments
FY 2016	1.04%
FY 2017	1.09%
FY 2018	0.80%
FY 2019	0.34%

Figure 2: Part D Population Error from Underpayments FY 2016 – FY 2019

