



Part D Improper Payment Measurement (Part D IPM) Fiscal Year 2022 (FY2022) Error Rates Results

For FY 2022, CMS reported an improper payment measurement for the Part D program based on Calendar Year 2020 (CY 2020) payments.¹ The CY 2020 Part D IPM rate is 1.54%. Although this is an increase of 0.21 percentage points from the 1.33% Part D IPM rate reported for CY 2019, the program is considered to meet its target as the lower bound of the confidence interval surrounding the rate was below the reduction target.² The slight increase is due to year-over-year variability. As the rate is already low, variation in sampled error values or error category breakouts can cause shifts in the total estimated error rate. The Medicare Part D improper payment measure complied with Office of Management and Budget (OMB) guidance on sampling and estimation plans to produce a statistically valid methodology in the FY 2022 Agency Financial Report.

Beginning in FY 2022, CMS simplified the standard error calculation to adhere to statistical best practice, resulting in a lower margin of error and more accurate estimate. In the new calculation, CMS uses the standard deviation of the simulations to determine the standard error of the improper payment estimate. Further, CMS updated the data sources used to calculate the denominator in FY 2022; resulting in more accurate, precise, and transparent calculations. The FY 2022 denominator calculation only considers Part D expenditures that may be identified through clinical validation of PDE cost and payment amounts. The FY 2022 Part D improper payment measurement refinements improved the overall accuracy of the Part D improper payment rate; however, the FY 2022 improper payment rate is statistically similar to the FY 2021 rate and does not represent a new baseline.

The CY 2020 Part D Estimated Gross Improper Payment is approximately \$1.36 billion, and the Net Improper Payment Estimate is approximately \$1.29 billion. **Table 1** presents the CY 2020 Part D Improper Payment Estimate results.

Table 1. CY20 Part D Improper Payment Estimates for FY 2022 Reporting

Type of Estimate	Part D Payment Error
Overpayments	\$1,323,235,794.65
Underpayments	\$37,871,593.83
Gross Improper Payments (error rate numerator)	\$1,361,107,388.48
Part D Denominator	\$88,415,623,916.02
Improper Payment Rate	1.54%
Net Improper Payment	\$1,285,364,200.82
Net Improper Payment Rate	1.45%

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 2022, and prior years' data are available at <https://www.hhs.gov/about/agencies/asfr/finance/financial-policy-library/agency-financial-reports/index.html>.

² Targets are considered as being met if the 95% confidence interval includes the reduction target. The confidence interval for the Part D measure in FY 2022 (CY 2020) is 1.05% – 2.03%, thus it meets its target.

Findings on Overpayments

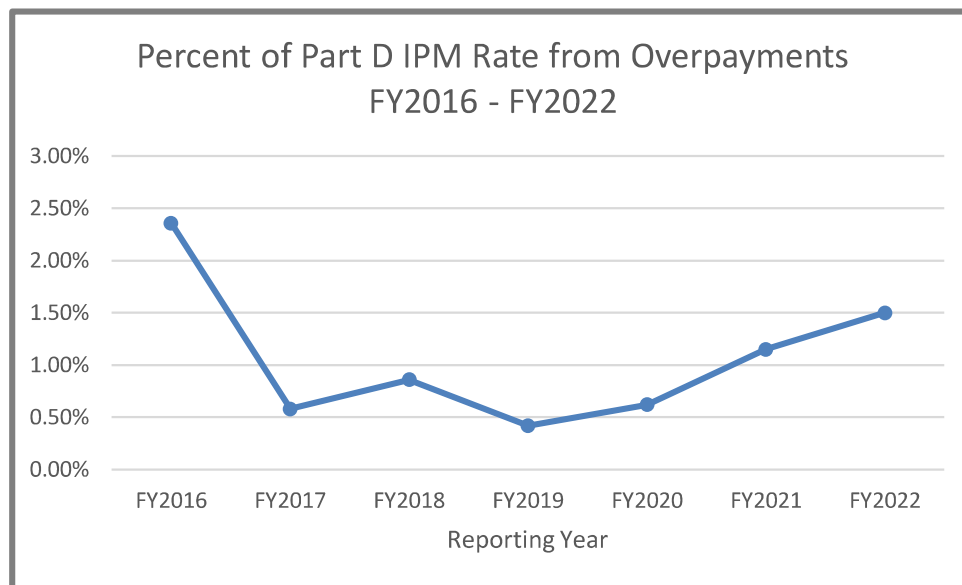
CMS compares details associated with the prescribed drug to the dispensed drug to the information supplied on a Prescription Drug Event (PDE) record to identify any discrepancies. If values are inconsistent between the supporting documentation and the PDE record, then CMS deems the PDE to have a partial Gross Drug Cost (GDC)³ error as determined by the difference once the discrepancy has been corrected post-audit. If corrected GDC is less than the GDC on the PDE record, it is considered an overpayment error. The FY 2022 Medicare Part D improper payment overpayment error categories are drug or drug pricing discrepancies (0.29% in overpayments) and insufficient documentation to determine whether proper or improper, i.e., missing documentation (1.21%).

Table 2 and **Figure 1** present the percent of the National Improper Payment attributed to overpayments from FY 2016 – FY 2022.

Table 2: Part D Improper Payment Rate from Overpayments FY 2016 – FY 2022

FY	Overpayments
FY2016	2.36%
FY2017	0.58%
FY2018	0.86%
FY2019	0.42%
FY2020	1.04%
FY2021	1.15%
FY2022	1.50%

Figure 1: Part D Improper Payment Measure Rate from Overpayments, FY 2016 – FY 2022



³ 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 shows 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 2022 Medicare Part D improper payment underpayment error categories are drug or drug pricing discrepancies (0.04% in underpayments).

Table 3 and **Figure 2** present the percent of the National Payment Error attributed to underpayments from FY 2016 – FY 2022.

Table 3: Part D Improper Payment Rate from Underpayments FY 2016 – FY 2022

FY	Underpayments
FY2016	1.04%
FY2017	1.09%
FY2018	0.80%
FY2019	0.34%
FY2020	0.11%
FY2021	0.17%
FY2022	0.04%

Figure 2: Part D Improper Payment Measure Rate from Underpayments, FY 2016 – FY 2022

