



Part D Improper Payment Measurement (Part D IPM) Fiscal Year 2021 (FY2021) Error Rates Results

For FY 2021, CMS reported an improper payment measurement for the Part D program based on Calendar Year 2019 (CY 2019) payments.¹ The CY 2019 Part D IPM payment error rate is 1.58%. Although this is an increase of 0.43 percentage points from the 1.15% Part D Improper Payment Rate reported for CY 2018, the program is considered to meet its target as the lower bound of the confidence interval surrounding the rate was below the reduction target². The slight increase is due to year-over-year variability, and is not statistically different from the prior year. As the rate is already low, variation in sampled error values or error category breakouts can cause minor shifts in the total estimated error rate. The Medicare Part D improper payment measure complied with OMB guidance on sampling and estimation plans to produce a statistically valid methodology in the FY 2021 Agency Financial Report³.

The CY 2019 Part D Estimated Gross Improper Payment is approximately \$1.37 billion, and the Net Improper Payment Estimate is approximately \$3.75 million. **Table 1** presents the CY 2019 Part D Improper Payment Estimate results.

Table 1. CY19 Part D Improper Payment Estimates for FY 2021 Reporting

Type of Estimate	Part D Payment Error
Overpayments	\$ 686,491,166.67
Underpayments	\$ 682,745,427.95
Gross Improper Payments (error rate numerator)	\$ 1,369,236,594.62
Part D Denominator	\$ 86,811,855,165.89
Improper Payment Rate	1.58%
Net Improper Payment	\$ 3,745,738.72
Net Improper Payment Rate	0.00%

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

¹ Information on the Part D Improper Payment Measure is available in the Department of Health and Human Services Agency Financial Report for FY 2021, and prior years' data are available at <https://www.hhs.gov/about/agencies/asfr/finance/financial-policy-library/agency-financial-reports/index.html>.

² Reduction 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 2021 (CY 2019) is 0.82% – 2.33%, thus it meets its target

³ Medicare Part D updated their sampling and methodology plan for FY 2021. HHS endeavors to improve the improper payment estimation methodologies by reducing any potential sources of bias and enhancing sampling efficiency.

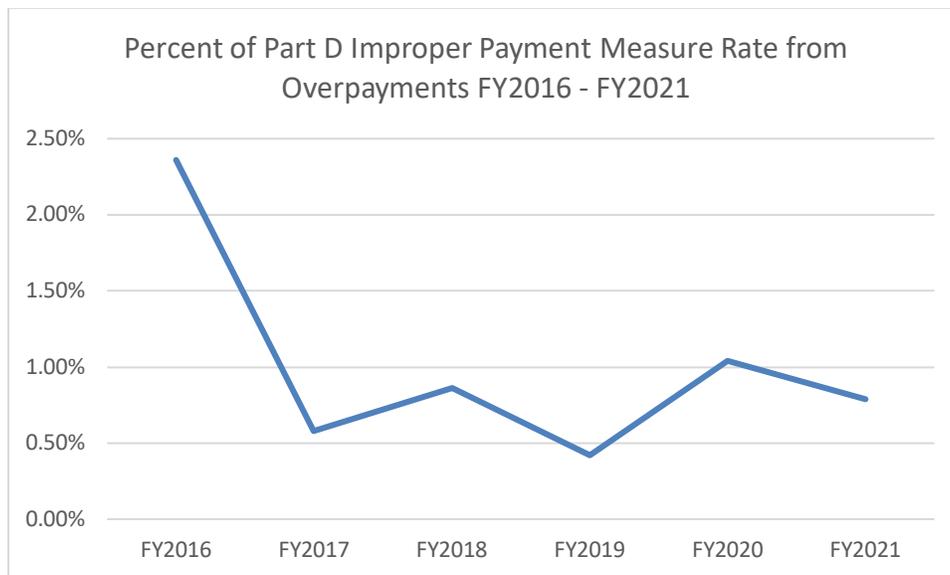
supporting documentation and the PDE record, then CMS deems the PDE to have a partial GDC⁴ error as determined by the difference once the discrepancy has been corrected post-audit. If corrected GDC is less than the GDC on the PDE record, it is considered an overpayment error. The FY 2021 Medicare Part D improper payment overpayment error categories are drug or drug pricing discrepancies (0.14 percent in Overpayments) and insufficient documentation to determine whether proper or improper, i.e., missing documentation (0.65 percent).

Table 2 and **Figure 1** present the percent of the National Improper Payment attributed to overpayments from FY 2016 – FY 2021.

Table 2: Part D Improper Payment Rate from Overpayments FY 2016 – FY 2021

FY	Overpayments
FY2016	2.36%
FY2017	0.58%
FY2018	0.86%
FY2019	0.42%
FY2020	1.04%
FY2021	0.79%

Figure 1: Part D Improper Payment Measure Rate from Overpayments FY 2016 – FY 2021



⁴ 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 2021 Medicare Part D improper payment underpayment error categories are drug or drug pricing discrepancies (0.79 percent in underpayments).

Table 3 and **Figure 2** present the percent of the National Payment Error attributed to underpayments from FY 2016 – FY 2021.

Table 3: Part D Improper Payment Rate from Underpayments FY 2016 – FY 2021

FY	Underpayments
FY2016	1.04%
FY2017	1.09%
FY2018	0.80%
FY2019	0.34%
FY2020	0.11%
FY2021	0.79%

Figure 2: Part D Improper Payment Measure Rate from Underpayments FY 2016 – FY 2021

