



Part C Improper Payment Measure (Part C IPM) Fiscal Year 2021 (FY 2021) Payment Error Rate Results

For FY 2021, CMS reported an improper payment measurement for the Part C program based on Calendar Year 2019 (CY 2019) payments.¹ The CY 2019 Part C IPM payment error rate of 10.28% is not comparable to prior years due to methodology enhancements that CMS implemented, as described below. Analysis of the CY 2019 Part C IPM identified an increase in both the overpayments and underpayments, resulting in the increase in improper payments.

The CY 2019 estimated gross payment error for Part C is approximately \$23.19 billion and the estimated net payment error is approximately \$7.18 billion. **Table 1** presents the CY 2019 Part C Payment Error Estimate results.

Table 1: CY 2019 Part C Payment Error Estimates for FY 2021 Reporting

Type of Estimate	Part C Payment Error
Overpayments	\$15,182,199,527
Underpayments	\$8,005,863,204
Gross Payments in Error (error rate numerator)	\$ 23,188,062,731
Part C Denominator (total Part C expenditures) ²	\$225,603,671,427
Improper Payment Error Rate	10.28%
Net Payment in Error	\$7,176,336,323
Net Payment Error Rate	3.18%
Insufficient Documentation*	\$1,743,220,150
Percent of Gross Payments in Error Due to Insufficient Documentation	7.52%

*Insufficient documentation indicates no medical records was submitted to support the payments (i.e., missing medical records). Insufficient documentation is a subset of total overpayments.

Changes to Part C IPM Error Rate Calculation Methodology for FY 2021

In FY 2021 CMS implemented refinements to the denominator methodology to only include the population of Medicare Advantage (MA) payments reviewed and at risk for diagnostic error, which led to the increase in the FY 2021 error estimate. For prior years, the Part C denominator

¹ Information on the Part C 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>.

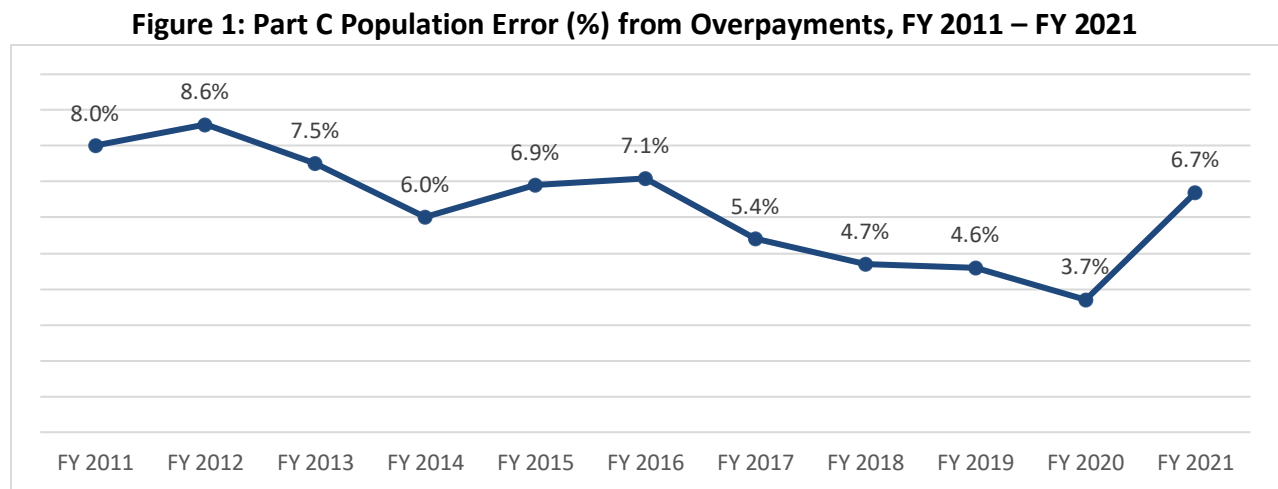
² Total expenditures as calculated by the Office of Financial Management for Part C improper payment reporting. Significant changes were made to the Part C Denominator for CY19. See following section for details, "Changes to Methodology in CY19".

methodology reflected total MA payments, and included some payments that were non-risk adjusted or based on a different model resulting in a reported error rate that was biased downward, or potentially understated. Therefore, the FY 2021 reporting year is a baseline and should not be compared with prior reporting years.

Findings on Overpayments

Overpayments occur when CMS Hierarchical Condition Categories (CMS-HCCs) originally reported to the CMS Encounter Data System (EDS) or the Risk Adjustment Processing System (RAPS) for payment are not supported by the medical record, 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 insufficient documentation was provided to validate the CMS-HCC. The primary overpayment error category of FY 2021 Medicare Part C improper payments consist of medical record discrepancies (5.96 percent in overpayments), with a smaller portion of improper payments resulting from insufficient documentation to determine whether proper or improper, such as missing documentation (0.77 percent).

Figure 1 presents the percentage of the payment error attributed to overpayments for FY 2011 through FY 2021.



Findings on Underpayments

Underpayments occur when CMS-HCCs not originally reported to RAPS or EDS for payment are identified during medical record review, or when higher manifestations within the disease hierarchies of the CMS-HCC risk adjustment model are identified during medical record review. The primary underpayment error category of FY 2021 Medicare Part C improper payments consist of medical record discrepancies (3.55 percent in underpayments).

Figure 2 presents the percentage of the payment error attributed to underpayments for FY 2011 through FY 2021.

Figure 2: Part C Population Error (%) from Underpayments, FY 2011 – FY 2021

