



Part C Improper Payment Measure (Part C IPM) Fiscal Year 2024 (FY 2024) Payment Error Rate Results

For Fiscal Year 2024 (FY 2024), CMS reported an Improper Payment Measurement (IPM) for the Part C program based on calendar year 2022 (CY22) payments.¹ Starting with FY 2024, HHS enhanced the representativeness of the sample by including beneficiaries with End Stage Renal Disease (ESRD) and beneficiaries with hospice months. Applying the technical refinements and following the prior methodology, the FY 2024 rate is comparable to the baseline established with the FY 2023 improper payment rate. Details on the policy changes can be found in the United States (U.S.) Department of Health and Human Services (HHS) Agency Financial Report (AFR).

The CY22 estimated gross payment error for Part C is approximately \$19.07 billion and the estimated net payment error is approximately \$15.34 billion. The improper payment estimate due to missing or insufficient documentation is 0.32 percent or \$1.09 billion, representing 5.69 percent of total improper payments. **Table 1** presents the CY22 Part C Payment Error Estimate results.

Table 1: CY22 Part C Payment Error Estimates for FY 2024 Reporting

Type of Estimate	Part C Payment Error
Overpayments	\$17,203,802,430
Underpayments	\$1,862,681,038
Gross Payments in Error (Error Rate Numerator)	\$19,066,914,159
Part C Denominator (Total Part C Expenditures)	\$339,932,011,675
Improper Payment Error Rate	5.61%
Net Payment in Error	\$15,341,552,082
Net Payment Error Rate	4.51%
Portion of improper payments due to Missing Documentation*	\$1,085,787,799
Percent of improper payments in Error Due to Missing Documentation*	0.32%

*Missing documentation indicates no medical records were submitted to support the payments. Missing documentation is a subset of total overpayments.

¹ Information on years prior to FY 2024 of the Part C Improper Payment Measure is available in the U.S. Department of Health and Human Services Agency Financial Reports: : <https://www.hhs.gov/about/agencies/asfr/finance/financial-policy-library/agency-financial-reports/index.html>

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Change to Part C IPM Error Rate Calculation Methodology for FY 2024

In FY 2024, CMS selected two sampling frames reflective of the Medicare Advantage (MA) population in FY 2024. The first sampling frame was a stratified random sample of individuals with a risk-adjusted payment in CY 2022 who did not have end-stage renal disease (ESRD). To ensure the sample population is representative of the MA population in the improper payment estimate, CMS also selected a separate simple random sample of individuals who had ESRD as a separate stratum. Lastly, CMS included enrollees who received hospice care to the eligible sampling frame.

Findings on Overpayments

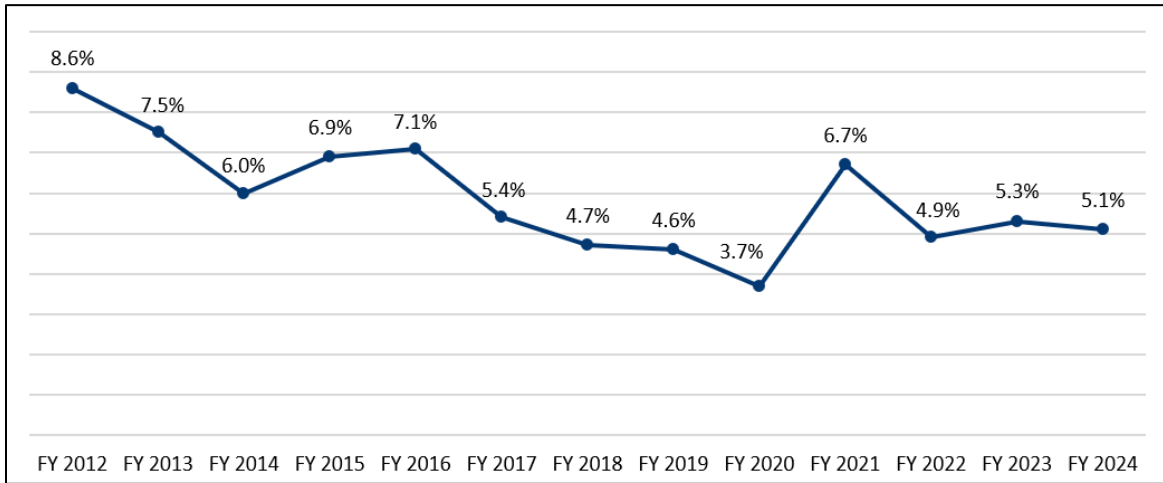
When Medicare Advantage (MA) Organizations report diagnoses to the CMS Encounter Data System (EDS), CMS uses the CMS Hierarchical Condition Category (CMS-HCC) Risk Adjustment model to assign CMS-HCCs and calculate a risk score for each enrollee. Overpayments occur when CMS-HCCs originally reported to the EDS for payment are not supported by the medical records documentation 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 missing or insufficient documentation was provided to validate the CMS-HCC.

The primary overpayment category of FY 2024 Medicare Part C IPM consists of medical record discrepancies (5.1 percent in overpayments) and a smaller portion of overpayments resulting from missing or insufficient documentation to determine whether payment was proper or improper (0.32 percent).

Starting with FY 2024, enrollees with any CMS-HCCs generated solely from providers on the CMS Preclusion List are excluded from the sample. The portion of the payment attributable to such CMS-HCCs is improper and will be reflected in the total Part C estimated improper payment rate.

Figure 1 presents the percentage of the payment error attributed to overpayments for FY 2012 through FY 2024.

Figure 1: Part C Population Error (%) from Overpayments, FY 2012 – FY 2024

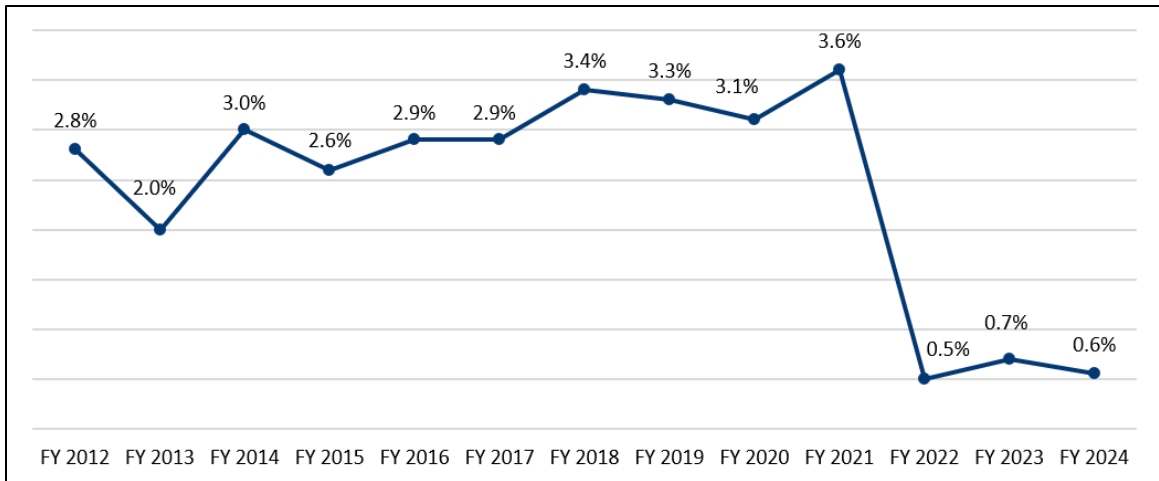


Findings on Underpayments

The underpayment component is comprised of CMS-HCCs that were not included in risk scores because related diagnoses were identified during the medical review process that the MA Organization did not submit to be used in the risk score calculation. The underpayments category of FY 2024 Medicare Part C IPM consists of medical record discrepancies (0.55 percent in underpayments).

Figure 2 presents the percentage of the payment error attributed to underpayments for FY 2012 through FY 2024. Note that CMS ended the policy of including new additionals in the underpayment calculation in CY20. This makes FY 2022 and forward comparable, but not to prior years.

Figure 2: Part C Population Error (%) from Underpayments, FY 2012 – FY 2024



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