



Part D Improper Payment Measure (Part D IPM) Fiscal Year (FY) 2024 Error Rates Results

For FY 2024, CMS reported an improper payment measurement for the Part D program based on calendar year (CY) 2022 payments.¹ The CY 2022 Part D IPM rate is 3.70%. The Medicare Part D IPM complied with Office of Management and Budget (OMB) guidance on sampling and estimation plans to produce a statistically valid methodology in the FY 2024 Agency Financial Report.

For FY 2023, HHS implemented several methodology changes², and FY 2024 establishes a baseline. The FY 2024 error rate calculation follows previously implemented methodology changes. While the rates for FY 2024 and FY 2023 are comparable, they are not comparable to earlier reporting years.

The CY 2022 Part D gross improper payments estimate is approximately \$3.58 billion, and the net improper payments estimate is approximately \$2.53 billion. **Table 1** presents the CY 2022 Part D IPM results.

Table 1: CY 2022 Part D IPM Estimates for FY 2024 Reporting

Type of Estimate	Part D Payment Error
Overpayments	\$3.05B
Underpayments	\$0.52B
Gross Improper Payments (error rate numerator)	\$3.58B
Part D Denominator	\$96.52B
Improper Payment Rate	3.70%
Net Improper Payment	\$2.53B
Net Improper Payment Rate	2.62%
95% Confidence Interval, Lower Bound (\$)	\$3.19B
95% Confidence Interval, Upper Bound (\$)	\$4.01B
95% Confidence Interval, Lower Bound (%)	3.31%
95% Confidence Interval, Upper Bound (%)	4.15%

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 2024. Prior years' data are available at <https://www.hhs.gov/about/agencies/asfr/finance/financial-policy-library/agency-financial-reports/index.html>.

² FY 2023 methodology changes are described on pages 245-247 of [HHS's FY 2023 AFR](#).

Findings on Overpayments

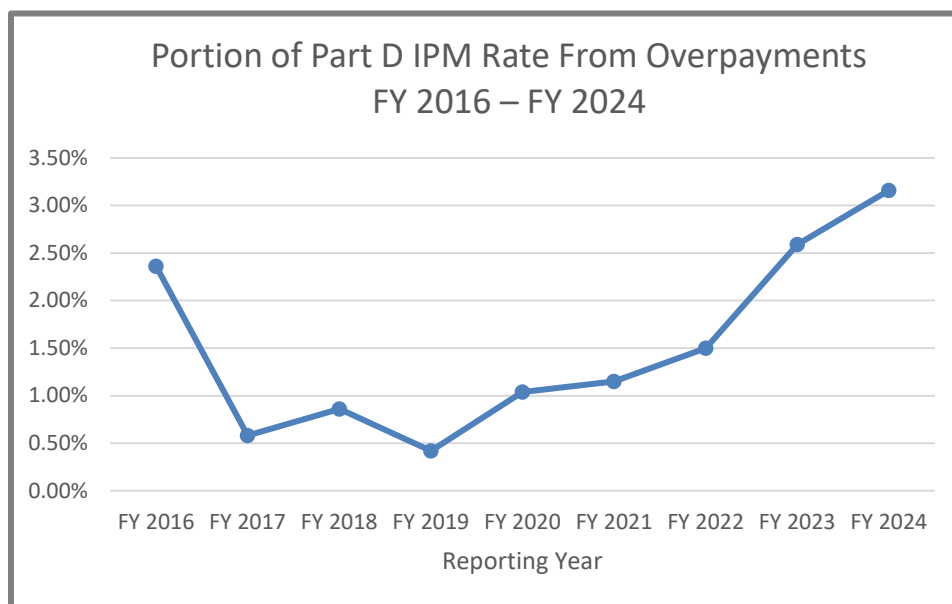
CMS compares details associated with the prescribed drug to the dispensed drug to the information supplied on a prescription drug event (PDE) record to identify any discrepancies. If values are inconsistent between the supporting documentation and the PDE record, then CMS deems the PDE to have a partial Gross Drug Cost (GDC)³ error as determined by the difference once the discrepancy has been corrected post-audit. If the corrected GDC is less than the GDC on the PDE record, it is considered an overpayment error. The FY 2024 Medicare Part D IPM overpayment error categories are drug or drug pricing discrepancies (0.46% in overpayments) and insufficient documentation to determine whether the PDE was proper or improper (i.e., invalid or missing documentation) (2.70%).

Table 2 and **Figure 1** present the portion of the Part D IPM attributed to overpayments from FY 2016 to FY 2024.

Table 2: Portion of the Part D IPM Derived From Overpayments, FY 2016 – FY 2024

FY	Overpayments
FY 2016	2.36%
FY 2017	0.58%
FY 2018	0.86%
FY 2019	0.42%
FY 2020	1.04%
FY 2021	1.15%
FY 2022	1.50%
FY 2023	2.59%
FY 2024	3.16%

Figure 1: Portion of the Part D IPM Derived From Overpayments, FY 2016 – FY 2024



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 show 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 2024 Medicare Part D IPM underpayment error categories are drug or drug pricing discrepancies (0.54% in underpayments).

Table 3 and **Figure 2** present the portion of the Part D IPM attributed to underpayments from FY 2016 to FY 2024.

Table 3: Portion of the Part D IPM Derived From Underpayments, FY 2016 – FY 2024

FY	Underpayments
FY 2016	1.04%
FY 2017	1.09%
FY 2018	0.80%
FY 2019	0.34%
FY 2020	0.11%
FY 2021	0.17%
FY 2022	0.04%
FY 2023	1.13%
FY 2024	0.54%

Figure 2: Portion of the Part D IPM Derived From Underpayments, FY 2016 – FY 2024

