

CMS NEWS

FOR IMMEDIATE RELEASE
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CMS TAKES STEPS TO REDUCE IMPROPER PAYMENTS AND SAVE MONEY FOR MEDICARE

The Centers for Medicare & Medicaid Services (CMS) today announced that it is moving forward with a new initiative to reduce errors, and save money for Medicare. New audits of Medicare Advantage contracts will reduce the payment error rate for the Medicare Advantage program and will recover an estimated \$370 million in overpayments for the first audit year. This estimate is a projection, and actual recovery amounts may vary depending on audit findings.

“Fighting fraud, improving payment accuracy, and saving money for Medicare is one of our top priorities,” said CMS Acting Administrator Marilyn Tavenner. “CMS will use a new method of auditing Medicare Advantage plans that improves program integrity and reflects public input.” CMS received more than 500 comments on its draft methodology.

CMS is required to adjust payments to MA organizations based on the health status of their plan enrollees. To receive risk-adjusted payments, MA organizations submit data to CMS. The Improper Payments Elimination and Recovery Act (IPERA) of 2010 requires CMS to annually audit these data. From FY 2010 to FY 2011, CMS successfully reduced the payment error rate for the MA program by three percentage points (from 14.1 to 11 percent).

The new initiative launched today will further improve these audits. The final audit methodology announced today for the Risk Adjustment Data Validation (RADV) program aims to further reduce the MA error rate.

This notice of final payment error calculation methodology is posted on the CMS website at:
http://www.cms.gov/Plan-Payment/02_PaymentValidation.asp

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CMS FACT SHEET

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Contact: CMS Office of Media Affairs
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Notice of Final Payment Error Calculation Methodology for Part C Medicare Advantage Risk Adjustment Data Validation Contract-Level Audits

On February 24, 2012, CMS released a *Notice of Final Payment Error Calculation Methodology for Part C Medicare Advantage Risk Adjustment Data Validation (RADV) Contract-Level Audits*. The notice advises that:

*CMS will perform its next round of Medicare Advantage (MA) contract-level audits on payment year 2011.

*Payment year 2011 is the first year that CMS will conduct payment recovery based on extrapolated estimates.

* CMS expects to audit about 30 MA contracts each year.

* Payment recovery amounts will be subject to a fee-for-service adjuster. The fee for service adjuster accounts for the fact that the documentation standard used in RADV audits to determine a contract's payment error is different from the documentation standard used to develop the Part C risk-adjustment model.

The notice can be found on the CMS website at:

http://www.cms.gov/Plan-Payment/02_PaymentValidation.asp

Background: Risk Adjusted Payments and RADV Audits

CMS is required by law to adjust payments to MA organizations based on the health status of their plan enrollees. Risk adjustment strengthens the Medicare program by ensuring that MA organizations are paid appropriately-- less for healthier enrollees expected to incur lower health care costs, and more for less-healthy enrollees who are expected to incur higher health care costs.

The Improper Payments Elimination and Recovery Act (IPERA) of 2010 requires CMS to validate the accuracy of the payments made to MA organizations and determine the level of payment error. From FY 2010 to FY 2011, CMS successfully reduced the payment error rate for the MA program by three percentage points (from 14.1 to 11 percent). CMS' RADV audit initiative is its primary strategy to further reduce the error rate. CMS estimates that the policy will save an estimated \$370 million for the first audit year. This estimate is a projection, and actual recovery amounts may vary depending on audit findings.

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