

Details for: FISCAL YEAR 2012 IMPROPER PAYMENT RATES FOR CMS PROGRAMS

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Original Medicare (Part A and Part B)

CMS measures Medicare fee-for-service (FFS) improper payments through the Comprehensive Error Rate Testing (CERT) program. Each year, CERT evaluates a statistically valid random sample of claims to determine if they were paid properly under Medicare coverage, coding, and billing rules.

The fiscal year (FY) 2012 Medicare FFS program improper payment rate is 8.5 percent, representing \$29.6 billion in improper payments compared to the FY 2011 improper payment rate of 8.6 percent. This rate takes into account a methodological change to the error rate calculation.

Improper Payment Rate and Projected Improper Payment Amount by Claim Type

Service Type	Improper Payment Rate	Improper Payment Amount
Inpatient Hospitals	6.8%	\$7.7 B
Durable Medical Equipment	66.0%	\$6.4 B
Physician/Lab/Ambulance	9.9%	\$8.9 B
Non-Inpatient Hospital Facilities	4.8%	\$6.6 B
Overall	8.5%	\$29.6 B

The reporting period for the improper payment rate in this report is July 1, 2010-June 30, 2011.

For additional information on the FFS error rate estimates, please visit <http://www.cms.gov/CERT> or view the HHS FY 2012 Agency Financial Report (AFR) at <http://www.hhs.gov/afr>. To review the methodology for developing these estimates, please see pages 163-165 of the report.

Medicare Advantage (Part C)

For FY 2012, CMS is reporting a Part C composite improper payment error rate estimate of 11.4 percent, based on calendar year (CY) 2010 payments. The FY 2011 Part C composite improper payment error rate was 11 percent. We expect that contract-level risk adjustment data validation (RADV) audits will have a sentinel effect on the accuracy of plan-submitted diagnosis data, which will first be captured in the error rate calculated for FY 2013 reporting.

Medicare Prescription Drug Benefit (Part D)

For the Part D program, CMS is reporting a composite improper payment error rate estimate of 3.1 percent for FY 2012. This represents a 0.1 percentage point decrease from the FY 2011 baseline composite Part D improper payment error rate of 3.2 percent. The FY 2012 Part D payment error rate is based on CY 2010 final Part D payments.

For details about the measures that make up the Part C and D composite improper payment error rates, please view the HHS FY 2012 AFR at <http://www.hhs.gov/afr/>.

Medicaid and Children's Health Insurance Program (CHIP)

CMS measures Medicaid and Children's Health Insurance Program (CHIP) improper payments through the Payment Error Rate Measurement (PERM) program and produces state and national-level error rates for each program. The error rates are based on reviews of the fee-for-service (FFS), managed care, and eligibility components of Medicaid and CHIP in the fiscal year (FY) under review. PERM uses a 17-state rotational approach to measure the 50 states and the District of Columbia over a three-year period. As a result, CMS measures each state once every three years.

The FY 2012 Medicaid improper payment error rate is 7.1 percent, totaling \$19.2 billion in improper payments. This represents a drop in the improper payment rate from FY 2011 (8.1 percent). The 17 states reviewed in FY 2012 were the same states reviewed in FY 2009. The improper payment rate for these states dropped from 8.7 percent in FY 2009 to 5.8 percent in FY 2012 causing the three-year Medicaid improper payment rate to decrease. The most significant improvement was in the eligibility component which dropped from 6.7 percent to 3.3 percent.

FY 2012 Medicaid Error Rate:

Component	2012 3-Year Rolling Error Rate	Nov 2012 Improper Payments –Federal Share (Billions)
Fee-for-Service	3.0%	\$6.0
Managed Care	0.3%	\$0.2
Eligibility	4.9%	\$13.2
Overall	7.1%	\$19.2*
<p>*Expenditures for eligibility encompass both FFS and managed care and, therefore, are equal to the national total. Rounding and overlaps between categories will impact the sums versus the aggregate values a bit differently.</p>		

CMS did not calculate a three-year weighted average error rate for the Children’s Health Insurance Program (CHIP) because the FY 2012 was first year of measurement since FY 2008. Thus, CMS reported the single-year FY 2012 national improper payment rate. The FY 2012 national CHIP improper payment error rate is 8.2 percent, totaling \$0.7 billion in improper payments.

FY 2012 CHIP Error Rate:

Component	2012 Annual Error Rate	Nov 2012 Improper Payments –Federal Share (Billions)
Fee-for-Service (FFS)	6.9%	\$0.2
Managed Care	0.1%	\$0.0
Eligibility	5.8%	\$0.5
Overall	8.2%	\$0.7*
<p>*Expenditures for eligibility encompass both FFS and managed care and, therefore, are equal to the national total. Rounding and overlaps between categories will impact the sums versus the aggregate values a bit differently.</p>		

For additional information on the Medicaid and CHIP error rates see www.cms.gov/PERM, or view the HHS FY 2012 AFR at <http://www.hhs.gov/afr/>.