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**CMS ISSUES IMPROPER PAYMENT RATES FOR MEDICARE, MEDICAID
and SCHIP**

The complete CERT report will spell out the error rate for ODs as well as other specialties. In the midyear report, CMS calculated the paid claim error rate for optometry as 2.9 percent, which is lower than most specialties but not as low as ophthalmology (1.9 percent). When the AOA sees the final year-end report they will let us know the results for optometry.

DEPARTMENT OF HEALTH & HUMAN SERVICES

Centers for Medicare & Medicaid Services

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**CMS ISSUES IMPROPER PAYMENT RATES FOR MEDICARE,
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CMS today reported it protected roughly \$400 million of taxpayer dollars as improper payments for Medicare fee-for-service (FFS) decreased from 3.9 percent in Fiscal Year (FY) 2007 to 3.6 percent, or \$10.4 billion, in FY 2008. The Medicare, Medicaid and SCHIP improper payment rates are issued annually as part of the HHS Agency Financial Report.

In addition to improved Medicare FFS payments for FY 2008, CMS reports its first Medicare Advantage improper payment rate of 10.6 percent, or \$6.8 billion, in payments made in Calendar Year (CY) 2006. Also being reported for the first time are the FY 2007 national composite error rates for Medicaid and for SCHIP. The Medicaid composite error rate is 10.5 percent, or \$32.7 billion of which the federal share is \$18.6 billion, and, for SCHIP, the rate is 14.7 percent, or \$1.2 billion, with a federal share of \$0.8 billion.

Improper payment rates include those payments that may have been paid incorrectly and do not necessarily reflect fraud. For Medicare FFS, most improper payments are due to claims for services that were medically unnecessary or incorrectly coded. The vast majority of Medicaid and SCHIP errors are due to inadequate documentation; providers either did not submit information to support their FFS or managed care claims or did not submit additional data when requested, a similar trend seen with Medicare Parts A and B in previous years. Other errors are due to services provided under Medicaid or SCHIP to beneficiaries who were not eligible for either program or who were not eligible for the services received.

The CY 2006 rate for Medicare Advantage primarily reflects health plan errors in documenting members' diagnoses. Improper payments due to incorrect calculations in the Medicare Advantage payment system are routinely resolved and payment adjustments are made and documentation errors improve over time.

“We are using the most effective information-gathering tools available to help us identify and eliminate improper payments in our efforts to protect the integrity of CMS programs,” said Kerry Weems, CMS acting administrator. “Measuring performance, publicly reporting results, and providing payment incentives

that encourage high quality and efficient care are paramount to keeping CMS accountable to the beneficiaries and American taxpayers.”

Due to CMS’ aggressive efforts to reduce payment errors, the Medicare FFS rate has declined from about 14 percent in 1996 to the 2008 rate of 3.6 percent. CMS expects the error rates for Medicare Advantage, Medicaid and SCHIP to decline similarly through program maturation and the agency’s use of tools that include statistical sampling, medical reviews and error rate reduction plans.

The composite Medicaid and SCHIP rates are based on a weighted average reflecting FFS and managed care payments. They also include an eligibility component that measures improper payments for services furnished to beneficiaries who were not eligible for Medicaid or SCHIP – or who were eligible for Medicaid or SCHIP, but not for the services they received under those programs.

CMS continues to work with Medicare FFS contractors, health and drug plans and states to: further ensure that payments for treating Medicare, Medicaid and SCHIP beneficiaries are accurate, reflect updated coverage policies, and educate providers on how to avoid errors in areas with high improper payment rates.

“One of the best tools we have to lower the amount of improper payments is education,” said Weems. “We have seen marked success in working with health care providers and the Medicare contractors to lower the Medicare fee-for-service error rate and will use lessons learned related to Medicaid, SCHIP and Medicare Advantage payment error rate reporting to support our oversight efforts.”

To strengthen confidence in the accuracy of reported error rates, CMS also announced it is conducting an in-depth evaluation effort to review this year’s Medicare FFS error rate. CMS also is developing methodologies to report the Medicare Part D error rate in the future.