FAVORABLE

OIG WATCH

23-14

Medigap plan pays PHO % of savings for deductible discounts

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What OIG Said

OIG said this model is low risk if admin fees are FMV, tied to savings not volume, and not passed to federal programs.

- ✓ A Medigap plan paid a preferred hospital organization (PHO) a percentage-based admin fee tied to savings from hospitals discounting Part A inpatient deductibles.
- ✓ OIG said this is remuneration under the Anti-Kickback Statute, but found no intent to induce referrals and called the risk sufficiently low based on how the fee was structured.
- ✓ OIG accepted that the admin fee was certified as fair market value, not tied to claims or collections, and based on plan savings, not hospital revenue.
- ✓ Key: the PHO couldn't charge hospitals to join, and the Medigap plan couldn’t shift costs to Medicare, removing common inducement and overutilization risks..

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Diligence Checklist

What you need to be ready to show in diligence

- ✓ Have a third-party FMV opinion supporting the admin fee structure and methodology.
- ✓ Show the fee is based on payer savings, not referral volume or hospital revenue.
- ✓ Prove the fee applies regardless of how many patients are admitted or which hospitals are used.
- ✓ Keep written agreements between PHO, hospitals, and payer that clearly define terms, scope, and duration.
- ✓ Document that no costs are passed to federal programs and no payment is required to join the network.

If your admin or network fee model can't prove FMV, referral independence, and no cost-shifting, this is exactly the profile OIG flagged for scrutiny.

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Structure not diligence-ready?

Cabra Consulting helps healthcare organizations make sure compensation and transaction structures are independently valued, clearly scoped, and defensible in diligence.

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