FAVORABLE

OIG WATCH

24-01

Medigap plan pays PHO % of savings for deductible discounts + offers patients $100 credit

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What OIG Said

OIG said this structure can be low-risk if the admin fee is FMV, not tied to referrals, and services are clearly scoped.

- ✓ OIG reviewed a Medigap Plan paying a PHO a percentage-based admin fee tied to the savings the plan received when hospitals discounted Part A deductibles.
- ✓ OIG said this counts as remuneration, both the admin fee and the $100 premium credit offered to patients for using in-network hospitals but said it wouldn't impose sanctions.
- ✓ OIG accepted the fee structure because the PHO's services were clearly defined, the fee was certified as fair market value, and no part of it depended on patient volume, referrals, or hospital payments.
- ✓ OIG emphasized that the arrangement avoided misuse of patient incentives: credits were capped, applied as premium offsets (not cash), and didn't steer volume improperly.

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Diligence Checklist

What you need to be ready to show in diligence

- ✓ Have a reputable third-party FMV opinion supporting the PHO's percentage-based admin fee.
- ✓ Show the scope of services the PHO provides (e.g., network contracting, hospital onboarding) and that they are commercially necessary and clearly documented.
- ✓ Prove that the admin fee is paid regardless of patient volume, referrals, or collections, not "we only get paid if patients show up."
- ✓ Document how patient premium credits are capped, non-cash, and non-discriminatory, and confirm that the structure doesn't pressure steerage.
- ✓ Keep a written agreement with a defined term (1+ year), no side arrangements, and uniform terms across participating hospitals.

If your admin fee or patient incentive model can't pass that test, you're potentially at risk of 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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