Department of Health and Human Services
Office of Inspector General
Office of Audit Services

September 2026 | A-09-24-03009

# Many Independent Organ Procurement Organizations Did Not Meet Medicare Requirements for Reporting Kidney Transportation Costs and Some Did Not Transport Organs in Accordance With Medicare Requirements

# REPORT HIGHLIGHTS

September 2026 | A-09-24-03009

# Many Independent Organ Procurement Organizations Did Not Meet Medicare Requirements for Reporting Kidney Transportation Costs and Some Did Not Transport Organs in Accordance With Medicare Requirements

## Why OIG Did This Audit

- Organ Procurement Organizations (OPOs) are not-for-profit organizations that perform or coordinate the procurement and preservation of organs, such as kidneys, as well as transportation of organs.
- Our preliminary analysis of independent OPOs' Medicare cost reports showed that average direct transportation costs per kidney varied considerably among these OPOs, which raised concerns that some independent OPOs may have been incorrectly allocating transportation costs. In addition, we identified concerns about ineffective transportation practices that resulted in the loss of or damage to organs.
- This audit assessed whether independent OPOs: (1) reported kidney transportation costs that met Medicare requirements and (2) transported organs in accordance with Medicare requirements.

## What OIG Found

Not all of 43 selected independent OPOs reported (on their FY 2023 Medicare cost reports) kidney transportation costs that met Medicare requirements or transported organs in accordance with Medicare requirements.

- Twenty-one OPOs reported kidney transportation costs, totaling $188,147, that did not meet Medicare requirements because the costs were either improperly allocated or inadequately supported.
- Twenty-six OPOs reported additional kidney transportation costs, totaling $240,178, that did not meet Medicare requirements.

In total, the OPOs reported $428,325 of unallowable kidney transportation costs.

In addition, four OPOs did not meet Medicare requirements for organ preparation and transport.

## What OIG Recommends

We made two recommendations to CMS that it instruct the Medicare administrative contractor to (1) recover $428,325 in unallowable organ transportation costs by adjusting the applicable OPOs' cost reports and (2) provide additional education to the independent OPOs. The full recommendations are in the report.

CMS concurred with both of our recommendations.

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# INTRODUCTION

## WHY WE DID THIS AUDIT

Medicare reimburses organ procurement organizations (OPOs) for the procurement and transportation of kidneys. OPOs are not-for-profit organizations that perform or coordinate the procurement and preservation of organs, such as kidneys, as well as transportation of organs to hospitals for transplantation into patients. Forty-nine independent OPOs reported over $68.7 million in kidney transportation costs in their fiscal year (FY) 2023 Medicare cost reports covering the period June 1, 2022, through December 31, 2023 (the audit period).[1, 2]

Our preliminary analysis of independent OPOs' Medicare cost reports showed that average direct transportation costs per kidney varied considerably among these OPOs. These differences raised concerns that some independent OPOs may have been incorrectly allocating transportation costs (e.g., assigning transportation costs for nonkidney organs to kidneys). In addition, our preliminary research identified concerns about ineffective transportation practices that resulted in the loss of or damage to many organs, including kidneys. To address these concerns, we conducted this audit to review transportation costs and transportation practices at selected independent OPOs. This audit is one of several Office of Inspector General (OIG) audits of OPOs and transplant hospitals (i.e., hospitals that furnish organ transplants).[3]

## OBJECTIVES

Our objectives were to determine whether independent OPOs: (1) reported kidney transportation costs that met Medicare requirements and (2) transported organs in accordance with Medicare requirements.

## BACKGROUND

### The Medicare Program

The Medicare program provides health insurance for people aged 65 or older, people under the age of 65 with certain disabilities, and people of all ages with end-stage renal disease, which is permanent kidney failure requiring dialysis or a kidney transplant (Title XVIII of the Social Security Act (the Act)). Section 1881 of the Act authorizes Medicare Part A reimbursement for

[1] An independent OPO is a freestanding organization that is not subject to the control of a hospital and that files its own Medicare cost report. Four of the 49 independent OPOs merged to form 2 OPOs after the start of our audit. Thus, there were 47 independent OPOs as of June 12, 2026.

[2] These were the most recent cost reports available at the start of our audit. The OPOs had varying FY end dates.

[3] A list of related audits can be found under our work plan (series number SRS-A-25-031) on the OIG website at https://oig.hhs.gov.

procurement and transplantation of kidneys. The Centers for Medicare & Medicaid Services (CMS) administers the Medicare program.

CMS contracts with Medicare administrative contractors (MACs) to, among other things, handle provider reimbursement services, conduct audits, and safeguard against fraud, waste, and abuse. At the time of our audit, Palmetto GBA, LLC (Palmetto), was the only MAC contracted to review Medicare cost reports submitted by independent OPOs and to determine amounts due to or from them.

**Organ Procurement Organizations**

OPOs are not-for-profit organizations that perform or coordinate the procurement, preservation, and transportation of organs to hospitals for transplantation into patients who are on a waiting list to receive a transplant. Other OPO responsibilities include identifying potential organ donors, requesting consent from and providing support to families of donors, and working with other agencies to identify potential transplant recipients. An OPO may be independent or hospital-based:

- An independent OPO is a freestanding organization that is not subject to the control of a hospital and that files its own Medicare cost report. Independent OPOs work closely with donor hospitals (i.e., hospitals where organs are recovered) and transplant hospitals to facilitate organ donation and transplantation.

- A hospital-based OPO is considered a department of the transplant hospital and reports organ acquisition costs it incurs on the transplant hospital's Medicare cost report.

**Medicare Reimbursement to Independent Organ Procurement Organizations**

Independent OPOs bill their standard acquisition charge to transplant hospitals for each organ procured (42 CFR §§ 413.404(a)(3) and 413.420; CMS's *Provider Reimbursement Manual–Part 1*, Pub. No. 15-1, (the Manual–Part 1), chapter 31, § 3108). Palmetto reviews and approves each OPO's standard acquisition charge for kidneys based on the OPO's reported costs for the previous year, which include direct kidney organ acquisition costs, overhead costs, and administrative and general costs associated with procuring kidneys.[4]

CMS requires independent OPOs to annually submit Medicare cost reports (Form CMS-216-94) to the MAC (42 CFR §§ 413.20(b), 413.24(f), and 413.420).[5] The cost reports, which are divided

[4] Palmetto does not review OPOs' standard acquisition charges for nonkidney organs. On July 31, 2026, CMS issued its FY 2027 Inpatient Prospective Payment System (IPPS) Final Rule, amending 42 CFR part 413, subpart L. The FY 2027 IPPS Final Rule includes the requirement, effective October 1, 2028, that the MAC approve each OPO's standard acquisition charge for all organ types, not just kidneys, to ensure that the costs are reasonable.

[5] CMS's *Provider Reimbursement Manual–Part 2*, Pub. No. 15-2, chapter 33, provides instructions to independent OPOs for completing the Medicare cost report.

into multiple worksheets, summarize the OPOs' financial records and organ statistics data (such as the number of kidneys and other organs procured). OPOs report the direct costs associated with the acquisition of each specific type of organ (e.g., kidney or liver) on the applicable Worksheet A-2. Direct costs that are not exclusively identifiable to a specific organ must be allocated to kidney and nonkidney organs based on the number of organs intended for transplant.

Allowable organ acquisition costs include operating room services, surgeons' fees, organ preservation, tissue typing, transportation of excised organs, and other costs (42 CFR § 413.402(b)). (See Appendix B for an example of Worksheet A-2.) OPOs also report the amount of payments received from transplant hospitals for kidneys and other organs on their Medicare cost reports.

After reviewing the independent OPOs' cost reports, the MAC makes retroactive settlements directly with the OPOs for kidneys procured for Medicare enrollees. The MAC makes these settlements to reconcile any overpayments or underpayments that these OPOs received from the transplant hospitals for kidneys. However, there are no such settlements for nonkidney (i.e., nonrenal) organs (42 CFR § 413.420).[6] Accordingly, any allocation of transportation costs for nonkidney organs to kidneys can result in Medicare overpayments to OPOs.

**Medicare Conditions for Coverage—Process Performance Measures**

Section 1138(b) of the Act requires OPOs to meet conditions for coverage to be reimbursed under Medicare.[7] These conditions for coverage include OPO process performance measures (42 CFR §§ 486.320 through 486.360). The process performance measures are the broad operational requirements for OPOs and include, among other things, measures such as organ preparation and transport.

The process performance measure for organ preparation and transport (42 CFR § 486.346) includes requirements such as the following:

- OPOs must develop and follow written protocols for packaging, labeling, handling, and shipping organs, including verification by two individuals that information listed on each label is correct (42 CFR § 486.346(c)); and

- OPOs must send complete documentation of donor information to the transplant hospital with the organ (42 CFR § 486.346(b)(1)).

[6] The FY 2027 IPPS Final Rule, in addition to the change noted in footnote 4, also requires that the MAC retroactively adjust the amounts received by independent OPOs for nonkidney organs for cost reporting periods beginning on or after October 1, 2028.

[7] In addition, section 371(b) of the Public Health Service Act, 42 U.S.C. § 273(b), states that Medicare payment may be made only to OPOs that meet requirements and standards established by the Secretary of Health and Human Services.

CMS expects OPOs to be in compliance with the process performance measures at all times. An OPO that is out of compliance with a process performance measure may be de-certified and become ineligible to receive Medicare payments or reimbursement.

## HOW WE CONDUCTED THIS AUDIT

Our audit covered $53.6 million of direct kidney transportation costs reported in 43 selected independent OPOs' FY 2023 Medicare cost reports, covering the audit period.[8]

We selected a nonstatistical sample of 5 high-dollar kidney transportation costs that were recorded in each of the 43 independent OPOs' general ledgers and that were associated with individual deceased donors who had donated multiple organs.[9] In total, our sample consisted of 213 direct kidney transportation costs, totaling $3.7 million.[10]

We also reviewed additional kidney transportation costs that were not included in our sample. These additional costs were either listed on the invoices obtained for the sampled items or appeared to be unallowable based on the OPOs' general ledger descriptions (e.g., funeral costs).

We reviewed supporting documentation (e.g., general ledgers, invoices, donor records, and donor logs) to determine whether the sampled and additional transportation costs were allowable and were properly allocated between kidney and nonkidney organs.[11] In addition, we reviewed 213 donor records (related to our sample) to determine whether the organs were transported in accordance with Medicare's process performance measure for organ preparation and transport.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Appendix A describes our audit scope and methodology.

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[8] The Medicare cost reports that we reviewed were the initial (as-submitted) reports filed by the OPOs before Palmetto's reviews. As of June 12, 2026, Palmetto had completed its reviews, and settled, 24 of the 43 independent OPOs' Medicare cost reports.

[9] The high-dollar sampled costs varied among OPOs and ranged from $906 to $89,778. We selected the costs associated with the donations of multiple organs from a single donor to determine whether the OPOs properly allocated the costs between kidneys and nonkidney organs.

[10] One OPO reported only three kidney transportation costs in its general ledger.

[11] As required by CMS, the OPOs maintain donor logs, which list the organs that were recovered and the hospitals to which the organs were sent.

## FINDINGS

Not all of the 43 selected independent OPOs reported kidney transportation costs that met Medicare requirements or transported organs in accordance with Medicare requirements. For kidney transportation costs, we determined that 177 of the 213 sampled kidney transportation costs that the 43 OPOs reported met Medicare requirements.[12] However, the remaining 36 sampled kidney transportation costs, totaling $188,147, that 21 OPOs reported did not meet Medicare requirements because the costs were either improperly allocated or inadequately supported. Furthermore, 26 OPOs reported additional kidney transportation costs, totaling $240,178, that did not meet Medicare requirements because they included costs for other organs that were improperly allocated to kidneys, unallowable costs (e.g., funeral costs), or both. Therefore, a total of 32 OPOs reported $428,325 of unallowable (sampled and additional) kidney transportation costs.[13]

For the transportation of organs, we found that four OPOs did not transport organs in accordance with Medicare requirements (one donor for each OPO). Specifically, the OPOs did not meet the requirements related to Medicare's process performance measure for organ preparation and transport.[14] When OPOs do not meet Medicare requirements when transporting organs, both patient safety and transplant outcomes can be compromised.

The OPOs stated that they reported the unallowable kidney transportation costs and did not meet Medicare requirements related to the process performance measure for organ preparation and transport because their staffs made clerical errors or misunderstood Medicare requirements.

## MEDICARE REQUIREMENTS FOR ORGAN TRANSPORTATION

CMS presumes that an OPO intends to procure all transplantable organs from a donor, and regardless of whether organs are actually procured (or recovered), the OPO incurs costs in attempting to recover such organs (the Manual–Part 1, § 3111).

Federal regulations state that OPOs must identify the costs associated with the recovered and unrecovered organs and must allocate those costs to the appropriate organ type. These costs include the costs associated with an organ intended for transplant, but subsequently determined to be unsuitable for transplant and, instead, to be furnished for research (42 CFR §§ 413.412(a)(1) and (a)(2)).

[12] All 43 OPOs had at least 1 sampled cost that met Medicare requirements.

[13] Fifteen OPOs had both sampled and additional kidney transportation costs that did not meet Medicare requirements.

[14] Two of the four OPOs also reported sampled kidney transportation costs that did not meet Medicare requirements.

Federal regulations also require OPOs to provide: (1) adequate cost data that are based on their financial and statistical records and are capable of verification by qualified auditors and (2) cost information that is accurate and in sufficient detail to support payments made for services provided (42 CFR §§ 413.24(a) and (c)).

In addition, Federal regulations specify that transportation costs associated with a deceased donor after organ procurement that are incurred for funeral services or for burial are not costs related to organ acquisition and are therefore unallowable (42 CFR § 413.402(d)(2)(ii)).

The process performance measure for organ preparation and transport states that two individuals, one of whom must be an OPO employee, must verify that the documentation that accompanies an organ to a transplant hospital is correct (42 CFR § 486.346(b)(4)). The OPO must develop and follow written protocols to check the accuracy and integrity of labels, packaging, and contents before transport, including verification by two individuals, one of whom must be an OPO employee (42 CFR § 486.346(c)). Also, the OPO must send complete documentation of donor information to the transplant hospital, including documentation of consent (i.e., authorization for donation), and this information must be available to the transplant hospital electronically (42 CFR § 486.346(b)(1)).

## KIDNEY TRANSPORTATION COSTS DID NOT MEET MEDICARE REQUIREMENTS

Twenty-one OPOs reported 36 of the 213 sampled transportation costs, totaling $188,147, that did not meet Medicare requirements. These unallowable costs either were associated with the transport of other organs but improperly allocated to kidney transportation costs (20 OPOs) or were inadequately supported (1 OPO). Table 1 shows the types and numbers of unallowable transportation costs.

**Table 1: Types and Numbers of Unallowable Sampled Transportation Costs That Did Not Meet Medicare Requirements**

| Type of Unallowable Costs | Number of OPOs With Unallowable Costs | Number of Unallowable Costs | Amount of Unallowable Reported Costs |
|---|---|---|---|
| Improperly Allocated to Kidney Transportation Costs | 20 | 34 | $128,747 |
| Inadequately Supported | 1 | 2 | 59,400 |
| **Totals** | **21** | **36** | **$188,147** |

**Transportation Costs of Other Organs Were Improperly Allocated to Kidney Transportation Costs**

Twenty OPOs reported $128,747 for 34 sampled transportation costs that were associated with the transport of other organs but were improperly allocated to kidney transportation costs. As examples:

- One OPO improperly reported $17,893 as kidney transportation costs for transporting a lung recovery team to recover lungs. These costs should have been allocated to and reported as lung transportation costs.[15]

- Another OPO reported $13,251 as kidney transportation costs for transporting a recovery team and lab specimens that supported the transplantation of multiple organs. These transportation costs should have been allocated between all of the organs that were intended for transplant. We determined that $9,791 was incorrectly allocated to kidney transportation costs and was therefore unallowable.

The OPOs said that they reported the unallowable kidney transportation costs because their staffs made clerical errors or misunderstood Medicare requirements. For example, one OPO noted that its accounting staff made a clerical error when it allocated all transportation costs to kidney transportation costs instead of splitting the costs across all of the applicable organs. Another OPO stated that its staff had miscoded an invoice by specifying "kidney only" on the invoice, even though the flight was for transporting a multi-organ recovery team.

Some OPOs believed that, according to their understanding of Medicare requirements, organ transportation costs should be allocated to organs that were actually transplanted and not to all organs that were intended for transplant. For example, one OPO reported the costs of transporting staff that supported the procurement of multiple organs (including a liver that was also intended for transplant) but allocated the costs only to kidney transportation costs. In this case, the OPO explained that it did not allocate the costs for transporting staff to its liver transportation costs because "[t]he liver was declined in the OR [operating room] and was not recovered."

The OPOs may have misunderstood Medicare requirements for allocating organ transportation costs because they did not receive training specific to reporting these costs. According to Palmetto, it has not provided direct training to OPOs on transportation costs; however, it has frequently discussed documentation requirements and improper allocation of costs to kidneys with the OPOs.

[15] Medicare reimburses independent OPOs only for the cost of procuring kidneys that were not covered by payments received after billing transplant hospitals. Medicare does not reimburse independent OPOs for any nonkidney costs that exceed the amounts received from transplant hospitals.

### Transportation Costs Were Not Adequately Supported

One OPO reported two sampled transportation costs totaling $59,400 that were not adequately supported. The OPO did not give us the vendor invoices for these two reported costs and instead provided only its general ledger journal entries and a spreadsheet that conveyed minimal information regarding the costs incurred for the chartered plane. These documents did not include information needed to allocate costs to the applicable organs (i.e., they did not include the purpose of the flight and what or who was transported) and did not include the starting locations needed to verify the flight times billed.[16]

These unallowable costs occurred because the OPO did not obtain invoices from the vendor. The OPO explained that it had a separate company that owned private planes; therefore, the OPO treated these as intercompany transactions, and there were no invoices between the two entities.[17] However, the OPO was able to (as required) provide an invoice from this same vendor for another sampled cost (which, we determined, met Medicare requirements).

## ADDITIONAL ORGAN TRANSPORTATION COSTS DID NOT MEET MEDICARE REQUIREMENTS

Twenty-six OPOs reported additional kidney transportation costs, totaling $240,178, that did not meet Medicare requirements. These unallowable costs were associated with the transport of other organs but were improperly allocated to kidney transportation costs (22 OPOs) or were for transporting donors to funeral services (12 OPOs).[18] Table 2 shows the types and numbers of unallowable costs associated with the additional kidney transportation costs we reviewed.

**Table 2: Types and Numbers of Unallowable Additional Kidney Transportation Costs That Did Not Meet Medicare Requirements**

| Type of Unallowable Costs | Number of OPOs With Unallowable Costs* | Amount of Unallowable Reported Costs |
|---|---|---|
| Improperly Allocated to Kidney Transportation Costs | 22 | $143,993 |
| Unallowable Transportation Costs for Funeral Services | 12 | 96,185 |
| **Totals** | **26** | **$240,178** |

* Eight of the 26 OPOs in this column had both types of unallowable costs.

[16] Medicare requires the reported costs to be adequately supported (42 CFR §§ 413.24(a) and (c)).

[17] In response to our query, Palmetto stated that the documents that this OPO gave us for this sampled cost (i.e., the general ledger journal entries and the spreadsheet) were not sufficient.

[18] Eight OPOs had both types of unallowable costs: they did not properly allocate costs and reported unallowable transportation costs for funeral services.

### Additional Costs To Transport Other Organs Were Improperly Allocated to Kidney Transportation Costs

Twenty-two OPOs reported $143,993 in unallowable costs that were associated with the transport of other organs but were improperly allocated to kidney transportation costs. For example, an OPO reported $10,797 as kidney transportation costs for a flight to transport a surgeon to recover a liver. The donor record showed that kidneys were not intended for transplant (footnote 15).

The OPOs said that they reported these unallowable costs because their staffs made clerical errors. For example, one OPO stated that it improperly allocated costs associated with the transplant of a liver to kidney transportation costs because an employee used an incorrect account code when posting the costs to the OPO's general ledger.

### Additional Transportation Costs Related to Funeral Services Were Unallowable

Twelve OPOs reported $96,185 in unallowable costs for transporting deceased donors to funeral services. For example, one OPO reported, as kidney transportation costs, a total of $46,722 for transporting donors from its facility to funeral homes.

The OPOs said that they reported these unallowable costs because their staffs made clerical errors or misunderstood Medicare requirements. For example, one OPO stated that these transportation costs to funeral homes were reported as allowable in error. In addition, some OPOs believed that the costs for transporting deceased donors to funeral homes were part of the organ procurement process and were therefore allowable.

The OPOs may have misunderstood what types of organ transportation costs are allowable because they did not receive training specific to reporting these costs. According to Palmetto, it has not provided direct training to OPOs on transportation costs; however, it has frequently discussed documentation requirements and improper allocation of costs to kidneys with the OPOs.

## ORGAN PROCUREMENT ORGANIZATIONS DID NOT MEET MEDICARE REQUIREMENTS RELATED TO THE PROCESS PERFORMANCE MEASURE FOR ORGAN PREPARATION AND TRANSPORT

Four OPOs did not transport organs in accordance with Medicare requirements (one donor for each OPO) related to Medicare's process performance measure for organ preparation and transport.[19] Specifically, three of the four OPOs did not provide documentation to support that two individuals had verified the accuracy and integrity of labels, packaging, and contents before transporting the organs to transplant hospitals (i.e., each of the OPOs provided a verification

[19] These four donors were associated with four sampled kidney transportation costs. See also footnote 14.

form that had been signed by only one person). The other OPO did not electronically send the required documentation of consent to three transplant hospitals.[20]

The four OPOs said that they did not meet Medicare requirements because their staffs made clerical errors. For example, one OPO provided a label verification form for the transportation of kidneys and liver; however, only one individual had signed the form. The OPO stated that this oversight occurred because of human error.

OPOs that do not meet Medicare requirements for organ preparation and transport may increase risks to patient safety and may lead to compromised transplant outcomes. Although our audit did not identify any safety-related incidents involving mislabeled organs in our sample, some OPOs mentioned incidents in which labeling errors had resulted in the wrong organs being sent for transplant (e.g., a label for the left kidney being placed on a container for the right kidney). To help prevent such errors and safeguard transplant recipients, it is important that, as Federal regulations specify, two people verify the accuracy of all labels and of the documentation that accompanies an organ before it is transported to a transplant hospital.

## RECOMMENDATIONS

- We recommend that CMS instruct Palmetto to recover the $428,325 in unallowable organ transportation costs by adjusting the associated OPOs' cost reports, consistent with relevant regulations and the agency's policies and procedures.

- We recommend that CMS instruct Palmetto to provide additional education to the independent OPOs regarding: (1) the correct method for allocating organ transportation costs based on all organs intended for transplant and (2) the types of unallowable transportation costs.

## CMS COMMENTS

In written comments on our draft report, CMS concurred with our recommendations and described actions that it planned to take to address them. For the first recommendation, CMS stated that it would direct the MAC to recover identified reimbursements associated with our audit consistent with relevant law and the agency's policies and procedures. For the second recommendation, CMS stated that it is committed to preventing improper payments by ensuring that the MAC is properly educating OPOs regarding Medicare requirements. CMS added that it would explore the most effective and efficient way to instruct the MAC to provide additional education to independent OPOs.

[20] The OPOs use DonorNet, a secure web-based application operated by the United Network for Organ Sharing (UNOS), for sharing donor information with transplant hospitals. UNOS is a private, not-for-profit organization that under Federal contract manages the Organ Procurement and Transplantation Network (OPTN), overseeing the nation's organ donation and transplantation system.

CMS also provided technical comments on our draft report, which we addressed as appropriate. CMS's comments, excluding the technical comments, are included in their entirety as Appendix C.

## APPENDIX A: AUDIT SCOPE AND METHODOLOGY

### SCOPE

Our audit covered $53,594,055 of direct kidney transportation costs reported in 43 selected independent OPOs' FY 2023 Medicare cost reports covering the audit period (footnote 8).

We selected a nonstatistical sample of 5 high-dollar kidney transportation costs that were recorded in each of the 43 independent OPOs' general ledgers and that were associated with individual deceased donors who had donated multiple organs (footnote 9). In total, our sample consisted of 213 direct kidney transportation costs, totaling $3,670,675 (footnote 10).

We also reviewed additional kidney transportation costs that were not included in our sample. These additional costs were either listed on the invoices obtained for the sampled items or appeared to be unallowable based on the OPOs' general ledger descriptions (e.g., funeral costs).

We reviewed supporting documentation (e.g., general ledgers, invoices, donor records, and donor logs) (footnote 11) to determine whether the sampled and additional transportation costs were allowable and were properly allocated between kidney and nonkidney organs. In addition, we reviewed 213 donor records (related to our sample) to determine whether the organs were transported in accordance with Medicare's process performance measure for organ preparation and transport.

We did not perform an overall assessment of CMS's internal control structure. Rather, we limited our review of internal controls to those that were significant to our objective. Specifically, we: (1) interviewed CMS and Palmetto officials to obtain an understanding of their entities' oversight of OPOs' Medicare cost reports and (2) contacted officials at the 43 selected independent OPOs to obtain an understanding of their OPOs' internal controls for ensuring that organ transportation costs included on Medicare cost reports met Medicare requirements and that organs were transported in accordance with Medicare requirements.

We conducted our audit from July 2024 to July 2026.

### METHODOLOGY

We took the following steps to accomplish our objective:

- Reviewed applicable Federal laws, regulations, and guidance

- Contacted officials at CMS to obtain an understanding of: (1) its oversight of the organ transportation costs claimed on independent OPOs' Medicare cost reports, including any controls and system edits, and (2) the organ preparation and transportation performance measure

- Interviewed officials at Palmetto to obtain an understanding of: (1) its oversight of the organ transportation costs claimed on the OPOs' Medicare cost reports, (2) types of allowable organ transportation costs, and (3) how organ transportation costs should be allocated to various organs

- Obtained from Palmetto the independent OPOs' as-submitted FY 2023 Medicare cost reports (footnote 8)

- Contacted officials at the 43 selected independent OPOs to obtain an understanding of the OPOs' internal controls for ensuring that only allowable costs are reported in the Medicare cost reports

- Obtained the 43 OPOs' supporting documentation (e.g., general ledgers, donor logs, invoices, donor records, and policies and procedures) for kidney transportation costs reported in the FY 2023 Medicare cost reports

- Reconciled the 43 OPOs' general ledgers to the OPOs' Medicare cost reports

- Nonstatistically selected 5 high-dollar kidney transportation costs, as recorded in each of the 43 independent OPOs' general ledgers (for a total of 213 sampled costs; footnote 10), that were associated with individual donors who had donated multiple organs

- Identified and reviewed additional kidney transportation costs (not included in our sample) that were either listed on the invoices obtained for the sampled items or appeared to be unallowable based on the OPOs' general ledger descriptions

- Reviewed the OPOs' supporting documentation to determine whether the sampled and additional organ transportation costs met Medicare requirements

- Reviewed donor records provided by the OPOs for donors related to the sampled kidney transportation costs to determine whether the organs were transported in accordance with Medicare requirements related to the process performance measure for organ preparation and transport

- Informed the relevant OPOs of our findings and asked the OPOs to provide reasons why they had reported unallowable costs or had not transported organs in accordance with Medicare requirements related to the process performance measure for organ preparation and transport

- Calculated the unallowable Medicare payments for the sampled and additional organ transportation costs

- Discussed the results of our audit with CMS officials

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

## APPENDIX B: WORKSHEET A-2 OF THE MEDICARE COST REPORT

OPOs report their direct organ acquisition costs on Worksheet A-2 of the Medicare cost report. Organ transportation costs are reported on line 18 (Transportation of Organs). OPOs complete a separate Worksheet A-2 for each type of organ (e.g., kidney, liver, or heart) that they procure.

| 06-15 | Form CMS-216-94 | | | 3390 (Cont.) |
|---|---|---|---|---|
| ORGAN ACQUISITION COST | Provider CCN: _____ | REPORTING PERIOD: FROM_____ TO_____ | WORKSHEET A-2 | |
| Check One: [ ] Kidney [ ] Liver [ ] Heart [ ] Pancreas [ ] Lung [ ] Other _____ | | | | |
| | COST CENTER | SALARIES | OTHER | TOTAL | |
| | | 1 | 2 | 3 | |
| | **Organ Acquisition Costs Amounts Paid To Excision Hospitals** | | | | |
| 1 | Operating Room | | | | 1 |
| 2 | Anesthesiology | | | | 2 |
| 3 | Respiratory Therapy | | | | 3 |
| 4 | Intensive Care Unit | | | | 4 |
| 5 | Medical Supplies | | | | 5 |
| 6 | Pharmacy | | | | 6 |
| 7 | Electroencephalography | | | | 7 |
| 8 | Hospital Laboratory | | | | 8 |
| 9 | Other Excision Hospital Cost (specify) | | | | 9 |
| 10 | Subtotal-Excision Hospital Cost (sum of lines 1-9) | | | | 10 |
| | **Other Acquisitions Costs** | | | | |
| 11 | Computer Registry | | | | 11 |
| 12 | Donor Evaluation | | | | 12 |
| 13 | Surgeon Fee | | | | 13 |
| 14 | Organ Preservation | | | | 14 |
| 15 | Donor Tissue Typing | | | | 15 |
| 16 | Recipient Crossmatch | | | | 16 |
| 17 | Imported Organ Cost | | | | 17 |
| 18 | Transportation of Organs | | | | 18 |
| 19 | Tissue Typing Lab-Under Agreement | | | | 19 |
| 20 | Anesthesiologist Professional Fees | | | | 20 |
| 21 | Other Acquisition Costs (specify) | | | | 21 |
| 22 | Subtotal-Other Acquisition Cost (sum of lines 11-21) | | | | 22 |
| 23 | Total-Organ Acquisition Cost (sum of lines 10 and 22) Transfer columns 1 and 2, line 23 to W/S A. (see instructions) | | | | 23 |
| | | | | | |
| FORM CMS 216-94 (06/2015) (INSTRUCTIONS FOR THIS WORKSHEET ARE PUBLISHED IN CMS PUB 15-2, SECTION 3306) | | | | | |
| Rev. 6 | | | | | 33-307 |

## APPENDIX C: CMS COMMENTS

DEPARTMENT OF HEALTH & HUMAN SERVICES

Centers for Medicare & Medicaid Services

*Administrator*
Washington, DC 20201

**DATE:** August 19, 2026

**TO:** Megan Tinker
Chief of Staff
Office of Inspector General

**FROM:** Dr. Mehmet Oz
Administrator
Centers for Medicare & Medicaid Services

**SUBJECT:** Office of Inspector General (OIG) Draft Report: *Many Independent Organ Procurement Organizations Did Not Meet Medicare Requirements for Reporting Kidney Transportation Costs and Some Did Not Transport Organs in Accordance With Medicare Requirements* (A-09-24-03009)

The Centers for Medicare & Medicaid Services (CMS) appreciates the opportunity to review and comment on the Office of Inspector General's (OIG) draft report. CMS is committed to providing Medicare beneficiaries with high quality health care while protecting taxpayer dollars.

Independent Organ Procurement Organizations (OPOs) are non-profit entities legally permitted to recover organs from deceased donors and to provide support to donor families, clinical management of organ donors, and professional and public education about organ donation. They are also responsible for identifying potential organ donors, requesting consent from the families of donors, working with other agencies to identify potential transplant recipients, and ensuring that organs are appropriately transferred to transplant hospitals.

Section 1138 of the Social Security Act and section 371 of the Public Health Service Act provide the statutory qualifications and requirements that an independent OPO must meet for organ procurement costs to be reimbursed under Medicare and Medicaid. OPOs must also follow regulatory requirements enforced by CMS and submit Medicare cost reports to the Medicare Administrative Contractor (MAC) annually to determine the amounts payable under Medicare associated with procurement of kidneys (42 CFR §§ 413.420 and 413.20(b)). An OPO's Medicare cost report includes direct costs, administrative and general costs, and overhead costs associated with procuring organs. To help ensure that costs are accurately reported, the MAC performs a desk review on OPO cost reports. The desk review is an analysis of the provider's Medicare Cost Report (MCR) to determine its adequacy, completeness, accuracy, and reasonableness of the data contained therein. The objective of the desk review is to determine whether the MCR can be settled without an audit or whether an in-house/ field audit is necessary. An audit is an examination of financial transactions, accounts, and reports as they related to the MCR to test the provider's compliance with applicable Medicare laws, regulation, manual instructions, and directives. Additionally, to

assist independent OPOs in reporting their costs, CMS provides guidance in 42 CFR 413.400 et seq., the *Provider Reimbursement Manual* (Manual), Part 1, Ch 31 and Part 2, Ch 33.

OIG's recommendations and CMS's responses are below.

**OIG Recommendation**

The Centers for Medicare & Medicaid Services should instruct Palmetto to recover the $428,325 in unallowable organ transportation costs by adjusting the associated OPOs' cost reports, consistent with relevant regulations and the agency's policies and procedures.

**CMS Response**

CMS concurs with this recommendation. CMS will direct Palmetto, the MAC, to recover identified reimbursements associated with OIG's audit consistent with relevant law and the agency's policies and procedures.

**OIG Recommendation**

The Centers for Medicare & Medicaid Services should instruct Palmetto to provide additional education to the independent OPOs regarding: (1) the correct method for allocating organ transportation costs based on all organs intended for transplant and (2) the types of unallowable transportation costs.

**CMS Response**

CMS concurs with this recommendation. CMS is committed to preventing improper payments by ensuring that the MAC is properly educating OPOs regarding Medicare requirements. CMS will explore the most effective and efficient way to instruct Palmetto to provide additional education to independent OPOs.

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Office of Inspector General
Public Affairs
330 Independence Ave., SW
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Email: Public.Affairs@oig.hhs.gov