Why OIG Did This Audit

Medicare Part D is an optional program to help Medicare beneficiaries pay for prescription drugs. For drugs dispensed to Part D beneficiaries, Part D prescription drug plan sponsors may receive direct and indirect remuneration (DIR), which consists of rebates, subsidies, or other price concessions that decrease the costs that a sponsor incurs for a Part D drug. Part D sponsors or their pharmacy benefit managers (PBMs) may negotiate with pharmacies to charge various fees, and these fees are included as DIR. Part D sponsors are required to report their DIR to the Centers for Medicare & Medicaid Services (CMS) each year.

Our objective was to determine whether Geisinger Health Systems, Inc., complied with Federal requirements for reporting pharmacy fees in its Summary DIR Reports.

How OIG Did This Audit

We reviewed Geisinger’s Summary DIR reports for contract years (CYs) 2013 through 2016 to determine whether Geisinger complied with Federal requirements for reporting pharmacy fees. We reviewed Geisinger’s contracts with its PBM, MedImpact, as well as contracts Geisinger and MedImpact had with pharmacies. We reviewed point-of-sale fees totaling $469,850 collected by MedImpact for CYs 2013, 2014, and 2015.

Audit of Medicare Part D Pharmacy Fees: Geisinger Health Systems, Inc.

What OIG Found

During CYs 2013, 2014, and 2015, Geisinger did not report point-of-sale fees that MedImpact charged to pharmacies. MedImpact received point-of-sale fees totaling $149,199 for CY 2013, $167,798 for CY 2014, and $152,853 for CY 2015, but Geisinger did not report the fees in its Summary DIR Reports. MedImpact did not have point-of-sale fees on Geisinger’s Part D claims in 2016. Geisinger stated that the point-of-sale fees were not reported because of an unintentional oversight.

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003 requires that CMS calculate the difference between the prospective payments received by a sponsor and the actual allowable costs incurred. The allowable costs are generally payments that the sponsor makes for covered drugs less certain subsidy amounts and reported DIR. Because Geisinger understated its CY 2013, 2014, and 2015 DIR amounts, CMS used allowable costs that were overstated by $469,850 to make its final payment determination for these 3 years.

What OIG Recommends and Geisinger’s Comments

We recommend that Geisinger refile its DIR reports for CYs 2013, 2014, and 2015 to report the unreported point-of-sale fees ($149,199 for CY 2013, $167,798 for CY 2014, and $152,853 for CY 2015) received from pharmacies.

Geisinger concurred with our recommendation that it refile its DIR reports for contract years 2013 through 2015. Geisinger resubmitted DIR reports for CYs 2014 and 2015 and requested that CMS open the portal for resubmitting the DIR report for CY 2013; that request is still under review by CMS.

The full report can be found at https://oig.hhs.gov/oas/reports/region3/31800006.asp.