REPORT HIGHLIGHTS

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Essence Healthcare, Inc., Did Not Comply With Federal Requirements for Reporting Direct and Indirect Remunerations for Contract Years 2017 Through 2020

Why OIG Did This Audit

- CMS contracts with private entities called sponsors that act as payers and insurers to provide prescription drug benefits under Medicare Part D.
- For drugs dispensed to Part D enrollees, Part D prescription drug plan sponsors may receive direct and indirect remuneration (DIR), which consists of rebates, subsidies, or other price concessions that generally decrease the costs that a sponsor incurs for a part D drug. The higher the DIR, the lower the cost of covered drugs.
- This report is part of a series of OIG reports examining Medicare sponsor compliance with requirements related to DIR.

What OIG Found

Essence, a Part D sponsor, incorrectly reported to CMS amounts paid to primary care physician contractors as DIR for contract years 2017 through 2020. Essence incorrectly reported as DIR risk-share payments that were not attributable to Part D drug costs.

- For calendar years 2017 through 2020, Essence incorrectly reported as DIR incentive payments totaling [redacted] that were not attributable to Part D drug cost.
- Another category of risk-share payments, called guarantee payments, also included amounts that were incorrectly reported as DIR. However, we could not determine the amount that should not have been reported as DIR.

By including amounts that were not attributable to drug costs in its reported DIR, Essence lowered its overall DIR, overstated its drug costs, and may have received a higher payment amount from CMS than it should have received.

What OIG Recommends

We made three recommendations, including that Essence request that CMS reopen its 2017 through 2019 DIR reports and refile its 2020 DIR report with the correct amounts. The full recommendations are in the report.

Essence did not agree with our findings and did not address our recommendations.

This is a revised version of the report prepared for public release.