

DEPARTMENT OF HEALTH & HUMAN SERVICES  
Centers for Medicare & Medicaid Services  
7500 Security Boulevard  
Baltimore, Maryland 21244-1850



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**MEDICARE PARTS C AND D OVERSIGHT AND ENFORCEMENT GROUP**

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May 1, 2026

Ms. Stephanie Grober  
President, Chief Operating Officer, and Chair of Board  
Health Care Service Corporation  
1400 S Boston Ave  
Tulsa, OK 74119

Mr. Stephen Harris  
President, Government Markets  
Health Care Service Corporation  
300 East Randolph Street  
Chicago, IL 60601

Re: Notice of Imposition of Civil Money Penalty for Medicare Advantage-Prescription Drug  
Contract Numbers: H0107, H1666, H3251, H3822, H3979, H8133, H8634, and H9706

Dear Ms. Grober and Mr. Harris:

Pursuant to 42 C.F.R. §§ 422.752(c)(1), 422.760(c), 423.752(c)(1), and 423.760(c), the Centers for Medicare & Medicaid Services (CMS) is providing notice to Health Care Service Corporation (HCSC), that CMS has made a determination to impose a civil money penalty (CMP) in the amount of **\$50,437** for Medicare Advantage-Prescription Drug (MA-PD) Contract Numbers H0107, H1666, H3251, H3822, H3979, H8133, H8634, and H9706.

An MA-PD organization's<sup>1</sup> primary responsibility is to provide Medicare enrollees with medical services and prescription drug benefits in accordance with Medicare requirements. CMS has determined that HCSC failed to meet that responsibility.

**Summary of Noncompliance**

In 2024, CMS conducted an audit of HCSC's 2022 Medicare financial information. In a financial audit report issued on May 14, 2024, CMS auditors reported that HCSC failed to comply with Medicare requirements related to Part C cost sharing s in violation of 42 C.F.R. Part 422, Subpart F. More specifically, auditors found that in 2022, HCSC overcharged enrollees for Part C medical services. HCSC's failure to comply with Medicare Part C requirements adversely affected (or had the substantial likelihood of adversely affecting) enrollees because they may have experienced increased out-of-pocket costs.

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<sup>1</sup> Referenced as "plan sponsor".

**Part C Cost Sharing Requirements** (42 C.F.R. §§ 422.111(b), 422.254, and 422.270; and Chapter 4, Section 50 of the Medicare Managed Care Manual (IOM Pub. 100-16))

Every year, a plan sponsor must submit to CMS an aggregate monthly bid amount which must include a description of deductibles, coinsurance, and copayments applicable under the plan and the actuarial value of the deductibles, coinsurance, and copayments. When the bid is approved by CMS, the plan sponsor must provide to each enrollee a description of the benefits offered under a plan, including the applicable cost-sharing for the benefits (see 42 C.F.R. § 422.111(b)). The plan sponsor must not charge an enrollee a different amount from what was approved in the bid and disclosed to the enrollee for that benefit. Pursuant to 42 C.F.R. § 422.270(b), if the plan sponsor charges amounts in excess of the agreed upon cost-sharing, then the plan sponsor must agree to refund all amounts incorrectly collected from its Medicare enrollees.

**Violation Related to Part C Cost Sharing Requirements**

CMS determined that HCSC failed to comply with cost sharing requirements by charging incorrect coinsurance amounts. More specifically, HCSC made an error in processing physical therapy assistant claims by applying the calculations in the wrong order. HCSC calculated the 20% coinsurance prior to applying the 15% reduction to the allowed amount, when they should have first applied the 15% reduction and then calculated the 20% coinsurance. In other cases, HCSC used a default fee schedule instead of the appropriate Durable Medical Equipment and Parenteral and Enteral Nutrition (DME/PEN) fee schedule for certain claims. This resulted in increased out of pocket expenses for enrollees. HCSC did not ensure enrollees were refunded until after the financial audit, which was several years after the incurred costs. HCSC's failure to comply with cost sharing requirements violates 42 C.F.R. § 422.270(b).

**Basis for Civil Money Penalty**

Pursuant to 42 C.F.R. § 422.752(c)(1)(i), CMS may impose a CMP for any determination made under 42 C.F.R. § 422.510(a)(1). Specifically, CMS may issue a CMP if an MA-PD has failed substantially to carry out its contract. Pursuant to 42 C.F.R. § 422.760(b)(2), a penalty may be imposed for each enrollee directly adversely affected (or with the substantial likelihood of being adversely affected) by the deficiency.

CMS has determined that HCSC failed substantially to carry out the terms of its contract (42 C.F.R. § 422.510(a)(1)) by substantially failing to comply with requirements at 42 C.F.R. Part 422, Subpart F. HCSC's violations of Part C requirements directly adversely affected (or had the substantial likelihood of adversely affecting) enrollees and warrant the imposition of a CMP.

**Right to Request a Hearing**

HCSC may request a hearing to appeal CMS's determination in accordance with the procedures outlined in 42 C.F.R. Parts 422 and 423, Subpart T. HCSC must send a request for a hearing to the Departmental Appeals Board (DAB) office listed below by July 1, 2026.<sup>2</sup> The request for hearing must identify the specific issues and the findings of fact and conclusions of law with

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<sup>2</sup> Pursuant to 42 C.F.R. §§ 422.1020(a)(2) and 423.1020(a)(2), the plan sponsor must file an appeal within 60 calendar days of receiving the CMP notice.

which HCSC disagrees. HCSC must also specify the basis for each contention that the finding or conclusion of law is incorrect.

The request should be filed through the DAB E-File System (<https://dab.efile.hhs.gov>) unless the party is not able to file the documents electronically. If a party is unable to use DAB E-File, it must send appeal-related documents to the Civil Remedies Division using a postal or commercial delivery service at the following address:

Civil Remedies Division  
Department of Health and Human Services  
Departmental Appeals Board  
Medicare Appeals Council, MS 6132  
330 Independence Ave., S.W.  
Cohen Building Room G-644  
Washington, D.C. 20201

Please see [https://dab.efile.hhs.gov/appeals/to\\_crd\\_instructions](https://dab.efile.hhs.gov/appeals/to_crd_instructions) for additional guidance on filing the appeal.

A copy of the hearing request should also be emailed to CMS at the following address:

Kevin Stansbury  
Director, Division of Compliance Enforcement  
Centers for Medicare & Medicaid Services  
Email: [kevin.stansbury@cms.hhs.gov](mailto:kevin.stansbury@cms.hhs.gov)

If HCSC does not request an appeal in the manner and timeframe described above, the initial determination by CMS to impose a CMP will become final and due on July 2, 2026. HCSC may choose to have the penalty deducted from its monthly payment or transfer the funds electronically. To notify CMS of your intent to make payment and for instructions on how to make payment, please call or email the enforcement contact provided in the email notification.

### **Impact of CMP**

Further failures by HCSC to provide its enrollees with Medicare benefits in accordance with CMS requirements may result in CMS imposing additional remedies available under law, including contract termination, intermediate sanctions, penalties, or other enforcement actions as described in 42 C.F.R. Parts 422 and 423, Subparts K and O.

If HCSC has any questions about this notice, please call or email the enforcement contact provided in the email notification.

Sincerely,

/s/

John A. Scott  
Director  
Medicare Parts C and D Oversight and Enforcement Group

cc: Ashley Hashem, CMS/ OPOLE  
Scott Labrecque, CMS/OPOLE  
Ericka Williams, CMS/OPOLE  
Kevin Stansbury, CMS/CM/MOEG/DCE