

## SETTLEMENT AGREEMENT

This Settlement Agreement (“Agreement”) is entered into among the United States of America, acting through the United States Department of Justice and on behalf of the Office of Inspector General (“OIG-HHS”) of the Department of Health and Human Services (“HHS”) (collectively, the “United States”); Oak Street Health, Inc. and Oak Street Health, LLC (collectively, “Oak Street Health”); the State of Illinois, acting through the Office of the Illinois Attorney General (“State of Illinois”); and Joseph Stinson (“Relator”) (hereafter collectively referred to as “the Parties”), through their authorized representatives.

### RECITALS

A. At all relevant times, Oak Street Health operated for-profit primary care centers throughout the United States, primarily serving Medicare-eligible patients.

B. On or around December 11, 2020, Relator Joseph Stinson filed a qui tam action in the United States District Court for the Northern District of Illinois captioned *United States et al. ex rel. Joseph Stinson v. Oak Street Health, Inc., et al.* (No. 20-cv-7381), pursuant to the qui tam provisions of the False Claims Act, 31 U.S.C. § 3730(b) (the “Civil Action”). Relator filed an amended complaint in April 2023. Relator’s amended complaint alleged, among other things, that Oak Street Health knowingly submitted or caused the submission of false claims for payment to Federal health care programs, by providing remuneration to insurance agents or brokers to induce them to refer beneficiaries to Oak Street Health or recommend Oak Street Health’s services.

C. The United States contends that Oak Street Health submitted or caused to be submitted claims for payment to the Medicare Program, Title XVIII of the Social Security Act, 42 U.S.C. §§ 1395–1395lll (“Medicare”) and the Medicaid Program, 42 U.S.C. §§ 1396–1396w-5 (“Medicaid”).

D. The United States and the State of Illinois allege that Oak Street Health submitted or caused to be submitted false or fraudulent claims to Federal health care programs. The United States and State of Illinois contend that they have certain civil claims against Oak Street Health arising from the conduct described below. That conduct is referred to below, in paragraphs D.1 through D.5, as the “Covered Conduct”:

1. From approximately September 2020 through January 2022, Oak Street Health paid remuneration to third-party insurance agents or brokers and broker organizations (together, “agents”), with a purpose to induce the agents to refer Medicare beneficiaries to Oak Street Health and to recommend Oak Street Health’s services to Medicare beneficiaries. Oak Street Health paid this remuneration through its “Client Awareness Program,” which Oak Street Health had developed to increase its patient membership.
2. At Oak Street Health’s direction, agents participating in the Client Awareness Program contacted Medicare beneficiaries and delivered marketing messages designed to garner beneficiaries’ interest in Oak Street Health. Agents then sought to refer a beneficiary to an Oak Street Health employee via three-way phone call, otherwise known as a “warm transfer,” and/or an electronic form submission. In exchange, Oak Street Health paid agents typically \$200 per eligible referral.
3. By paying agents for referrals and recommendations, Oak Street Health incentivized agents to base such referrals and recommendations on the financial motivations of Oak Street Health. Oak Street Health exclusively targeted Medicare beneficiaries, as its template contracts with agents barred payment if the referred or recommended person was ineligible for Medicare.
4. Between September 2020 through January 2022, Oak Street Health made more than 20,000 payments to agents under the Client Awareness Program, totaling more than \$4 million in remuneration. Each of these payments violated the Anti-Kickback Statute in that it constituted “remuneration” both offered and paid to “induce” the participating agents either to (a) “refer an individual to a person for . . . any item or service for which payment may be made in whole or in part under a Federal health care program,” or to (b) “recommend” Oak Street Health’s services “for which payment may be made in whole or in part under a Federal health care program.” 42 U.S.C. § 1320a–7b(b)(2).
5. Thousands of Medicare beneficiaries and a small number of Illinois Medicaid beneficiaries received Government-reimbursed care at Oak Street Health following contact through the Client Awareness Program. Oak Street Health submitted thousands of claims and caused thousands of claims to be submitted for these beneficiaries, but these claims were false in violation of the False Claims Act and/or the Illinois False Claims Act. *See* 31 U.S.C. §§ 3729 *et. seq.* and 740 ILCS 175/3,

respectively. Specifically, when a Medicare beneficiary referred or recommended to Oak Street Health pursuant to an illegal kickback signed up for a capitated arrangement with Oak Street Health under Medicare Part C, Oak Street Health submitted false claims to recipients of federal funds (i.e., Medicare Advantage Organizations), which in turn caused those Medicare Advantage Organizations to submit false claims for payment to the Government. Oak Street Health also submitted false claims directly to the Federal Government when a beneficiary received care at Oak Street Health under Medicare Part B. Therefore, between September 1, 2020, and December 31, 2022, Oak Street Health knowingly submitted and caused the submission of thousands of false claims to Federal health care programs in violation of the False Claims Act and the Illinois False Claims Act.

E. This Settlement Agreement is neither an admission of liability by Oak Street Health nor a concession by the United States or the State of Illinois that their claims are not well founded. Oak Street Health denies the allegations in Paragraph D.

F. Relator claims entitlement under 31 U.S.C. § 3730(d) to a share of the proceeds of this Settlement Agreement and to Relator's reasonable expenses, attorneys' fees, and costs.

To avoid the delay, uncertainty, inconvenience, and expense of protracted litigation of the above claims, and in consideration of the mutual promises and obligations of this Settlement Agreement, the Parties agree and covenant as follows:

#### TERMS AND CONDITIONS

1. Oak Street Health shall pay to the United States and the State of Illinois, collectively, \$60,000,000.00 ("Settlement Amount") of which is \$30,000,000.00 is restitution, no later than ten days after the Effective Date of this Agreement (defined below), and specifically:

- a. Oak Street Health shall pay to the United States the sum of \$59,930,442.24 (the "Federal Settlement Amount"), of which \$29,965,221.12 is federal restitution (the "Federal Restitution Amount"), and interest on the Federal Settlement Amount at a rate of 4.75% per annum from May 16, 2024, by electronic funds transfer pursuant

to written instructions to be provided by the Civil Division of the United States Department of Justice.

- b. Oak Street Health shall pay to the State of Illinois the sum of \$69,557.76 (the “State Settlement Amount”), of which \$34,778.88 is state restitution (the “State Restitution Amount”), and interest on the State Settlement Amount at a rate of 4.75% per annum from May 16, 2024, by electronic funds transfer pursuant to written instructions to be provided by the State of Illinois.

2. Conditioned upon the United States receiving the Federal Settlement Amount and as soon as feasible after receipt, the United States shall pay \$9,888,522.97 plus a proportionate share of interest to Relator by electronic funds transfer. Conditioned upon the State of Illinois receiving the State Settlement Amount and as soon as feasible after receipt, the State of Illinois shall pay \$11,477.03 plus a proportionate share of interest to Relator by electronic funds transfer (collectively, “Relator’s Share”).

3. As outlined in the agreement discussed in Paragraph 5, Oak Street Health agrees to pay \$335,000 to Relator and Relator’s counsel, no later than ten days after the Effective Date of this Agreement, in full satisfaction of their claims for attorneys’ fees, expenses, and costs incurred in connection with the Civil Action related to Oak Street Health and pursuant to 31 U.S.C. § 3730(d) and 740 ILCS 175/5(d). No additional attorneys’ fees, expenses, or costs shall be paid to or claimed by Relator or his counsel relating to Oak Street Health in this Civil Action.

4. Subject to the exceptions in Paragraph 6 (concerning reserved claims) below, and upon the United States’ receipt of the Settlement Amount plus interest due:

- a. The United States releases Oak Street Health—together with its current and former parent corporations; direct and indirect subsidiaries; brother or sister corporations;

divisions; current or former corporate owners; and the corporate successors and assigns of any of them—from any civil or administrative monetary claim the United States has for the Covered Conduct under the False Claims Act, 31 U.S.C. §§ 3729–3733; the Civil Monetary Penalties Law, 42 U.S.C. § 1320a-7a; the Program Fraud Civil Remedies Act, 31 U.S.C. §§ 3801–3812; or the common law theories of payment by mistake, unjust enrichment, and fraud;

- b. The State of Illinois releases Oak Street Health—together with its current and former parent corporations; direct and indirect subsidiaries; brother or sister corporations; divisions; current or former corporate owners; and the corporate successors and assigns from any civil or administrative monetary claim the State of Illinois has for the Covered Conduct under the Illinois False Claims Act, 740 ILCS 175/3, and the Civil Remedies Section of the Public Aid Act, 89 Ill. Adm. Code 140.16, 305 ILCS 5/8A-7 and 305 ILCS 5/12-4.25(A) or the common law theories of payment by mistake, unjust enrichment, and fraud;
- c. The Illinois Department of Healthcare and Family Services agrees to release and refrain from instituting, directing, or maintaining any civil or administrative monetary action seeking exclusion from the Medicaid Program against Oak Street Health under 305 ILCS 5/12-4/25(A) (permissive) for the Covered Conduct, except as reserved in Paragraph 6 (concerning reserved claims) below, and as reserved in this Paragraph. No other individuals are released by this Agreement. The Illinois Department of Healthcare and Family Services expressly reserves all rights to comply with any statutory obligations to exclude Oak Street Health from the Medicaid program under 305 ILCS 5/12-4.25(B) (mandatory) based upon the

Covered Conduct. Nothing in this Paragraph precludes the Illinois Department of Healthcare and Family Services from taking action against entities or persons, or for conduct and practices, for which claims have been reserved in Paragraph 6, below.

5. Subject to the exceptions in Paragraph 6 below, and upon the United States' receipt of the Federal Settlement Amount plus interest due, Relator, for himself and for his heirs, successors, attorneys, agents, and assigns, releases Oak Street Health from any civil monetary claim Relator has on behalf of the United States for the Covered Conduct under the False Claims Act, 31 U.S.C. §§ 3729-3733. Oak Street Health and Relator have entered into or will enter into a separate agreement that contains additional mutual releases between them.

6. Notwithstanding the releases given in Paragraphs 4 and 5 of this Agreement, or any other term of this Agreement, the following claims and rights of the United States and State of Illinois are specifically reserved and are not released:

- a. Any liability arising under Title 26, U.S. Code (Internal Revenue Code) and under State of Illinois tax laws;
- b. Any criminal liability;
- c. Except as explicitly stated in this Agreement, any administrative liability or enforcement right, including mandatory or permissive exclusion from Federal health care programs;
- d. Any liability to the United States (or its agencies) for any conduct other than the Covered Conduct;
- e. Any liability based upon obligations created by this Agreement;
- f. Any liability of individuals;

- g. Any liability for express or implied warranty claims or other claims for defective or deficient products or services, including quality of goods and services;
- h. Any liability for failure to deliver goods or services due;
- i. Any liability for personal injury or property damage or for other consequential damages arising from the Covered Conduct;
- j. Any liability for claims involving unfair or illegal conduct based on State or Federal antitrust violations; and
- k. Any liability for claims involving unfair and/or deceptive acts and practices and/or violations of consumer protection laws.

7. Relator and his heirs, successors, attorneys, agents, and assigns shall not object to this Agreement but agree and confirm that this Agreement is fair, adequate, and reasonable under all the circumstances, pursuant to 31 U.S.C. § 3730(c)(2)(B). Conditioned upon Relator's receipt of the Relator's Share, Relator and his heirs, successors, attorneys, agents, and assigns fully and finally release, waive, and forever discharge the United States and State of Illinois, their respective agencies, officers, agents, employees, and servants, from any claims arising from the filing of the Civil Action or under 31 U.S.C. § 3730 related to Oak Street Health, and from any claims to a share of the proceeds of this Agreement and/or the Civil Action related to Oak Street Health.

8. Relator, for himself, and for his heirs, successors, attorneys, agents, and assigns, releases Oak Street Health, and its officers, agents, and employees, from any liability to Relator arising from the filing of the Civil Action related to Oak Street Health, or under 31 U.S.C. § 3730(d) for expenses or attorneys' fees and costs.

9. Oak Street Health waives and shall not assert any defenses Oak Street Health may have to any criminal prosecution or administrative action relating to the Covered Conduct that may be based in whole or in part on a contention that, under the Double Jeopardy Clause in the Fifth Amendment of the Constitution, or under the Excessive Fines Clause in the Eighth Amendment of the Constitution, this Agreement bars a remedy sought in such criminal prosecution or administrative action.

10. Oak Street Health fully and finally releases the United States and State of Illinois, their respective agencies, officers, agents, employees, and servants, from any claims (including attorneys' fees, costs, and expenses of every kind and however denominated) that Oak Street Health has asserted, could have asserted, or may assert in the future against the United States, its agencies, officers, agents, employees, and servants, related to the Covered Conduct or the United States' investigation or prosecution thereof.

11. Oak Street Health fully and finally releases Relator from any claims (including attorneys' fees, costs, and expenses of every kind and however denominated) that Oak Street Health has asserted, could have asserted, or may assert in the future against Relator, related to the Civil Action and Relator's investigation and prosecution thereof.

12. The Settlement Amount shall not be decreased as a result of the denial of claims for payment now being withheld from payment by any Medicare contractor (e.g., Medicare Administrative Contractor, fiscal intermediary, carrier) or any state payer, related to the Covered Conduct; and Oak Street Health agrees not to resubmit to any Medicare contractor or any state payer any previously denied claims related to the Covered Conduct, agrees not to appeal any such denials of claims, and agrees to withdraw any such pending appeals.



13. Oak Street Health agrees to the following:

a. Unallowable Costs Defined: All costs (as defined in the Federal Acquisition Regulation, 48 C.F.R. § 31.205-47; and in Titles XVIII and XIX of the Social Security Act, 42 U.S.C. §§ 1395-1395lll and 1396-1396w-5; and the regulations and official program directives promulgated thereunder) incurred by or on behalf of Oak Street Health, its present or former officers, directors, employees, shareholders, and agents in connection with:

- (1) the matters covered by this Agreement;
- (2) the United States' audit(s) and civil investigation(s) of the matters covered by this Agreement;
- (3) Oak Street Health's investigation, defense, and corrective actions undertaken in response to the United States' audit(s) and civil investigation(s) in connection with the matters covered by this Agreement (including attorneys' fees);
- (4) the negotiation and performance of this Agreement; and
- (5) the payment Oak Street Health makes to the United States pursuant to this Agreement and any payments that Oak Street Health may make to Relator, including costs and attorneys' fees;

are unallowable costs for government contracting purposes and under the Medicare Program, Medicaid Program, TRICARE Program, and Federal Employees Health Benefits Program (FEHBP) (hereinafter referred to as Unallowable Costs).

b. Future Treatment of Unallowable Costs: Unallowable Costs shall be separately determined and accounted for by Oak Street Health, and Oak Street Health shall not charge such Unallowable Costs directly or indirectly to any contracts with the United States or any

State Medicaid program, or seek payment for such Unallowable Costs through any cost report, cost statement, information statement, or payment request submitted by Oak Street Health or any of its subsidiaries or affiliates to the Medicare, Medicaid, TRICARE, or FEHBP Programs.

c. Treatment of Unallowable Costs Previously Submitted for Payment: Oak Street Health further agrees that within 90 days of the Effective Date of this Agreement it shall identify to applicable Medicare and TRICARE fiscal intermediaries, carriers, and/or contractors, and Medicaid and FEHBP fiscal agents, any Unallowable Costs (as defined in this paragraph) included in payments previously sought from the United States, or any State Medicaid program, including, but not limited to, payments sought in any cost reports, cost statements, information reports, or payment requests already submitted by Oak Street Health or any of its subsidiaries or affiliates, and shall request, and agree, that such cost reports, cost statements, information reports, or payment requests, even if already settled, be adjusted to account for the effect of the inclusion of the Unallowable Costs. Oak Street Health agrees that the United States, at a minimum, shall be entitled to recoup from Oak Street Health any overpayment plus applicable interest and penalties as a result of the inclusion of such Unallowable Costs on previously submitted cost reports, information reports, cost statements, or requests for payment.

Any payments due after the adjustments have been made shall be paid to the United States pursuant to the direction of the Department of Justice and/or the affected agencies. The United States reserves its rights to disagree with any calculations submitted by Oak Street Health or any of its subsidiaries or affiliates on the effect of inclusion of Unallowable Costs (as defined in this paragraph) on Oak Street Health or any of its subsidiaries or affiliates' cost reports, cost statements, or information reports.

d. Nothing in this Agreement shall constitute a waiver of the rights of the United States to audit, examine, or re-examine Oak Street Health's books and records to determine that no Unallowable Costs have been claimed in accordance with the provisions of this paragraph.

14. This Agreement is intended to be for the benefit of the Parties only. The Parties do not release any claims against any other person or entity, except to the extent provided for in Paragraph 15 (waiver for beneficiaries paragraph), below.

15. Oak Street Health agrees that it waives and shall not seek payment for any of the health care billings covered by this Agreement from any health care beneficiaries or their parents, sponsors, legally responsible individuals, or third party payors based upon the claims defined as Covered Conduct.

16. Upon receipt of the payment described in Paragraph 1, Relator, the United States, and the State of Illinois shall promptly sign and file in the Civil Action a Joint Stipulation of Dismissal of claims against Oak Street Health in the Civil Action pursuant to Rule 41(a)(1). Relator's dismissal shall be with prejudice. The United States' and the State of Illinois' dismissals shall be with prejudice as to the Covered Conduct and without prejudice as to any other claims.

17. Subject to Paragraph 3 of this Agreement, each Party shall bear its own legal and other costs incurred in connection with this matter, including the preparation and performance of this Agreement.

18. Each Party and signatory to this Agreement represents that it freely and voluntarily enters into this Agreement without any degree of duress or compulsion.

19. This Agreement is governed by the laws of the United States. The exclusive jurisdiction and venue for any dispute relating to this Agreement is the United States District Court for the Northern District of Illinois. For purposes of construing this Agreement, this Agreement

shall be deemed to have been drafted by all Parties to this Agreement and shall not, therefore, be construed against any Party for that reason in any subsequent dispute.

20. This Agreement constitutes the complete agreement between the Parties insofar as it involves the United States, the State of Illinois, and their dealings with Relator and Oak Street Health. This Agreement may not be amended except by written consent of the Parties. As referenced in Paragraph 5, Relator and Oak Street Health have entered into or will enter a separate agreement relating to Relator's other allegations against Oak Street Health, as well as other matters.

21. The undersigned counsel represent and warrant that they are fully authorized to execute this Agreement on behalf of the persons and entities indicated below.

22. This Agreement may be executed in counterparts, each of which constitutes an original and all of which constitute one and the same Agreement.

23. This Agreement is binding on Oak Street Health's successors, transferees, heirs, and assigns.

24. This Agreement is binding on Relator's successors, transferees, heirs, and assigns.

25. All Parties consent to the United States' and the State of Illinois' disclosure of this Agreement, and information about this Agreement, to the public.

26. This Agreement is effective on the date of signature of the last signatory to the Agreement (Effective Date of this Agreement). Facsimiles and electronic transmissions of signatures shall constitute acceptable, binding signatures for purposes of this Agreement.

**THE UNITED STATES OF AMERICA**

DATED: 9/16/24

BY: \_\_\_\_\_  
DAVID GOODALL MILLER  
Trial Attorney  
Commercial Litigation Branch  
Civil Division  
United States Department of Justice

DATED: 9/12/24

BY: \_\_\_\_\_  
JONATHAN HAILE Digitally signed by JONATHAN  
HAILE  
Date: 2024.09.12 09:40:20 -05'00'  
JONATHAN C. HAILE  
Assistant United States Attorney  
Northern District of Illinois  
United States Department of Justice

DATED: 9/9/24

BY: \_\_\_\_\_  
SUSAN GILLIN Digitally signed by SUSAN  
GILLIN  
Date: 2024.09.09 09:49:03  
-04'00'  
SUSAN E. GILLIN  
Assistant Inspector General for Legal Affairs  
Office of Counsel to the Inspector General  
Office of Inspector General  
United States Department of Health and Human Services

**THE STATE OF ILLINOIS**

DATED: 9/9/24


BY: *Heather D'Orazio*  
HEATHER TULLIO D'ORAZIO  
Director  
Medicaid Fraud Control Unit  
Office of the Illinois Attorney General

DATED: 9/9/24


BY: *Elizabeth M. Whitehorn*  
ELIZABTH M. WHITEHORN  
Director  
Illinois Department of Healthcare and Family Services  
State of Illinois

**Oak Street Health – SETTLING PARTY**

DATED: 9/13/24

BY:   
Oak Street Health  
**Thomas S. Moffatt**  
**President**

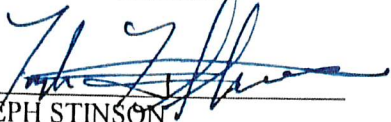
DATED: 9/13/24

BY:   
JOHN C. DODDS  
Counsel for Oak Street Health

Joseph Stinson - RELATOR


DATED: 9-12-2024

BY:

  
\_\_\_\_\_  
JOSEPH STINSON  
Relator

DATED: 9-12-2024

BY:

  
\_\_\_\_\_  
JOSEPH M. CALLOW JR.  
Counsel for Joseph Stinson