



Alerts

Physician Compensation Arrangements May Result in Significant Liability

June 10, 2015

Health Law Alert

On June 9, 2015, the OIG [released a fraud alert](#) stating that physicians who enter into compensation arrangements such as medical directorships must ensure that those arrangements reflect fair market value for bona fide services the physicians actually provide. If even one purpose of a compensation arrangement is to compensate a physician for his or her past or future referrals of Federal health care program business, the arrangement may violate the anti-kickback statute.

The OIG recently reached settlements with 12 individual physicians who entered into potentially illegal medical directorship and office staff arrangements. The OIG alleged that the compensation paid to these physicians under the medical directorship arrangements constituted improper remuneration under the anti-kickback statute for a number of reasons, including that the payments took into account the physicians' volume or value of referrals and did not reflect fair market value for the services to be performed. In addition, the OIG alleged that the physicians did not actually provide the services called for under the agreements. Some of the 12 physicians had also entered into office staff arrangements that were called in to question by the OIG. Under these arrangements, an affiliated health care entity paid the salaries of the physicians' front office staff. Because these arrangements relieved the physicians of a financial burden they otherwise would have incurred, the OIG alleged that the salaries paid under these arrangements constituted improper remuneration to the physicians. The OIG determined that the physicians were closely involved in the schemes and subject to liability under the Civil Monetary Penalties Law.

The OIG's alert is a reminder of the importance of having all physician compensation arrangements reviewed by counsel familiar with the anti-kickback statute and related law.

For further information, contact your regular [Hinshaw attorney](#).