



DEPARTMENT OF HEALTH AND HUMAN SERVICES

OFFICE OF INSPECTOR GENERAL

WASHINGTON, DC 20201



Fraud Alert: Physician Compensation Arrangements May Result in Significant Liability

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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. Although many compensation arrangements are legitimate, a compensation arrangement may violate the anti-kickback statute if even one purpose of the arrangement is to compensate a physician for his or her past or future referrals of Federal health care program business. OIG encourages physicians to carefully consider the terms and conditions of medical directorships and other compensation arrangements before entering into them.

OIG recently reached settlements with 12 individual physicians who entered into questionable medical directorship and office staff arrangements. 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, and because the physicians did not actually provide the services called for under the agreements. OIG also alleged that some of the 12 physicians had entered into arrangements under which 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, OIG alleged that the salaries paid under these arrangements constituted improper remuneration to the physicians. OIG determined that the physicians were an integral part of the scheme and subject to liability under the Civil Monetary Penalties Law.

Those who commit fraud involving Federal health care programs are subject to possible criminal, civil, and administrative sanctions. For more information on physician relationships, see OIG's "Compliance Program Guidance for Individual and Small Group Physician Practices" available at <http://oig.hhs.gov/authorities/docs/physician.pdf> and OIG's "A Roadmap for New Physicians: Avoiding Medicare and Medicaid Fraud and Abuse" available at http://oig.hhs.gov/compliance/physician-education/roadmap_web_version.pdf.

If you have information about physicians or other providers engaging in any of the activities described above, contact the OIG Hotline at <https://forms.oig.hhs.gov/hotlineoperations/> or by phone at 1-800-447-8477 (1-800-HHS-TIPS).