FAVORABLE

OIG WATCH

10-04

Free insurance pre-authorization services for referring physicians

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What OIG Said

OIG said free administrative services to referral sources are remuneration, but can be permissible if offered equally, not targeted, transparent, and driven by legitimate business need rather than buying referrals.

- ✓ Imaging providers proposed offering free pre-authorization services to all patients and referring physicians through a call center, relieving physicians of administrative burden they would otherwise incur.

- ✓ OIG acknowledged this is remuneration because it has economic value; physicians whose staff spend time on pre-authorizations would realize "significant savings" from the free service.

- ✓ OIG cited longstanding guidance that arrangements providing physicians with free or below-market services "pose significant risk" and that remuneration flowing between hospitals and physicians should be at fair market value.

- ✓ OIG approved this arrangement because: (1) services offered equally to all physicians without regard to referral volume, (2) not targeted to high-referral physicians, (3) operated transparently with insurers, and (4) driven by imaging providers' legitimate business interest in ensuring their own payment isn't denied for lack of pre-authorization.

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Diligence Checklist

What you need to be ready to show in diligence

- ✓ Prove the free service is offered on an equal basis to all physicians and patients, not selectively provided based on referral volume or value.
- ✓ Show you have no side arrangements or compensation deals with referring physicians that could make the free service look like part of a referral-buying package.
- ✓ Document the legitimate business reason the service protects your revenue (e.g., your payment is denied if pre-authorization isn't obtained, so you have independent motivation beyond currying favor).
- ✓ Demonstrate transparency with payors and referring physicians, you're not hiding the arrangement or creating off-the-books value transfers.
- ✓ Keep records showing you're not making assurances about approval or using the service as leverage to influence where physicians send patients.

If you're offering free services to referral sources and can't prove equal access, legitimate business need, and independence from referral volume, this is the profile OIG said poses significant risk.

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Structure not diligence-ready?

Cabra Consulting helps healthcare organizations make sure compensation and transaction structures are independently valued, clearly scoped, and defensible in diligence.

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