FAVORABLE

OIG WATCH

10-13

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 acceptable if offered equally, not targeted to high-referrers, transparent, and driven by legitimate business need rather than buying loyalty.

- ✓ A hospital proposed providing free pre-authorization services through its Pre-Access Department to all patients and referring physicians, relieving physicians of administrative burden they might otherwise incur.

- ✓ OIG acknowledged this is remuneration with economic value, physicians whose staff spend "considerable time" on pre-authorizations would "realize significant savings" from the free service.

- ✓ OIG cited the fundamental principle that "any remuneration flowing between hospitals and physicians should be at fair market value" and that providing free services that "relieve physicians of financial obligations they would otherwise incur" poses "significant risk."

- ✓ OIG approved because: (1) services offered equally without regard to referral volume, (2) hospital unlikely to know which physicians are contractually obligated vs. voluntarily helping, so relief occurs "by chance, not design," (3) transparent operation, and (4) hospital has legitimate business interest in ensuring its own claims aren't denied.

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Diligence Checklist

What you need to be ready to show in diligence

- ✓ Prove the free service is offered equally to all physicians and patients without regard to referral volume or value, not selectively provided to high-referral practices.
- ✓ Show you have no side compensation arrangements with referring physicians that could make the free service part of a referral-buying package.
- ✓ Document the legitimate business reason that protects your revenue independently (e.g., your payment is denied without pre-authorization, so you have motivation beyond currying favor).
- ✓ Demonstrate transparency with payors and referring physicians; you identify yourself as the provider and disclose the program, not operating covertly.
- ✓ Keep records proving you're not targeting specific physicians or practices and that any relief of physician obligations occurs by chance based on varying insurer contract terms, not by design.

If you're offering free administrative services to referral sources and can't prove equal access, legitimate business need, and that you're not selectively rewarding 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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