FAVORABLE

OIG WATCH

10-22

Fixed dispatch service fees based on cost allocation methodology

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What OIG Said

OIG said paying for support services from a referral source is permissible if the fee compensates for approximate costs using a clear allocation methodology and is fixed rather than tied to referral volume or value.

- ✓ An ambulance company paid a municipality an annual dispatch fee (>$10K/year) for emergency call dispatch services as part of an exclusive ambulance transport contract covering Federal health care program beneficiaries.

- ✓ OIG acknowledged this is remuneration to a referral source but said the ambulance company "provides compensation for the approximate costs" of the dispatch services using a formula based on "percentage of total staffing and building space costs" allocated to EMS calls.

- ✓ OIG stated the critical test: the ambulance company is "not overpaying the sources of the referrals, which represents the typical anti-kickback concern" and the fee is "not tied directly or indirectly to the volume or value of referrals."

- ✓ The fee was fixed over the 3-year contract (subject only to inflation adjustment), calculated using historical call volumes and actual costs, with the formula clearly set out in the contract.

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Diligence Checklist

What you need to be ready to show in diligence

- ✓ Have a clear cost-allocation methodology documented in the contract showing how the fee was calculated based on actual expenses (staffing, space, overhead) allocated to services provided.
- ✓ Prove the fee represents "approximate costs" of services received, not inflated payments that exceed the value of what you're getting - you cannot overpay a referral source.
- ✓ Show the fee is fixed and not tied directly or indirectly to the volume or value of referrals or Federal health care program business generated.
- ✓ Document that the fee compensates for actual services the provider renders to you (dispatch, call center, scheduling, administrative support) that directly relate to your business operations.
- ✓ Keep evidence that you're paying for services received, not providing remuneration to induce or reward referrals under the guise of a service fee.

If your support services fees can't be traced back to actual allocated costs using a defensible methodology, and instead look inflated or tied to referral volume, this is the profile OIG said represents the typical anti-kickback concern.

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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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