FAVORABLE

OIG WATCH

13-11

Township subsidy covering residents' ambulance cost-sharing amounts

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What OIG Said

OIG said third-party subsidies covering patient cost-sharing can be okay if the payment reasonably approximates actual uncollected amounts and is based on actuarially sound estimates.

- ✓ A township proposed paying a nonprofit ambulance supplier an annual donation to cover residents' waived cost-sharing amounts for emergency ambulance services. The ambulance supplier would bill insurance (including Medicare/Medicaid) but not bill residents for co-pays or deductibles.

- ✓ OIG's longstanding concern is that providers who routinely waive cost-sharing may be offering prohibited remuneration to induce patient selection. However, OIG has said a municipality may pay uncollected cost-sharing amounts on behalf of residents through lump sum or periodic payments.

- ✓ The key requirement: the aggregate payments must "reasonably approximate the otherwise uncollected cost-sharing amounts." The township's payment must be "an actuarially sound estimate of the Residents' waived cost-sharing amounts for emergency ambulance services rendered in a given year."

- ✓ Because the township would use residents' tax revenues and the payment would reasonably approximate uncollected cost-sharing obligations, this structure wouldn't constitute a routine waiver that would implicate Anti-Kickback.

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Diligence Checklist

What you need to be ready to show in diligence

- ✓ Have actuarially sound documentation supporting the subsidy amount. The payment must be based on a reasonable estimate of actual uncollected cost-sharing amounts, not an arbitrary or inflated figure.
- ✓ Prove the aggregate payments reasonably approximate actual waived cost-sharing obligations. OIG expects the payment to track real uncollected amounts, with reconciliation to ensure accuracy.
- ✓ Show the subsidy is funded appropriately, in this case, the township used residents' tax revenues, which meant residents were effectively paying for their own cost-sharing through taxes rather than receiving a windfall benefit.
- ✓ Document that the waiver applies consistently to all eligible patients meeting the criteria (here, bona fide township residents); selective waivers based on payor source or other discriminatory criteria would be problematic.
- ✓ Keep records showing the calculation methodology and annual reconciliation to actual uncollected amounts, proving you're not systematically overpaying beyond what cost-sharing waivers actually cost.

If your subsidy payments exceed actuarially sound estimates or don't reasonably approximate actual uncollected amounts, those excess payments risk looking like prohibited remuneration rather than legitimate cost reimbursement.

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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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