FAVORABLE

OIG WATCH

17-08

SNF network offering private-pay discounts based on quality scores

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What OIG Said

OIG said this arrangement doesn't trigger sanctions, even though it involves payment flow, because discounts were not tied to federal payor referrals.

- ✓ OIG reviewed a proposal for a state-wide SNF network offering daily rate discounts to private long-term care insurers and their policyholders, based on CMS star ratings.
- ✓ OIG acknowledged this could be "remuneration" under the Anti-Kickback Statute but declined sanctions because there was no link to federal program billing or steerage.
- ✓ Discounts applied only to private-pay days; no reductions touched Medicare or Medicaid billing. Facilities had to meet a 3-star quality minimum, and no payments flowed to physicians or discharge planners.
- ✓ The requestor was only paid an admin fee by the private payor, and the model preserved beneficiary freedom of choice, even for Medicare/Medicaid beneficiaries who might also be policyholders.

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Diligence Checklist

What you need to be ready to show in diligence

- ✓ Have documentation that clearly limits all discounts to non-Federal-payor covered services only.
- ✓ Show that any facility qualifications (e.g., CMS star ratings) are independently defined and fairly applied.
- ✓ Prove that physicians, discharge planners, or referral sources receive no financial benefit or inducement.
- ✓ Retain agreements detailing admin fees, rate structures, and facility participation rules — with no kickers tied to volume or collections.

If your structure includes discounts, network access fees, or admin payments, even for private pay, you need to prove it's not an indirect funnel for federal program referrals.

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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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