

2013 NON-MONETARY COMPENSATION TO PHYSICIANS (AND CHANCE TO REVIEW 2012)

EXECUTIVE SUMMARY

Under the Federal Stark Law, for calendar year 2013 hospitals may provide non-monetary compensation to physicians up to an aggregate amount of \$380. The dollar limit for "medical staff incidental benefits" (e.g., meals, parking, other items or incidental services that are used on the hospital's campus) increases slightly for 2013 to less than \$32 per occurrence. Other requirements of the Stark Law's exception for non-monetary compensation and medical staff incidental benefits also need to be met. Hospitals should take inventory of such non-monetary compensation and benefits and confirm they are meeting the law's requirements.

DETAILED ANALYSIS

Under the Federal Stark Law, if a hospital has a financial relationship with a physician, the physician may not refer to the hospital for the provision of "designated health services" (including inpatient and outpatient hospital services), and the hospital may not bill for such services, unless an exception is met. A "financial relationship" under Stark is construed very broadly, which means all remuneration from a hospital to a physician must be considered, including in-kind compensation.

Pursuant to the Stark regulations at 42 C.F.R. § 411.357, there are exceptions for Non-Monetary Compensation and Medical Staff Incidental Benefits. Generally, the Non-Monetary Compensation exception may be used to protect items or services provided to a physician, such as entertainment, meals and other non-cash equivalent benefits. The exception for Medical Staff Incidental Benefits applies only to non-cash items and services provided while the physicians are on campus. These exceptions are outlined below. Hospitals should review and ensure they are meeting these exceptions.

Non-Monetary Compensation Up To \$380

Compensation from an entity in the form of items or services (*not including cash or cash equivalents*) that does not exceed an aggregate of \$380 per year, if all of the following conditions are satisfied:

1. The compensation is not determined in any manner that takes into account the volume or value of referrals or other business generated by the referring physician.
2. The compensation may not be solicited by the physician or the physician's practice (including employees and staff members).
3. The compensation arrangement does not violate the Anti-Kickback Statute or any Federal or State law or regulation governing billing or claims submission.

Where an entity has inadvertently provided non-monetary compensation to a physician in excess of the \$380 limit, such compensation is deemed to be within the \$380 limit if:

1. The value of the excess non-monetary compensation is no more than 50% of the \$380 limit (i.e., \$570); and
2. The physician returns to the entity the excess non-monetary compensation (or an amount equal to the value of the excess non-monetary compensation) by the end of the calendar year in which the excess non-monetary compensation was received or within 180 consecutive calendar days following the date the excess non-monetary compensation was received by the physician, whichever is earlier.

This "return" option may be used by an entity only once every three years with respect to the same referring physician.

In addition to non-monetary compensation up to the \$380 limit described in this provision, an entity that has a formal medical staff may provide one local medical staff appreciation event per year for the entire medical staff. Importantly, any gifts or gratuities provided in connection with the medical staff appreciation event are subject to the \$380 limit.

Medical Staff Incidental Benefits

Compensation in the form of items or services (*not including cash or cash equivalents*) from a hospital to a member of its medical staff when the item or service is used on the hospital's campus, if all of the following conditions are met:

1. The compensation is offered to all members of the medical staff practicing in the same specialty (but not necessarily accepted by every member to whom it is offered) without regard to the volume or value of referrals or other business generated between the parties.
2. Except with respect to identification of medical staff on a hospital web site or in hospital advertising, the compensation is provided only during periods when the medical staff members are making rounds or are engaged in other services or activities that benefit the hospital or its patients.
3. The compensation is provided by the hospital and used by the medical staff members only on the hospital's campus. Compensation, including, but not limited to, internet access, pagers or two-way radios, used away from the campus only to access hospital medical records or information or to access patients or personnel who are on the hospital campus, as well as the identification of the medical staff on a hospital website or in hospital advertising, meets this "on campus" requirement.
4. The compensation is reasonably related to the provision of, or designed to facilitate directly or indirectly the delivery of, medical services at the hospital.
5. The compensation is of low value (i.e., less than \$32) with respect to each occurrence of the benefit (e.g., each meal given to a physician while he or she is serving patients who are hospitalized must be of low value).
6. The compensation is not determined in any manner that takes into account the volume or value of referrals or other business generated between the parties.
7. The compensation arrangement does not violate the Anti-Kickback Statute or any Federal or State law or regulation governing billing or claims submission.
8. Other facilities and health care clinics (including, but not limited to, federally qualified health centers) that have *bona fide* medical staffs may provide compensation under this exception on the same terms and conditions applied to hospitals under this exception.

PRACTICAL TAKEAWAY

Hospitals should review non-monetary compensation provided in 2012 to ensure that such compensation did not exceed the 2012 limit of \$373 and take any necessary corrective action to repay excess amounts within the earlier of 180 days of the overpayment or December 31, 2012. Further, hospitals should update 2013 non-monetary compensation tracking tools to reflect the new non-monetary compensation limit of \$380 and medical staff incidental benefits limit of \$32 per occurrence.

If you have any questions, please contact Gregg M. Wallander at 317.977.1431 or gwally@hallrender.com, Erin M. Drummy at 317.977.1470 or edrummy@hallrender.com or your regular Hall Render attorney.

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