

California Hospital Pays \$3.2 Million to Settle Self-Reported Stark Violations

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Tri-City Medical Center in Oceanside, California has agreed to pay \$3.28 million to settle allegations that its payment arrangements with doctors and physician groups violated the Stark Law. Tri-City self-reported the potential violations, which date back to its 2009-2010 fiscal year, in 2011 and had been negotiating a settlement ever since.

Subject to certain exceptions, the Stark Law generally prohibits hospitals from billing Medicare for services referred by physicians with whom it has a financial relationship. The exceptions require, among other things, that the financial arrangements do not exceed fair market value, are commercially reasonable, and do not take into account the volume or value of any referrals. Additionally, compensation arrangements with non-employed physicians must be in writing and satisfy a number of other technical requirements.

Tri-City's self-disclosure to OIG involved almost 100 physician agreements that were not compliant with Stark. Five of the 97 compensation arrangements at issue, which were with the former chief of the hospital's medical executive committee, exceeded fair market value, and the remaining 92 contracts were allegedly expired, unsigned, or could not be located.

Unlike several of the major settlements recently entered into by hospital systems to resolve allegations related to excessive physician compensation, all of which arose from whistleblower suits, this settlement was a direct result of Tri-City's compliance with OIG's self-disclosure protocol and serves as an important reminder that even accepted self-disclosures do not always preclude FCA lawsuits.

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