Alleged Stark Law Violations Lead to $1.33 Million Settlement

Cardiovascular Specialists, P.C., (doing business as New York Heart Center)

recently agreed to pay the United States over $1.33 Million to settle allegations that the practice violated the False Claims Act and the Physician Self-Referral Law (commonly referred to as the Stark Law). In this week's post we will cover the practice's actions and the OIG allegations to help you and your practice remain compliant with federal health care laws. **Background** New York Heart Center operates multiple offices in central and northern New York and the Office of Inspector General (OIG) of the Department of Health and Human Services claims that the practice paid its physicians using a formula that considered the volume of the physician's referrals for nuclear scans and CT scans. OIG alleged that this practice was a violation of the Stark Law and the False Claims Act. Additionally, OIG's investigation provided evidence that the practice adopted the formula and payment structure with knowledge that it might violate the Stark Law. **The Stark Law** The purpose of the Stark law is to prevent a physician's medical judgment from being compromised by financial incentives that might result from referrals for unnecessary services. There are various reasons for this policy, including the goal of reducing unnecessary charges to Medicare beneficiaries and the Medicare program itself. According to the Department of Justice, the Stark law prohibits physicians "from referring Medicare beneficiaries to health care providers, including providers in their own group medical practices, for certain services if their financial relationships with the provider do not fall within an exception to the Stark Law." And further, the exceptions "do not permit practices to compensate physicians in a manner that directly takes into account the volume or value of the physician's referrals for services that are not personally performed by the ordering physician." There are Stark compliant methods that this cardiology group could have followed to share its revenues from these ancillary services that would have saved the group the costs of defending investigation and payment of the settlement penalty. **The Settlement** As a result of the investigation and allegations, the practice deemed it beneficial to settle the claims for $1,336,636.98, plus interest. That is obviously a high price to pay for failing to comply with federal law, especially when proper compensation planning could have kept the group compliant with the Stark law. **Are Your Policies Compliant?** Federal health care law compliance is a complicated matter, especially when it comes to physician compensation. If your practice needs assistance establishing and administering legally compliant compensation or other policies, or if you would like your current policies reviewed, please contact one of our Health Care attorneys today. Image: Thinkstock/nui7711 **This article is very general in nature and does not constitute legal advice. Readers with legal questions should consult with an attorney prior to making any legal decisions.*