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## FINANCIAL INTEREST IN HEALTH FACILITY: PROHIBIT PATIENT REFERRALS

**House Bill 4773**  
**Sponsor: Rep. Gerald Law**  
**Committee: Health Policy**

**Complete to 8-10-99**

### A SUMMARY OF HOUSE BILL 4773 AS INTRODUCED 6-10-99

The Public Health Code contains a number of requirements and qualifications that a health professional must meet to obtain licensure or registration in Michigan, and allows the Department of Consumer and Industry Services (DCIS) to investigate activities related to the practice of a health profession by a licensee, registrant, or applicant for licensure or registration. The appropriate disciplinary subcommittee may impose specified sanctions against the person if it finds certain violations. Under the code, a health professional is prohibited from (and subject to licensing sanctions for) referring a patient to a facility or business in which he or she holds a financial interest. House Bill 4773 would delete this provision and replace it with language that would incorporate by reference Section 1877 of the federal Social Security Act (42 U.S.C. 1395). The section regulates physician referrals for certain designated health services which are reimbursed by Medicare. Under Section 1877, a physician is generally prohibited from making referrals for designated health services to an entity with which he or she (or a member of his or her immediate family) has a financial relationship. The Social Security Act defines “financial relationship” as having an ownership or investment interest in the entity or a compensation arrangement with the entity. The act provides an exemption to the prohibition for such things as referral within a group practice and investments in publicly offered stocks.

Though the Social Security Act pertains to services that are payable under Medicare, House Bill 4773 would expand the application of the provision to cover all physician referrals by requiring a disciplinary subcommittee to apply Section 1877 and any rules promulgated under it “regardless of the method of payment” for a designated health service that was referred and rendered. “Designated health service” would be defined as it is in the Social Security Act, and includes such services as clinical laboratory services; physical and occupational therapy services; radiology services, including MRIs, CAT scans, and ultrasound services; durable medical supplies; prosthetics and orthotics; home health services; outpatient prescription drugs; and inpatient and outpatient hospital services.

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