

# THE PHYSICIAN PAYMENTS SUNSHINE ACT

a teaching hospital guide to industry transparency reporting requirements



## WHAT IS THE PHYSICIAN PAYMENTS SUNSHINE ACT?

Signed into law in 2010 as part of the Affordable Care Act, the Physician Payments Sunshine Act (the “Sunshine Law”) requires manufacturers, including certain distributors, of medical devices, drugs, biologicals, and medical supplies to track and report certain payments made to and transfers of value provided to physicians and teaching hospitals.

**Teaching Hospitals** are defined as hospitals that received payment for Medicare direct graduate medical education (GME), inpatient prospective payment system (IPPS) indirect medical education (IME), or psychiatric hospital IME programs during the last calendar year for which such information is available. CMS will publish a list on annual basis of hospitals which it considers to be teaching hospitals.

The Sunshine Law also requires manufacturers and Group Purchasing Organizations (GPOs) to report certain ownership and investment interests held by physicians and their immediate family members.

## WHY WAS THE SUNSHINE LAW ENACTED?

The main purpose of the Sunshine Law is to provide patients with enhanced transparency into the relationships their health care providers have with life science manufacturers, including medical technology companies. It’s important to note that the Sunshine Law does not restrict industry-physician collaboration or interactions, or prohibit payments or transfers of value. **Rather, it requires tracking and reporting of payments and transfers of value that result from these interactions.**

## WHERE CAN I FIND MORE INFORMATION?

The Official CMS Website for the Sunshine Law, also referred to as the National Physician Payment Transparency Program:

OPEN PAYMENTS:

<http://go.cms.gov/openpayments>

CMS FAQs: <https://go.cms.gov/2FYSAuV>

Information from the AMA:

[www.ama-assn.org/go/sunshine](http://www.ama-assn.org/go/sunshine)

Information from AdvaMed:

[www.advamed.org/sunshine](http://www.advamed.org/sunshine)



## WHAT IS THE COMPLIANCE TIMELINE ON THE SUNSHINE LAW REQUIREMENTS?

- **March 31:** Deadline for Manufacturers to submit required data to CMS covering:
  - Payments and Transfers of Value given to Physicians and Teaching Hospitals in previous Calendar Year (CY); and
  - Ownership / investment interests held by Physicians or their Immediate Family Members in previous CY.
- **May:** Physicians and Teaching Hospitals may access their own data via secure online portal for review and correction.
  - 45 Days to Review and Initiate Disputes
  - 15 Days to Resolve Disputes
- **June 30:** Data concerning previous CY Payments, Transfers of Value, and Ownership / Investment Interests will be published on a CMS public website by this date.

## WHO IS REQUIRED TO REPORT?

- **Manufacturers** of medical devices, drugs, biologicals, and medical supplies operating in the United States, including certain wholesalers/distributors and **certain entities under common ownership (5% or more)** with a Manufacturer (collectively, “Manufacturers”) must submit Transparency Reports annually to CMS on Payments / Transfers of Value given to Physicians and Teaching Hospitals;
- **Group Purchasing Organizations (GPOs)** and **Manufacturers** must report ownership and investment interests held by Physicians or their Immediate Family Members and any Payments / Transfers of Value to Physician Owner/Investors.

## WHICH RECIPIENTS OF PAYMENTS OR TRANSFERS OF VALUE MUST BE REPORTED?

- Payments and Transfers of Value made by Manufacturers to “**Physicians**” and “**Teaching Hospitals**” must be reported. Payments made to physicians and teaching hospitals through a third party or those made to a third party at the request of or on behalf of a physician or teaching hospital are reported and include the name of the third party.
- **Teaching Hospital List** - published by CMS on its Open Payments website, identifies all teaching hospitals subject to Manufacturer & GPO reporting. The List is accessible on the following webpage: <https://www.cms.gov/OpenPayments/About/Resources.html>
  - The Sunshine Law applies to all of the following types of doctors, as long as they hold a current license to practice in the United States: Doctors of Medicine; Doctors Osteopathy; Dentists; Podiatrists; Optometrists; and Chiropractors.
  - Residents are **excluded** from the requirement (including residents in medicine, osteopathy, dentistry, podiatry, optometry and chiropractic).
  - Third Party Entity recipients of a Payment/ Transfer of Value made “**at the request of**” or **in the name of** a Physician or Teaching Hospital, must be reported in the name of the physician and the recipient.

## WHAT MUST BE REPORTED?

Payments, Transfers of Value and Ownership /Investment Interests must be reported.

**Payments and Transfers of Value:** must be reported when (a) an item is worth \$10 or more and (b) if items are worth less than \$10 when the sum of all items given to a particular recipient over the calendar year exceeds \$100.

Manufacturers are required to report :

- (a) Direct payments and transfers of value;
- (b) Indirect payments and transfers of value; and
- (c) payments and transfers of value that are made to a third party **at the request of** or **on behalf of** a physician.

**Thresholds:** Payment and Transfer of Value reporting thresholds are adjusted based on the consumer price index. For the current thresholds visit: <https://www.cms.gov/OpenPayments/Program-Participants/Applicable-Manufacturers-and-GPOs/Data-Collection.html>

**Ownership & Investment Interests** held by **Physicians** or their **Immediate Family Members**, in GPOs and Manufacturers-

- the **Dollar Amount** Invested and the **Value** and **Terms** of the ownership or investment interest (excluding interests in publicly traded securities or mutual funds).
- Any **Payments / Transfers of Value** provided to the Physician owner or investor.

## WHAT DETAILS MUST BE INCLUDED IN THE REPORT ABOUT THE PAYMENT OR TRANSFER OF VALUE?

- Manufacturer or GPO Name;
- Name and Business Address of the Physician;
- Specialty, NPI, and State Professional License Number;
- Dollar Value and Date of the payment/transfer of value;
- Form of Payment /Transfer of Value (e.g., Cash/Cash Equivalent; In-kind Items / Services; Stock, stock option, or any other ownership interest; and Dividend, Profit, or Other Return on Investment);
- Nature of Payment/Transfer of Value –one of 16 pre-defined Categories (see next column)
- Therapeutic Area or Product Category related to the payment/transfer of value and Marketed Name (if the covered product has one);
- Context - (optional) brief description of the context of the payment/transfer of value;
- Name of Entity that Received the Payment/Transfer of Value, if not provided to the Physician directly;
- Whether the Payment/Transfer of Value was provided to a Physician holding *Ownership / Investment Interests* in the Manufacturer; and
- Whether the *Physician* or an *Immediate Family Member* holds the *Ownership/Investment Interest*;

## WHAT ARE THE NATURE OF PAYMENT CATEGORIES THAT MUST BE USED TO DESCRIBE PAYMENTS AND TRANSFERS OF VALUE?

The Payment/Transfer of Value must be categorized as one of the following:

- Consulting fee;
- Compensation for serving as faculty or as a speaker for an accredited or certified CE program;
- Compensation for serving as faculty or as a speaker for an unaccredited and non-certified CE program;
- Compensation for services other than consulting, including serving as faculty at an event other than a Continuing Education (CE) program;
- Honoraria;
- Gift;
- Entertainment;
- Food and beverage;
- Travel & lodging (including specifying the destination);
- Education;
- Research;
- Charitable Contribution;
- Royalty or License;
- Ownership or Investment Interest (Current /Prospective);
- Grant; and
- Space rental or facility fees (Teaching Hospital only).

## CAN TEACHING HOSPITALS REVIEW THE DATA AND MAKE CORRECTIONS, IF NECESSARY?

Before information is publicly posted, a Teaching Hospital will have 45 days to Review submitted data and Initiate Disputes once access to its own data is made available by CMS on a secure online portal. If the dispute is not resolved during this 45 day period, an additional 15 days are provided to come to a resolution.

If the dispute continues, the data will still be posted to the public webpage but will be flagged as Disputed.

Teaching Hospitals are also able to seek correction or contest reports for two years after access has been provided to a report with disputed information.

## IF A NON-PHYSICIAN EMPLOYEE OF A TEACHING HOSPITAL RECEIVES A TRANSFER OF VALUE, WOULD THAT TRANSFER OF VALUE NEED TO BE REPORTED AS A TRANSFER OF VALUE TO THE TEACHING HOSPITAL?

- Generally, No, these would not need to be reported (e.g., a meal).
  - Non-physician employees of a Teaching Hospital are not covered recipients for the purposes of Open Payments. Accordingly, payments or other transfers of value made to these non-physician employees generally do not need to be reported.
- Transfers of Value to Non-Physician Employees would need to be reported if:
  - the payments were made to the non-physician employees **at the request of** or designated by the Manufacturer **on behalf of** a covered recipient Physician or Teaching Hospital [pursuant to 42 C.F.R. §403.904(a) and (c)(10)]
  - they were in fact **Indirect Payments** to a covered recipient Physician or Teaching Hospital being made through the non-physician employee [as defined at §403.902];
    - Indirect payments or other transfers of value occur when an applicable manufacturer or GPO requires, instructs, directs or otherwise causes a third party to provide the payment or other transfer of value, in whole or in part, to a covered recipient.
    - ex: a Manufacturer providing equipment to a non-physician employee of a Teaching Hospital that is intended to benefit the Teaching Hospital is considered an indirect payment to the Teaching Hospital.
- See CMS FAQ8272 at <https://go.cms.gov/2FYSAuV>

## ARE PAYMENTS FROM A MANUFACTURER TO A TEACHING HOSPITAL IN ORDER TO PURCHASE PRODUCTS OR MATERIALS CONSIDERED REPORTABLE UNDER OPEN PAYMENTS?

- Yes. There is no reporting exclusion for payments made to covered recipients for the purpose of purchasing products or materials.
- See CMS FAQ8374 at <https://go.cms.gov/2FYSAuV>

## WHAT WILL BE DONE WITH THE REPORTED INFORMATION?

Most of what is provided in the Transparency Reports is published annually on a searchable CMS public website ([www.cms.gov/openpayments](http://www.cms.gov/openpayments))

By **June 30**, (a) data regarding previous Calendar Year (CY) payments, transfers of value and ownership interests will be **published** on the CMS public website and (b) **reports** summarizing payments made to covered recipients in each state will be submitted by CMS **to the states**.

By **April 1**, CMS submits an annual report to Congress that will include aggregated information submitted during the previous CY, as well as any enforcement actions taken and any penalties paid.

## HOW WILL RESEARCH PAYMENTS BE HANDLED?

Payments related to research must be reported separately and submitted the year the payment occurs stating: the *institution name* & *principal investigators*.

- Some of these details may qualify for delayed publication to the public CMS website if the following conditions are met:
  - (1) The payment or transfer of value was made under a product research or development agreement, which must include either a written agreement or a research protocol; and
  - (2) The payment or transfer of value was made in connection with either:
    - (a) Research on or development of a new drug, device, biological, or medical supply or a new application of an existing drug, device, biological, or medical supply; or
    - (b) Clinical investigations regarding a new drug, device, biological, or medical supply.
- Clinical investigations (Phases I - IV clinical research for drugs & biologicals, and approval trials for devices) related to new applications of existing products do not qualify for delayed publication.
- Payments related to research on new applications of existing products will be granted a delay only if the research does not meet the definition of “clinical investigation.”
- Information about payments and other transfers of value that are delayed from publication must be made publicly available on the first publication date after the earlier of either:
  - (a) the approval, licensure or clearance by the FDA of the covered drug, device, biological or medical supply; or
  - (b) 4 calendar years after the date of payment or other transfer of value.

## WHAT ARE THE PENALTIES FOR NON-COMPLIANCE?

Reporting incomplete or inaccurate information has the potential to mislead patients and other stakeholders and damage the reputation of manufacturers, physicians and teaching hospitals.

Depending on the circumstances, non-compliance with the Sunshine Law’s reporting requirements could subject a manufacturer to financial penalties ranging from:

- (a) \$1,000 to \$10,000 for each payment or transfer of value not reported; and
- (b) \$10,000 to \$100,000 for “knowingly” failing to report a payment or transfer of value.

The total maximum penalties which may be imposed against a Manufacturer or GPO is \$1,150,000 per year.

## WHAT PAYMENTS/TRANSFERS OF VALUE ARE EXCLUDED FROM REPORTING?

**Payments Or Transfers Of Value (POTOV)** that are:

- From **Existing Personal Relationships** (e.g., one spouse who works for a manufacturer giving a gift to their spouse who is a Physician)
- **Less than \$10 when the aggregate POTOV to a physician for the year is less than or equal to \$100** adjusted with consumer price index, for current thresholds visit: <https://go.cms.gov/2ybzBG4>
- **Educational Materials That Directly Benefit Patients or are Intended For Patient Use** such as patient education materials and anatomical models, but excluding journal articles and textbooks.
- **Discounts** and **Rebates**
- **In-Kind Items for the Provision of Charity Care**
- **Product Samples** (including coupons and vouchers) where there is an agreement in writing that the products will be provided to patients
- **Evaluation / Demonstration Units** – of 90 days or less average daily use
- Items and Services **Provided Under a Contractual Warranty, Service or Maintenance Agreement**
- Received by the **Physician as a Patient** (e.g., Product Samples, Coupons, or Vouchers or as a subject in a research study)
- for the **Provision of Health-care Services** provided to a manufacturer’s employees or their family ( e.g., on-site clinic)
- for **Licensed Nonmedical Professional Services** (e.g., a physician-attorney paid only for legal services)
- for services with respect to a **Civil or Criminal Action or Administrative Proceeding** (e.g., as an expert witness)
- For payments made in connection with continuing education programs, Companies should determine whether these payments are considered to be “indirect payments,” as that term is defined in the Sunshine Act regulations. See FAQ 8165 at <https://go.cms.gov/2FYSAuV>

## HOW CAN TEACHING HOSPITALS WORK TOGETHER WITH MEDICAL TECHNOLOGY COMPANIES TO PROMOTE COMPLIANCE?

AdvaMed and its members support the transparency goal of the Sunshine Law to ensure that physicians and teaching hospitals continue to make independent decisions regarding the health care and treatment of patients and the development and improvement of medical technology. Teaching hospitals can work with us to promote strong standards in all interactions with industry. Medtech companies can assist teaching hospitals in educating their health care professionals and patients about the requirements of the Sunshine Law. Important elements to remember include:

- Industry collaboration with teaching hospitals and health care professionals is necessary to promote the safe and effective use of medical technologies as well as design innovative and advanced technologies;
- Your patients and other stakeholders may not understand the benefits of industry collaborations with teaching hospitals and health care professionals, and how and why such collaborations may result in bona fide payments and transfers of value and the need to make such payments public;
- The specific information that is required to be reported by manufacturers that will be publicly available on the Internet;
- The importance of working with manufacturers to promote the accurate capture, tracking, auditing and monitoring, documentation and reporting of information to ensure maximum compliance with the Sunshine Law, as most of the information will be published by CMS onto a public website.

## Value of Industry-Provider Collaborations

Collaboration and interactions between medical technology companies and health care providers are essential to advancing new, safe and effective medical technologies that benefit patients. AdvaMed recognizes that this goal must be balanced against the obligation of health care providers to make independent decisions regarding the care and treatment of their patients. AdvaMed and its member medical technology companies are committed to transparency with patients about interactions between providers and industry. For this reason, AdvaMed supports the Physician Payments Sunshine Law.



For more information about the value of interacting with a company that has certified to the AdvaMed Code of Ethics

Many AdvaMed member companies have certified to compliance with the AdvaMed Code of Ethics on Interactions with Health Care Professionals which also supports ethical collaborations. It is by driving ethical collaborations that we help protect patients. To see the companies that have certified to the Code, visit:

[www.advamed.org/CodeCertification](http://www.advamed.org/CodeCertification)



This brochure is intended to provide a brief educational summary of Sunshine Law’s key transparency provisions for Teaching Hospitals. Please visit [www.AdvaMed.org/Sunshine](http://www.AdvaMed.org/Sunshine) to see the entire text of the law.