



<b>DOCUMENT TITLE:</b> Office Space and Equipment Leases with Physicians and Other Potential Referral Sources	<b>SYSTEM POLICY AND PROCEDURE MANUAL</b>
<b>POLICY #:</b> 800.14	<b>CATEGORY:</b> Compliance and Ethics
<b>System Approval Date:</b> 07/22/2025❖	<b>Origination Date:</b> 06/2009
<b>Site Implementation Date:</b> 07/22/2025❖	<b>Previously Reviewed/Approved:</b> 02/2025
<b>Prepared by:</b> Office of Corporate Compliance	<b>Notations:</b>

**GENERAL STATEMENT of PURPOSE**

The purpose of this document is to ensure that Lease Arrangements between Northwell Health and Potential Referral Sources are commercially reasonable, result from an arm’s-length negotiation, and rental payments and other terms are consistent with fair market value.

**POLICY**

It is the policy of Northwell Health to comply with the federal Ethics in Patient Referrals Act and related regulations, also known as the Stark Law, and New York’s companion statute. See 42 U.S.C. §1395nn; 42 C.F.R. §§ 411.350-357; N.Y. Pub. Health Law § 238-a. The Stark Law prohibits a Practitioner from referring Medicare or Medicaid patients for the provision of Designated Health Services to entities with which the Practitioner, or a Family Member of a Practitioner, has a financial relationship, unless an exception applies.

The procedures described below for the rental of office space and equipment are intended to ensure that such Lease Arrangements are consistent with the requirements set forth in the Stark Law exceptions.

**SCOPE**

This policy applies to all Northwell Health employees, as well as medical staff, volunteers, students, trainees, physician office staff, contractors, trustees and other persons performing work for or at Northwell Health; faculty and students of the Donald and Barbara Zucker School of Medicine at Hofstra/Northwell or the Hofstra Northwell School of Nursing and Physician Assistant Studies conducting research on behalf of the Zucker School of Medicine on or at any Northwell Health facility; and any other Affected Individual.

## DEFINITIONS

**Affected Individuals:** “Affected Individuals” is defined as all persons who are affected by Northwell Health’s risk areas including, but not limited to, Northwell Health’s employees, the chief executive and other senior administrators, managers, medical staff members, contractors, agents, subcontractors, independent contractors, and governing body and corporate officers.

**Click Fee:** Payment based on a unit of service.

**Designated Health Services:** includes clinical laboratory services; physical therapy, occupational therapy and outpatient speech-language pathology services; radiology and certain other imaging services; radiation therapy services and supplies; durable medical equipment and supplies; parenteral and enteral nutrients, equipment and supplies; prosthetics, orthotics and prosthetic devices and supplies; home health services; outpatient prescription drugs; and inpatient and outpatient hospital services.

**Fair Market Value:** the value in an arm’s-length transaction, consistent with the General Market Value of the subject transaction. With respect to the rental of equipment, Fair Market Value is the value in an arm’s-length transaction of rental property for general commercial purposes (not taking into account its intended use), and consistent with the General Market Value of the subject transaction. With respect to the rental of office space, Fair Market Value is the value in an arm’s-length transaction of rental property for general commercial purposes (not taking into account its intended use), without adjustment to reflect the additional value that either party would attribute to the property as a result of its proximity or convenience to the lessor where the lessor is a potential referral source to the lessee, and consistent with the General Market Value of the subject transaction.

**Family Member:** Any family member and includes, but is not limited to, husband or wife; birth or adoptive parent, child or sibling, stepparent, stepchild, stepbrother, or stepsister, father-in-law, mother-in-law, son-in-law, daughter-in-law, brother-in-law, or sister-in-law, uncle, aunt, cousin, grandparent or grandchild; and spouse of a grandparent or grandchild.

**General Market Value:** With respect to the rental of equipment or the rental of office space, the price that rental property would bring at the time the parties enter into the rental arrangement as the result of *bona fide* bargaining between well-informed parties that are not otherwise in a position to generate business for each other.

**Lease Arrangement:** means an arrangement, including license agreements, pursuant to which a Northwell Health entity enters into a lease, sublease, or license for the use of medical office space or equipment as a lessor or lessee.

**Potential Referral Source:** A Physician, to the extent that any such individual/entity is in a position to make a referral to Northwell or direct another person or entity to make such a referral to Northwell, or receive such a referral from Northwell. For the purposes of this policy, a Potential Referral Source also includes a Family Member.

**Practitioner:** A registered professional nurse, nurse practitioner, physician, physician assistant, psychologist or certified, licensed master social worker or licensed clinical social worker, licensed or certified pursuant to the education law, acting within his or her scope of practice.

## **PROCEDURE**

All Lease Arrangements between Northwell Health and a Practitioner or other Potential Referral Source shall be reviewed by the Office of Legal Affairs and comply with the following:

1. The terms of the Lease Arrangement shall be set forth in a written lease, which shall be signed by both the lessor and the lessee before the lessee begins occupying the space or using the equipment, and before payments are made, and which shall specify the space/equipment subject to lease; and
2. The term of the Lease Arrangement shall be at least one (1) year, provided that the lease agreement may allow for it to be terminated during the original term, with or without cause, as long as the parties do not enter into another lease for the same space/equipment during the first year of the original term of the agreement; and
3. The rental payments shall:
  - a. be set in advance;
  - b. be consistent with Fair Market Value and supported by documentation; and
  - c. not be determined in a manner that reflects the volume or value of referrals or business otherwise generated between the parties; and
4. Click Fee arrangements are not preferred but may be permissible under certain limited circumstances if approved by the Office of Legal Affairs; and
5. If the Lease Arrangement contemplates sessional use of the space/equipment, then the lease and/or license agreement shall specify the exact schedule and precise length of the period of use and payment for each time period; and
6. The space/equipment leased or rented shall not exceed that which is reasonable and necessary for the commercially reasonable business purposes of the tenant/lessee; and
7. The space/equipment shall be used exclusively by the tenant/lessee when being used by the tenant/lessee, except that space leases can provide for prorated payments and shared use of common areas; and
8. The terms of the Lease Arrangement would be commercially reasonable even if no referrals were made between the parties; and
9. The lease may allow a month-to-month holdover tenancy for a limited period of time under certain circumstances with the prior approval of the Office of Legal Affairs. The Office of Legal Affairs must be notified prior to the onset of such holdover tenancy, which must be on the same terms and conditions as the prior one-year agreement, although the rent may include

a premium during the holdover period if the agreement in effect immediately prior to the holdover states the premium amount to be charged; and

10. If the lessor provides improvements to the space for the benefit of a lessee who is a Practitioner, and such improvements are unlikely to be chargeable to a subsequent tenant, then the Lease Arrangement should allocate the entire cost of the improvements to the lessee. Improvements the lessor reasonably expects would be chargeable to subsequent tenants may be allocated over the expected useful life of the improvements.

## REPORTING AND ENFORCEMENT

- All violations of this policy shall be reported to the appropriate manager/supervisor/director or to the Office of Corporate Compliance (516-465-8097) for appropriate resolution of the matter. The HelpLine is available 24 hours a day, seven days a week at (800) 894-3226 or online at [www.northwell.ethicspoint.com](http://www.northwell.ethicspoint.com), is accessible to all Affected Individuals and allows for questions regarding compliance issues to be asked and for compliance issues to be reported. Reports of potential fraud, waste and abuse and compliance issues also may be made directly to the Chief Corporate Compliance Officer or designee in person, in writing, via email, mobile device via a QR code, or by telephone. All reports received by the Office of Corporate Compliance are investigated and resolved to the fullest extent possible. The confidentiality of persons reporting compliance issues shall be maintained unless the matter is subject to a disciplinary proceeding, referred to, or under investigation by Medicaid Fraud Control Unit, U.S. Department of Health and Human Services (HHS) Office for Civil Rights, HHS Office of Inspector General, Office of Medicaid Inspector General or law enforcement, or disclosure is required during a legal proceeding, and such persons shall be protected under Northwell Health's policy for non-intimidation and non-retaliation. Violations of this policy will be subject to disciplinary action as outlined in the Human Resources Policy and Procedure Manual and *Northwell Health Policy #800.73 – Compliance Program Disciplinary Standards for Non-Employees*.



## REFERENCES to REGULATIONS and/or OTHER RELATED POLICIES

- 42 U.S.C. § 1395nn
- 42 C.F.R. § 411.357
- N.Y. Pub. Health Law § 238-a
- Northwell Health Policy #800.04 - Gifts and Interactions with Industry
- Northwell Health Policy #800.10 – Business Courtesies to Potential Referral Sources
- Northwell Health Policy #800.12 – Potential Referral Sources

- Northwell Health Policy #800.16 – Professional Courtesies
- Northwell Health Policy #800.73 – Compliance Program Disciplinary Standards for Non-Employees
- Northwell Health Human Resources Policy and Procedure Manual, Part 5-3 – Workforce Conduct – Progressive Discipline
- Northwell Health Code of Ethical Conduct
- OMIG Compliance Program Guidance, title 18 NYCRR § 521 – Fraud, Waste and Abuse Prevention (March 28, 2023)
- 18 NYCRR § 515.2 – Unacceptable practices under the medical assistance program

**CLINICAL REFERENCES/PROFESSIONAL SOCIETY GUIDELINES**

N/A

**ATTACHMENTS**

N/A

**FORMS**

N/A

<b><u>CURRENT REVIEW/APPROVALS:</u></b>	
Service Line/Department Review	07/03/2025
Northwell Health Policy Committee	07/22/2025❖
System PICG/Clinical Operations Committee	07/22/2025❖

Standardized Versioning History:

Approvals: \* =Northwell Health Policy Committee; \*\* = PICG/Clinical Operations Committee; ☒ = Provisional; ❖ = Expedited

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