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In addition, the regulation outlines the requirements for managed care plans with physician incentive plans that put physicians at substantial financial risk for referral services. Such managed care plans will be required to put limits on financial losses for their physicians, as well as to conduct annual beneficiary surveys.

"No patient should have to wonder if their doctor's decision is based on sound medicine or financial incentives," said HHS Secretary Donna E. Shalala. "This regulation should help put Americans' minds at rest."

"The final rule addresses some of the concerns of Congress and the public about the pressures and incentives HMOs create for physicians' care decisions," said HCFA Administrator Bruce C. Vladeck.

The regulation applies to physicians providing medical care through health maintenance organizations, competitive medical plans and health insuring organizations. Under the regulation, HCFA may impose intermediate sanctions and HHS' Office of the Inspector General may impose civil monetary penalties upon Medicare or Medicaid managed care contractors who fail to comply.

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