

ALABAMA STATE BOARD OF MEDICAL EXAMINERS  
Office of the General Counsel

July 22, 1996

William B. Stewart, Esquire  
Lange, Simpson, Robinson & Somerville  
417 20<sup>th</sup> Street North, Suite 1700  
Birmingham, Alabama 35203-3272

Dear Mr. Stewart:

At its meeting of July 17, 1996, the State Board of Medical Examiners addressed your request for an opinion concerning the two alternative methods of payment from physicians to a referral service to defray the cost of operating the referral service. In your request you described payment method numbers (1) and (2) as alternative methods of allocating the costs for the operation of the referral service among participating physicians.

The question presented in your request was whether the cost allocation method described as methods (1) and (2) are lawful under the provisions of §34-24-360(10), Code of Alabama 1975.

After careful consideration, it was the opinion of the State Board of Medical Examiners that neither of the payment options outlined in your request was permissible in light of the prohibitions of §34-24-60(10) because each payment method was based, at least in part, upon the number of referrals made by the referral service to the individual physicians. The Board felt that this was contrary to the spirit and intent of the statutory prohibition.

I hope that this information has been responsive to your request.

Yours sincerely,

/s/ Wendell R. Morgan

Wendell R. Morgan  
General Counsel

WRM:skf

cc: Larry D. Dixon, Executive Director  
State Board of Medical Examiners