Report on Medicare Compliance Volume 30, Number 44. December 13, 2021
Compliance Facet of Due Diligence May Affect Price of Target; Consider Walking the Halls

By Nina Youngstrom

Satisfied with the results of a financial review, a chiropractor bought a small chiropractic office, but the prosperous practice he envisioned didn't materialize because the chiropractor hadn't performed a billing and documentation audit before the purchase. Three months into his ownership of the practice, the chiropractor realized its value was one-third of what he believed because the rest was based on fraudulent billing.

"He's in litigation over the true value of the company," said Zach Simpson, an attorney with Florida Healthcare Law Firm. "If he had done a proper billing and documentation audit, he would have found that people providing services were not properly licensed" and claims were submitted to payers using the national provider identifiers of providers who were not on-site when services were performed.

That experience captures the importance of the compliance side of due diligence. "You want to make sure billing is proper and compliant, because if not, the valuation is inflated," he said at the Healthcare Enforcement Compliance Conference sponsored by the Health Care Compliance Association Nov. 10.[1]

Whether an organization is buying or selling, there's a long list of compliance risks to review, said Kristen Davidson, a senior manager at PYA. For example, is the acquisition target complying with HIPAA and the Occupational Safety and Health Administration (OSHA) emergency temporary standard? Where does it stand with exclusion screening? These and many other questions should be asked as private equity investments and other acquisitions are going strong in health care, "and I'm not expecting a slow down next year," Davidson said.