Report on Medicare Compliance Volume 28, Number 19. May 20, 2019
Private Equity Dives Into Compliance, Clinical Risks as Investments Grow

By Nina Youngstrom

Due diligence in health care is a familiar experience for hospitals that buy physician practices, but increasingly it's the terrain of private equity (PE) firms as they gobble up practices and other types of providers and suppliers. PE firms have to look beyond the financial potential and dive into compliance risks, including coding, the revenue cycle and clinical standards.

"Over the past three to four years, there's been an increase in requests for coding reviews," says Valerie Rock, consulting senior manager with PYA in Atlanta, Georgia. "It used to be all they would do is financial reviews, but they realized that was not where the financial risk was. When a practice is audited, the financial impact of coding errors could take down the practice." Rock says PE firms increasingly realize they must audit "targets"—the physician practices and other entities they buy—to identify evaluation and management coding errors and other compliance liability. There are the usual suspects to review: HIPAA and the Stark Law, for example, as well as clinical aspects of the practice, including endoscopy sterilization, proper gloving techniques and medication storage.