

# COMPLIANCE ALIGNMENT AND JOINT VENTURES

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## Leading Post Acute Care Provider

Largest operator of Critical Illness Recovery  
Hospitals (formerly referred to as LTACH) 99  
Critical Illness Recovery Hospitals operating in  
28 states.

Second largest operator of Rehabilitation  
Hospitals (IRF) 30 IRF's operating in 12 states.

Largest operator of Outpatient Rehabilitation  
Clinics 1,778 clinics in 37 states and D.C.

Largest operator of Occupational Medicine  
Centers 517 centers in 41 states.

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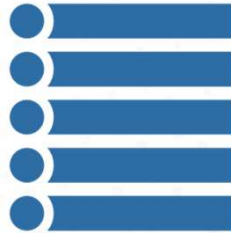


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## Session Objectives



Joint Venture (JV) background



5 Steps for Creating Stronger JV  
Compliance Relationships



Best Practices from JV  
Compliance Officers Who Have  
Established this Partnership

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## Evaluation for Healthcare



Healthcare continues to evolve  
at breakneck speeds



Health systems must continually  
transform to keep pace



Joint Ventures are a  
transformation option

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# JOINT VENTURES

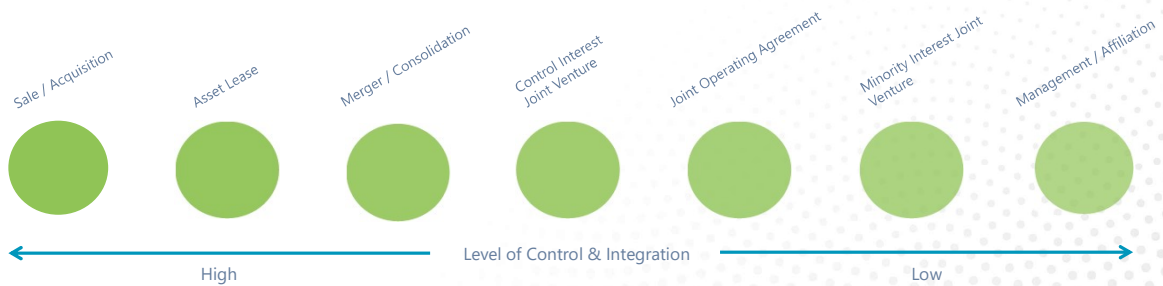
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## Joint Venture Background What is a Joint Venture?



□ The cooperation of two or more businesses in which each agrees to share profit, loss, and control in a specific enterprise

□ Typically formed to undertake a particular business transaction or project



Source: Hospital Joint Venture Trends and Post-Transaction Arrangements presentation by VMG Health Sept. 2017

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## Joint Venture Participants

For-Profit Health Systems

Not-For-Profit Health Systems

Specialty Providers

Ancillary Service Providers

Physicians

Many health systems are participating in JVs including for-profit and not-for-profit systems.

Specialty service providers are some of the most common JV partners with health systems and cover a wide variety of specialties from behavioral health, ambulatory surgery centers to physical therapy and rehabilitation

Ancillary service providers such as labs and diagnostic imaging and/or physicians are often key partners in a JV

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## Joint Venture Participants

Acute Care

LIFEPPOINT  
HEALTH

EMERUS

Ambulatory  
Surgical

United Surgical Partners  
INTERNATIONAL

Envision  
HEALTHCARE

Behavioral

UHS  
Universal Health Services, Inc

Diagnostic  
Imaging

RadNet Leading Radiology Forward

Touchstone  
MEDICAL IMAGING

Dialysis

Davita

Urgent Care

PremierHealth  
URGENT CARE | JOINT VENTURES | MANAGEMENT

Managed Care

aetna

Lab Services

Quest  
Diagnostics

Physical  
Therapy

Select  
MEDICAL

USPh  
ONE PARTNER

Physician  
Services

LHC  
GROUP  
It's all about helping people

Kindred

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## Why Joint Ventures?

- ❑ Response to current healthcare reform trends
- ❑ Value based care models require more collaboration across continuum of care
- ❑ Capital efficiency
- ❑ Leverage experience and services of specialized providers
- ❑ Respond to local needs with best-in-class development, management, and operations

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## Joint Venture Pros and Cons

### PROS

Market Share

Network Integration

Management Expertise

Capacity / Access

Geographic Penetration

Branding

Reimbursement

### CONS

Lower Ownership

Regulatory Issues

Slow Development Process

Multi-Party Decision Making

Loss of Control

Greater Complexity

Complex Accounting

Source: Hospital Joint Venture Trends and Post-Transaction Arrangements presentation by VMG Health Sept. 2017

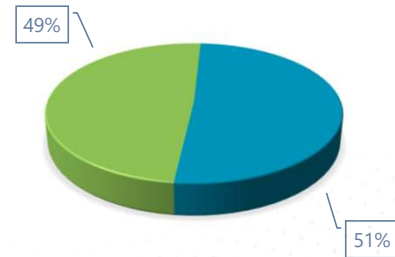
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## Common Joint Venture (JV) Arrangements for Health Systems



Frequently, one of the parties is the controlling party with a greater than 50 percent share of the JV entity.



- ❑ Majority or minority stake in JV usually determines financial investment and resulting profits the parties will retain, as well as securing representation on the governing board of JV entity
- ❑ Health systems may serve as the majority partner and may look for prospective partner that specializes in some type of care delivery
- ❑ Partners will need to determine who has responsibility for administrative functions (e.g., Accounts Payable, Compliance, Financial Reporting, Human Resources, Legal, etc.) and how these will be monitored

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## Polling Question #1

**Is your Company involved in a Joint Venture?**

- ❑ Yes, currently
- ❑ Planning to join one
- ❑ Previously, but not currently
- ❑ No, and no plans for one

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## How JV's can Lead to Sleepless Nights



- ❑ JV's often appear to the public as seamless part of a health system
- ❑ Patient complaints, HIPAA breaches, or employee issues at the JV may be viewed as part of the main health system
- ❑ Can give rise to liability issues
- ❑ Clear line of sight for compliance is key

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## Compliance Due Diligence Before Forming a JV

**A trusted JV relationship begins early on.**

- ❑ Due diligence will vary based on type of transaction
- ❑ Compliance team: essential part of due diligence process
- ❑ Document request list
- ❑ Evaluate prospective JV partner's existing compliance program
- ❑ Ask additional questions to fill gaps
- ❑ Consider what aspects of the two compliance programs should be appropriately similar; document in the management agreement



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## Compliance Due Diligence Before Forming a JV

Document request list can include the following:

- ❑ Organizational chart for the compliance, audit and privacy functions
- ❑ Code of Conduct and annual education on compliance
- ❑ Current compliance and internal audit work plans
- ❑ Proactive compliance initiatives undertaken in the last year
- ❑ Annual report for compliance or internal audit, or the report from an external compliance program or internal audit assessment
- ❑ Board and senior leadership Conflict of Interest disclosures and management plans
- ❑ Scope and status of recent or open compliance investigations or HIPAA matters



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## 5 Steps for Creating Stronger JV Compliance Relationships

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## Creating a Stronger JV Compliance Relationship – 5 Steps

### 1 Establish Communication Channels

Ongoing and structured dialogue is critical for alignment

#### Examples of dialogue between the partners:

- Regularly scheduled calls between Compliance Officers
- Discuss material risk items as soon as possible after awareness; share with other leaders/functions
- Partners present to Boards and/or Compliance Committee
- Routine Compliance updates at the JV Board meetings



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### Polling Question #2

How often do you have routine scheduled meetings between the JV partner Compliance Officers?

- Never
- As needed
- Annually
- Semi-annually
- Quarterly
- Monthly

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## Creating a Stronger JV Compliance Relationship – 5 Steps

### 2 Baseline Compliance and Privacy Assessments

A view into the structure, strength and opportunities of a compliance program

#### Assessments can be developed using existing resources:

- Compliance program maturity models
- Guidance resources (OIG, DOJ, OCR, IIA)
- External or self-assessments of compliance program or internal audit
- Annual risk assessment results and workplans
- Interviews (phone or in-person)
- Supporting documentation
  - o Code of Conduct
  - o Policies and procedures
  - o Compliance program overview
  - o Audit Plans



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### Polling Question #3

Have you completed some form of assessment of your JV compliance program?

- Yes
- No
- In Process
- Planning to do so

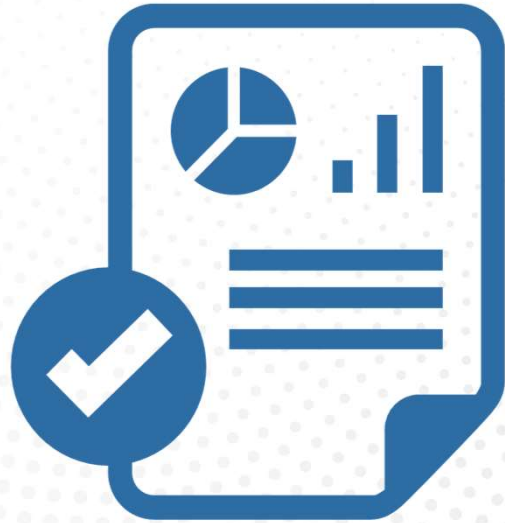
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## Creating a Stronger JV Compliance Relationship – 5 Steps

### 3 Regular Reporting

Structured communications to document activities

- Standardized format for reporting consistency and comparison
- Facilities sharing with Board and management committees
- Quarterly reporting for standard pace
- Foundation for regularly scheduled calls



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### Polling Question #4

**Do you include JV compliance activity in your Board compliance updates?**

- Never
- Occasionally
- Once a year
- Twice a year
- Quarterly
- More often

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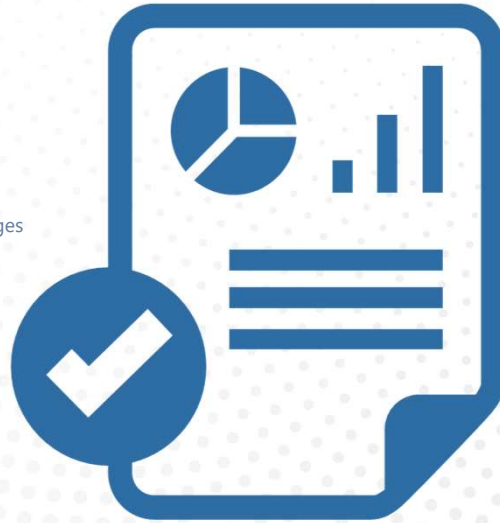
## Creating a Stronger JV Compliance Relationship – 5 Steps

### 3 Regular Reporting (continued)

Structured communications to document activities

#### JV Compliance Officer's update reports can include:

- Topics for JV Board and management level compliance committees
- Compliance communications distributed
- Compliance education and training conducted, completion percentages and accountability for completing the lessons
- Auditing and monitoring activities and results, including corrective action plans
- HIPAA incidents or breaches
- Policies and procedures created, revised and retired
- Any significant compliance issues and actions taken
- Any other compliance initiatives the JV is pursuing



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## 3. Regular Reporting (example)

### 1. Board Level Audit and Compliance Committee

- Audit and Compliance Committee Meeting will be held on <DATE>. Agenda will include a quarterly review of Compliance Hotline Calls and Non-Hotline Compliance Reports; Compliance activities; Auditing and Monitoring activities; and HIPAA related activities. Next meeting is scheduled for <DATE>.
- Note that this report is also presented at the XXXXX Joint Venture Board Meeting

### 2. Management Level Corporate Compliance and Audit Committee

- Corporate Compliance and Audit Committee Meeting will be held on <DATE>. Agenda will include a quarterly review of Compliance Hotline Calls and Non-Hotline Compliance Reports; Compliance activities; Auditing and Monitoring activities; and HIPAA related activities. Next meeting is scheduled for <DATE>.

### 3. Compliance Communications

- Newsletters – Compliance / Privacy and Security / Clinical Quality / etc.
- Compliance Reminders
- Review of OIG Work Plan activity
- Other Compliance related communications

### 4. Education and Training

- On line annual Compliance training:
  - Full time employees only - General Compliance ###, HIPAA ###, OSHA ##%, IT Security ###
  - All workforce members - General Compliance ###, HIPAA ###, OSHA ##%, IT Security ###
- On line Clinical Compliance training for Inpatient Rehab and Outpatient Clinics Federally Funded Payers documentation and billing ##% (full time); ##% (all workforce members).
- Number of Compliant Leader Webinar Attendees:

### 5. Auditing and Monitoring

- XXXXX Operations is primarily reviewed using data mining tools and risk based chart reviews. Reviews during the quarter included: \_\_\_\_\_.
- There were \_\_\_\_\_ outliers from XXXXX locations.
- Compliance Reviews completed in the quarter for XXXXX \_\_\_\_\_ (see Attachment 1).
- Corporate Admin key controls are centralized and sample selection is across all divisions. We noted no specific exceptions related to XXXXX during the quarter.

### 6. HIPAA

- There were ## incidents in the quarter related to XXXXX.
  - One at \_\_\_\_\_
  - Another at \_\_\_\_\_

### 7. Policies and Procedures

- Compliance Policies
- Revised \_\_\_\_\_ Policy to revise \_\_\_\_\_.
- Added new policy for \_\_\_\_\_
- HIPAA Policies
- Revised \_\_\_\_\_ Policy to revise \_\_\_\_\_.
- Added new policy for \_\_\_\_\_

### 8. Significant Compliance Issues

- \_\_\_\_\_ for the quarter.

### 9. Other Compliance Initiatives

- \_\_\_\_\_ for the quarter.

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## Polling Question #5

Do you use a standardized report for JV compliance updates?

- Yes
- No
- Not previously, but will start using one

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## Creating a Stronger JV Compliance Relationship – 5 Steps

### 4 Ongoing Monitoring

Gauges the compliance strength

- Annual recertification of documentation provided in initial assessment
- Review material changes to the Compliance Program
- Security Scorecard** – IT security rating company
- Google alerts** – alerted to possible issues in the news

#### Added Benefit:

External information helps to verify what you are hearing from the JV partner. Sometimes, JV partner may not know the substance of external information or have yet to be informed by their own leadership.



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## Creating a Stronger JV Compliance Relationship – 5 Steps

### 5 Partners Helping Partners

Fosters great collaboration and partnership

- Share common risks or regulatory changes
- Share policies, procedures, education, communication, best practices – both ways
- Share audit & investigation findings when applicable
- Invite JV Compliance Officers to attend retreats or education with health system
- Be generous with information



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### Polling Question #6

Are you engaged with your JV partner by proactively sharing information with each other?

- Yes
- No
- Sometimes
- Plan to do more

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## Prepare for the Future

State of change in healthcare and your organization isn't slowing down

- ❑ Establishing strong JV compliance relationships allows Chief Compliance Officers to work more effectively
- ❑ Partnerships take time, work and communication
- ❑ Maintaining a reporting history and ongoing pattern of oversight can safeguard organizations for many years to come
- ❑ Best kind of legacy to leave behind



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# QUESTIONS?

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