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E-NEWSLETTER

ATTORNEYS:

Robert J. Heath, Chair
Tracey L. Klein
Larri J. Broomfield
Heather L. Fields
Claudia J. Egan
Daniel J. Adam
Amy L. Jerdee

1000 North Water Street
P.O. Box 2965
Milwaukee, Wisconsin
53201-2965
414-298-1000
800-553-6215

ATTORNEYS:

Burton A. Wagner
Mary H. Michal
Joseph P. Decker
Meg S.L. Pekarske

22 East Mifflin Street
P.O. Box 2018
Madison, Wisconsin
53701-2018
608-229-2200
800-728-6239

ATTORNEYS:

James A. Pellegrini

W233 N2080
Ridgeview Parkway
P.O. Box 2265
Waukesha, Wisconsin
53187-2265
262-951-4500
800-928-5529

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NEW OIG GUIDANCE ASSISTS HEALTH CARE BOARD MEMBERS MEET COMPLIANCE OBLIGATIONS

On April 2, 2003, the Office of the Inspector General of the Department of Health and Human Services (OIG), in collaboration with the American Health Lawyers Association, released guidance intended to help directors of health care organizations understand their obligation to oversee the compliance activities of their respective organizations. In the wake of recent accounting scandals at Enron and HealthSouth, and following the passage of the Sarbanes-Oxley Act, this guidance serves as an additional indicator of the renewed attention being paid by regulators to the obligations of corporate directors.

The OIG guidance, entitled "Corporate Responsibility and Corporate Compliance: A Resource for Health Care Boards of Directors," alerts directors of both nonprofit and for-profit health care organizations that they will be personally subject to civil and criminal penalties if they fail to address fundamental compliance problems within their organizations. Because the health care industry is regulated by a uniquely broad set of laws and regulations, it is important for directors of health care entities to be able to affirmatively establish that they have provided adequate direction and oversight regarding their organizations' varying legal compliance obligations. As a starting point, directors of health care organizations should determine whether their organization has adopted an appropriate compliance plan to address: (1) health care fraud and abuse laws (including anti-kickback, physician self-referral and false claims laws), (2) conflicts of interest and business ethics laws, and (3) privacy laws and regulations (including the newly effective HIPAA Privacy Rule), as such laws are applicable to their organization.

To assist directors in understanding how organizational compliance impacts directors' personal liability, the OIG guidance outlines the fiduciary duty owed by directors to their organizations and describes the obligation of directors to make a "reasonable inquiry" into the effectiveness of their organizations' compliance activities. The OIG guidance provides directors with a list of 18 questions that they can ask their organization's management team to: (1) better educate themselves regarding their organization's compliance efforts, and (2) help protect themselves from unnecessary exposure to liability. Important questions include:

- Who are the key employees responsible for implementing and operating your organization's compliance program?
- What is the process by which your organization evaluates and responds to suspected compliance violations?
- Have policies and procedures been implemented to respond to the day-to-day compliance risks faced by the organization?
- What level of resources is necessary to implement an adequate compliance program as envisioned by the board? Is the current allocation of resources adequate?
- What is the scope of compliance-related education and training across the organization?
- How is the board kept apprised of new regulatory and industry developments affecting the organization's risk?

The release of this OIG guidance is a clear indication that the federal government is placing a renewed emphasis on enforcing the compliance obligations of directors. This increased federal attention coincides with an increase in the number of claims being brought against corporate directors by state attorneys general as well as private plaintiffs.

As a result, health care directors need to take affirmative steps to assure that they are providing adequate oversight with respect to the compliance activities of their organizations. To meet their obligations, directors must ensure: (1) that a compliance reporting system exists within their organization, and (2) that the reporting system is designed to ensure that appropriate compliance information will be directed to the board in a timely manner. If directors fail to fulfill these obligations, they may be personally at risk for the legal compliance failures of their organization.

Reinhart can assist your board in ensuring that an adequate compliance plan and reporting system is in place at your organization or facility. We have developed an educational presentation entitled, "Corporate Compliance for Health Care Directors: Protecting Your Board from Unnecessary Liability" offered as a free-of-cost service to health care boards of directors. Reinhart will tailor this presentation in content and length to meet the specific needs of your organization. Contact Attorney Rob Heath, Chair of Reinhart's Health Care Department, or Attorney Dan Adam at 414-298-1000 to schedule a presentation and discuss how Reinhart can assist in protecting your organization and board from needless liability.

You can review the full OIG compliance guidance for directors online at: <http://oig.hhs.gov/fraud/docs/complianceguidance/040203CorpRespRscGuide.pdf>.

Headlines in Health Law is an electronic publication of the law firm of Reinhart Boerner Van Deuren s.c., and is prepared by attorneys in its Health Care Department. This publication is intended to afford timely notice to our clients and friends of current events in health law and to provide general information about health law issues. It is not intended, nor should it be used, as a substitute for specific legal advice regarding particular factual situations.

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