

# Co-sourcing as a Means to Meet Increased Compliance Burdens

## Benefits of Co-sourcing, Common Types of Co-sourced Functions, and Tips for Co-sourcing

Compliance offices must contend with a host of competing external regulatory requirements and internal demands. These challenges are growing with the ever-changing regulatory and enforcement environment. Executive leadership and boards increasingly have called upon compliance officers to report on the progress of the compliance program. Health care organizations employ one of three operational structures to meet these growing compliance obligations: (1) in-sourcing, where the compliance office does it all with internal staff; (2) outsourcing, where the compliance program is placed under the direction of a designated or interim compliance officer; or (3) co-sourcing, where the compliance officer's use of on-call experts supplements his or her efforts.



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### COMPLIANCE OFFICE ONLY (IN-SOURCING)

Relatively few compliance officers would candidly state they have adequate resources to meet all their responsibilities in the ever-changing legal and regulatory environment. They face added pressure due to new demands by executive leadership and board oversight committees for evidence of compliance program effectiveness. If all this was not enough, many organizations in recent years have decided to assign them the responsibility for Health Insurance Portability and Accountability Act (HIPAA) privacy compliance, bringing a whole range of new responsibilities. However, in this operational structure, all the work is handled in-house, and the use of consultants is occasional for advisory services or evaluations of the compliance program.

### OUTSOURCING<sup>1</sup>

It is increasingly common for health care organizations to outsource their compliance program to interim compliance officers to temporarily fill gaps when an incumbent leaves. Similarly, smaller organizations often contract with an individual or firm to provide a designated compliance

officer that will assume responsibility for the entire compliance function. In these outsourcing scenarios, ownership of the compliance office is transferred to a knowledgeable firm that provides needed expertise.

The choice to outsource is often driven by the ever-increasing challenge in finding the right resources to support the compliance program. An increased demand for compliance experts has driven the available supply of quality candidates down while simultaneously increasing the costs of qualified, experienced talent. This presents an especially challenging problem for organizations that have tight budgets and face high regulatory scrutiny and risk.

Many small organizations, however, find that with a highly experienced expert, it may not be necessary to have someone onsite full time. In fact, the Office of Inspector General (OIG) recognized that using outside experts is an option. The OIG stated that “if this role is outsourced, it is beneficial for the (contracted) compliance officer to have sufficient interactions... to be able to effectively understand the inner workings” of the organization.<sup>2</sup> The OIG also recognized that a compliance officer may serve multiple organizations.

### **Co-sourcing<sup>3</sup>**

Co-sourcing has evolved as a third option and “middle ground” between in-sourcing and out-sourcing and is becoming an increasingly common solution in dealing with internal audit and tax matters. Now, increasingly compliance officers are employing this as a means to meet all the challenges of the office while facing the limitations associated with the traditional options of functioning entirely in-house or out-sourcing the position entirely. It is defined as “the combining of services from within and outside a business to achieve the same goal.”<sup>4</sup> “It is a business arrangement in which the work is performed by both internal staff and external contractors. In co-sourcing arrangements external workers are often used to handle peak workloads or to provide expertise that

internal staff lack.”<sup>5</sup> It involves using a third-party on an ongoing basis to supplement limited staff resources by carrying part of the workload.

This approach has been used to achieve compliance program objectives and can address a shortage of staff by filling gaps in internal expertise and saving time, money, and effort in recruiting additional staff. It also permits retaining knowledge and leverage within the organization. In short, co-sourcing can help bridge the gap without compromising the ability to easily return to a structure where the compliance office reassumes full operation when staffing issues are resolved. It can assist those compliance officers lacking the capacity to carry out all the necessary compliance tasks and fill gaps in the program, without keeping a full range of specialists on the payroll.

Co-sourcing may be the practical solution for many in meeting all the requirements of the health care regulatory environment. It offers the advantages of the compliance officer maintaining an in-house program without losing the direction or control over the day-to-day operation of the program. This is particularly important for regulated industries like health care. It facilitates following the organization’s own procedures and methodologies while offering an extension of the existing compliance office that will work alongside its own employees. This proximity also builds key relationships between internal and external resources. Co-sourcing is also recognized by the OIG as a useful solution for organizations with limited compliance expertise and resources.<sup>6</sup>

It is worthwhile to consider the benefits of co-sourcing arrangements to determine if it makes sense in light of current resources and measured against the obligations and responsibilities of the compliance program.

### **BENEFITS OF CO-SOURCING COMPLIANCE ARRANGEMENTS**

There are a number of benefits of co-sourcing compliance arrangements, including the following:

- gain immediate access to specialized resources and experts not available internally;
- less expensive to hire experts for limited services than hire new full-time staff;
- address the problem of an unexpected loss of staff, which creates resource issues;
- bring the benefit of experience that experts have gained with other organizations;
- provide subject matter expertise;
- fill any lack of in-house expertise in selected areas;
- facilitate meeting the ebb and flow of managing all the compliance obligations;
- keep current with the ever-changing regulatory and enforcement challenges;
- access needed services on-demand;
- complete special projects;
- fill a knowledge gap in training, fraud risk assessment, or other compliance-related needs;
- meet obligations across multiple facilities in different jurisdictions;
- provide needed benchmarking information;
- develop best practice solutions to problems identified;
- provide benchmarks of current processes against compliance standards;
- implement or improve compliance effectiveness metrics;
- quickly address new regulatory and emerging risks;
- promptly and efficiently meet new leadership demands;
- implement best practice standards and processes;
- perform enterprise risk management (ERM) evaluation and project planning;
- provide any sudden need for investigative or forensic expertise;
- evaluate ongoing monitoring of compliance high-risk areas;
- develop and execute compliance work plans using highly skilled, experienced experts;
- enable compliance officer to stay focused on program management and strategic planning;
- eliminate the need for training and managing in-house staff;
- provide increased flexibility in using experts who understand related laws/regulatory requirements;
- provide complete assurance regarding independence and objectivity in work performed;
- generate compliance program reports to oversight committees;
- provide compliance program and project management;
- perform operational and compliance auditing;
- monitor remediation of identified compliance issues;
- improve sharing of physical computer resources across virtual workloads;
- better allocation of compliance office personnel;
- shorten project development cycle, lower cost, and improve product quality; and
- maintain control and decision-making power with the compliance office.

### **COMMON TYPES OF CO-SOURCED FUNCTIONS**

Here is a list of common types of co-sourced functions:

- deputy or assistant compliance officer;
- HIPAA privacy and/or security officer;<sup>7</sup>
- ongoing monitoring/auditing;
- compliance liaison (outlying facilities);
- enterprise risk management/analysis;<sup>8</sup>
- statistical data claims analyst expert;<sup>9</sup>
- hotline management, operations management;<sup>10</sup>
- arrangements reviewer;<sup>11</sup>
- compliance trainer/programs;
- compliance investigations/training;<sup>12</sup> and
- sanction screening operations.<sup>13</sup>

### **CO-SOURCING TIPS**

In a co-sourcing arrangement, the compliance officer needs to define duties, tasks, responsibilities, and methodologies with which the third-party provider must adhere. It is important that the third-party staff be properly integrated into the existing team

so that they work as part of the compliance office.

1. Clearly define in the agreement what services the co-source teammates will provide.
2. Develop an agreement that is flexible to expand or contract levels of service as needed.
3. Look for providers that have industry-specific expertise.
4. Check experience and seek references of the firm.
5. Ensure individuals provided have the needed skills, experience, and expertise.
6. Bigger is not always best, as smaller niche firms often provide better, less expensive services.
7. Have co-sourced experts make periodic updates and regular meetings to review progress.

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**Endnotes:**

1. [compliance.com/services/interim-compliance-officer](http://compliance.com/services/interim-compliance-officer)
2. [OIG Compliance Guidance for Individual and Small Group Practices; oig.hhs.gov/authorities/docs/physician.pdf](http://oig.hhs.gov/authorities/docs/physician.pdf)
3. [compliance.com/services/interim-compliance-officer](http://compliance.com/services/interim-compliance-officer)
4. [www.businessdictionary.com/definition/co-sourcing.html](http://www.businessdictionary.com/definition/co-sourcing.html)
5. [www.investorwords.com/18029/co\\_sourcing.html](http://www.investorwords.com/18029/co_sourcing.html)
6. *Id.* [OIG Compliance Guidance for Individual and Small Group Practices](http://oig.hhs.gov/authorities/docs/physician.pdf)
7. See for information at [compliance.com/hipaa-compliance](http://compliance.com/hipaa-compliance)
8. See more articles and information at [compliance.com/services/risk-assessment-and-management](http://compliance.com/services/risk-assessment-and-management)
9. More background information at [compliance.com/services/claims-data-analysis](http://compliance.com/services/claims-data-analysis)
10. Services described at [www.complianceresource.com/products/hotline-service-center](http://www.complianceresource.com/products/hotline-service-center)
11. See [compliance.com/services/physician-arrangements-reviews](http://compliance.com/services/physician-arrangements-reviews)
12. Full discussion can be found at [compliance.com/internal-investigations-services](http://compliance.com/internal-investigations-services)
13. Options for tools or outsourcing at [www.complianceresource.com/products/sanction-screening-services](http://www.complianceresource.com/products/sanction-screening-services)



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