

Outsourcing Compliance Programs

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Key Points:

- **A trend of outsourcing certain compliance functions has been strongly apparent.**
- **Outsourcing to an Interim Compliance Officer is an option for all organizations.**
- **Outsourcing to a Designated Compliance Officer is an option for smaller organizations.**

One of the most significant trends in business over the last decade has been that of [outsourcing](#) many functions that are not directly involved in core business activities. The two most prevalent motivators for outsourcing are reduced financial burdens and the ability to leverage external expertise. This practice has long since reached certain elements of corporate compliance programs, as evidenced by the trend of outsourcing employee hotlines and sanction screening. The cost-benefit analysis is clearly in favor of engaging a vendor to manage both of these important compliance activities.

Beyond the programmatic outsourcing described above, there are broader questions:

1. Just how far does this outsourcing concept go with regard to compliance programs?
2. Can an entire compliance program be outsourced?

Over the last few years, organizations have increasingly engaged outside experts to manage their compliance programs. An organization of any size can appoint an Interim Compliance Officer (ICO) to fill a staffing gap while it seeks a qualified candidate for a permanent role. Meanwhile, smaller organizations may be better served by outsourcing compliance program management to a Designated Compliance Officer (DCO).

There has been an upward trend in appointing DCOs by organizations that are not large enough to warrant hiring a full-time dedicated employee. The Department of Health and Human Services Office

of the Inspector General (OIG) has recognized the practice of appointing DCOs; for example, the *OIG Compliance Program Guidance for Third-Party Medical Billing Companies* states that “[f]or those billing companies that have limited resources, the compliance function could be outsourced to an expert in compliance.” The *OIG Compliance Program Guidance for Individual Physician and Small Group Practices* also notes that “[i]n situations where staffing limitations mandate that the practice cannot afford to designate a person(s) to oversee compliance activities, the practice could outsource all or part of the functions of a compliance officer to a third party.” Furthermore, some years ago, the OIG and Centers for Medicare and Medicaid Services co-sponsored a government-industry roundtable on compliance-related topics. One of the topics discussed was the benefit to some organizations of outsourcing compliance program management.

Outsourcing management of the compliance program has many advantages. External, recognized experts can provide value in the following ways:

- A lower financial burden than that of recruiting, hiring, and maintaining a full-time W-2 employee.
- Knowledge and experience working with executive leadership and boards.
- Greater efficiency and a reduced learning curve.
- Experience with and detailed knowledge of federal and state laws and regulations.
- Independence and objectivity without investment in prior corporate decisions and actions.
- Experience in dealing with a wide range of compliance issues.
- More effective risk management.
- Greater confidence of management and the board of directors.

For more information, see [*Tips for Smaller Organizations: How to Build a More Effective Compliance Program*](#) or contact Richard Kusserow at rkusserow@strategicm.com.