



# Sunshine Act compliance: All you need to know

Ensure compliance with AppZen's AI-powered audits

## What is the Sunshine Act?

Beginning August 1, 2013, the Physician Payments Sunshine Act (PPSA), which is part of the Affordable Care Act, requires manufacturers of drugs, medical devices, and supplies that participate in U.S. federal health care programs – Medicare, Medicaid, and State Children's Health Insurance Program (SCHIP) – to document and track the financial relationships with physicians and other health care professionals (HCPs) and teaching hospitals.

### Why was the Sunshine Act needed?

Trillions of dollars flow annually in and out of medicine, research, and pharmaceutical sales – as a result, there is a lot of opportunity for collusion, bribes, and other forms of fraud at the expense of consumers.

There is equivalent state-by-state legislation, but all have the same goal: to boost transparency around the financial relationships between physicians, hospitals, and drug companies.

### What is Open Payments?

Open Payments is a federal disclosure program within the Centers for Medicare & Medicaid Services (CMS) that collects information about payments drug and device companies make to physicians and teaching hospitals. It is a federal filing database and is used to study Sunshine Act compliance.

### What does reporting look like?

The Sunshine Act requires that manufacturers collect this information on a yearly basis and report it to Open Payments by the 90th day of each subsequent year. Manufacturers must submit annual data on payments and transfers to covered recipients into Open Payments. Physicians then have 45 days to review the Sunshine Act data, and approve or dispute its accuracy and completeness prior to the data becoming available to the public.

Specifically, regulators then look for malfeasance in the following areas: gifts, direct payments, food/meals, grants, entertainment, investment interests, education, honoraria services, travel, charity contributions, consulting fees, royalties or licenses, cash or stock, services outside consulting, space rental or facility fees, and research.

### What's the penalty for businesses that fail to comply with the Sunshine Act?

Knowingly failing to submit payment information will result in a civil money penalty of not less than \$10,000, but not more than \$100,000, for each payment. The penalty will not exceed \$1,000,000. Combined, penalties may not exceed \$1,150,000.

### Who are the Sunshine Act covered recipients?

The Sunshine Act defines a "physician" as any of the following types of professionals who are legally authorized to practice:

- Doctor of Medicine
- Doctor of Osteopathy
- Doctor of Dentistry
- Doctor of Dental Surgery
- Doctor of Podiatry
- Doctor of Optometry
- Doctor of Chiropractic Medicine
- Physician Assistants (PA)
- Nurse Practitioners (NP)
- Clinical Nurse Specialists (CNS)
- Certified Registered Nurse Anesthetists (CRNA) (CMS includes Anesthesiologist Assistants in the definition of a CRNA)
- Certified Nurse Midwives (CNM)





## How can AppZen help companies with Sunshine Act compliance?

Confirming that meal and event attendees have correctly filled in sign-in sheets is critical for reporting HCP attendees and avoiding the risk of fraud. But rigorously checking those sign-in sheets against relevant registries is manual, tedious work.

AppZen reduces compliance risk and fraud for you by automating expense report checks for the presence of those sign-in sheets, and ensures they haven't been tampered with. Our AI then verifies every business guest by cross-referencing the US National Provider Identifier Registry (NPI) to see if the individual is listed as HCP. If both a name and institution are found, the connected line items get flagged and sent to the auditor for review. Our AI also searches business justifications and any references to payments made to HCPs engaging in seminars or speaking engagements. Anything that looks like a risk is immediately flagged for review. The whole process takes seconds.

For a Fortune 50 client, AppZen detected that, out of a possible 61,348 names added as business guests, 1,828 (almost 3% of the entire list) had names matching HCPs, potentially saving the company millions of dollars in compliance penalties.

One of the world's largest pharmaceutical and biomedical companies discovered that over \$50k in HCP spend was not tagged correctly in their ERP. With AppZen, they were able to auto-approve over 90% of all expense lines while maintaining full compliance.

These five capabilities are critical requirements for any solution:

1. Audit 100 percent of spend
2. Review transactions prior to payment
3. Validate people and organizations against regulatory data sources
4. Identify spend anomalies that can signal violations
5. Flag potential violations for manual review





AppZen is the leader in autonomous spend and compliance management, revolutionizing enterprise finance operations with its proprietary AI platform. Built specifically for finance, AppZen's solutions accurately automate expense audits, card audits, and invoice processing. They integrate seamlessly into your existing processes and learn from your workflows to drive operational efficiencies, improve compliance, and help your business grow. Empower your AP, T&E, and Card teams to transform your business with AI. Learn why the world's largest companies trust AppZen's AI platform to automate their finance operations. Visit [www.appzen.com](http://www.appzen.com) today.