FAVORABLE

OIG WATCH

22-13

Zero-interest financing program for DME customers, funded by third-party Lenders

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What OIG Said

OIG said financing like this can be okay if rates are set through independent negotiation, commissions are adjusted, and losses aren't quietly absorbed.

- ✓ OIG reviewed a DME manufacturer's zero-interest financing structure, where third-party Lenders pay the manufacturer directly and collect from customers in 12 monthly installments.
- ✓ OIG agreed this counts as remuneration, the Lender financing helps customers buy products that may be reimbursed by federal programs but found low fraud risk.
- ✓ OIG noted that finance charges were set through independent, arms-length negotiations, and commissions to sales reps were reduced to reflect those charges.
- ✓ Loss pools split default risk between the manufacturer and Lenders, but customers were unaware of this, and OIG emphasized that the Lenders, not the manufacturer, were responsible for collections.

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Diligence Checklist

What you need to be ready to show in diligence

- ✓ Have documentation showing finance charge terms were negotiated at arm's length and are not disguised volume incentives.
- ✓ Show reduced commissions or internal offsets that align with the net payment the manufacturer receives after financing fees.
- ✓ Prove Lenders are independent, bear meaningful risk, and handle their own underwriting and collection, not acting as pass-throughs.
- ✓ Be ready to explain how loss pools are structured and why they don't function as stealth discounts or inducements.
- ✓ Keep documentation that customers don't know or expect the manufacturer to absorb their losses.

If you're offering financial flexibility to buyers, you need to show the terms are defensible, clearly scoped, and not masking referral-driven incentives.

Structure not diligence-ready?

Cabra Consulting helps healthcare organizations make sure compensation and transaction structures are independently valued, clearly scoped, and defensible in diligence.

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