

PROTECTING VALUE IN HEALTHCARE TRANSACTIONS:



RWI Coverage and Diligence
Expectations in an Era of AI-Powered
Reimbursement Scrutiny



Practice (if applies)

By Richard Hornby
Senior Director, Representations and Warranties Insurance Practice
Gallagher M&A and PE Portfolio Solutions Practice

Healthcare payers and regulators are using more sophisticated, AI-driven tools to scrutinize reimbursement practices. As scrutiny intensifies, healthcare investors should consider how healthcare operations, disciplined billing and coding diligence and representations and warranties insurance (RWI) work together to help identify and mitigate transaction risk.

Payers and regulators are increasing reimbursement oversight

The current push for greater reimbursement accountability predates the current wave of AI adoption. In May 2025, the Centers for Medicare & Medicaid Services (CMS) announced plans to expand its Risk Adjustment Data Validation (RADV) program to all eligible Medicare Advantage contracts and to increase audit resources.¹ Through RADV audits, CMS tests whether medical records support diagnoses submitted for risk adjustment, allowing the agency to identify unsupported claims and recover improper payments. This reflects a broader trend toward increased reimbursement scrutiny across the healthcare sector.

Payer scrutiny is creating measurable pressure across the billing and coding environment. MDAudit's 2025 benchmark report states that the total at-risk payer-audit amount per organization increased by 30%, the average amount at risk per claim rose by 18% and outpatient coding-related denials increased by 26%.² For investors, reimbursement compliance is no longer a risk that surfaces only through isolated investigations. Payers and regulators now examine it more routinely, particularly in physician-practice, primary-care, value-based-care and Medicare-focused investments. That shift can affect diligence scope, underwriting and the way buyers evaluate transaction risk. Across the healthcare transactions Gallagher supports, these issues are increasingly factoring into buyer diligence discussions and risk-allocation strategies.

AI can increase the speed and precision of reimbursement review.

The immediate assumption may be that AI will simply produce more audits and greater billing and coding risk for providers. However, the actual outcome is likely more nuanced.

Payers already use data analytics to identify unusual billing practices, elevated error rates and services that present financial risk. AI may enhance those efforts by analyzing larger claims populations, identifying patterns that conventional analytics might miss and accelerating the review of medical records once a claim has been selected for further examination.

That increased efficiency does not necessarily translate into more completed audits. Identifying potential issues is only the beginning of the process. A formal audit still requires access to records, application of complex coding and reimbursement rules, assessment of clinical context, communication with the provider and a defensible determination. More sophisticated cases continue to rely heavily on coding and clinical experts. Identifying an anomaly is not the same as establishing noncompliance.

As a result, AI is likely to make target selection, claims analysis and document review faster and more scalable. However, the available evidence does not suggest that AI alone is driving a marketwide increase in completed government or commercial audits. Instead, the more immediate impact may be improving the efficiency and precision of how reimbursement risks are identified and evaluated.

The arms race cuts both ways

While much of the discussion focuses on how payers and regulators are using more advanced technology to review claims, providers have access to many of the same capabilities. Modern revenue-cycle platforms can review documentation before submission, identify inconsistencies, evaluate whether records support proposed codes and prompt practitioners for additional information. Used effectively, these tools can help reduce overbilling, identify underbilling and improve reimbursement accuracy.

¹Centers for Medicare & Medicaid Services (CMS). *Risk Adjustment Data Validation (RADV) Program Update*, May 2025.

²MDAudit. *2025 Benchmark Report: Key Findings and Industry Trends*, 2025.

As a result, AI is unlikely to create a permanent advantage for either providers or auditors. Instead, it is more likely to accelerate an arms race that is already underway across the healthcare industry. As payer and regulatory oversight increases, both sides will likely invest in technologies designed to evaluate and respond to potential compliance concerns more efficiently.

The greater risk may not be between providers and auditors, but among providers themselves. Organizations that modernize their documentation, coding and claims-management processes may be better positioned to support compliance, withstand scrutiny and capture appropriate reimbursement. Those that continue to rely on outdated systems, inconsistent practices or fragmented operations may face greater challenges as reimbursement reviews become more sophisticated.

From a transaction perspective, these differences can become increasingly relevant during diligence. In Gallagher's experience, operational consistency across documentation, coding and claims-management processes can be just as important as identifying historical compliance issues when evaluating reimbursement-related risk. As reimbursement scrutiny continues to evolve, operational readiness may become an increasingly important indicator of both risk and value.

Where representations and warranties insurance fits

Diligence on healthcare mergers and acquisitions is designed to identify material risks within the practical constraints of a transaction. A well-designed billing and coding review can identify key areas of exposure, but it cannot eliminate uncertainty across every claim, provider, location or historical practice.

This is where representations and warranties insurance (RWI) can play an important role. RWI can help bridge the gap between reasonable diligence and an increasingly sophisticated reimbursement environment by protecting against certain unknown historical risks that may not be identified during the transaction process. Subject to policy terms and conditions, coverage may respond to reimbursement-related noncompliance, investigation and defense costs, as well as resulting financial loss, including impacts to enterprise value.

These exposures can be significant. Based on Gallagher's healthcare RWI claims experience, reimbursement compliance matters remain among the most consequential sources of healthcare claims activity. Effective diligence and RWI are not substitutes for one another, but complementary tools for evaluating and managing transaction risk.

Despite the growing use of AI-powered payment integrity tools, insurers have not materially changed their diligence expectations. Broad healthcare regulatory and reimbursement compliance representations generally remain insurable when supported by appropriately scoped billing, coding, legal and regulatory diligence. The quality and scope of that work continue to influence underwriting outcomes.

As reimbursement oversight intensifies, underwriting for certain healthcare risks, particularly Medicare Advantage-focused transactions, may become more selective. Early engagement with transaction risk advisors can help investors evaluate underwriting considerations, identify suitable insurers and address potential issues before deal terms are finalized.

For healthcare investors, the challenge is understanding how regulatory compliance, operational readiness, transactional diligence and risk-transfer solutions fit together within a broader transaction strategy. Gallagher's M&A and Private Equity Portfolio Solutions (GMAPS) practice works alongside Gallagher's Healthcare practice to help investors evaluate these exposures throughout the transaction life cycle. By combining deep healthcare sector expertise with transaction-focused advisory and RWI capabilities, GMAPS helps clients navigate complex reimbursement, regulatory and diligence considerations from pre-signing through post-close.

As healthcare reimbursement practices continue to evolve, investors that integrate healthcare diligence, operational risk assessment and RWI into a coordinated transaction strategy will likely be better positioned to identify risk, protect value and navigate an increasingly complex reimbursement environment.



Richard Hornby

About the Author

Richard is a senior director in Gallagher's M&A and Private Equity Portfolio Solutions team. Based in New York, his group is focused on advising private equity and corporate clients in relation to acquisitions, carve-outs, divestitures and other liquidity events.

Richard Hornby
richard_hornby@ajg.com
(646) 633-3623

Connect with us



Nick Tuliebitz

RWI Leader

M: (201) 913-5907

E: nick_tuliebitz@ajg.com



Simone Bonnet

RWI Leader

M: (312) 388-0270

E: simone_bonnet@ajg.com

AJG.com The Gallagher Way. Since 1927.



The information contained herein is offered as insurance Industry guidance and provided as an overview of current market risks and available coverages and is intended for discussion purposes only. This publication is not intended to offer financial, tax, legal or client-specific insurance or risk management advice. General insurance descriptions contained herein do not include complete Insurance policy definitions, terms, and/or conditions, and should not be relied on for coverage interpretation. Actual insurance policies must always be consulted for full coverage details and analysis.

Gallagher publications may contain links to non-Gallagher websites that are created and controlled by other organizations. We claim no responsibility for the content of any linked website, or any link contained therein. The inclusion of any link does not imply endorsement by Gallagher, as we have no responsibility for information referenced in material owned and controlled by other parties. Gallagher strongly encourages you to review any separate terms of use and privacy policies governing use of these third-party websites and resources.

Insurance brokerage and related services provided by Arthur J. Gallagher Risk Management Services, LLC License Nos. IL 100292093 / CA 0D69293

© 2026 Arthur J. Gallagher & Co., and affiliates & subsidiaries | PRODUS203784