



August 5, 2021

NOTICE

The Kaweah Delta Health Care District Board of Directors will meet in an Audit and Compliance Committee meeting at 9:00 AM on Thursday, August 12, 2021 in the Kaweah Health Support Services Building – 4th Floor Granite Conference Room {520 W. Mineral King Avenue, Visalia}.

The Board of Directors of the Kaweah Delta Health Care District will meet in a Closed Audit and Compliance Committee meeting immediately following the 9:00 AM meeting on Thursday, August 12, 2021 in the Kaweah Health Support Service Building – 4th Floor Granite Conference Room {520 W. Mineral King Avenue, Visalia} pursuant to Government Code 54956.9(d)(2).

All Kaweah Delta Health Care District regular board and committee meeting notices and agendas are posted 72 hours prior to meetings (special meetings are posted 24 hours prior to meetings) in the Kaweah Health Medical Center, Mineral King Wing entry corridor between the Mineral King lobby and the Emergency Department waiting room.

The disclosable public records related to agendas are available for public inspection at Kaweah Health Medical Center – Acequia Wing, Executive Offices (Administration Department) {1st floor}, 400 West Mineral King Avenue, Visalia, CA and on the Kaweah Delta Health Care District web page <https://www.kaweahhealth.org>.

KAWEAH DELTA HEALTH CARE DISTRICT  
Garth Gipson, Secretary/Treasurer

A handwritten signature in black ink that reads "Cindy Moccio". The signature is written in a cursive, flowing style.

Cindy Moccio  
Board Clerk  
Executive Assistant to CEO

DISTRIBUTION:  
Governing Board  
Legal Counsel  
Executive Team  
Chief of Staff  
<http://www.kaweahhealth.org/about/agenda.asp>

# KAWEAH DELTA HEALTH CARE DISTRICT BOARD OF DIRECTORS AUDIT AND COMPLIANCE COMMITTEE

Thursday, August 12, 2021

Support Services Building – Granite Room (4th Floor), 520 W. Mineral King Ave,  
Visalia, CA 93291

ATTENDING: Directors; Garth Gipson (Chair) & Mike Olmos; Gary Herbst, CEO; Malinda Tupper, VP Chief Financial Officer; Keri Noeske, VP Chief Nursing Officer; Rachele Berglund, Legal Counsel; Ben Cripps, VP & Chief Compliance and Risk Officer; Suzy Plummer, Director of Internal Audit; Amy Valero, Compliance Manager; Lisa Wass, Compliance Analyst

GUESTS: Dianne Cox, VP Chief Human Resources Officer; Jennifer Stockton, Director of Finance; Kari MacDonald, Finance Accounting & Reimbursement Manager; John Feneis, Moss Adams; Nini Pham, Moss Adams; Chris Pritchard, Moss Adams

## OPEN MEETING – 9:00AM

### Call to order – Garth Gipson, Audit and Compliance Committee Chair

**Public / Medical Staff participation** – Members of the public wishing to address the Committee concerning items not on the agenda and within the subject matter jurisdiction of the Committee may step forward and are requested to identify themselves at this time. Members of the public or the medical staff may comment on agenda items after the item has been discussed by the Committee but before a Committee recommendation is decided. In either case, each speaker will be allowed five minutes.

1. Foundation for Medical Care of Tulare and Kings County Medical Claims Audit – Dianne Cox
2. Financial Statement Audit Entrance – Planning for the Annual Audit of Kaweah Health’s Financial Statements – Chris Pritchard, Moss Adams; Nini Pham, Moss Adams; John Feneis, Moss Adams
3. **Written Reports** – Committee review and discussion of written reports
  - 3.1 Compliance Program Activity Report – Ben Cripps
  - 3.2 Cash Audits – Suzy Plummer
  - 3.3 Expense Testing – Suzy Plummer
  - 3.4 Shift Bonus Audit – Suzy Plummer

#### 4. Verbal Reports

4.1 Compliance Program – Provide an update on the status of Compliance Program activity – *Ben Cripps*

4.2 Internal Audit Update – Provide an update on the status of Internal Audit activity – *Suzy Plummer*

#### 5. Approval of Closed Meeting Agenda – Kaweah Health Medical Center Support Services Building – Granite Room (4th Floor) – immediately following the open meeting

- o Conference with Legal Counsel – Anticipated Litigation  
Significant exposure to litigation pursuant to Government Code 54956.9(d)(2) (9 cases) – *Ben Cripps and Rachele Berglund (Legal Counsel)*

**Adjourn Open Meeting** – *Garth Gipson, Audit and Compliance Committee Chair*

#### **CLOSED MEETING – Immediately following the 9:00 AM open meeting**

**Call to order** – *Garth Gipson, Audit and Compliance Committee Chair*

1. [Conference with Legal Counsel - Anticipated Litigation](#) – Significant exposure to litigation pursuant to Government Code 54956.9(d)(2) (9 cases) – *Ben Cripps and Rachele Berglund (Legal Counsel)*

**Adjourn** – *Garth Gipson, Audit and Compliance Committee Chair*

*In compliance with the Americans with Disabilities Act, if you need special assistance to participate at this meeting, please contact the Board Clerk (559) 624-2330. Notification 48 hours prior to the meeting will enable the District to make reasonable arrangements to ensure accessibility to the Kaweah Delta Health Care District Board of Directors meeting.*

## Medical Claims Audit

Of Foundation for Medical Care of Tulare & Kings County

## Executive Summary

February 1, 2021

### Overview

Kaweah Delta Health Care District (“KDHCD”) provides medical coverage to its employees and their dependents through its self-insured medical plan. Foundation for Medical Care of Tulare & Kings County (“TKFMC”) is KDHCD’s third party claims administrator. For the time period of May 1, 2018 to December 31, 2020 TKFMC administered KDHCD’s claims.

Moss Adams was engaged by KDHCD to perform an assessment of the claims administration services provided by TKFMC during the review period for claims adjudicated on their claims application system.

### Project Approach

**Claims Sample Testing:** Moss Adams audited a total sample of 250 claims was selected. We sampled claims from 3 different periods, from January 1 to September 9, 2020; January 1 to December 31, 2019; and May 1 to June 30, 2018.: January 1, 2019 through December 31, 2019.

YEAR	REVIEW PERIOD	POPULATION (#CLAIMS)	POPULATION (\$)	SAMPLE (#CLAIMS)	SAMPLE (\$)
2020	Jan 1 – Sept 9	50,531	\$21,609,843.31	200	\$4,289,823.80
2019	Jan 1 – Dec 31	85,213	\$35,095,459.25	25	\$392,074.15
2018	May 1 – June 30	2,321	\$2,046,879.33	25	\$195,530.45

**Operational Assessment:** Moss Adams evaluated TKFMC’s claims operational processes, policies and functions that directly or indirectly impact claims operations.

- Claims Organizational Structure
- Claims Workflow
- Claims Processing Cycle
- Cost Control Mechanisms
- Coordination of Benefits/Third Party Liability
- Quality Assurance
- Training and Development
- Recovery and Collections

## Findings

### Sample Audit – 2020 Accuracy Measures

- **Financial Accuracy:** The weighted percentage of claims dollars paid correctly. The claims testing result was **98.23%**, below industry standard of 99%. The potential financial accuracy result is 92.09%.
- **Payment Accuracy:** The weighted percentage of claims paid without payment errors (errors with a financial impact.) The claims testing result was **98.91%**, meeting industry standard of 98%. The potential payment accuracy result is 83.02%.
- **Processing Accuracy:** The weighted percentage of claims paid without payment and nonpayment errors. The claims testing result was **83.02%**, below industry standard of 97%. The potential processing accuracy result is 83.02%.

“Potential” accuracy measures reflect the maximum dollar impact of Coordination of Benefit findings, should they be confirmed as financial errors.

### Sample Audit – 2018-2020 Summary of Findings

DOLLAR IMPACT	# ERRORS	\$ ERRORS	POTENTIAL # ERRORS	POTENTIAL \$ ERRORS	TOTAL # ERRORS	TOTAL \$ ERRORS
Overpayment	4	\$6,453.06	16	\$26,236.59	20	\$32,689.65
Underpayment	12	\$5,726.66			12	\$5,726.66
Procedural	16	--			--	--
<b>TOTAL</b>	<b>32</b>	<b>\$12,179.72</b>			<b>32</b>	<b>\$38,416.31</b>

ERROR CATEGORIES	# ERRORS	DOLLAR ERRORS
Other Insurance Info not updated	16	\$26,236.59*
Incorrect Authorized Days	1	\$5,980.00
Incorrect Out-of-Pocket Maximum	7	\$3,082.27
Incorrect Benefit Pricing	4	\$2,764.39
Incorrect Coinsurance	1	\$226.73
Incorrect Benefit Type	1	\$100.00
Incorrect Copay	1	\$20.00
Incorrect Deductible	1	\$6.33
<b>TOTAL</b>	<b>32</b>	<b>\$38,416.31</b>

\*Potential dollar errors

### Operational Observations

Key highlights include the following:

- The claims production staff has 2 claims processors, specializing on KDHCDC.
- TKFMC did not have internal claims targets until August 2020.
- TKFMC has 3 claims auditors; average years of experience is slightly lower than observed in industry.
- Quality Assurance activities include both prepayment and processor performance audits in place to ensure claims are being processed accurately.

- TKFMC has an overpayment recovery process where requests for refunds are initiated from different internal departments, such as Customer Service or the Claims Team. The amount recovered in 2019 is about 0.4% claims paid for KDHC.

## Key Conclusions and Recommendations

From our claims sample, our results identified 32 errors from the 250 claims tested. Specific to the most recent period, in 2020, TKFMC met Payment Accuracy but did not meet Financial and Processing Accuracy measures. (These are based on results where known procedural errors related to COB have not been confirmed as having a financial impact). The following key recommendations are offered based on the findings described in this report. TKFMC has reviewed a draft of this report.

### CLAIMS SAMPLE RECOMMENDATIONS

- **General Recommendations:**
  - **Error Resolution:** TKFMC should confirm that the confirmed errors identified in this audit are corrected.
  - **Impact Analysis:** Moss Adams recommends that TKFMC perform an analysis on the entire population of claims related to the confirmed errors identified in this review, in order to confirm the full magnitude of these issues as they impact KDHC's benefit plan.
  - **Coaching and Training:** Moss Adams observed errors that may be a result of manual processing. We recommend that TKMC confirm which were due to human intervention and target these areas for processor training.
  - **Focused Auditing:** TKFMC should use the errors identified in this report as categories for targeted auditing prospectively.
- **Coordination of Benefits information not updated:** Moss Adams identified 16 claims where the members COB information had not been updated during the benefit period in which the sample claim was incurred. In addition, there may have been a significant financial impact to the plan due to paying these claims in error. In order to ascertain whether there was a financial impact, these claims require further investigation with the member whether other insurance was present. TKFMC should check the data from their legacy system and determine if other insurance may have been in effect for all the claims in the population, and determine if any additional payment adjustments are necessary.
- **Out-of-Pocket Maximum:** Moss Adams identified seven claims where either the individual or family annual out-of-pocket maximum was incorrectly accumulated. TKFMC should adjust these claims and determine the extent of harm to the members.
- **Incorrect Benefit Pricing:** Moss Adams identified four claims where pricing was not applied correctly. We recommend TKFMC perform root cause on these errors. We infer these are most likely manual processing errors and suggest that specific training is made regarding application of contract rates.
- **Incorrect Authorized Days:** Moss Adams identified one claim where it paid one day beyond what was authorized. We recommend TKFMC perform root cause on these errors. We infer this is also a manual processing errors and suggest that specific training is made regarding application of authorizations.

- **Performance Guarantees:** Moss Adams understands that KDHC did not have performance guarantees for the review period. Moss Adams observed this as a best practice for ensuring optimal benefits and claims administration and should be considered by the group. Below are observed industry standard performance guarantees.

ACCURACY MEASURES	OBSERVED INDUSTRY PG STANDARDS
<i>Financial</i>	99%
<i>Payment</i>	98%
<i>Processing</i>	97%

OPERATIONAL REVIEW RECOMMENDATIONS:

- **Claims Performance/Audit Process:** While TKFMC currently has a quality assurance program, it is relatively new and has only been implemented since July 2020. Furthermore, it did not have internal targets until August 2020. Moss Adams recommends that TKFMC establish claims accuracy measures at levels consistent with industry observed standards: Financial Accuracy – 99%; Payment Accuracy – 98%; and Processing Accuracy – 97% and provide KDHC with regular reporting of these results with respect to its claims in order to track TKFMC’s claims processing performance.

Also, TKFMC indicated using a manual process in order to both identify claims to audit and to distribute to the audit team. Moss Adams recommends implementing an automated solution to assist the ease and convenience of the audit process, and to increase the number of claims able to be tested for correctness.

- **High Dollar Review:** TKFMC’s prepayment review threshold (payments greater than \$50,000) is greater than most plans reviewed by Moss Adams. We recommend implementing a lower dollar threshold, potentially on claims exceeding \$10,000 - \$15,000. Moreover, we recommend having several levels of prepayment review.
- **Claims Recovery:** Overpayment recoveries (\$262,142) related to KDHC claims were reported by TKFMC in 2019. We recommend that KDHC verify that all recoveries have been properly credited back to KDHC’s plan.

Also, Moss Adams recommends that TKFMC increase the scope of their retrospective claim audit process and perform data mining of paid claims in order to identify more overpayment recovery opportunities. We recognize that the Phia Group is potentially assisting TKFMC with this effort and Moss Adams strongly encourages their assistance.

With respect to the overpayment recovery process, KDHC is credited with the refund only after TKFMC has received the refund from the provider to whom the overpayment was issued. KDHC should improve the process to where KDHC receives the refund amount regardless if TKFMC receives the refund from the provider.

- **Third Party Liability:** Moss Adams recommends that TKFMC reevaluate Third Party Liability policy. Currently when other insurance is identified with a claim, TKFMC follows a ‘pay and pursue’ procedure, where submitted claims are paid by the KDHC plan up to a combined total of \$150,000.00 and then the other insurance liability is pursued after the payment is released. Moss Adams observes that employer-based plans similar to the KDHC plan pend claims payments for other insurance investigation or have a

lower aggregate payment threshold. We recognize that the Phia Group is potentially assisting TKFMC with this effort and Moss Adams strongly encourages their assistance.

- **Fraud and Abuse:** Moss Adams observed that TKFMC provides training for all staff with respect to fraud awareness. We also recommend adding additional staff or a separate department focused mainly on fraud prevention in order to mitigate fraud activities that could impact KDHCD.
- **Customer Service:** TKFMC reported several remediation plans were in place due to issues related to eligibility, ID card generation, and benefit plan changes that affected Customer Service metrics. Moss Adams recommends regular monitoring and reporting to KDHCD of these issues so that they can be informed and updated regarding the progress of these efforts.
- **Appeals:** Based on appeals received during the review period, the Appeals function indicated there was great potential in actions that can be taken to improve the claims process. However, there was not any record or documentation of corrective actions or remediation plans done. We recommend that the Appeals function establish processes for documenting corrective actions in order to assist in improving the member and provider experience with the plan.



Date: May 10, 2021  
From: Dianne Cox, VP CHRO  
Subject: Executive Summary - Audit of Kaweah Delta Self-Funded Employee Medical Plan

Kaweah Delta is self-insured for our employee medical and dental plans and contracted with the Foundation for Medical Care of Tulare and Kings County (FMCTK) as the Third-Party Administrator for claims processing and management. In 2020, Kaweah Delta contracted with Moss Adams to conduct an audit of FMCTK claims processing as well as an operational review. These types of audits are common for self-insured plans and typically occur every few years.

**FMCTK response to Moss Adams Audit Remediation Document:**

1. Section 1: COB process change
  - a. Process change documents
  - b. Update on potential secondary process changes
2. Section 2: OOP Remediation
  - a. Remediation Recommendation PowerPoint
  - b. OOP Timeline PowerPoint
3. Section 3: Contract Error and Benefit Application Remediation
  - a. Automation update
4. Section 4: Automated Third Party Liability (PHIA)
  - a. Implementation documents
5. Section 5: Appeals Process Augmentation
  - a. Remediation document
6. Section 6: Automated Code Editing, Virtual Examiner PowerPoint
  - a. Provides an update on the implementation and a sampling of the 40 edits that will be implemented after testing

**Accountability Agenda for the Monthly Operations Call (Kaweah/Lockton/Foundation):**

1. Ensure all activities related the audit are making progress to conclusion
2. Emerging Trends are review
3. Regulatory changes
4. Other items as necessary

**Weekly CORE Meetings:**

1. All Kaweah agenda items are tracked at the weekly CORE Meeting
  - a. The CORE Meeting is a company-wide cross functional meeting to review all issues, remediation's, regulatory changes, trends and to ensure there is an owner and remediation date

**Commentary:**

In review of the audit with both Moss Adams and the Foundation for Medical Care, both parties commented that the audit process was well managed and collaborative. The response by the Foundation has been impressive in detail and in follow up. Work continues with ongoing and regular meetings.



## Audit Entrance – Kaweah Delta Health Care District

Prepared by the Moss Adams Health Care Group

August 12, 2021

# Audit Committee

Kaweah Delta Health Care District

Thank you for your continued engagement of Moss Adams LLP, the provider of choice for health care organizations. We are pleased to present our audit plan for Kaweah Delta Health Care District for the year ended June 30, 2021. We would also like to discuss current-year developments and auditing standard changes that will affect our audit.

We welcome any questions or input you may have regarding our audit plan and we look forward to working with you.



## Agenda

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1. Team
2. Communication with Those Charged with Governance
3. Accounting Standards Update
4. Other Information
5. Appendix – Industry Focus

## Your Dedicated Team

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**Chris Pritchard**  
Engagement Partner



**John Feneis**  
Engagement  
Senior Manager



**Nini Pham**  
Engagement  
Manager

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**Kate Jackson**  
Concurring Partner



**Glenn Bunting**  
Reimbursement  
Specialist

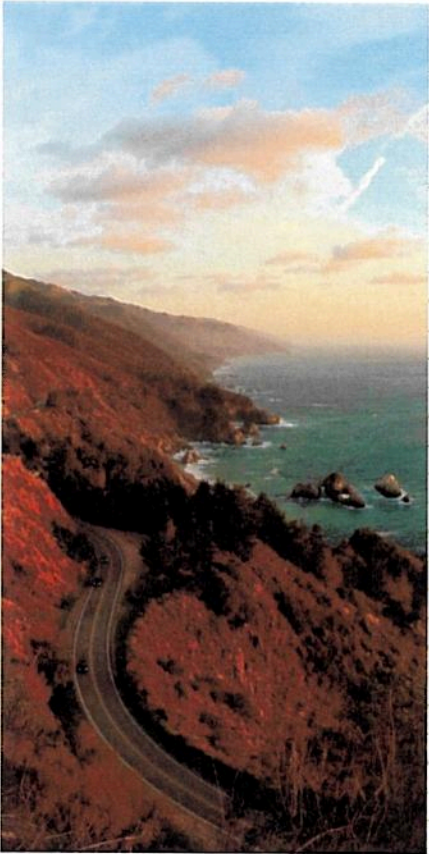
**Other Team  
Members:**

**Alexus Stewart**  
Audit Senior

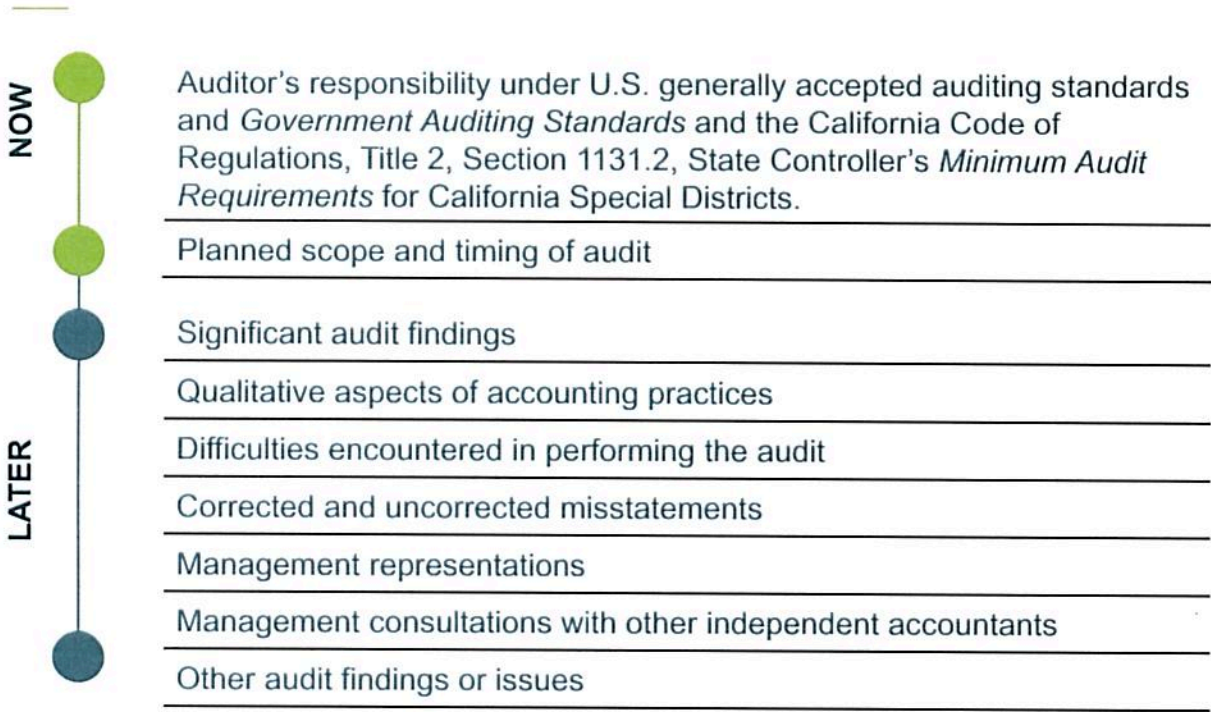


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# Communication with Those Charged with Governance







# Required Communications to Those Charged with Governance



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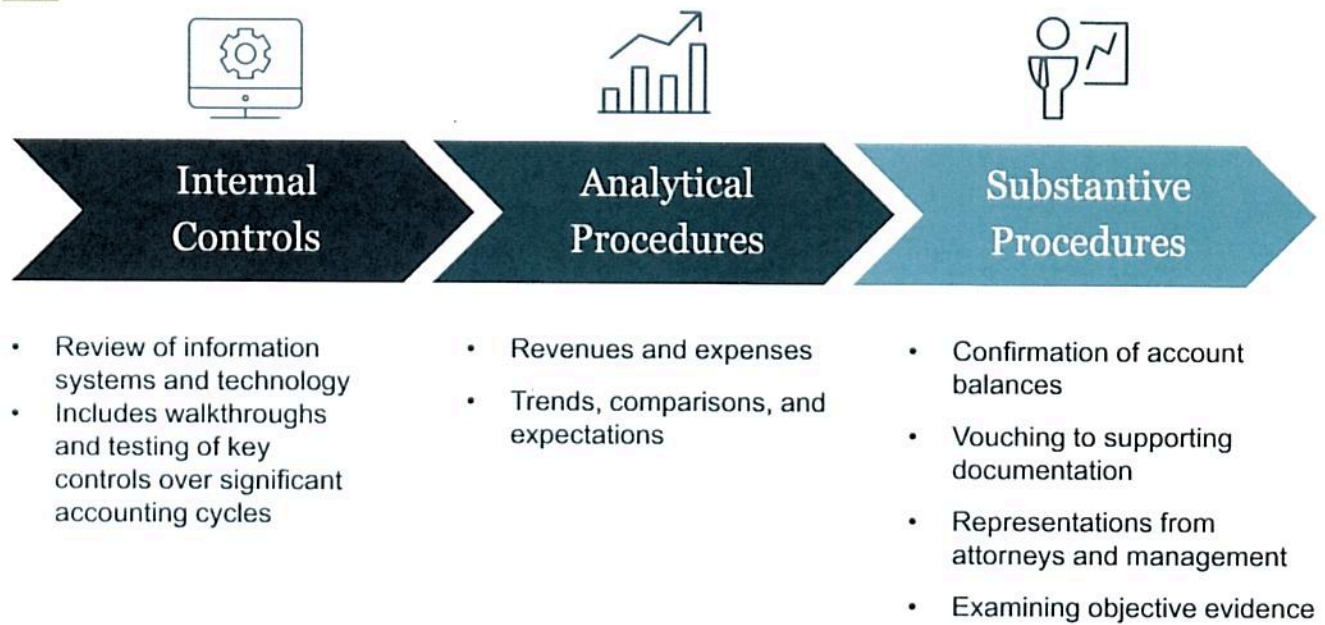
# Our Responsibility

			
<p>To express our opinion on whether the consolidated financial statements prepared by management with your oversight are fairly presented, in all material respects, and in accordance with U.S. GAAP. However, our audit does not relieve you or management of your responsibilities.</p>	<p>To perform an audit in accordance with generally accepted auditing standards issued by the AICPA, <i>Government Auditing Standards</i> issued by the Comptroller General of the United States, and the California Code of Regulations, Title 2, Section 1131.2, State Controller's <i>Minimum Audit Requirements</i> for California Special Districts, and design the audit to obtain reasonable, rather than absolute, assurance about whether the consolidated financial statements are free of material misstatement.</p>	<p>To consider internal control over financial reporting and compliance as a basis for designing audit procedures but not for the purpose of expressing an opinion on its effectiveness or to provide assurance concerning such internal control.</p>	<p>To communicate findings that, in our judgment, are relevant to your responsibilities in overseeing the financial reporting process and administering federal awards. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.</p>

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## Audit Process



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## Consideration of Fraud

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Auditors must consider fraud to “improve the likelihood that auditors will detect material misstatements due to fraud in a financial statement audit.”

How we gather information to identify fraud-related risks of material misstatement:

- Brainstorm with team
- Conduct personnel interviews
- Document understanding of internal control
- Consider unusual or unexpected relationships identified in planning and performing the audit

Procedures to be performed:

- Examine general journal entries for nonstandard transactions
- Evaluate policies and accounting for revenue recognition
- Test and analyze significant accounting estimates for biases
- Evaluate the business rationale for significant unusual transactions

## What is Materiality?

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The amount of a misstatement that could influence the economic decisions of users, taken on the basis of the consolidated financial statements.

### How it is calculated:

- Using certain quantitative (e.g., total assets) and qualitative factors (e.g., covenants, expectations, or industry factors)

### It is used to identify:

- Significant risk areas
- Nature, timing, extent, and scope of test work
- Findings or misstatements

## Significant Audit Areas

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Internal controls over financial reporting



Valuation of net patient accounts receivable



Compliance with grants and contracts subject to the *Uniform Guidance*






Compliance with intergovernmental and direct grant supplemental payment programs



Valuation of medical malpractice and other self insured liabilities

# Significant Audit Areas

-  Recognition of net patient service revenue
-  Valuation of pension and other post-retirement benefits and liabilities
-  Valuation of accounts receivable due from third-party payors

## Single Audit Requirement – CARES Act Grant Funding

### Provider Relief Grant Funds Received

- Approximately \$36.8 million received as of July 2021.
- Nonfederal entities that expend financial assistance of \$750,000 or more in federal awards will have a single or program-specific audit for their fiscal year that include the periods the funds are expended.
- Will require audits to also be conducted in accordance with government auditing standards.
- Guidance on what qualifies as a healthcare-related expense attributable to COVID-19 or what qualifies as lost revenue has evolved over time.
- The most recent FAQ from HHS, dated July 15, 2021, states that nonfederal entities will include PRF expenditures and/or lost revenues on the SEFA for FYEs ending on or after June 30, 2021, for the period April 10, 2020 to June 30, 2020. The 2021 Compliance Supplement, which outlines the specific audit requirements, has not been released by the OMB.

The receipt of HHS Grant Funding under the CARES Act will likely subject the District to a Single Audit under the *Uniform Guidance*



## Deliverables

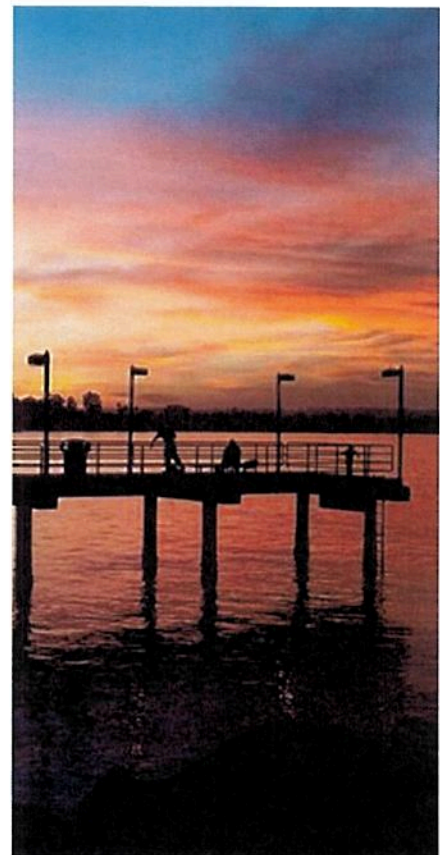
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### We will issue the following reports:

- Audit report on the consolidated financial statements of Kaweah Delta Health Care District as of and for the year ended June 30, 2021
- Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards
- Report on Compliance for the Major Federal Programs and Report on Internal Control Over Compliance Required by The Uniform Guidance
- Report to those charged with governance
  - Communicating required matters and other matters of interest

### Nonattest services:

- Assist in drafting of the consolidated financial statements, excluding management's discussion and analysis
- Preparation of Kaweah Delta Hospital Foundation tax return



## Timeline

June	<ul style="list-style-type: none"><li>• Planning meeting with management</li></ul>
June	<ul style="list-style-type: none"><li>• Interim audit procedures (<i>including test of implementation of internal controls</i>) for consolidated financial statements</li></ul>
August 12, 2021	<ul style="list-style-type: none"><li>• Entrance meeting with audit committee</li></ul>
September	<ul style="list-style-type: none"><li>• Final fieldwork procedures for consolidated financial statements</li></ul>
October	<ul style="list-style-type: none"><li>• Discuss draft consolidated financial statements and auditor's reports with management</li></ul>
TBD October	<ul style="list-style-type: none"><li>• Audit committee approval of statements and exit meeting</li></ul>
November	<ul style="list-style-type: none"><li>• Finalize auditor's reports</li></ul>



# Our Response to COVID-19

The COVID-19 pandemic has touched all aspects of our lives. We're here to guide you to the information and resources you need now and provide strategies for the changes to come. We'll support you as you rebuild and help you take advantage of rising opportunities.



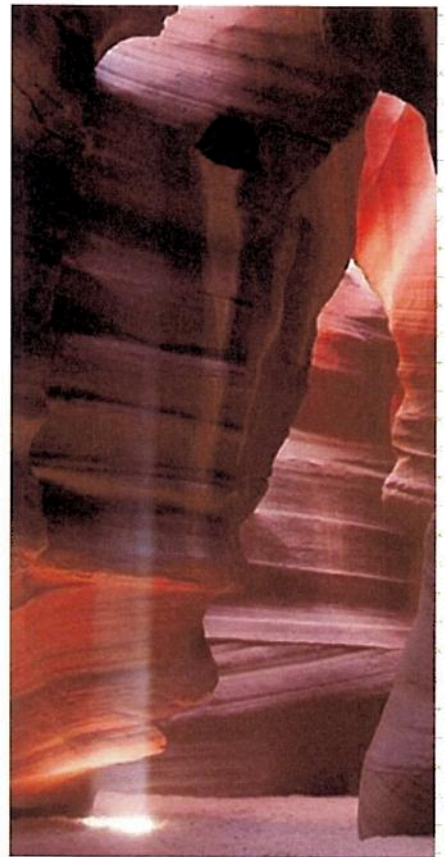
**HELPING YOU ADAPT TO UNCERTAIN TIMES**

➤ Find more information and resources here: <https://mossadams.com/covid-19-implications>



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# Accounting Update



## New Standards

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### **GASB 84**

#### **Fiduciary Activities – *effective for FY21***

Clarifies fiduciary activities as having the following characteristics:

1. Government controls the assets of the activity.
  2. Those assets are not derived solely from the government's own source revenue.
  3. One of the following:
    - The assets result from a pass-through grant or trust agreement.
    - Assets are used to benefit individuals not typical recipients of the government's goods and services (i.e. employees receive the benefit instead of patients.)
    - Assets are to be used to benefit other organizations or governments.
- Would require stand alone business-type entities (i.e. hospitals) with pension and OPEB trusts or patient custodial accounts to report separate fiduciary fund financial statements within the financial statements.
  - Effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged.

## New Standards

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### **GASB** **97**

#### Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – *effective for FY22*

- Provides updated guidance and clarification on Statement No. 84, *Fiduciary Activities*.
- Requires that a Section 457 plan be classified as either a pension plan or other employee benefit plan and clarifies that Statement No. 84 should be applied to all arrangements organized under IRC Section 457 to determine whether those arrangements should be reported as fiduciary activities.
- Certain requirements in this standard are effective immediately.
- The requirements related to the accounting and financial reporting for Section 457 plans are effective for fiscal years beginning after June 15, 2021.

## New Standards

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### **GASB 87**

#### **Leases – *effective for FY22***

- Would treat all leases as financings (no classification of capital v. operating) similar to FASB ASU 2016-02.
- Includes noncancellable period + periods covered by options to renew if reasonably certain to be exercised.
- Lessee would record an intangible asset (amortized over the shorter of its useful life or lease term) and present value of future lease payments as a liability.
- Lessor would record a lease receivable and deferred inflow of resources for cash received up front + future payments (revenue recognized over lease term in a systematic and rational basis).
- Effective for reporting periods beginning after June 15, 2021. Earlier application is encouraged.

## New Standards

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### **GASB** **89**

#### Interest Cost Incurred Before the End of a Construction Period— *effective for FY22*

- Interest incurred during construction of an asset that was once eligible for capitalization must now be expensed as a period cost. The only exception applies to regulated entities (rate setting agencies such as utilities).
- The objective was to enhance comparability for the cost of borrowing and simplify the accounting.
- Respondents to the Exposure Draft argued that stand-alone business type entities (like hospitals) would no longer be comparable to nongovernmental counterparts; however, GASB decided not to establish separate objectives for general government vs. business-type activities.
- Effective for reporting periods beginning after December 15, 2020. Earlier application is encouraged. The statement should be applied prospectively.

## New Standards

### GASB 94

#### Public-Private and Public-Public Partnerships and Availability Payment Arrangements— *effective for FY23*

- Provides guidance to improve accounting and financial reporting for public-private and public-public partnership arrangements (commonly referred to as P3s) and availability payment arrangements (APAs)
  - GASB 94 carries forward the financial reporting requirements for SCAs that were included in Statement 60, with modifications to apply the more extensive requirements related to recognition and measurement of leases to SCAs.
  - P3s that meet the definition of a lease should apply the guidance in Statement 87, if existing assets of the transferor that are not required to be improved by the operator as part of the P3 arrangement are the only underlying P3 assets and the P3s do not meet the definition of an SCA.
  - GASB 94 defines an APA as an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying infrastructure or other nonfinancial asset for a period of time in an exchange or exchange-like transaction.
  - GASB 94 requires governments to account for APAs related to those activities and in which ownership of the asset transfers by the end of the contract as a financed purchase of the underlying infrastructure or other nonfinancial asset
- Effective for annual periods beginning after June 15, 2022.



# About Moss Adams





## Our Expertise

**D  
E  
E  
P**

108  
years in  
business

3,400+  
professionals

30+  
industries  
served

*Crater Lake—  
A monument to perseverance, North America's  
deepest lake filled to 1,949 feet over 720 years.*

## Our Reach

**W I D E**

25+  
locations  
west of the  
Mississippi

110+  
countries served  
through Praxity, AISBL

\$820M  
in revenue  
earned

*Grand Canyon—  
At 277 miles long and up to 18 miles  
wide, this icon serves as a testament  
to determination and time.*

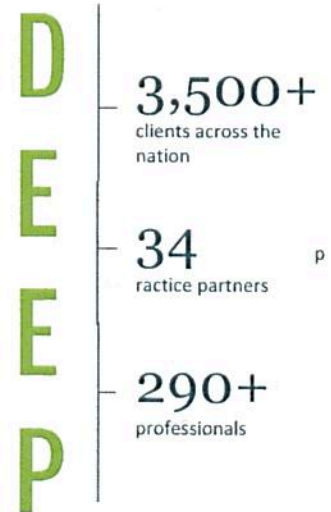
## Health Care Industry Experience

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Our health care professionals dedicate their careers to serving the industry.

We cover the full spectrum of health care including:

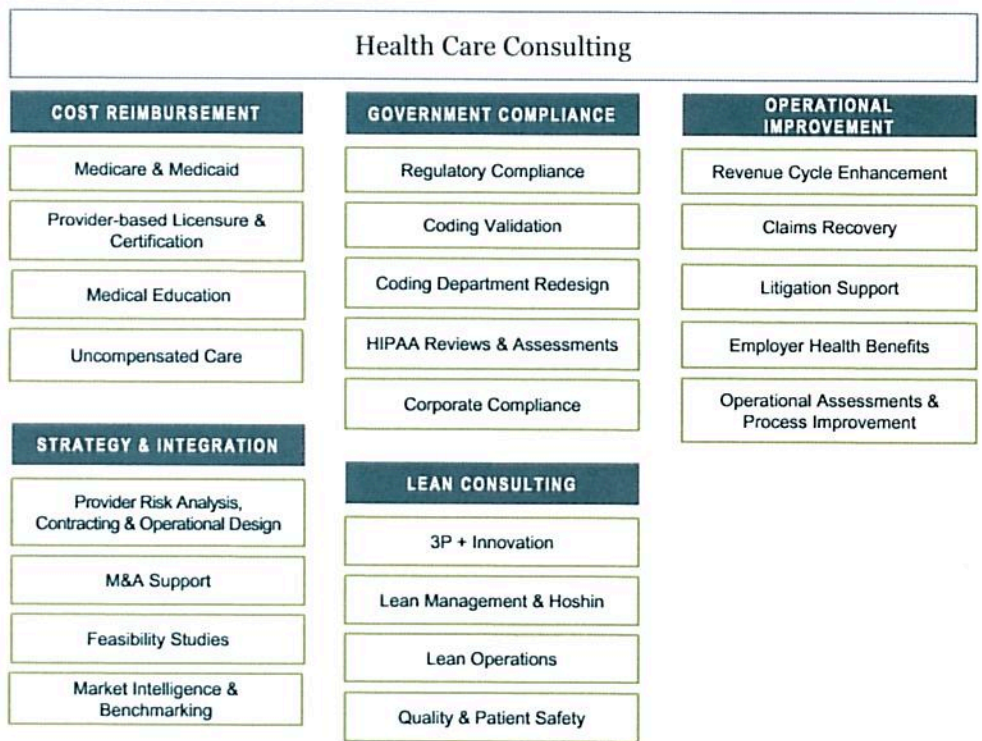
- Hospitals and health systems
- Independent practice associations
- Medical groups
- Community health centers
- Behavioral health organizations
- Long-term care
- Surgery centers
- Knox Keene licensed health plans
- Health care ancillary services



*Crater Lake—  
A monument to perseverance, North  
America's deepest lake filled to 1,949 feet over  
720 years.*

# Health Care Consulting Services

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Public Company & SEC	Assessment & Planning	Investments
Internal Audit	Development & Integration	Family Office
Outsourced Accounting	<b>STRATEGY &amp; OPERATIONS</b>	<b>INSTITUTIONAL</b>
Contract Compliance	Business Planning	Investments
Sustainability	Performance Audits	Insurance
<b>TAX</b>	Succession Planning	
Accounting for Income Taxes (ASC 740)	<b>TRANSACTIONS</b>	
Accounting Methods	Due Diligence	
Compensation & Benefits	Investment Banking	
Credits & Incentives	M&A Tax	
International	Restructuring	
State & Local	Valuations	
Controversy & Dispute Resolution		
Tax Structuring		
Transfer Pricing		

## Insights and Resources

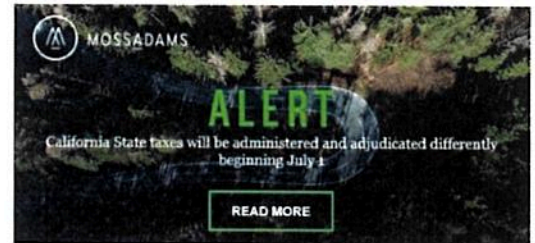
In today's fast-paced world, we know how precious your time is. We also know that knowledge is key. These resources offer what you need to know, when you need to know it, and is presented in the format that fits your life.

We'll keep you informed to help you stay abreast of critical industry issues.

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Moss Adams closely monitors regulatory agencies, participates in industry and technical forums, and writes about a wide range of relevant accounting, tax, and business issues to keep you informed.

We also offer CPE webinars and events which are archived and available on demand, allowing you to watch them on your schedule.



## Connect With Us

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In today's fast-paced world, we know how precious your time is. We also know that knowledge is key. These resources offer what you need to know, when you need to know it, and is presented in the format that fits your life.



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**THANK  
YOU**

COMPLIANCE PROGRAM ACTIVITY REPORT – Open Meeting  
**Ben Cripps, Vice President & Chief Compliance and Risk Officer**  
May 2021 through July 2021

**EDUCATION**

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Live Presentations

- Compliance and Patient Privacy – New Hire
- Compliance and Patient Privacy – Management Orientation
- Compliance and Patient Privacy – GME Orientation
- Compliance and Patient Privacy – Sequoia Surgery Center
- Minor Consent and Release of Information – Kaweah Health Medical Group

Written Communications – Bulletin Board / Area Compliance Experts (ACE)

- Privacy Matters – Social Media
- Suspicious Email – Suspect Email
- Administrative Policy (AP) 163 – Photography and Video Recording Policy

**PREVENTION AND DETECTION**

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- **California Department of Public Health (CDPH) All Facility Letters (AFL)** – Review and distribute AFL’s to areas potentially affected by regulatory changes; department responses reviewed and tracked to address the regulatory change and identify potential current/future risk
- **Medicare and Medi-Cal Monthly Bulletins** – Review and distribute bulletins to areas potentially affected by the regulatory change; department responses reviewed and tracked to address the regulatory change and identify potential current/future risk
- **Office of Inspector General (OIG) Monthly Audit Plan Updates** – Review and distribute OIG Audit Plan issues to areas potentially affected by audit issue; department responses reviewed and tracked to identify potential current/future risk
- **California State Senate and Assembly Bill Updates** – Review and distribute legislative updates to areas potentially affected by new or changed bill; department responses reviewed and tracked to address regulatory change and identify potential current/future risk
- **Patient Privacy Walkthrough** – Monthly observations of privacy practices throughout Kaweah Health; issues identified communicated to area Management for follow-up and education
- **User Access Privacy Audits** – Daily monitoring of user access to identify potential privacy violations
- **Office of Inspector General (OIG) Exclusion Attestations** – Quarterly monitoring of department OIG Exclusion List review and attestations
- **Medicare PEPPER Report Analysis** – Quarterly review of Medicare Inpatient Rehabilitation, Hospice, Mental Health, and Acute Inpatient PEPPER statistical reports to identify outlier and/or areas of risk; evaluate with Kaweah Health leadership quarterly at PEPPER Review meeting



## **OVERSIGHT, RESEARCH & CONSULTATION**

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- **Fair Market Value (FMV) Oversight** – Ongoing oversight and administration of physician payment rate setting and contracting activities including Physician Recruitment, Medical Directors, Call Contracts, and Exclusive and Non-Exclusive Provider Contracts
- **Medicare Recovery Audit Contractor (RAC) and Medicare Probe Audit Activity** – Records preparation, tracking, appeal timelines, and reporting
- **Licensing Applications** – Forms preparation and submission of licensing application to the California Department of Public Health (CDPH); ongoing communication and follow-up regarding status of pending applications
- **KD Hub Non-Employee User Access** – Oversight and administration of non-employee user onboarding, privacy education, and user profile tracking; evaluate, document, and respond to requests for additional system access; on-going management of non-employee KD Hub users; the annual renewal process with the new Compliance 360 workflow is currently in process
- **Covid-19 Incident Response** – Participation in Section Chief Meetings to advise on regulatory matters and to ensure ongoing compliance; ongoing oversight and review of Covid-19 regulatory review and response
- **Information (“Info”) Blocking** – Research and consultation; participation in the review, assessment, and implementation of new regulatory guidance concerning Information Blocking (start date April 5, 2021); Info Blocking is a practice that prevents or materially discourages access, exchange, or use of Electronic Health Information (EHI); Committee established to provide guidance surrounding the new requirements to departments that release patient information; process developed to review EHI release denials to ensure ongoing compliance
- **Operational Compliance Committee** – Consultation, oversight, and prevention; in July 2020, the Compliance Department created the Operational Compliance Committee comprised of six (6) high-risk departments including Patient Accounting, Health Information Management, Revenue Integrity, Case Management, Patient Access and Clinical Documentation Improvement Department (CDI); meetings are held monthly to discuss regulations, policies, auditing and monitoring, and educational efforts within the departments; Compliance developed and implemented the use of departmental dashboards designed to develop focused goals and measure effectiveness of the program; beginning August 2021, Kaweah Health Medical Group (KHMGM) will implement the Operational Compliance Committee structure to enhance compliance program activities within the Medical Group
- **Kaweah Health Rebranding Initiative** – Participation and consultation; provided regulatory counsel and support in the Kaweah Health Rebranding Initiative; worked with the California Department of Public Health to update the Kaweah Delta Health Care District Consolidated License; Compliance has developed standardized language to provide guidance to policy owners and worked collaboratively with a multi-disciplinary team to apply the Kaweah Health logo to all organizational policies
- **Kaweah Health Rehabilitation Commission on Accreditation of Rehabilitation Facilities (CARF) Audits** – Research and consultation; assisted the Rehabilitation Department in conducting quarterly audits of internal CARF audit standards to address billing accuracy, medications, supplies, therapies and standards, and identify trends for areas of improvement
- **Medicare Conditions of Participation (COP) with Discharge, Transfer Notifications** – Oversight and consultation; participation in review and assessment of regulatory guidance concerning the current electronic medical record (EMR); new CoP’s require hospitals to allow patients to consent to electronic notifications to be sent to the provider of their choice; a work plan was established to satisfy the requirement until the EMR system upgrade can take place; the Compliance Department is monitoring the progress and implementation of the work plan
- **OIG Sanction Screening for Non-Credentialed Physicians** – Research and consultation; evaluated the regulatory guidance and operational processes for completing the required OIG Sanction Screening

for Non-credentialed Physicians; Compliance collaborated with ISS, Patient Access and Patient Accounting to develop a process for exclusion screening for non-credentialed Physicians through the Verysis Provider Credentialing system; the screening process was successfully implemented in July 2021 and monthly monitoring reports are being received and reviewed

- **Physician Contracting** – Research and consultation; worked with the Information Systems leadership team to evaluate a transition to Cerner Power Chart for a contacted provider group
- **Amended Birth Certificate** – Consultation and research; assisted and evaluated a request from a patient whose minor child needed an amendment to a birth record. Assisted with the VS-24 Affidavit and signatures from hospital administrators to assist in amending the appropriate birth record documentation
- **Centers for Medicare and Medicaid Services (CMS) Compliant Validation Survey** – Oversight and consultation; Command Center oversight; worked with a multi-disciplinary team to draft the Plan of Correction

## **AUDITING AND MONITORING**

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- **Noridian Post Payment Probe Audit of Sleep Study** – Noridian (Medicare Claims Administrator) completed a post-payment Targeted Probe review of Outpatient Sleep Study claims. The review of five (5) claims was completed in May 2021. The results of the review are pending.
- **Noridian Post Payment Probe Audit of Inpatient Rehabilitation Services** – Noridian (Medicare Claims Administrator) completed a post-payment Targeted Probe review of Inpatient Rehabilitation Service claims. The audit commenced in July 2021 and is currently in progress. As of August 1, 2021, Noridian has requested two (2) claims. The results of the review are pending.
- **Valley Hospitalist Medical Group Audit (VHMG)** – The Compliance Department completed a review of the VHMG Physician Agreement. The audit included a review of billing and collections processes and reporting, payroll and shift compensation rates, staffing, financial reporting, and monthly reconciliation processes. The audit did not identify any significant discrepancies or deficiencies. In August, the Compliance Department and Kaweah Health Leadership will meet with VHMG to review the audit results.
- **Observation and Inpatient Billing Status Review** – The Compliance Department completed a review to assess ongoing compliance with Medicare Observation and Inpatient Billing regulations. A review of thirty (30) randomly selected Medicare encounters for the period January 2021 – March 2021 identified a 100% compliance rate for both the Case Management and Patient Accounting departments. The findings of the review have been communicated to Leadership. The Compliance Department will continue to complete reviews to evaluate compliance with observation status billing guidelines.

# **KAWEAH HEALTH INTERNAL AUDIT CASH AUDITS KAWEAH HEALTH**

8/3/21

## **OVERVIEW**

Kaweah Health maintains 54 cash drawers totaling \$18,245.00 to support collection of patient and retail payments. Balances in each cash drawer were counted and reconciled to the established amount and cash custodians and supervisors were interviewed. Discussions with staff and management included topics such as daily counts, drops, access to cash drawers, how discrepancies are handled, as well as other cash control practices.

## **OBSERVATIONS**

We were unable to count one cash drawer of \$150 as the owner of the drawer was out of the office and there was no spare key to their cash lockbox that was safeguarded in the safe. The Manager is currently working to obtain copies of the keys to each lockbox for emergency use. This drawer will be verified and any discrepancies reported to the Committee.

We noted two immaterial discrepancies during the cash counts totaling \$6.50. Management was made aware in both cases.

We noted four locations where cash receipts and the need for change funds are limited. We will work with Management in these areas to either close the drawers or reduce the funds on hand.

# **KAWEAH HEALTH INTERNAL AUDIT CASH AUDITS KAWEAH HEALTH MEDICAL GROUP**

8/2/21

## **OVERVIEW**

Kaweah Health Medical Group (KHMG) maintains 18 cash drawers totaling \$2,200.00 to support the collection of payments. Balances in each cash drawer were counted and reconciled to the established amount and cash custodians and supervisors were interviewed. Discussions with staff and management included topics such as daily counts, drops, access to cash drawers, how discrepancies are handled, as well as other cash control practices.

## **OBSERVATIONS**

We noted no discrepancies in any of the 18 drawers audited and noted that random cash audits are being conducted and documented monthly by Management. Binders outlining how cash should be handled were available in each area we audited. In addition, both staff and Management had clear and appropriate responses to our questions indicating that the cash processes are known and consistent across the various locations.

As identified during cash audits at KHMG last fall, staff do not currently participate in annual cash controls training through Net Learning as other Kaweah Health employees who handle cash do. An effort is underway for Management to review existing training in place to ensure relevant content for their staff. Once completed, it will be the responsibility of Management at KHMG to ensure this training occurs annually.

Large sums of money are collected regularly at the Aesthetic Center due to the cash pay nature of the many cosmetic procedures offered. At this time, staff are counting the large sums of cash and transporting them across the street to the main building at the end of each day. As armored transport already makes a stop at the main clinic, it is recommended that they also stop at this location to avoid the risk to staff of transporting large sums of money.

# **KAWEAH HEALTH INTERNAL AUDIT EXECUTIVE SUMMARY OUT OF POCKET EXPENSES**

7/28/21

## **AUDIT BACKGROUND**

This audit is part of the annual audit plan. Key risks with the out of pocket reimbursement process include purchase of unapproved items, incorrect coding of transactions in the financial records, and reimbursement for non- business related transaction.

Kaweah Health has various policies that outline the reimbursement of personal expenses through the Out of Pocket reimbursement process. These include:

- AP.19 Travel, Per Diem, and Other Employee Reimbursements
- AP.84 Mileage Reimbursement
- AP.105 Professional and Service Club District Reimbursed Memberships

## **AUDIT PROCEDURES**

Testing focused on key areas of compliance with policy AP.19 and AP.84, including compliance with allowable purchases, supporting documentation for expenses incurred, and proper approval by an authorized approver. Twenty six out of pocket expenses were selected for detailed review for the period from 1/1/21-6/30/21.

## **OBSERVATIONS**

During detailed review of the 26 cardholders we noted the following:

- Seven (7) of the twenty six samples were not in compliance with policy. Six (6) related to mileage reimbursement and required documentation and one (1) related to a meal expense.
- Eight (8) of the twenty six samples were not properly approved in that the expense and/or the documentation provided did not comply with policy and should not have been approved.

## **RECOMMENDATIONS**

Feedback will be provided to the individuals who have approved the expenses identified as exceptions. In addition, the policies that govern reimbursement for Out of Pocket expenses should be reviewed for clarity and to ensure that expenses eligible and not eligible for reimbursement are clearly specified. Education to all approvers should be completed as a reminder related to allowable expenses and approval expectations.

# **KAWEAH HEALTH INTERNAL AUDIT EXECUTIVE SUMMARY SHIFT BONUS REVIEW**

8/3/21

## **AUDIT BACKGROUND**

This area was selected for review as the need to offer shift bonuses increased significantly due to the COVID pandemic. The Executive Team worked with Human Resources and Payroll to establish criteria and authorize payment of extra shift bonuses to eligible employees who met the defined criteria. Total shift bonus payments for fiscal year 2021 totaled just over \$4.6 million dollars.

## **AUDIT PROCEDURES**

Testing focused on reviewing a sample of employees receiving a shift bonus during fiscal year 2021. This included verification of eligibility and compliance with defined shift bonus criteria. To complete testing, we obtained detailed time records for the sample population from Payroll and documentation from Human Resources outlining the criteria for each of the bonuses selected for testing. A total of 53 payments were tested in detail.

## **OBSERVATIONS**

During detailed review of the 53 individuals selected for testing we noted the following:

- Four of the 53 individuals who received a shift bonus payment did not comply with the required criteria to receive the bonus. The amounts totaled \$900.
- One of the 53 individuals who received a shift bonus, received a double payment due to an error that was made by the Supervisor inputting the bonus into the time tracking system. When this issue was identified by Payroll, the Supervisor completed a review of other employees in the department and identified a total of five who were overpaid. Of the five, one has repaid in full, two are making payments and two are receiving additional follow up related to repayment.