



February 4, 2021

**NOTICE**

The Kaweah Delta Health Care District Board of Directors will meet in an Audit and Compliance Committee meeting at 3:00 PM on Tuesday, February 9, 2021 in the Kaweah Delta Support Services Building – 4th Floor Granite Conference Room {520 W. Mineral King Avenue, Visalia}. GoToMeeting from your computer, tablet or smartphone.

<https://global.gotomeeting.com/join/580271149> or call United States: **You can also dial in using your phone.** United States: [+1 \(571\) 317-3112](tel:+15713173112) **Access Code:** 580-271-149

The Board of Directors of the Kaweah Delta Health Care District will meet in a Closed Audit and Compliance Committee meeting immediately following the 3:00 PM meeting on Tuesday, February 9, 2021 in the Kaweah Delta 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 meeting and committee meeting notices and agendas are posted 72 hours prior to meetings in the Kaweah Delta Medical Center, Mineral King Wing entry corridor between the Mineral King lobby and the Emergency Department waiting room.

Due to COVID 19 visitor restrictions to the Medical Center - the disclosable public records related to agendas can be obtained by contacting the Board Clerk at Kaweah Delta Medical Center – Acequia Wing, Executive Offices (Administration Department) {1st floor}, 400 West Mineral King Avenue, Visalia, CA via phone 559-624-2330 or email: [cmoccio@kdhcd.org](mailto:cmoccio@kdhcd.org) or may be located on the Kaweah Delta Health Care District web page <http://www.kaweahdelta.org>.

KAWEAH DELTA HEALTH CARE DISTRICT

Garth Gipson, Secretary/Treasurer

A handwritten signature in black ink that reads 'Cindy Moccio'.

Cindy Moccio  
Board Clerk & Executive Assistant to CEO

DISTRIBUTION:  
Governing Board  
Legal Counsel  
Executive Team  
Chief of Staff

<http://www.kaweahdelta.org/about/agenda.asp>

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

Tuesday, February 9, 2021

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

Join from your computer, tablet or smartphone

<https://global.gotomeeting.com/join/580271149>

**You can also dial in using your phone.**

United States: [+1 \(571\) 317-3112](tel:+15713173112) Access Code: 580-271-149

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, Chief Compliance Officer; Suzy Plummer, Director of Internal Audit; Amy Valero, Compliance Manager; Lisa Wass, Compliance Analyst

## OPEN MEETING – 3:00PM

**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. **Presentation** – [Internal Audit, Compliance and Privacy Overview](#) – *Suzy Plummer and Ben Cripps*
2. **Written Reports** – Committee review and discussion of written reports
  - 2.1 [Audit and Compliance Program Mission and Purpose](#) – *Ben Cripps and Suzy Plummer*
  - 2.2 [Compliance Program Activity Report](#) – *Ben Cripps*
  - 2.3 [Annual Compliance Plan 2020](#) and [2021](#) – *Ben Cripps*
  - 2.4 Compliance Policies for Review and Approval – *Ben Cripps*
    - A. [CP.03 Physician Contracts and Relationships](#)

- 2.5 [Proposed 2021 Internal Audit Activities](#) – Suzy Plummer
- 2.6 [Cell Phone Stipend Review](#) – Suzy Plummer
- 2.7 [Kaweah Kids Billing and Collections Review](#) – Suzy Plummer

**3. Verbal Reports**

- 3.1 Compliance Program – Provide an update on the status of Compliance Program activity – *Ben Cripps*
- 3.2 Internal Audit Update – Provide an update on the status of Internal Audit activity – *Suzy Plummer*

**4. Approval of Closed Meeting Agenda** – Kaweah Delta Medical Center Acequia Wing – Executive Office Conference Room – immediately following the open meeting

- o Conference with Legal Counsel – Anticipated Litigation  
Significant exposure to litigation pursuant to Government Code 54956.9(d)(2) (10 cases) – *Ben Cripps and Rachele Berglund (Legal Counsel)*

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

**Confidential GoTo Information provided to the  
Audit and Compliance Committee and Board of Directors**

**CLOSED MEETING** – Immediately following the 3:00 PM 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) (10 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.*



Internal Audit, Compliance and Privacy Overview  
Audit and Compliance Committee Meeting  
February 2021



# Internal Audit

# Department Overview

## Audit and Consulting Services

### Internal Audit

#### Reports to Gary Herbst, CEO

Suzy Plummer, CIA, CHIAP, CPA

- Director of Audit and Consulting Services
- 16 years leading Internal Audit function at Kaweah Delta
- 26 years Internal Audit experience

### Consulting Services

#### Reports to Marc Mertz, VP, Chief Strategy Officer

Suzy Plummer, CIA, CHIAP, CPA

- Director of Audit and Consulting Services

Diana Saechao, MBA, PMP Candidate

- Senior Consultant

JC Palermo, MBA, PMP

- Senior Consultant

# What's Internal Auditing?

The Institute of Internal Auditors defines it as follows:

“Internal auditing is an **independent, objective assurance and consulting** activity designed to **add value** and **improve** an organization's operations. It helps an organization accomplish its objectives by bringing a **systematic, disciplined approach** to **evaluate** and **improve** the effectiveness of risk management, control and governance processes.”

# Internal Audit Focuses on Risk

- To help keep bad things from happening.
- To help assure good things can happen.
- To help management understand:
  - Where their risks are.
  - Whether the risks are under control.
  - Whether the risks are worth taking.

# Finding Risks is Not Enough

Internal auditors evaluate the controls that help organizations manage risks.

- Are controls in place?
- Do the controls work?
- Are additional controls needed?
- Are there unnecessary controls?
- Are the controls cost-effective?

# So...What do Internal Auditors Do?

- Develop and execute an annual Internal Audit Plan
- Conduct detailed audit testing and operational reviews. Identified findings are shared with Management, the Executive Team and the Audit and Compliance Committee
- Find out what's working and what's not.
- Keep an eye on the corporate climate.
- Look at the organization with a fresh set of eyes.
- Look beyond the financial statements and dig deep into operational processes.
- Advocate for an environment of continuous learning and improvement.
- Raise red flags.
- Make recommendations for improvements based on knowledge of operations throughout the organization.
- Tell it like it is!

# What to Expect from Internal Audit

- Integrity
- Honesty
- Transparency
- Consistency
- Reliability
- Collaboration
- Professionalism
- Credibility
- Unbiased Communication



# Compliance

# Kaweah Delta Compliance Program

## Kaweah Delta's Commitment to Compliance

- Kaweah Delta and its employees are committed to providing quality healthcare service in compliance with all applicable laws and regulations.
- The compliance program pertains to all members of Kaweah Delta workforce, including all staff, faculty, healthcare professionals, students and trainees, contractors, and volunteers.
- We are committed to Kaweah Delta's mission, vision, and pillars, and the Code of Conduct.
- Every employee is expected to display good judgement and high ethical standards in all decision making.
- The compliance program helps make compliant, ethical behavior part of the standard operations of all parts of Kaweah Delta. Both “doing things right” and “doing the right thing” are consistent with Kaweah Delta's mission, vision, and values.

# Kaweah Delta Compliance Program

## 7 Components of a Compliance Program

The Kaweah Delta Compliance Program is created to prevent criminal conduct, enforce government rules and regulations, and fulfill business obligations that affect the work we do.



**Policies and Procedures**



**Education**



**Enforcement of Standards**



**Prevent/Detect Violations of Law**



**Oversight (Compliance Officer, Board Of Directors)**



**Monitoring and Auditing**



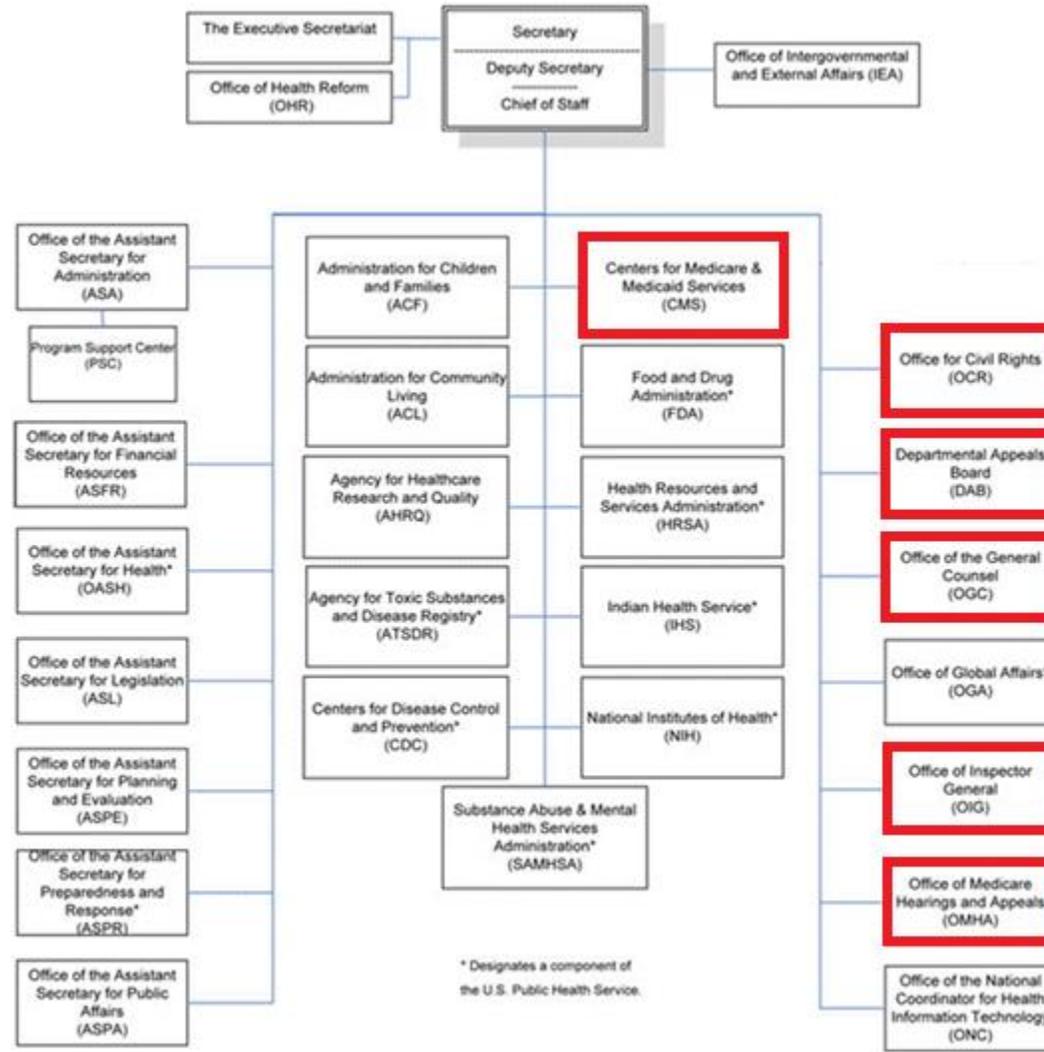
**Implement Corrective Actions**

# Code of Conduct

The purpose of the Code of Conduct is to provide guidance to all Kaweah Delta Health Care District employees and our care partners. The Code of Conduct assists us in carrying out our daily activities and working within appropriate ethical and legal standards. These obligations apply to our relationships with patients, affiliated physicians, third-party payers, subcontractors, independent contractors, vendors, volunteers, consultants and one another.

All Kaweah Delta employees are expected to understand, read and review, and adhere to the Code of Conduct.

# Health and Human Services Org Chart



# Office of Inspector General **OIG**

Created to protect the integrity of federal programs (Medicare, Medicaid/Medi-Cal), as well as the health and welfare of the beneficiaries of those programs

Duties are carried out through a nationwide network of audits, investigations, and inspections.

OIG develops and distributes resources to assist the health care industry in its efforts to:

- Comply with Nation's fraud and abuse laws
- Educate the public about fraudulent schemes so they can protect themselves and report suspicious activities

# Civil Monetary Penalties

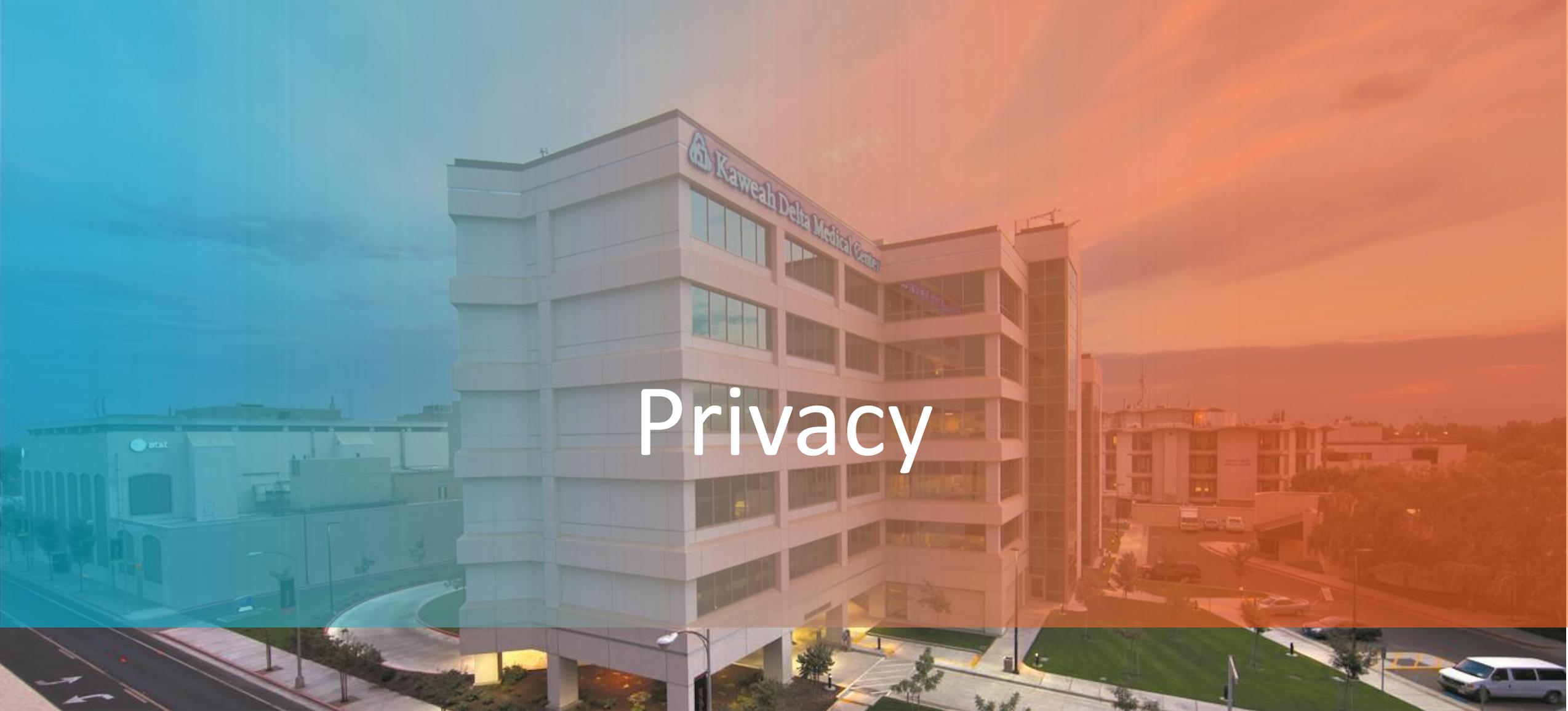
The Office of Inspector General (OIG) has the authority to seek civil monetary penalties (CMPs), assessments, and exclusion against an individual or entity based on a wide variety of prohibited conduct such as:

**False and  
fraudulent  
claims**

**Kickbacks**

**Patient  
Dumping**

**Physician  
Self-Referral  
(STARK)**



# Privacy

# Patient Privacy & HIPAA

Health Insurance Portability and Accountability Act (HIPAA) – Federal privacy standards that were created to protect patient healthcare information and records.

- Law tells us how, when, and to whom we can share patient healthcare information (PHI)
- Sets limits on how we may use a patient's protected health information (PHI)



# California Privacy Laws

## Privacy Breach Definition

Unauthorized access to patient medical information.

- Accessing patient information for personal use (spouse, family, co-worker, friend, etc.)
- Accessing patient information without a business need
- Sharing patient information with people who are not authorized to receive the information (friends or family members)
- Misdirected faxes containing patient information
- Discharge information given to wrong patient

## Personal Consequences

- **Termination of Employment**
- Individual Fines / Penalties
  - \$2,500 - \$25,000 per violation
  - \$250,000 – maximum penalty
- **Loss of access to Kaweah Delta Electronic Systems – Lifetime Ban**
- Potential misdemeanor, if the patient experiences an economic loss or personal injury as a result of the breach
- Patient can pursue civil legal action against you directly for actual statutory damages
- Licensing Board will be contacted; potential **loss of licensure** (MD, RN, LVN, Pharmacists, etc.)

# Patient Privacy Laws

## Kaweah Reporting Obligations

Any suspected privacy incident must be reported immediately to the Compliance Department

- Confirmed breaches must be reported to the State of California, the Federal government and the patient
- State and patient notification must occur within 15 business days
  - This includes misdirected information (i.e. faxes and discharge instructions that include patient information)

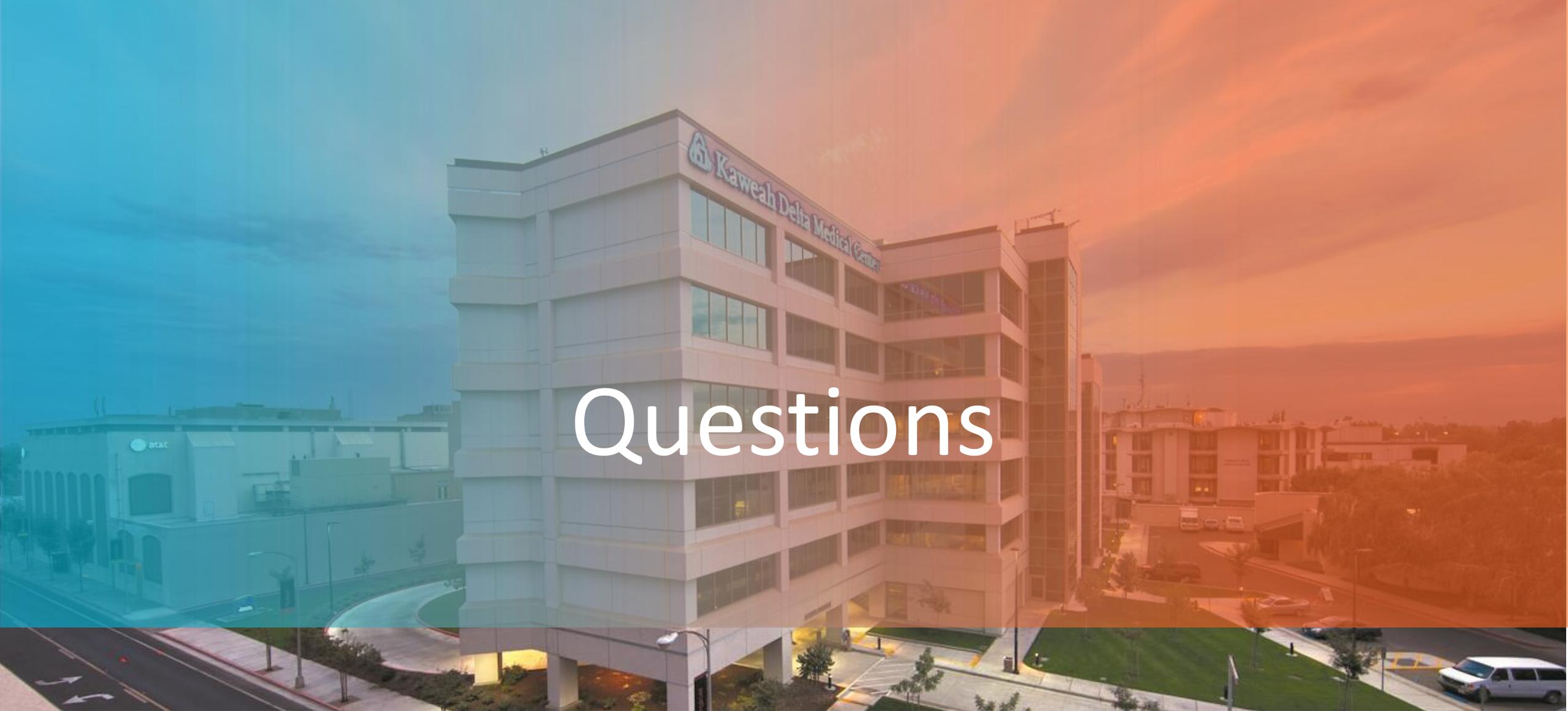
## Potential Institutional Fines

- \$25,000 – initial violation (per patient)
- \$17,500 – subsequent occurrence
- \$250,000 – maximum penalty
- \$100/ day for late reporting
  - Criteria considered by CDPH included in the determination of amount of the fine
  - CDPH may refer violation to Cal-OHI for criminal investigation

# FAIRWARNING



Family Member  
Snooping  
Household Snooping  
Neighbor Snooping  
Self Exam  
Co-Worker



# Questions



## AUDIT AND COMPLIANCE COMMITTEE

**MISSION AND PURPOSE:** To promote an organizational culture that encourages ethical conduct and a commitment to compliance with laws, rules, and regulations and provide oversight of the structure and operation of the Compliance and Internal Audit Programs.

To assist Kaweah Delta's Board of Directors in fulfilling its responsibility for the oversight and governance of Compliance Program Administration, Kaweah Delta's Audited Financial Statements, systems of internal controls over financial reporting, operations, and audit processes, both internal and external.

Kaweah Delta's Board of Directors is committed to full implementation of effective Compliance and Internal Audit Programs. Creating and reinforcing compliance and a system of appropriate internal controls is a priority of the Board of Directors, Chief Executive Officer, Chief Compliance Officer, Director of Internal Audit, and Senior Management.

**AUTHORITY:** The Compliance and Audit Committee has the authority to conduct or authorize investigations into matters within The Committee's scope of responsibilities, retain independent counsel, consultants or other resources to assist in investigations and audits, seek information it requires from employees or external parties, and to meet with Kaweah Delta Officers, consultants, or outside counsel as needed.

**COMPOSITION:** The Compliance and Audit Committee is comprised of the following Members:

- Board Members (2) – The Board President or Secretary/Treasurer and Board Member Appointee
- Senior Leadership – Chief Executive Officer, Chief Financial Officer, and Chief Nursing Officer
- Legal Counsel/Compliance Advocate – Rachele Berglund
- Chief Compliance Officer
- Director of Audit and Consulting Services
- Compliance Manager

**MEETINGS:** The Committee shall meet at regularly scheduled intervals, with the authority to convene additional meetings as necessary. The Committee is authorized to request attendance from members of Management or others to provide information that would be relevant to The Committee.

The Committee may meet in executive session when necessary and permissible by applicable laws.

**SPECIFIC RESPONSIBILITIES:**

1. Review developments with regard to the Compliance and Internal Audit Programs to enable The Committee to make recommendations to the Board of Directors when appropriate
2. Provide oversight as needed to ensure that the Compliance and Internal Audit Programs effectively facilitate the prevention and/or detection of violations of law, regulations, and Kaweah Delta policies
3. Ensure autonomy of the Chief Compliance Officer and the Director of Audit and Consulting Services review resources assigned to the Compliance and Internal Audit Programs to assess their adequacy relative to the program's effectiveness
4. Ensure annual review of the Office of Inspector General's Work Plan and other relevant resources to identify potential risk areas and assess their impact on Kaweah Delta
5. Monitor physician relationships and payments made to physicians to ensure appropriateness and compliance with laws and regulations
6. Convene the Executive Fair Market Value Committee, a sub Committee of the Compliance Committee, as necessary to ensure that physician contracts are established within fair market value
7. Review the Compliance and Internal Audit Annual Plans, activities, staffing and structure; ensure that the Chief Compliance Officer and Director of Audit and Consulting Services access to information, data and systems is not restricted or limited in any way
8. Select or dismiss independent accountants responsible for completing Kaweah Delta Financial Statement and Retirement Plan Audits (subject to approval by the Kaweah Delta Board of Directors); review and approve fees paid to independent accountants; approve or disapprove consulting services provided by independent accountants to ensure independence and objectivity
9. Meet with the independent accountants prior to, during, and after the annual audit to evaluate, understand and report to the Board on the various aspects and findings of the audit as follows:
  - a. Audit scope and procedural plans
  - b. Significant areas of risk and exposure and management's actions to minimize them

- c. Adequacy of Kaweah Delta's internal controls, including computerized information system controls and security
  - d. Significant audit findings and recommendations made by the independent accountants
  - e. The annual Audited Financial Statements, related Footnotes Disclosure, and the Independent Accountant's Report thereon
  - f. The independent auditor's qualitative judgments about the appropriateness, not just the acceptability, of accounting principles and financial disclosures and how aggressive (or conservative) the accounting principles and underlying estimates are or should be
  - g. Any serious difficulties or disputes with management encountered during the course of the audit
10. Reviews and evaluates management's written response to the independent accountants' management letter. Instructs the Director of Audit and Consulting Services to confirm complete implementation of any Management action required by external auditor's Management Letter
  11. Review legal and regulatory matters that may have a material effect on the organization's financial position, financial statements, and/or reputation
  12. Monitor effectiveness and timeliness of responses to identified issues
  13. Monitor education, training, and preventive activities
  14. Review and evaluate the effectiveness of the Kaweah Delta Compliance and Internal Audit Programs
  15. Recommend, review, and approve revisions to the Compliance Program's Code of Conduct and Compliance Policies Manual
  16. Report Committee actions and recommendations to the Kaweah Delta's Board of Directors

Presented to the Compliance and Audit Committee on \_\_\_\_\_ for approval.



COMPLIANCE PROGRAM ACTIVITY REPORT – Open Meeting  
**Ben Cripps, Chief Compliance Officer**  
**November 2020 through January 2021**

**EDUCATION**

---

Live Presentations by Compliance Department

- Compliance and Patient Privacy – New Hire
- Compliance and Patient Privacy – Management Orientation
- Phishing Email Education – Information System Services Corrective Actions
- Chart Access – Chaplain Services
- Compliance Education – New Board Members

Written Communications sent from Compliance Department – Bulletin Board / All Staff Communication

- National Compliance and Ethics Week (Email) – All Staff
- Cell Phone Use, Photography, and Video Policy (Email) – Patient Care Leadership/ Management Group

Area Compliance Expert Model (ACE Program) – The ACE program is designed to assist, support, and further influence the culture of compliance by identifying one (1) compliance ambassador in all District Departments. The ACE (ambassador) will facilitate and promote awareness by distributing information, facilitating compliance-related conversations/education, and provide pertinent updates during department meetings. We are currently working with Department leaders to identify ACE representatives. Once identified, the Compliance Office will hold a series of formal trainings to ACE Ambassadors, providing education and expectations for the ACE program.

**PREVENTION AND DETECTION**

---

- **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 Delta; 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 Delta leadership quarterly at PEPPER Review meeting
- **2021 Centers for Medicare and Medicaid Services (CMS) Final Rule** – Review and distribution of the Inpatient Prospective Payment System (IPPS), Outpatient Prospective Payment System (OPPS), Inpatient Psychiatric Facility (IPF), Inpatient Rehabilitation Facility (IRF), Home Health and Hospice, and Physician Fee Schedule (PFS) policy and payment updates; department responses reviewed and tracked to address the regulatory change and identify potential current/future risk

## **OVERSIGHT, RESEARCH & CONSULTATION**

---

- **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
- **Federally Qualified Health Center (FQHC)** – Participation in current and future state planning/working sessions; ongoing regulatory counsel and support, evaluating impact and identifying risk mitigation strategies; clinic licensing modifications in progress
- **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 approximately 1,001 non-employee KD Hub users; the annual renewal process with the new Compliance 360 workflow is currently in process
- **Radiation Oncology Medical Group** – Consultation and Oversight; oversee the formation and implementation of a new local Radiation Oncology Medical Group; project plan created; financial pro forma, Fair Market Value Analysis, and Exclusive Provider Agreement completed; Agreement approved and fully executed with a February 1, 2021 effective date
- **Covid-19 Incident Response** – Participation in Command Center activities and documentation; involvement in Section Chief Meeting to advise on regulatory matters and to ensure ongoing compliance
- **Information (“Info”) Blocking** – Research and consultation; participation in review and assessment 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); the Compliance Department is facilitating implementation and working with Health Information Management (HIM), Information System Services (ISS), and Risk Management; Compliance has created a matrix to outline the regulatory requirements, deadlines, responsible parties, and completion dates
- **Radiation Oncology Model** – Research and consultation; Medicare has issued regulatory guidance modifying the payment model for Radiation Oncology Services; Medicare has proposed a site neutral, prospective, bundled-episode payment for clinician and facility services furnished during a course of radiation therapy; implementation of the new model was originally set for January 1, 2021, but Medicare has recently delayed implementation to July 1, 2021; Compliance will continue to work with

Finance, Patient Accounting, and Radiation Oncology Leadership to evaluate the impact of these changes and facilitate implementation of the new regulations

- **Operational Compliance Committee** – Consultation, oversight, and prevention; in July 2020, the Compliance Department created the Operational Compliance Committee comprised of five (5) high-risk departments including Patient Accounting, Health Information Management, Revenue Integrity, Case Management and Patient Access; meetings are held monthly to discuss regulations, policies, auditing and monitoring, and educational efforts within the departments; additional joint meetings consisting of all five (5) departments aide in cross-departmental discussion surrounding compliance efforts and procedures; beginning January 2021, Compliance developed and implemented the use of departmental dashboards designed to develop focused goals and measure effectiveness of the program
- **Fraud and Abuse Report to Medicare and the Office of Inspector General** – Consultation, oversight, and prevention; a concern was reported to the Compliance Office regarding a Durable Medical Equipment (DME) company making requests for unnecessary and unsolicited orders for DME equipment of Kaweah Delta Medical Foundation patients and a physician practice; following a review of the issue, the Compliance Office referred the matter to the Medicare Fraud Department and the Office of Inspector General
- **Therapy Licensing Credential Posting** – Research and consultation; participation in review and assessment of regulatory guidance concerning signage requirements in Physical and Occupational Therapy clinics; guidance was communicated to area management for review and implementation
- **Physician Contract, Non-Physician Contract, and Lease Agreements** – Oversight; the Compliance Program has implemented the Compliance 360 Contract Database; physician contracts, non-physician contracts, managed care contracts, and Lease Agreements were imported into the Compliance 360 system, resulting in improved retention and tracking of expiration dates; the Compliance Office will serve as the primary administrator of the system

## **AUDITING AND MONITORING**

---

- **Outpatient Prospective Payment System CQ and CO Modifier Audit** – A review of thirty (30) randomly selected accounts for June - July 2020 were reviewed to determine if Medicare Physical/Occupational Therapy accounts contained the appropriate billing modifier (CQ or CO); in situations where a PT or OT Assistant provides service, a modifier must be appended to the billing code, allowing for a reduction in payment; the review noted a 97% compliance rate; the results were communicated to Patient Accounting and Therapy Leadership; a ticket was initiated to automate the current (manual) process and will require testing and education by the Therapy Managers prior to implementation; Compliance will monitor the status of this issue to ensure completion and appropriate implementation
- **External Audit – Kaweah Delta Medical Foundation (KDMF) Physical Therapy (PT) Audit** – A re-review of thirty (30) randomly selected KDMF PT encounters for the period of July – September 2020 were reviewed to evaluate Current Procedure Terminology (CPT) coding compliance for Outpatient Physical Therapy services; the audit was completed in response to a previous audit completed in Q2 2020 that identified documentation deficiencies of one (1) Physical Therapist; a Corrective Action Plan was developed and implemented; the external coding identified a 100% CPT coding compliance rate
- **Physician Non-Monetary Compensation** – A review of calendar year 2020 non-monetary physician gifts noted 100% compliance with Annual Federal Gifting Limits and Kaweah Delta Policy

**Kaweah Delta Health Care District  
Compliance Program Work Plan  
Calendar Year 2020**

Tasks and Activities	Status	Comments
----------------------	--------	----------

**Compliance Oversight and Management**

**Written Standards and Policies and Procedures:**

Complete comprehensive review of the Compliance Program - Program Effectiveness Tool	In Progress	
Review Risk Assessment Process and Cycle	Complete	
Review/Revise Compliance Program Communication Plan	Complete	
Compliance Plan Assessments - Benchmarking	In Progress	
Perception of Compliance Program - Survey Employees	Incomplete	
Evaluate Training Effectiveness	In Progress	
Review Effectiveness of Reporting and Investigation Process	In Progress	
Implement Leadership Attestation Process for High Risk Areas	In Progress	Select leaders will complete attestation in late 2021
Implement Compliance 360 Contracting Tool	Complete	
Comprehensive Review of all Privacy Policies	Complete	
Compliance Policy Review and Updates (as necessary)	Complete	
Develop Attorney-Client Privilege Policy	In Review	Ben to work with Rachele to finalize
Develop Overpayment Policy	In Review	

**Affiliated Entities:**

**Kaweah Delta Medical Foundation (KDMF)**

Compliance Program Effectiveness Review	In Progress	
Comprehensive Policy Review/Management - Revision and Implementation	In Progress	
Release of Information Process	In Progress	
Forms Review and Standardization	In Progress	

**Sequoia Health and Wellness Centers (SHWC)**

On-Site Visits (OSV) Preparation		
----------------------------------	--	--

**Kaweah Delta Health Care District  
Compliance Program Work Plan  
Calendar Year 2020**

Tasks and Activities	Status	Comments
Policy Implementation and Review	Complete	
Implement Compliance Program and Evaluate Effectiveness	In Progress	
<b>STARK and Anti-Kickback Oversight:</b>		
Medical Staff Non-Monetary Compensation Review	Complete	
Physician Payment Testing Review (annual)	Incomplete	
Physician Contracts Billing and Collection Audits (external)	Complete	
Physician Contract Compliance Audits	Complete	
Physician Non-Monetary Compensation	Complete	
Fair Market Value Oversight:		
Update and Distribute Medical Director Rates / Grid	Complete	
Contract Renewals and Amendments / FMV Analysis	Complete	
<b>Licensing and Certification:</b>		
Annual Hospital License Renewal	Complete	
Hospice and Home Health License Renewal	Complete	
New Licensures (as necessary)	Complete	
SHWC FQHC Designation/Other FQHC Sites	Complete	
<b>Reporting:</b>		
Investigate and Respond to Reported Concerns (Internal and Confidential Compliance Line Calls and Reports)	Complete	
Employee Reporting and Whistleblower Protection Education	Complete	
<b>Reviews and Audits:</b>		
<b>Internal:</b>		
Invoice Price Required for Skin Substitute Codes	Complete	
Conditions of Admission (COA) /included in Registration Audit	Complete	
Qualified Medicare Beneficiary Program Billing Review (OA Indicator)	Complete	
Application Code for Prefabricated Splints	Complete	Audit completed, resulted in Compliance Log issue

**Kaweah Delta Health Care District  
Compliance Program Work Plan  
Calendar Year 2020**

Tasks and Activities	Status	Comments
Physician Reappointments	Complete	
Review of Medicare Facet Joint Procedures	Complete	
Medicare Part B Payments for Laboratory Services	Incomplete	
Registration Criteria Review	Complete	
Review of Advanced Beneficiary Notices and Processes	Complete	
Medicare Secondary Payer (Claims and Questionnaire)	In process	
Telehealth	Complete	Audit completed, pending review
Outpatient Prospective Payment System and Physician Fee Schedule (CQ/CO Modifiers)	Complete	
MOON Observation Notice	Complete	
Patient Status (OIG WP 9)	Complete	
Medicare Important Message	Complete	
End Stage Renal Disease (ESRD) Standing Orders Submitted beyond 12 Months	Moved to 2021	
OIG Audit - Patient Accounting	Moved to 2021	
Permanent Cardiac Pacemakers (KX Modifier)	Incomplete	
High Dollar Radiology Tests (OIG)	Incomplete	
Device Replacement Billing Condition Codes 49 or 50	Complete	
End Stage Renal Disease (ESRD) AKI Billing (Code 84)	Complete	
Modifier 50	Complete	
<b>External:</b>		
MRA-Cath Lab (KX Modifier)	Complete	
MRA - Physical Therapy KDMF	Complete	Education completed in June 2020; Re-audit in October 2020
PPS - Evaluation and Management Coding - Seq Cardiology, Urgent Care, Rural Health Clinics, Chronic Disease, Neurosciences, Family Medicine Clinic	Complete	
MRA- DRG Review	Complete	

**Kaweah Delta Health Care District  
Compliance Program Work Plan  
Calendar Year 2020**

Tasks and Activities	Status	Comments
MRA Business Solutions - Evaluation and Management Resident - 5 Rehab Inpatient/Outpatient Surgeries (30/25)	Pending Incomplete	
<b>Patient Privacy:</b>		
Daily FairWarning Access Audits	Complete	
Federal and State Breach Reporting/Plan of Correction	Complete	
Patient Privacy Walkthrough (All Campuses)	Complete	
Review Health Information Management Release of Information and Disclosure Process	In progress	
Update/Renewal of Non-Employee User Access Forms and Education	Complete	
Develop process/training materials for non-employees accessing KDMF systems	Complete	
Develop Implementation Plan Based on 2019 Phase 2 OCR Audit Gap Analysis	Incomplete	
Business Associate Agreement Review/Questionnaire	Incomplete	
Create Privacy Manual (include policies and forms)	Incomplete	
Review eFax number/assignments	Incomplete	
Develop ZixCorp Email Encryption Monitoring Process	Incomplete	
<b>Education:</b>		
New Hire Employee Orientation - Day 1	Complete	
Temporary/Volunteer/Non-Employee Orientation	Complete	
New Manager Orientation	Complete	
GME Resident Orientation	Complete	
Nursing Education: Patient Privacy Potpourri	Complete	
Monthly Communi-K Articles	Complete	
Board Education - Board and Compliance Committee Topics	Complete	
<b>Area Specific Education:</b>		
Sequoia Surgery Center	Complete	

**Kaweah Delta Health Care District  
Compliance Program Work Plan  
Calendar Year 2020**

Tasks and Activities	Status	Comments
Patient Accounting	Complete	
Patient Access	Completed (virtually)	
Health Information Management (HIM)	Completed (virtually)	
Case Management	Completed (virtually)	
KDMF	Completed (virtually)	
Sequoia Health and Wellness Centers - Family Medicine Center	Completed (virtually)	
Hospital Guild	Cancelled (COVID)	

**Kaweah Delta Health Care District  
Compliance Program Work Plan  
Calendar Year 2020**

Tasks and Activities	Status	Comments
<b>Prevention and Monitoring:</b>		
Service Line Review of Medi-Cal Bulletins and Local Coverage Determinations	Complete	
Coordination of RAC/Governmental Audits	Complete	
Review / Assign / Distribute Monthly Governmental Payer Bulletins (Monthly)	Complete	
OIG Exclusion List Attestations (Physician / Vendors) (Quarterly)	Complete	
Complete Quarterly Review and Summary of PEPPER Report (Quarterly)	Complete	
Annual Sign Review	Complete	
Prepare 2021 Plan Year Risk Assessment; Review of 2021 CMS Final Rule	Complete	
Review OIG Work Plan Monthly (Monthly)	Complete	
Monitor Corrective Action Activities of Compliance Log Issues	Complete	
Inpatient Medicare Claims (Exhausted Part A Benefits)	Complete	
Department Review of Billing Manuals / Local Coverage Determinations (LCDs)	Complete	
Evaluate Compliance Resources throughout the Organization	In Progress	
Home Health/Home Infusion Pharmacy - New Payment Methodology	In Progress	
<b>Research and Consultation:</b>		
New & Existing Regulations	Complete	
Patient Privacy	Complete	
Mental Health	Complete	
Consent / EMTALA	Complete	
Ethics	Complete	
New Service Lines	Complete	
<b>Committee Participation / Oversight:</b>		
Accreditation and Regulation Committee	Complete	

**Kaweah Delta Health Care District  
Compliance Program Work Plan  
Calendar Year 2020**

Tasks and Activities	Status	Comments
Case Management Committee	Complete	
Bioethics Committee	Complete	
Quality Counsel	Complete	
Institutional Review Board	Complete	
340b Leadership Committee	Complete	
FQHC Core Team	Complete	
<b>Risk Monitoring:</b>		
Nurse Practitioner Billing in Provider Based Departments	Complete	
Physician Documentation – Lack of correct and compliant elements for the documents - Signing, Completion, Missing Elements	In Progress	Ben added to the HIM Comm in 2021
Frequency of use of Code 44 related to patients moved from Inpatient Status to Observation	Incomplete	
CHA Consent and Related to Health Care Law Webinar – related to all aspects of operations, Privacy, HR, Vaccines, Harassment Training, Consent	Complete	

Kaweah Delta Health Care District  
Compliance Program Work Plan  
Calendar Year 2021

Tasks and Activities

Completion Date

Comments

**Compliance Oversight and Management**

Review Risk Assessment Process and Cycle  
2021 Compliance Program Dashboard  
Re-implementation of ACE Program  
Operational Compliance Committee Development for Departments / Clinics  
Complete comprehensive review of the Compliance Program - Program Effectiveness Tool  
Review/Revise Compliance Program Communication Plan  
Compliance Plan Assessments - Benchmarking  
Review Effectiveness of Reporting and Investigation Process  
Implement Leadership Attestation Process for High Risk Areas EOY 2021  
Comprehensive Review of all Privacy Policies  
Compliance Policy Review and Updates (as necessary)  
Develop Attorney-Client Privilege Policy/ search for legal  
Develop Overpayment Policy

**Affiliated Entities:**

Develop Compliance Program for KDMF  
Develop Compliance Program for Sequoia Health and Wellness Centers (SHWC)  
  
Comprehensive Policy Review/Management - Revision and Implementation  
Forms Review and Standardization  
Policy Implementation and Review

**STARK and Anti-Kickback Oversight:**

Medical Staff Non-Monetary Compensation Review  
Physician Payment Testing Review (annual)  
Physician Contracts Billing and Collection Audits (external)  
Physician Contract Compliance Audits  
Physician Non-Monetary Compensation  
Fair Market Value Oversight:  
Update and Distribute Medical Director Rates / Grid  
Contract Renewals and Amendments / FMV Analysis

**Kaweah Delta Health Care District  
Compliance Program Work Plan  
Calendar Year 2021**

Tasks and Activities	Completion Date	Comments
<b>Licensing and Certification:</b>		
Annual Hospital License Renewal		
Hospice and Home Health License Renewal		
New Licensures (as necessary)		
SHWC FQHC Designation/Other FQHC Sites		
<b>Reporting:</b>		
Investigate and Respond to Reported Concerns (Internal and Confidential Compliance Line Calls and Reports)		
Employee Reporting and Whistleblower Protection Education		
<b>Reviews and Audits:</b>		
<b>Internal:</b>		
3-Day Payment Window		
CARF Rehabilitation Charge Audit		
Registration Audit of Outside Clinics		
Qualified Medicare Beneficiary Program Billing Review (OA Indicator)		
Physician Reappointments		
Review of Advanced Beneficiary Notices and Processes		
Medicare Secondary Payer (Claims and Questionnaire)		
Telehealth		
Outpatient Prospective Payment System and Physician Fee Schedule (CQ/CO Modifiers)		
Permanent Cardiac Pacemakers (KX Modifier)		
High Dollar Radiology Tests (OIG)		
End Stage Renal Disease (ESRD) AKI Billing (Code 84)		
Modifier 50		
Patient Status (OIG WP 9)		
End Stage Renal Disease (ESRD) Standing Orders Submitted beyond 12 Months		
Charge Audit		
OIG Audit - Patient Accounting		
<b>External: MRA/PPS</b>		
Audit 1 - TBD Based on Risk Assessment		
Audit 2 - TBD Based on Risk Assessment		

**Kaweah Delta Health Care District  
Compliance Program Work Plan  
Calendar Year 2021**

Tasks and Activities	Completion Date	Comments
----------------------	-----------------	----------

Audit 3 - TBD Based on Risk Assessment  
 Audit 4 - TBD Based on Risk Assessment  
 Audit 5 - TBD Based on Risk Assessment  
 Audit 6 - TBD Based on Risk Assessment

**Patient Privacy:**

Daily FairWarning Access Audits  
 Federal and State Breach Reporting/Plan of Correction  
 Patient Privacy Walkthrough (All Campuses)  
 Business Associate Agreement Review/Questionnaire  
 Develop ZixCorp Email Encryption Monitoring Process  
 Review Health Information Management Release of Information and Disclosure Process  
 Review eFax number/assignments  
 Update/Renewal of Non-Employee User Access Forms and Education  
 Develop process/training materials for non-employees accessing KDMF systems

Student Compliance & Privacy Training  
 Photo Identification in Cerner  
 Create Privacy Manual (include policies and forms)  
 Privacy & Compliance Training Video

**Education:**

New Hire Employee Orientation - Day 1  
 Temporary/Volunteer/Non-Employee Orientation  
 New Manager Orientation  
 GME Resident Orientation  
 Nursing Education: Patient Privacy Potpourri  
 Monthly Communi-K Articles/Publications  
 Board Education - Board and Compliance Committee Topics

**Area Specific Education:**

Health Information Management (HIM)  
 Patient Accounting  
 Patient Access  
 Case Management

**Kaweah Delta Health Care District  
Compliance Program Work Plan  
Calendar Year 2021**

Tasks and Activities	Completion Date	Comments
----------------------	-----------------	----------

Sequoia Surgery Center  
Hospital Guild  
Sequoia Health and Wellness Centers - Family Medicine Center

**Prevention and Monitoring:**

Service Line Review of Medi-Cal Bulletins and Local Coverage Determinations  
Coordination of RAC/Governmental Audits  
Review / Assign / Distribute Monthly Governmental Payer Bulletins (Monthly)  
OIG Exclusion List Attestations (Physician / Vendors) (Quarterly)  
Complete Quarterly Review and Summary of PEPPER Report (Quarterly)  
Annual Sign Review  
Prepare 2021 Plan Year Risk Assessment; Review of 2021 CMS Final Rule  
Review OIG Work Plan Monthly (Monthly)  
Monitor Corrective Action Activities of Compliance Log Issues  
Home Health/Home Infusion Pharmacy - New Payment Methodology  
Inpatient Medicare Claims (Exhausted Part A Benefits)  
Department Review of Billing Manuals / Local Coverage Determinations (LCDs)

Evaluate Compliance Resources throughout the Organization

**Research and Consultation:**

New & Existing Regulations  
Patient Privacy  
Mental Health  
Consent / EMTALA  
Ethics  
New Service Lines

**Committee Participation / Oversight:**

Accreditation and Regulation Committee  
Case Management Committee  
Bioethics Committee  
Quality Counsel  
Institutional Review Board  
340b Leadership Committee

Kaweah Delta Health Care District  
Compliance Program Work Plan  
Calendar Year 2021

Tasks and Activities

Completion Date

Comments

HIM Committee

**Risk Monitoring:**

Physician Documentation – Lack of correct and compliant elements for the documents - Signing, Completion, Missing Elements  
Frequency of use of Code 44 related to patients moved from Inpatient Status to Observation



Policy Number: CP.03	Date Created: 07/30/2020
Document Owner: Lisa Wass (Compliance Analyst)	Date Approved: Not Approved Yet
Approvers: Board of Directors (Administration), Compliance Committee, Ben Cripps (Chief Compliance Officer)	
<b>Physician Contracts and Relationships</b>	

**Printed copies are for reference only. Please refer to the electronic copy for the latest version.**

**Purpose:**

The purpose of this Policy and Procedure is to establish guidelines for the orderly processing of negotiating, documenting, and administering contracts between Kaweah Delta Health Care District (“Kaweah Delta”) and physician(s) or physician groups. This policy must be followed prior to entering into any arrangement (i) in which Kaweah Delta engages physicians to provide services or space/items to Kaweah Delta, or (ii) in which Kaweah Delta provides any services, space, staff, equipment or items to physicians.

**Policy:**

It is the policy of Kaweah Delta to comply with all state and federal laws. Kaweah Delta shall execute contracts with physicians and physician groups (“physician(s)”) that comply with all applicable laws and regulations, including those designed to prevent the provision of improper payments, inappropriate referrals, and/or inappropriate inducements to refer. To that end, Kaweah Delta will negotiate, document, and administer Agreements that comply with the following standards:

- I. The Agreement shall be set out in writing and signed by all parties. The terms of the Agreements must be commercially reasonable.
- II. The arrangement must be commercially reasonable, and the compensation under the arrangement must be set in advance, established at fair market value through an arms-length transaction, and must not take into account the volume or value of referrals for an item or service reimbursable by a state or federal program or other business generated between the parties.
- III. All items and services covered by an Agreement with physician(s) must address a legitimate need of Kaweah Delta, must actually be provided by the physician(s), and must be specifically described in sufficient detail in the Agreement.
- IV. The Agreement shall specify the compensation terms in sufficient and measurable detail.
- V. The term of the Agreement shall be for not less than twelve (12) months, or longer than thirty-six (36) months unless approved by the Chief Executive

Officer (CEO) and Board in consultation with Legal Counsel and allowable under District Law. Contracts shall not automatically renew.

- VI. The services performed under the Agreement shall not involve the counseling or promotion of a business arrangement or other activity that violates any state or federal law.
- VII. All Agreements between Kaweah Delta and physician(s) for any purpose shall be prepared by, or in collaboration with, Kaweah Delta's Legal Counsel for signature by the parties.
- VIII. Any payment to physician(s) shall be made only pursuant to an Agreement that has been formally executed between Kaweah Delta and the physician(s). Medical Director payments will be made only pursuant to approved time records submitted by the physicians. Likewise, payments to physician(s) will require documentation of availability and/or services rendered.
- IX. Gifts and financial benefits to a physician or their office shall not exceed the annual physician non-monetary compensation threshold as established by the Federal Stark Law. Any gift or benefit provided to physician(s) or a physician's office must first be approved, documented, and tracked through the Medical Staff Office.

**Procedure:**

- I. Fair Market Value (FMV) – State and federal law require a documented and objective determination that the payment between Kaweah Delta and physician(s) is consistent with FMV. Such determination may be evidenced by an approved vendor-written appraisal/valuation, an approved published third-party source, or as otherwise approved by Legal Counsel. ~~The Chief Compliance and Privacy Officer (CPCO)~~ (or designee) will oversee the management and administration of the FMV process.

Commented [TB1]: Update to Chief Compliance Officer?

The CPOCCO (or designee) must be contacted before entering into negotiations of any physician Agreement to evaluate the FMV compensation needs. The negotiated rate must be reviewed and approved by the CPOCCO (or designee) before Legal Counsel is engaged to draft or modify the Agreement. The FMV compensation process will be documented and administered in the following manner:

- A. Medical Director Agreements – The Compliance Department will maintain an updated listing of all Medical Director positions by specialty and the corresponding FMV range. Vice President(s) (VP) (or designee) may negotiate rates up to the 50th percentile. Negotiations between the 51<sup>st</sup> and 65<sup>th</sup> percentiles require documented justification and CEO approval. Negotiations beyond the 65<sup>th</sup> percentile require Executive FMV Committee approval (CEO, Board Chair, and CPOCCO).
- B. Recruitment Agreements – The Compliance Department will maintain a listing of Board approved physician recruitment needs by specialty and the corresponding FMV range. The Chief Compliance Officer, VP Chief

~~Strategy Officer, - and Director of Physician Recruitment and Relations will make recommendations to the Physician Compensation Committee. The Physician Compensation Committee will approve Physician Recruitment Compensation Committee (VP of HR, KDHCDCMO, and KDMF-CEO) will approve~~ the negotiated rates up to the 50th percentile. Negotiations between the 51<sup>st</sup> and 65<sup>th</sup> percentiles require documented justification and CEO approval. Negotiations beyond the 65<sup>th</sup> percentile require Executive FMV Committee approval (CEO, Board Chair, and [CPOCCO](#)).

- C. Exclusive and Non-Exclusive Provider Agreements – The FMV rate must be established through an independent and external FMV assessment. The VP (or designee) will work with the [CPOCCO](#) (or designee) to engage Legal Counsel and a third-party valuation firm. The [CPOCCO](#) (or designee) will facilitate the Fair Market Valuation process to ensure the data and assumptions are documented and appropriate.
    - 1. [Changes to compensation terms and/or methodologies must be reviewed by the Executive Team and formally approved by the CCO and CEO. This provision and approval process applies to all Exclusive and Non-Exclusive -Provider Agreements including new or potential agreements, contract renewals, and agreements that allow for compensation changes throughout the term of the agreement.](#)
  - D. Space Lease Agreement - The VP (or designee) will work with the [CPOCCO](#) (or designee) and Legal Counsel to establish the FMV rate. The Space Lease calculation must be reviewed by the [CPOCCO](#) (or designee) and approved by Legal Counsel.
- II. Medical Director Agreements
- A. New and existing Medical Director Agreements shall be prepared and executed using the process outlined in Exhibit A.
  - B. The VP is responsible for ensuring the necessity of a Medical Director position and ensuring the physician satisfies any qualification or training requirements and provides required services.
  - C. Compliance will maintain a listing of Medical Director positions required by federal, state, or Joint Commission accreditation. Compliance must be contacted immediately of a statute, regulation, or other standard requiring a Medical Director position. If a new Medical Director position is not required, the VP must demonstrate the necessity and/or benefit to Kaweah Delta, and present the need to the Executive Team for review and approval.
  - D. Semi-Annually, Compliance will provide a listing of all Medical Director positions to the Executive Team for review and evaluation. Medical Director positions not required by federal, state, or Joint Commission accreditation will be reviewed by the Executive Team to evaluate and demonstrate the necessity and/or benefit to Kaweah Delta.

- E. Monthly payments to Medical Directors must be supported by approved time records as follows:
1. Physician(s) must track time spent on activities/responsibilities outlined in the Agreement.
  2. Physician(s) shall record activities by date in the electronic time record system. Physician(s) may use a method other than electronic to document and submit time records when approved by the responsible VP and by Finance Department.
  3. Physician(s) time records submitted in any format must include an attestation statement signed by the physician(s) (electronic signature process is used in the electronic time record system).
  4. The responsible VP (or designee) must review and approve time records and approve the payment amount to authorize payment. Evidence of such approval must include an original or electronic signature by the VP.
  5. Upon receipt of the approved time record and payment amount, Accounts Payable will process the payment for the amount approved by the VP.
  6. The responsible VP (or designee) will promptly meet with the Medical Director if they fail to (i) submit time records in a timely manner or (ii) provide services in the manner set forth in the Agreement. Recurring performance issues shall be immediately reported to the [GPOCCO](#).
- III. New and existing and Exclusive and Non-Exclusive Physician Provider Agreements shall be prepared and executed using the processes outlined in Exhibits B, C, and D.
- IV. Physician Lease of Space Agreements shall be negotiated by the responsible VP (or designee).
- The proposed lease rate shall be at FMV.
1. Market analysis must be documented.
  2. Rate must be reviewed by the [GPOCCO](#) (or designee) and approved by Legal Counsel.
- V. Physician Recruitment Agreements shall be negotiated by the ~~Physician Recruiter~~ [Director of Physician Recruitment and Relations](#) or responsible VP (or designee) consistent with AP.126 – [\(AP126\) Physician Recruitment Policy \(v.2\)](#).
- A. The terms of the Agreement shall follow current physician recruitment guidelines approved by the Board of Directors.
  - B. The proposed income guarantee shall be at FMV.
    1. Market analysis must be documented.
    2. Compensation arrangement must be approved by the [GPOCCO](#) (or designee).

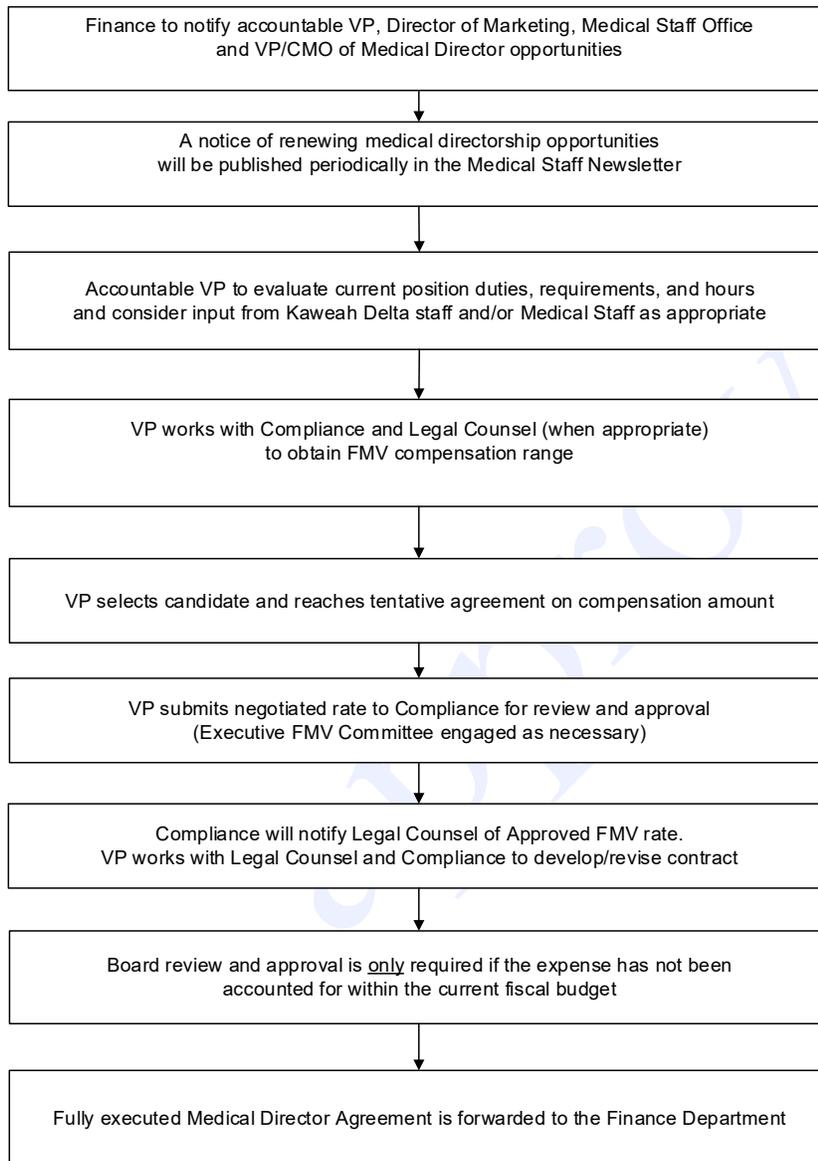
- IV. Information on all signed Agreements will be maintained in the contract database (see AP.69 [Requirement for Contracting with Outside Service Providers](#)).
- X. Modifications – In the event physician(s) requests any modifications to the Agreement language, the VP (or designee) shall forward the requests to Legal Counsel for consideration. If the changes are agreeable, a modified Agreement or Addendum will be provided to the VP (or designee). If changes are not agreeable, Legal Counsel will provide explanations to the VP (or designee).
- XI. Board Approval – Board Approval is required as described below:
  - A. Medical Director Agreements – New or established Medical Director Agreements do not require review and approval by the Board if the expense has been accounted for within the current fiscal budget.
  - B. Non-Exclusive Providers Agreements – New or established Non-Exclusive Provider Agreements do not require review and approval by the Board if the expense has been accounted for in the current fiscal year budget.
  - C. Exclusive Provider Agreements – All new or unbudgeted Exclusive Provider Agreements must be submitted to the Board of Directors for review and approval.
- VI. Monitoring –
  - A. The Compliance and/or Internal Audit Departments may complete periodic audits of Medical Directors and Physician Providers Agreements.
  - B. Prior to the expiration of the Agreement, the VP (or designee) is required to evaluate position duties, requirements, and hours, and to solicit input from key stakeholders including Kaweah Delta staff and/or Medical Staff as appropriate.
- VII. Gifts and other financial benefits given to a physician(s) or their office staff shall be recorded by the Medical Office.
  - A. Any employee/department must contact the Medical Staff Office prior to giving any gifts/financial benefit.
  - B. The Medical Staff Office must confirm that total financial benefits to the physician(s) and their office do not exceed the annual physician non-monetary compensation threshold for the current calendar year.
  - C. The Medical Staff Office will log the gift/financial benefit.
  - D. The value of a gift given to a group of physicians shall be divided and attributed to each physician equally.

Any violators may be subject to disciplinary action for violating Kaweah Delta policy.

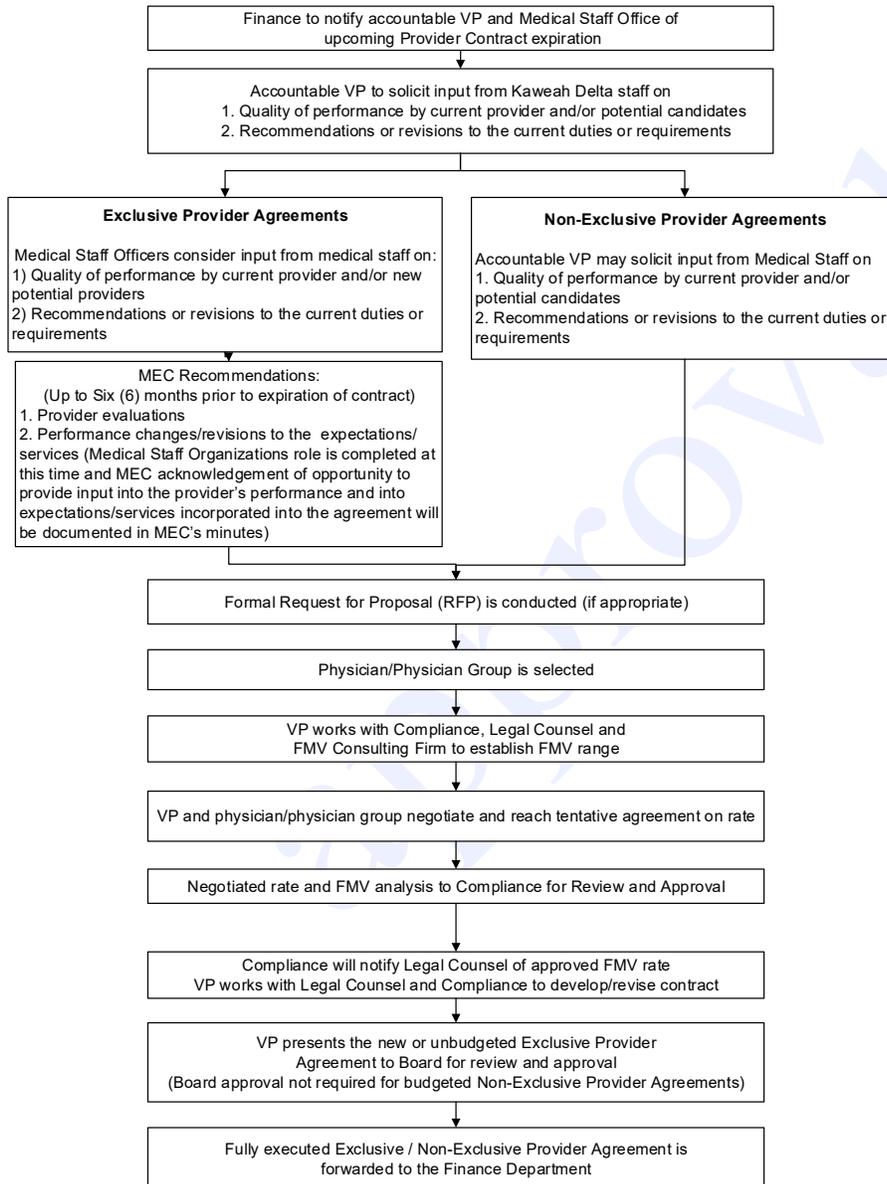
*"These guidelines, procedures, or policies herein do not represent the only medically or legally acceptable approach, but rather are presented with the recognition that acceptable approaches exist. Deviations under appropriate circumstances do not represent a breach of a medical standard of care. New knowledge, new techniques, clinical or research data, clinical experience, or clinical or bio-ethical circumstances may provide sound reasons for alternative approaches, even though they are not described in the document."*

**EXHIBIT A**

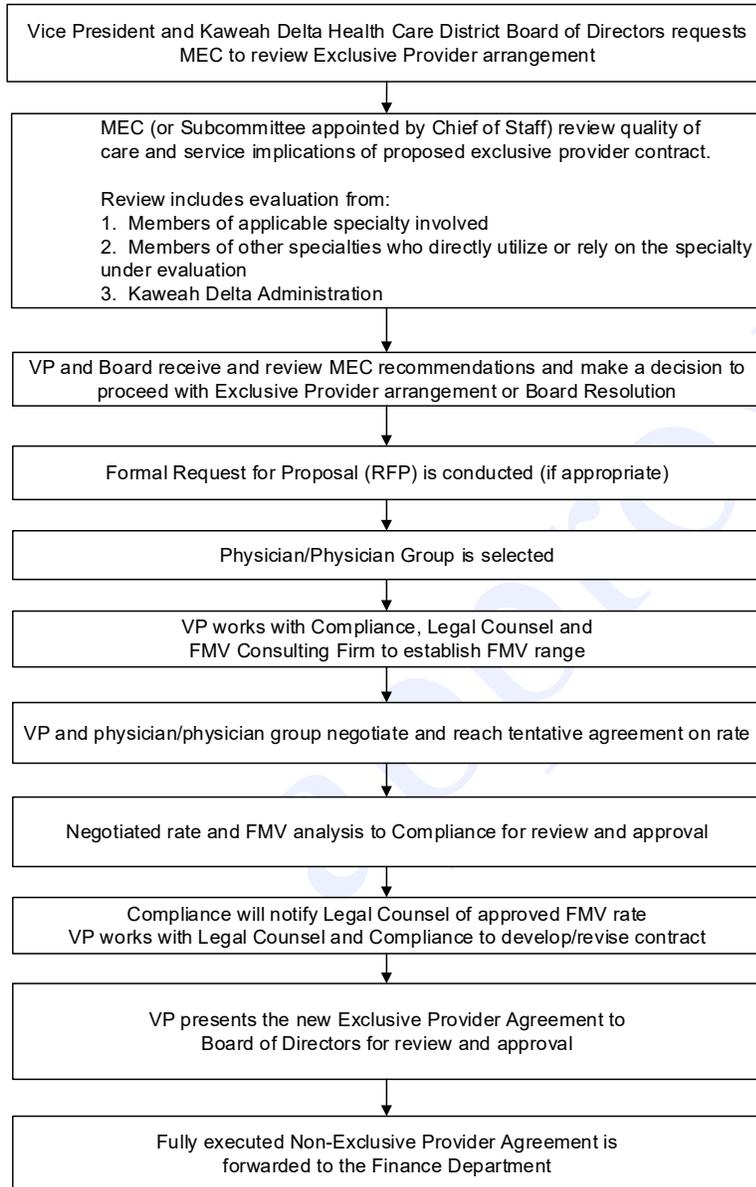
***MEDICAL DIRECTOR CONTRACT CHECKLIST***



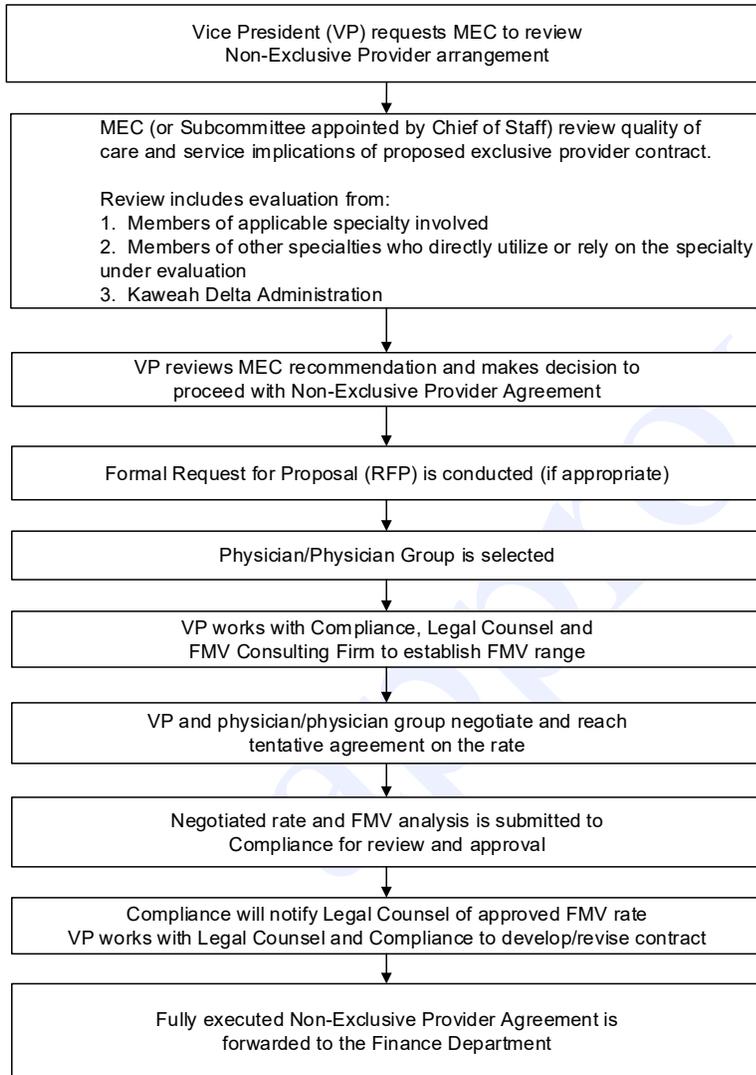
**EXHIBIT B**  
**PROVIDER CONTRACT RENEWALS**  
**Exclusive and Non-Exclusive Provider Agreements**



**EXHIBIT C**  
**NEW PROVIDER CONTRACT**  
**Exclusive Provider Agreements**



**EXHIBIT D**  
**NEW PROVIDER CONTRACT**  
**Non-Exclusive Provider Agreements**



<b>Policy Number:</b> CP.03	<b>Date Created:</b> 11/15/2019
<b>Document Owner:</b> Lisa Wass (Compliance Analyst)	<b>Date Approved:</b> 12/19/2019
<b>Approvers:</b> Board of Directors (Administration), Compliance Committee, Ben Cripps (Chief Compliance Officer)	
<b>Physician Contracts and Relationships</b>	

**Printed copies are for reference only. Please refer to the electronic copy for the latest version.**

**Purpose:**

The purpose of this Policy and Procedure is to establish guidelines for the orderly processing of negotiating, documenting, and administering contracts between Kaweah Delta Health Care District (“Kaweah Delta”) and physician(s) or physician groups. This policy must be followed prior to entering into any arrangement (i) in which Kaweah Delta engages physicians to provide services or space/items to Kaweah Delta, or (ii) in which Kaweah Delta provides any services, space, staff, equipment or items to physicians.

**Policy:**

It is the policy of Kaweah Delta to comply with all state and federal laws. Kaweah Delta shall execute contracts with physicians and physician groups (“physician(s)”) that comply with all applicable laws and regulations, including those designed to prevent the provision of improper payments, inappropriate referrals, and/or inappropriate inducements to refer. To that end, Kaweah Delta will negotiate, document, and administer Agreements that comply with the following standards:

- I. The Agreement shall be set out in writing and signed by all parties. The terms of the Agreements must be commercially reasonable.
- II. The arrangement must be commercially reasonable, and the compensation under the arrangement must be set in advance, established at fair market value through an arms-length transaction, and must not take into account the volume or value of referrals for an item or service reimbursable by a state or federal program or other business generated between the parties.
- III. All items and services covered by an Agreement with physician(s) must address a legitimate need of Kaweah Delta, must actually be provided by the physician(s), and must be specifically described in sufficient detail in the Agreement.
- IV. The Agreement shall specify the compensation terms in sufficient and measurable detail.
- V. The term of the Agreement shall be for not less than twelve (12) months, or longer than thirty-six (36) months unless approved by the Chief Executive Officer (CEO) and Board in consultation with Legal Counsel and allowable under District Law. Contracts shall not automatically renew.

- VI. The services performed under the Agreement shall not involve the counseling or promotion of a business arrangement or other activity that violates any state or federal law.
- VII. All Agreements between Kaweah Delta and physician(s) for any purpose shall be prepared by, or in collaboration with, Kaweah Delta's Legal Counsel for signature by the parties.
- VIII. Any payment to physician(s) shall be made only pursuant to an Agreement that has been formally executed between Kaweah Delta and the physician(s). Medical Director payments will be made only pursuant to approved time records submitted by the physicians. Likewise, payments to physician(s) will require documentation of availability and/or services rendered.
- IX. Gifts and financial benefits to a physician or their office shall not exceed the annual physician non-monetary compensation threshold as established by the Federal Stark Law. Any gift or benefit provided to physician(s) or a physician's office must first be approved, documented, and tracked through the Medical Staff Office.

**Procedure:**

- I. Fair Market Value (FMV) – State and federal law require a documented and objective determination that the payment between Kaweah Delta and physician(s) is consistent with FMV. Such determination may be evidenced by an approved vendor-written appraisal/valuation, an approved published third-party source, or as otherwise approved by Legal Counsel. The Compliance and Privacy Officer (CPO) (or designee) will oversee the management and administration of the FMV process.

The CPO (or designee) must be contacted before entering into negotiations of any physician Agreement to evaluate the FMV compensation needs. The negotiated rate must be reviewed and approved by the CPO (or designee) before Legal Counsel is engaged to draft or modify the Agreement. The FMV compensation process will be documented and administered in the following manner:

- A. Medical Director Agreements – The Compliance Department will maintain an updated listing of all Medical Director positions by specialty and the corresponding FMV range. Vice President(s) (VP) (or designee) may negotiate rates up to the 50th percentile. Negotiations between the 51<sup>st</sup> and 65<sup>th</sup> percentiles require documented justification and CEO approval. Negotiations beyond the 65<sup>th</sup> percentile require Executive FMV Committee approval (CEO, Board Chair, and CPO).
- B. Recruitment Agreements – The Compliance Department will maintain a listing of physician recruitment needs by specialty and the corresponding FMV range. The Physician Recruitment Compensation Committee (VP of HR, KDHC CMO, and KDMF CEO) will approve the negotiated rates up to the 50th percentile. Negotiations between the 51<sup>st</sup> and 65<sup>th</sup> percentiles require documented justification and CEO approval. Negotiations beyond the 65<sup>th</sup> percentile require Executive FMV Committee approval (CEO, Board Chair, and CPO).

- C. Exclusive and Non-Exclusive Provider Agreements – The FMV rate must be established through an independent and external FMV assessment. The VP (or designee) will work with the CPO (or designee) to engage Legal Counsel and a third-party valuation firm. The CPO (or designee) will facilitate the Fair Market Valuation process to ensure the data and assumptions are documented and appropriate.
    - 1. Changes to compensation terms and/or methodologies must be reviewed by the Executive Team and formally approved by the CPO and CEO. This provision and approval process applies to all Exclusive and Non-Exclusive Provider Agreements including new or potential agreements, contract renewals, and agreements that allow for compensation changes throughout the term of the agreement.
  - D. Space Lease Agreement - The VP (or designee) will work with the CPO (or designee) and Legal Counsel to establish the FMV rate. The Space Lease calculation must be reviewed by the CPO (or designee) and approved by Legal Counsel.
- II. Medical Director Agreements
- A. New and existing Medical Director Agreements shall be prepared and executed using the process outlined in Exhibit A.
  - B. The VP is responsible for ensuring the necessity of a Medical Director position and ensuring the physician satisfies any qualification or training requirements and provides required services.
  - C. Compliance will maintain a listing of Medical Director positions required by federal, state, or Joint Commission accreditation. Compliance must be contacted immediately of a statute, regulation, or other standard requiring a Medical Director position. If a new Medical Director position is not required, the VP must demonstrate the necessity and/or benefit to Kaweah Delta, and present the need to the Executive Team for review and approval.
  - D. Semi-Annually, Compliance will provide a listing of all Medical Director positions to the Executive Team for review and evaluation. Medical Director positions not required by federal, state, or Joint Commission accreditation will be reviewed by the Executive Team to evaluate and demonstrate the necessity and/or benefit to Kaweah Delta.
  - E. Monthly payments to Medical Directors must be supported by approved time records as follows:
    - 1. Physician(s) must track time spent on activities/responsibilities outlined in the Agreement.
    - 2. Physician(s) shall record activities by date in the electronic time record system. Physician(s) may use a method other than electronic to document and submit time records when approved by the responsible VP and by Finance Department.
    - 3. Physician(s) time records submitted in any format must include an attestation statement signed by the physician(s) (electronic signature process is used in the electronic time record system).

4. The responsible VP (or designee) must review and approve time records and approve the payment amount to authorize payment. Evidence of such approval must include an original or electronic signature by the VP.
  5. Upon receipt of the approved time record and payment amount, Accounts Payable will process the payment for the amount approved by the VP.
  6. The responsible VP (or designee) will promptly meet with the Medical Director if they fail to (i) submit time records in a timely manner or (ii) provide services in the manner set forth in the Agreement. Recurring performance issues shall be immediately reported to the CPO.
- III. New and existing and Exclusive and Non-Exclusive Physician Provider Agreements shall be prepared and executed using the processes outlined in Exhibits B, C, and D.
- IV. Physician Lease of Space Agreements shall be negotiated by the responsible VP (or designee).
- The proposed lease rate shall be at FMV.
1. Market analysis must be documented.
  2. Rate must be reviewed by the CPO (or designee) and approved by Legal Counsel.
- V. Physician Recruitment Agreements shall be negotiated by the Physician Recruiter or responsible VP (or designee) consistent with AP.126 – [\(AP126\) Physician Recruitment Policy \(v.2\)](#).
- A. The terms of the Agreement shall follow current physician recruitment guidelines approved by the Board of Directors.
  - B. The proposed income guarantee shall be at FMV.
    1. Market analysis must be documented.
    2. Compensation arrangement must be approved by the CPO (or designee).
- IV. Information on all signed Agreements will be maintained in the contract database (see AP.69 [Requirement for Contracting with Outside Service Providers](#)).
- X. Modifications – In the event physician(s) requests any modifications to the Agreement language, the VP (or designee) shall forward the requests to Legal Counsel for consideration. If the changes are agreeable, a modified Agreement or Addendum will be provided to the VP (or designee). If changes are not agreeable, Legal Counsel will provide explanations to the VP (or designee).
- XI. Board Approval – Board Approval is required as described below:
- A. Medical Director Agreements – New or established Medical Director Agreements do not require review and approval by the Board if the expense has been accounted for within the current fiscal budget.

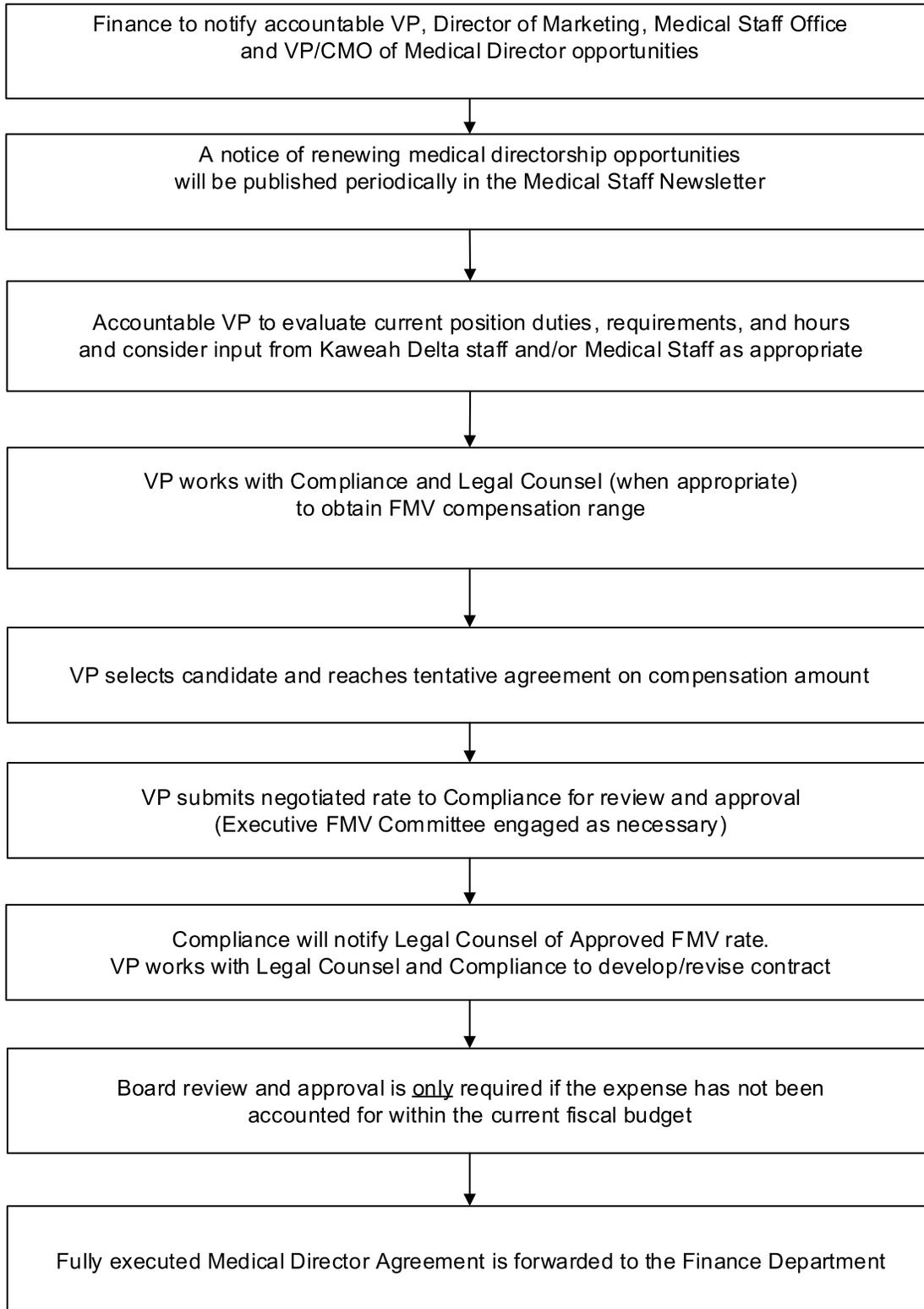
- B. Non-Exclusive Providers Agreements – New or established Non-Exclusive Provider Agreements do not require review and approval by the Board if the expense has been accounted for in the current fiscal year budget.
  - C. Exclusive Provider Agreements – All new or unbudgeted Exclusive Provider Agreements must be submitted to the Board of Directors for review and approval.
- VI. Monitoring –
- A. The Compliance and/or Internal Audit Departments may complete periodic audits of Medical Directors and Physician Providers Agreements.
  - B. Prior to the expiration of the Agreement, the VP (or designee) is required to evaluate position duties, requirements, and hours, and to solicit input from key stakeholders including Kaweah Delta staff and/or Medical Staff as appropriate.
- VII. Gifts and other financial benefits given to a physician(s) or their office staff shall be recorded by the Medical Office.
- A. Any employee/department must contact the Medical Staff Office prior to giving any gifts/financial benefit.
  - B. The Medical Staff Office must confirm that total financial benefits to the physician(s) and their office do not exceed the annual physician non-monetary compensation threshold for the current calendar year.
  - C. The Medical Staff Office will log the gift/financial benefit.
  - D. The value of a gift given to a group of physicians shall be divided and attributed to each physician equally.

Any violators may be subject to disciplinary action for violating Kaweah Delta policy.

*"These guidelines, procedures, or policies herein do not represent the only medically or legally acceptable approach, but rather are presented with the recognition that acceptable approaches exist. Deviations under appropriate circumstances do not represent a breach of a medical standard of care. New knowledge, new techniques, clinical or research data, clinical experience, or clinical or bio-ethical circumstances may provide sound reasons for alternative approaches, even though they are not described in the document."*

**EXHIBIT A**

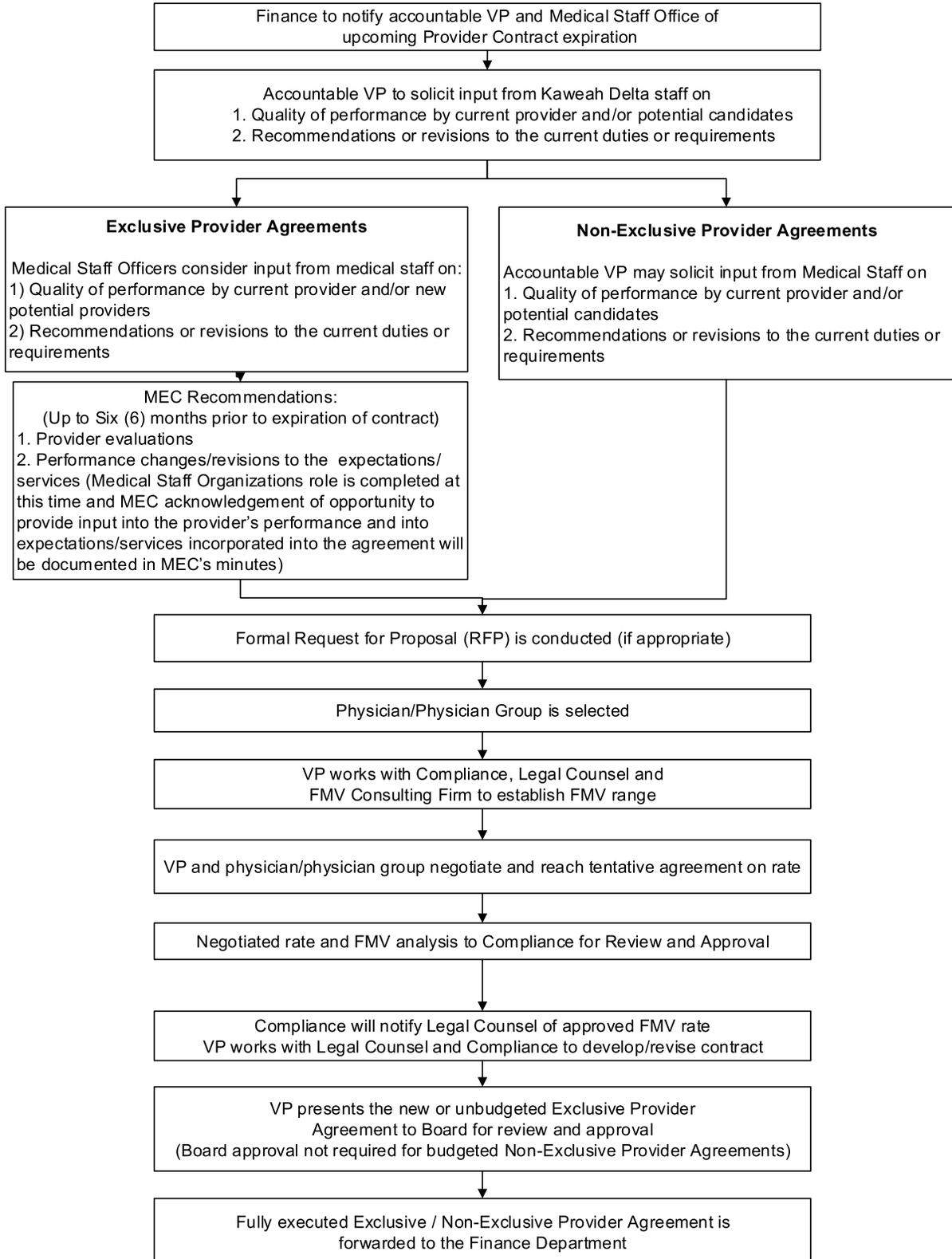
***MEDICAL DIRECTOR CONTRACT CHECKLIST***



**EXHIBIT B**

**PROVIDER CONTRACT RENEWALS**

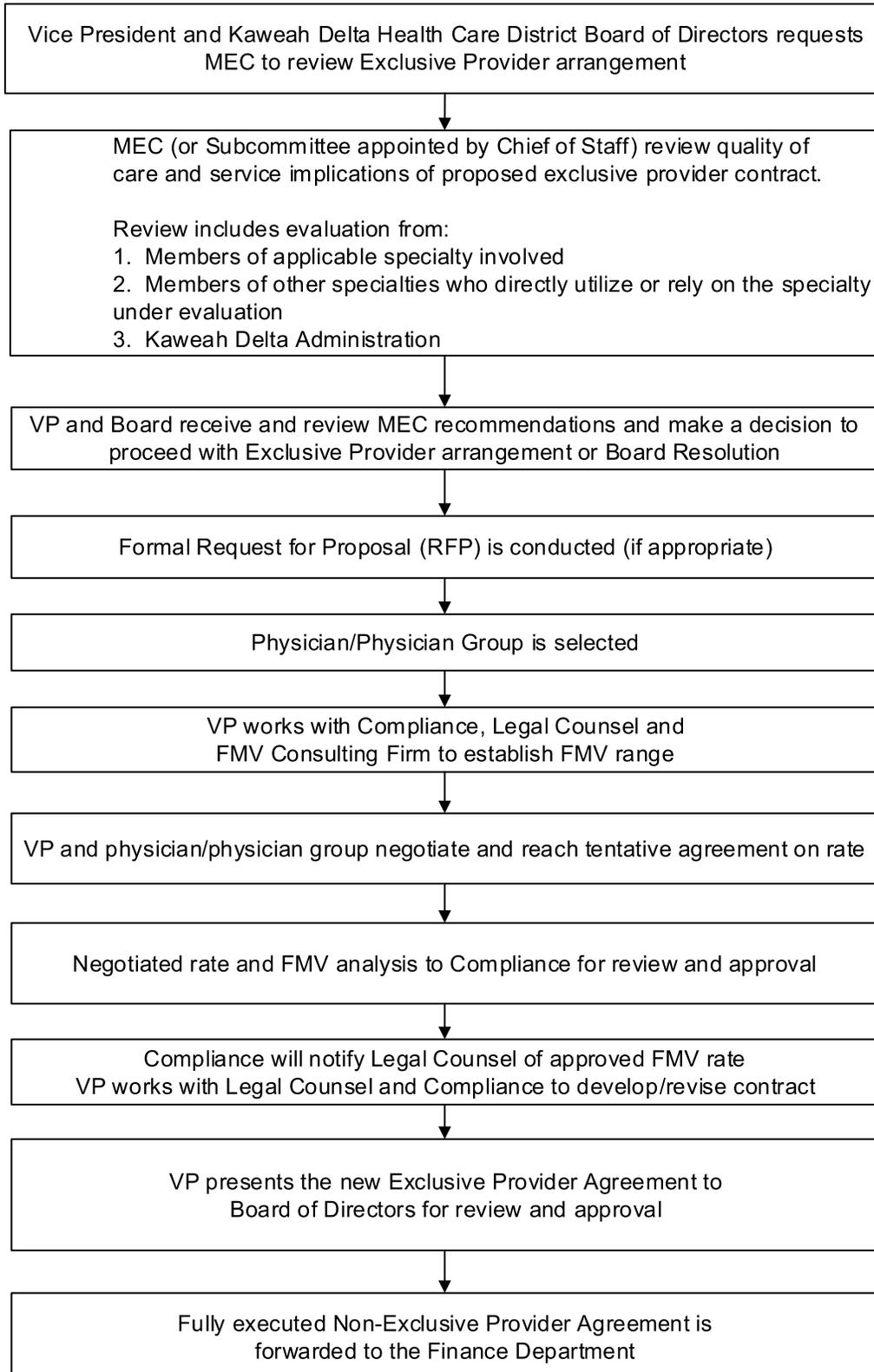
**Exclusive and Non-Exclusive Provider Agreements**



**EXHIBIT C**

***NEW PROVIDER CONTRACT***

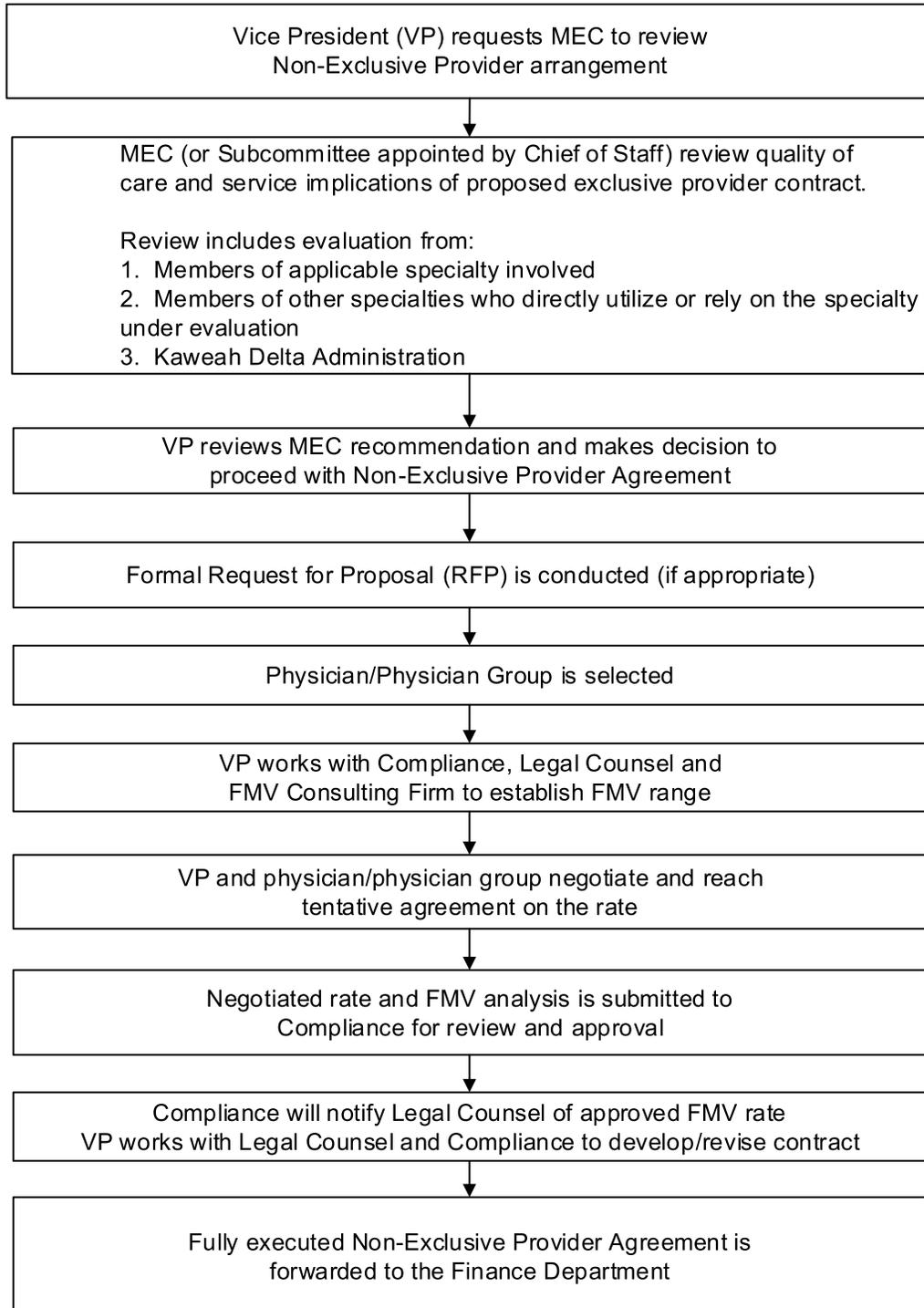
***Exclusive Provider Agreements***



**EXHIBIT D**

**NEW PROVIDER CONTRACT**

***Non-Exclusive Provider Agreements***





# Proposed Internal Audit Activities January 2021-December 2021

Suzy Plummer, Director of Audit and Consulting Services

# 2021 Planned Audits, Reviews and Projects

- Purchasing Processes
- Segregation of Duties Review-Revenue Cycle Focus
- Leaves of Absence Process
- Shift Incentive Payments
- Licensing and Certification Compliance
- Payroll Processing Efficiency
- Grant Close Out Processes
- Benefit Administration Follow Up

# 2021 Cycle Audit Areas

- Employee Expenses-Quarterly Review
- Conflict of Interest Review
- Kaweah Kids Billing Audit
- Cash Controls

# **KAWEAH DELTA HEALTHCARE DISTRICT**

## **INTERNAL AUDIT**

### **CELL PHONE STIPEND PAYMENT REVIEW**

1/12/21

#### **BACKGROUND**

Effective July 1, 2020, changes were made to the cell phone reimbursement process for those employees using their personal cell phones for business purposes. The new process requires approval for use of the personal cell phone and a monthly payment of \$23 to the approved individuals. It was requested that Internal Audit review this new process to ensure the effectiveness of the procedures in place.

#### **APPROACH**

To complete this assessment we reviewed documents related to the implementation of the new program and worked with Payroll to obtain a listing of those receiving cell phone reimbursement. We randomly selected 25 current active employees receiving the cell phone reimbursement for testing. For each employee, we selected one (1) payment and verified the following:

- Approval of payment exists and that no self-approvals occurred
- Only one payment was paid for each month
- The amount of payment was \$23
- The payment was posted to the correct general ledger code, 608500

#### **SUMMARY**

No exceptions were noted during testing. Controls appear adequate and to be working effectively. This area may be reviewed in the future or if significant changes are made to the process.

# **KAWEAH DELTA HEALTHCARE DISTRICT INTERNAL AUDIT**

## **KAWEAH KIDS CENTER BILLING AND COLLECTIONS REVIEW**

1/12/21

### **BACKGROUND**

Internal Audit conducted a review of the billing and collections processes at the Kaweah Kids Center as part of the 2020 approved audit plan. At the request of the Vice President of Human Resources, this is reviewed on a regular basis. The focus of the audit was on timely and proper billing, timely collections and posting of payments and review of the current state of aged past due balances.

### **APPROACH**

To complete this audit, 15 random students were selected from the three child care categories, Infant, Toddler and Pre School for detailed review. In addition, all students (four) currently participating in the Tulare County Office of Education Tuition Assistance program were also selected for detailed testing. The following was reviewed:

- Evidence that the tuition being charged to the student was appropriate for both their category and schedule.
- Evidence that payment was made in full for the services provided either via credit card or payroll deduction.

In addition a current account aging was reviewed showing all accounts with an outstanding balance. We identified four balances that were aged greater than 120 days for review. It was confirmed that three were in collections and that one was being paid monthly via a payment plan. No aged accounts were identified without appropriate collections activity.

### **SUMMARY**

No exceptions were noted during testing. Controls appear adequate and to be working effectively. This area will be reviewed periodically to ensure compliance.