



November 05, 2020

NOTICE

The Board of Directors of the Kaweah Delta Health Care District will meet in an Audit and Compliance Committee meeting at 8:30 AM on Tuesday, November 10, 2020, in the Kaweah Delta Support Services Building – 2nd Floor Copper Conference Room {520 W. Mineral King Avenue, Visalia} or via GoTo Meeting from internet link-

<https://global.gotomeeting.com/join/891124269>

You can also dial in using your phone.

United States: +1 (408) 650-3123/Access Code: 891-124-269

In order to adhere to social distancing guidelines, please attend the meeting via GoTo or phone when at all possible.

The Board of Directors of the Kaweah Delta Health Care District will meet in a Closed Audit and Compliance Committee meeting immediately following the 8:30AM meeting on Tuesday, November 10, 2020 in the Kaweah Delta Medical Center Support Services Building Copper Room (2nd Floor) 520 W. Mineral King Avenue 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 (special meetings are posted 24 hours prior to meetings). 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 email: cmoccio@kdhcd.org, via phone: 559-624-2330 or on the Kaweah Delta Health Care District web page <http://www.kaweahdelta.org>.

KAWEAH DELTA HEALTH CARE DISTRICT
David Francis, Secretary/Treasurer

Cindy Moccio

Cindy Moccio
Board Clerk, Executive Assistant to CEO

DISTRIBUTION:
Governing Board
Legal Counsel
Executive Team
Chief of Staff

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

Tuesday, November 10, 2020

Join from your computer, tablet or smartphone
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You can also dial in using your phone.

United States: +1 (408) 650-3123/Access Code: 891-124-269

ATTENDING: Directors; Herb Hawkins (Chair) & Nevin House; Gary Herbst, CEO; Malinda Tupper, VP Chief Financial Officer; Keri Noeske, VP Chief Nursing Officer; Dennis Lynch, Legal Counsel; Ben Cripps, Chief Compliance Officer; Suzy Plummer, Director of Internal Audit; Amy Valero, Compliance Manager; Lisa Wass, Compliance Analyst

GUESTS: Frances Carrera, Director of Revenue Cycle

OPEN MEETING – 8:30AM

Call to order – Herb Hawkins, 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. **Written Reports** – Committee review and discussion of written reports

1.1 [Compliance Program Activity Report](#) – *Ben Cripps*

1.2 [Cash Audits](#) – *Suzy Plummer*

1.3 [Denials Management Assessment](#) – Kaweah Delta Health Care District – *Suzy Plummer*

2. Verbal Reports

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

3. 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) (15 cases) – *Ben Cripps and Dennis Lynch (Legal Counsel)*

Adjourn Open Meeting – *Herb Hawkins, Audit and Compliance Committee Chair*

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

CLOSED MEETING – Immediately following the 8:30 AM open meeting

Call to order – *Herb Hawkins, Audit and Compliance Committee Chair*

- 1. [Conference with Legal Counsel - Anticipated Litigation](#) - Significant exposure to litigation pursuant to Government Code 54956.9(d)(2) (15 cases) – *Ben Cripps and Dennis Lynch (Legal Counsel)*

Adjourn – *Herb Hawkins, 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.



COMPLIANCE PROGRAM ACTIVITY REPORT – Open Meeting
Ben Cripps, Chief Compliance Officer
August 2020 through October 2020

EDUCATION

Live Presentations by Compliance Department –

- Compliance and Patient Privacy – New Hire
- Compliance and Patient Privacy – Management Orientation

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
- **Lab Specimen Validity Testing Billed in Combination with Drug Testing** – Worked with Lab Management to evaluate Lab Specimen Validity Testing billed in combination with drug testing; the topic was noted in a recent Medicare Bulletin and similarly referenced in an Office of Inspector General Report (OIG); regulatory guidance and internal processes reviewed by Lab Management and the Compliance Office, ultimately concluding Lab Specimen Validity Testing to be an area of low risk; no further assessment or review is required at this time

- **Medicare Part B Facet Joint Procedures** – Worked with the Patient Accounting and Rehabilitation Management to evaluate billing processes for Facet Joint Procedures; a recent OIG Report noted a 76% increase in payments for facet joint injections, and subsequent audits completed by the OIG have identified provider non-compliance, resulting in overpayments by the Medicare program; regulatory guidance and internal processes were reviewed; Leadership has determined Facet Joint Procedures to be an area of low risk as Kaweah Delta only performed two (2) cases in 2019; no further assessment or review is required at this time

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
- **Palliative Care Billing** – Research and consultation; following a review of the Palliative Care Medical Director Agreement, the Compliance Office lead an effort to establish processes for Inpatient Palliative Care Billing; worked with Palliative Care, Information System Services (ISS), and Patient Accounting Leadership to establish billing processes and ultimately identify, code, and successfully submit Palliative Care claims for the prior 12-month period; prospectively, processes are in place to ensure the successful submission and payment for Inpatient Palliative Care Services
- **Anesthesia Medical Group** – Consultation and Oversight; oversee the formation and implementation of a new local Anesthesia Medical Group; project plan created; financial pro forma, Fair Market Value Analysis, and Exclusive Provider Agreement completed; new Anesthesia Services successfully implemented on October 1, 2020
- **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 Blocking** – Research and consultation; participation in review and assessment of new regulatory guidance concerning Information Blocking (a practice that is likely to interfere with, prevent, or materially discourage access, exchange, or use of electronic health information (EHI)); the Compliance Department is working with Health Information Management (HIM), Information System

Services (ISS), and Risk Management to ensure implementation of the required changes and submission of required attestations to the required government entities

- **Radiation Oncology Model** – Research and consultation; Medicare has issued regulatory guidance modifying the payment model for Radiation Oncology Services; in the guidance, 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
- **Operational Compliance Committee** – Consultation, oversight, and prevention; in July 2020, the Compliance Office 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 education within the departments; additional joint meetings consisting of all five focus groups will take place beginning in November 2020 to aide in cross-departmental discussion surrounding compliance efforts and procedures

AUDITING AND MONITORING

- **Registration Audit** – A review of seven hundred sixty one (761) randomly selected accounts for May 2020 were audited to evaluate compliance of the registration process; the audit focused on outpatient clinics who are not under the oversight of the Patient Access Department; five (5) registration criteria were evaluated which include the required distribution of the Privacy Notice, completion of the Medicare Secondary Payor Questionnaire (MSP), procurement of Photo Identification, completion of the Conditions of Admission (COA), and Medical Necessity screening and distribution of the Advanced Beneficiary Notice (ABN) when appropriate; the results of the review noted a 98% compliance rate for the distribution of the Privacy Notice, 88% compliance for the completion of the MSP Questionnaire, 1% compliance for the completion of the Medical Necessity screening, 49% compliance for the procurement of the Photo ID, and 85% compliance for the completion of the COA; the results were shared with the Outpatient Clinic leadership; Patient Access to provide mandatory education; Leadership to develop action plans to ensure future compliance; Compliance to complete a follow-up review in early 2021
- **Qualified Medicare Beneficiary Billing (QMB) Audit** – A review of thirty-seven (37) randomly selected accounts for March 2020 - May 2020 was reviewed to determine if accounts with Medicare QMB listed as the insurance were active; Federal Law prohibits providers from billing an individual enrolled in a QMB program for Medicare Part A and Part B cost sharing under any circumstances; the reviewed noted a 97% compliance rate; the results were communicated to Patient Access leadership; to prevent future errors, Patient Access will begin auditing QMB compliance in their Quality Assurance audit process; based on the results of the review, no further action is required at this time
- **External Inpatient Diagnosis Related Group (DRG) Audit – MRA External Coding Audit** – A review of fifty (50) randomly selected encounters for the period of January – May 2020 were reviewed to evaluate coding compliance for Diagnosis Related Grouping (DRG) Pneumonia, Septicemia, and Heart Failure accounts; the review noted a 90% DRG coding compliance rate; three (3) of the five (5) errors were under-coded, resulting in additional reimbursement of \$2,487.17; the remaining two (2) accounts were over-coded, resulting in a repayment of \$1,530; Compliance has engaged Coding Leadership to develop a corrective action plan, and to ensure the claims submitted in error were corrected and appropriately reprocessed

KAWEAH DELTA HEALTHCARE DISTRICT

INTERNAL AUDIT

CASH AUDITS-KAWEAH DELTA MEDICAL FOUNDATION

10/28/20

OVERVIEW

Kaweah Delta Medical Foundation (KDMF) maintains 18 cash drawers totaling \$2,125.00 to support the collection of payments. While KDMF has not typically been included in the annual cash audit process, it will now be included each year. 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.

KEY OBSERVATIONS

COMMENDATIONS

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.

OPPORTUNITIES FOR IMPROVEMENT

1. A change log process should be established. The log would be maintained in each area and completed when a custodian needs to make change for their drawer. This would involve noting the total amount of funds removed from the drawer for cash, evidenced by a witness and the return of the total amount of funds to the cash drawer, also evidenced by a witness. A sample log will be provided for use.
2. Staff do not currently participate in annual cash controls training through Net Learning as other District employees who handle cash do. We will work with Management at KDMF to include those responsible for cash handling in this process moving forward.
3. Nightly drops to the Registration safe are made for all cash locations. We learned that the Director of KDMF Business Services and a team member remove the drops from the safe each morning, log them into the armored car service book and then place them in the administration safe until they are collected. Previously, one of the administrative support team members in the Executive Offices would be the individual that accompanied the Director to complete this task, but due to scheduling and other factors this is no longer the case. As this Director and her team members are responsible collecting and posting of payments to patient accounts, there should be someone independent of these functions participating in collection and recording of the daily deposits to allow for more effective segregation of duties.
4. The Sequoia Prompt Care cash drawer is shared by all four employees which does not allow for proper segregation of duties or accountability should discrepancies arise. We would recommend that each employee be assigned a cash drawer that only they can access. This would then be consistent with the other KDMF locations.

KAWEAH DELTA HEALTHCARE DISTRICT INTERNAL AUDIT DENIALS MANAGEMENT ASSESSMENT

10/19/20

BACKGROUND

Effectively preventing and managing healthcare denials is an important indicator of a strong revenue cycle. In an article published by SIFT Healthcare in 2019, it was noted that 9% of hospital claims are denied, 90% of these denials are preventable, but only 66% can be recovered once they are denied. In addition, it is estimated that only 35% of hospitals appeal denials and that the administrative cost to rework a denied claim in 2019 averaged \$118. Often denials are seen as a Patient Accounting function and responsibility, however, it is clear that investing in refining processes on the front end to prevent denials is a worthwhile investment. Denials often result in a write off of the balance due to the hospital and the goal of an effective Denials Management process is to minimize denials and the financial impact to the hospital.

APPROACH

To complete this assessment we reviewed job aides, workflows and written policies and procedures to get a better understanding of outlined processes. We then conducted interviews with the Revenue Cycle Director and Manager, as well as the four Patient Accounting Supervisors to better understand how denials are currently being managed and monitored.

SUMMARY

Historically, Kaweah Delta has used various strategies and tools to track and manage denials. Currently, denial data from electronic remittances, called 835 files, populates a Denials Management tool in the Millennium system that was fully implemented in February 2020. This allows for denials to be worked electronically rather than manually. The team has established a bi-weekly Denials Management meeting that includes representation from Patient Accounting, Patient Access, Case Management, Health Information Management, Managed Care Contracting and Revenue Integrity. During these meetings, sample denials are reviewed to identify root causes and brain storm solutions.

In addition, tools have been developed to report on those denials being managed in the Denials Management system to note appeal success rates and related financial impact. Certain Denial Management related Key Performance Indicators (KPIs) are also tracked on the Revenue Cycle Weekly Dashboard. These all represent positive and ongoing efforts in place currently to address denials.

The following initiatives are some of those identified by the team during walkthroughs and interviews that are current focus areas:

- Additional education is needed related to use and functionality of the Denials Management tool in Cerner for some team members. In addition, staff will begin to participate in the bi weekly Denials meeting to increase their understanding of the larger implications and impacts of effectively managing denials.
- Development of clear expectations related to the number of denials that should be worked within a day/week/month by team members. Currently staff are expected to work a set number of accounts daily, but those totals consist of denials, underpayments and other outstanding account balances with no set expectation related to each category.
- Streamlining of worklists and reporting tools to allow for timely and efficient working of denials by assigned team members. This also includes working with ISS on reviewing and prioritizing all outstanding requests related to the system and how it is built.

The cross functional team continues to meet regularly to push these, as well as other Denial Management related issues, forward. A tracking matrix is maintained listing the items and projects being worked on the owner and the due dates related to each item. These are reviewed regularly and items are removed as completed and new items and projects are added as needed.

The Audit and Consulting Services team will continue to participate in these ongoing meetings and workgroups and will provide support as needed as the work continues.