



May 26, 2022

NOTICE

The Kaweah Delta Health Care District Board of Directors will meet in an Audit and Compliance Committee meeting at 2:30 PM on Wednesday, June 1, 2022 in the Kaweah Health Support Services Building – Granite Conference Room {520 W. Mineral King Ave., Visalia}.

The Board of Directors of the Kaweah Delta Health Care District will meet in a Closed Audit and Compliance Committee meeting immediately following the 2:30 PM meeting on Wednesday, June 1, 2022 in the Kaweah Health Support Services Building – Granite Conference Room {520 W. Mineral King Ave., Visalia} pursuant to Government Code 54956.9(d)(2).

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

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

KAWEAH DELTA HEALTH CARE DISTRICT
Michael Olmos, 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.kawahhealth.org/about/agenda.asp>

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

Wednesday, June 1, 2022

Kaweah Health Support Services Building, Granite Conference Room
520 West Mineral King Ave, Visalia, CA 93291

ATTENDING: Directors; Mike Olmos (Chair) & Garth Gipson; Gary Herbst, CEO; Malinda Tupper, Chief Financial Officer; Keri Noeske, Chief Nursing Officer; Rachele Berglund, Legal Counsel; Ben Cripps, Chief Compliance & Risk Officer; Amy Valero, Compliance Manager; Michelle Adams, Executive Assistant

GUESTS: Dianne Cox, Chief Human Resources Officer; Jennifer Stockton, Director of Finance; Kari MacDonald, Finance Accounting & Reimbursement Manager; Carmen Rodriguez, LOA & Benefits Manager; Abigail Pike, Moss Adams; Rebecca Rickards, Moss Adams

OPEN MEETING – 2:30PM

Call to order – Mike Olmos, 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. **Pension Plan Financial Statement Audit** – Plan Year Ending June 2021 – *Abigail Pike, Moss Adams; Rebecca Rickards, Moss Adams*
2. **401K Plan Financial Statement Audit** - Plan Year Ending December 2020 – *Abigail Pike, Moss Adams; Rebecca Rickards, Moss Adams*
3. **Written Reports** – Committee review and discussion of written reports
 - 3.1 **Compliance Program Activity Report** – *Ben Cripps*
 - 3.2 **Compliance Policies for Review and Approval** – *Ben Cripps*
 - A. **CP.01 – Compliance Program Administration**
 - B. **CP.03 – Physician Contracts and Relationships**
 - C. **CP.05 – Compliance and Privacy Issues Investigation and Resolution**
 - D. **CP.06 – Compliance Program Education**

June 1, 2022 - Audit and Compliance Committee

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Mike Olmos – Zone I
Secretary/Treasurer

Lynn Havard Mirviss – Zone II
Vice President

Garth Gipson – Zone III
Board Member

David Francis – Zone IV
President

Ambar Rodriguez – Zone V
Board Member

MISSION: Health is our Passion. Excellence is our Focus. Compassion is our Promise.

- E. [CP.07 – Excluded Individuals/Entities](#)
- F. [CP.10 – Compliance Reviews and Assessments](#)
- G. [CP.13 – Federal and State False Claims Act and Employee Protection Provisions](#)

4. Verbal Reports

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

5. Approval of Closed Meeting Agenda – Kaweah Health Specialty Clinic 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) (8 cases) – *Ben Cripps and Rachele Berglund (Legal Counsel)*

Adjourn Open Meeting – *Mike Olmos, Audit and Compliance Committee Chair*

CLOSED MEETING – **Immediately following the 2:30PM open meeting**

Call to order – *Mike Olmos, Audit and Compliance Committee Chair*

1. [Conference with Legal Counsel - Anticipated Litigation](#) – Significant exposure to litigation pursuant to Government Code 54956.9(d)(2) (8 cases) – *Ben Cripps and Rachele Berglund (Legal Counsel)*

Adjourn – *Mike Olmos, 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.



*Communication with
Those Charged with Governance*

**Kaweah Delta Health Care District
Employees' Retirement Plan**

June 30, 2021



Communications with Those Charged with Governance

To the Audit Committee
Kaweah Delta Health Care District Employees' Retirement Plan

We have audited the financial statements and supplementary information of Kaweah Delta Health Care District Employees' Retirement Plan (the Plan) as of and for the year ended June 30, 2021, and have issued our report thereon dated December 20, 2021. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility Under Auditing Standards Generally Accepted in the United States of America

As stated in our engagement letter dated November 1, 2021, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your responsibilities.

Our responsibility is to plan and perform the audit in accordance with auditing standards generally accepted in the United States of America and to design the audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control. We considered the Plan's internal control solely for the purposes of determining our audit procedures and not to provide assurance concerning such internal control. Accordingly, we do not express an opinion on the effectiveness of the Plan's internal control.

We are also responsible for communicating significant matters related to the financial statement audit that, in our professional judgment, are relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

You should understand that our audit is not specifically designed for and should not be relied upon to disclose matters affecting plan qualifications or compliance with the ERISA and Internal Revenue Code requirements.

Other Information in Documents Containing Audited Financial Statements

Our responsibility for other information in the Public Retirement Systems Financial Transactions Report does not extend beyond the financial information identified in our report. We do not have an obligation to perform any procedures to corroborate other information contained in this report. However, we have read the information contained in the report and nothing came to our attention that caused us to believe that such information or its manner of presentation is materially inconsistent with the information or manner of its presentation appearing in the financial statements.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in the engagement letter and planning discussions.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Plan are described in Note 2 to the financial statements.

No new accounting policies were adopted and there were no changes in the application of existing accounting policies during the year. We noted no transactions entered into by the Plan during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transactions occurred.

Significant Accounting Estimates

Accounting estimates may be an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates may be particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

The most sensitive estimates affecting the financial statements were:

- Management used a single discount rate of 7.5% in the total pension liability calculation at June 30, 2021. The calculation assumes the District will make expected planned contributions of \$11.4 million each year from 2022 through 2026, and thereafter annually make the actuarially determined contributions.
- The calculation is also dependent upon the District's estimate that the pension plan assets will be invested using a strategy to achieve the assumed returns and cover expenses. A change in this discount rate would have a significant impact on the pension liability.
- Management updated the estimated mortality assumption to the scale recommended by the actuary for generational projection.
- Management estimated that the census data as of June 30, 2020, was reasonable for the actuary to use in projecting the pension liability to the measurement date of June 30, 2021.

We evaluated the key factors and assumptions used to develop the estimates, in determining that they are reasonable in relation to the financial statements taken as a whole.

Financial Statement Disclosures

The disclosures in the financial statements are consistent, clear, and understandable. Certain financial statement disclosures may be particularly sensitive because of their significance to financial statement users.

The most sensitive disclosures affecting the financial statements were:

- Disclosure in Note 1 of the frozen future benefit accruals.
- Disclosure in Note 4 of the net pension liability, rates of return and sensitivity of the net pension liability to changes in the discount rate.
- Disclosure in Note 6 of investment credit risk. Management disclosed that substantially all plan investments in corporate obligations were rated investment grade.
- Disclosure in Note 6 of the money-weighted rate of return.
- Disclosure in Note 4 and in Note 6 of the plan investment strategy and asset allocation.

Significant Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Uncorrected Misstatements

We did not note any uncorrected misstatements in the course of the engagement.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated December 20, 2021.

Management Consultation with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to the Plan’s financial statements or a determination of the type of auditor’s opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Significant Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Plan’s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of Audit Committee and management of the Plan, and is not intended to be, and should not be, used by anyone other than these specified parties.

Mess Adams LLP

Stockton, California
December 20, 2021





*Report of Independent Auditors and
Financial Statements with
Required Supplementary Information*

**Kaweah Delta Health Care District
Employees' Retirement Plan**

June 30, 2021 and 2020



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Report of Independent Auditors

To the Trustees and Participants
Kaweah Delta Health Care District
Employees' Retirement Plan

Report on the Financial Statements

We have audited the accompanying financial statements of the Kaweah Delta Health Care District Employees' Retirement Plan (the "Plan"), which comprise the statements of fiduciary net position as of June 30, 2021 and 2020, and the related statements of changes in fiduciary net position for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Plan's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the fiduciary net position of the Plan as of June 30, 2021 and 2020, and the changes in fiduciary net position for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 to 7 and the schedule of changes in net pension liability and related ratios, the schedule of employer contributions and the schedule of investment returns on pages 22 to 24 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express or provide any assurance.

Mess Adams LLP

Stockton, California
December 20, 2021

Management Discussion and Analysis

Kaweah Delta Health Care District Employees' Retirement Plan Management Discussion and Analysis

Kaweah Delta Health Care District's (the "District") discussion and analysis of the financial activities of the Kaweah Delta Health Care District Employees' Retirement Plan (the "Plan") is designed to assist the reader in focusing on significant financial issues, provide an overview of the Plan's financial activity, and identify changes in the Plan's financial position for the years ended June 30, 2021 and 2020. Please read it in conjunction with the audited financial statements and supplementary information in this report.

FINANCIAL HIGHLIGHTS

- Effective June 30, 2011, the Plan was amended to suspend all accruals and otherwise freeze benefits under the Plan.
- The Plan's funding objective is to meet long-term benefit obligations through contributions and investment income. The ratio of the Plan's fiduciary net position as a percentage of total pension liability increased to 107.5% as of June 30, 2021, the date of the Plan's last actuarial valuation, from 86.1% as of June 30, 2020.
- The Plan's net position increased by \$69.2 million, or 27.6%, in 2021, as a result of continued positive market conditions and the same level of Plan contributions as in prior year.
- The Plan's additions to Plan net position, consisting of employer contributions and net investment income, totaled \$85.0 million in 2021 and \$17.7 million in 2020. The increase is attributable to a \$67.3 million increase in net investment income, which fluctuates year-to-year depending on market conditions.
- The Plan's deductions from Plan net position, consisting of benefit payments and administrative expenses, totaled \$15.8 million in 2021, and \$14.7 million in 2020. The increase in 2021 is attributable to the increase in benefit payments.

REQUIRED FINANCIAL STATEMENTS

The required financial statements include:

- the statement of fiduciary net position reports the Plan's assets, less liabilities, and the resulting net position restricted for future benefit payments. The Plan's net position is restricted to the payment of benefits as shown in the schedule of changes in net pension liability and related ratios;
- the statement of changes in fiduciary net position reports the sources and uses of funds during the year corresponding to the change in net position from the previous year;
- notes to the financial statements are an integral part of the financial statements and include additional detailed information and schedules to provide a better understanding of the financial statements.

The statement of fiduciary net position and the statement of changes in fiduciary net position report information about the Plan's activities. These statements include all assets and liabilities, using the full accrual basis of accounting. All of the current year revenues and expenses are taken into account regardless of when cash is received or paid. All investments are stated at fair market value. Gains and losses are shown at trade date, not settlement date, and both realized and unrealized gains and losses on investments are included.

Kaweah Delta Health Care District Employees' Retirement Plan Management Discussion and Analysis

Because of the long-term nature of a defined benefit pension plan, financial statements alone cannot provide sufficient information to properly reflect the ongoing Plan perspective. The required supplementary information provides historical data and projected obligations that reflect the long-term nature of the Plan and trends over time, and includes:

- schedule of changes in the net pension liability and related ratios which contains the items contributing to the changes in the pension liability and Plan's net position. Ratios comparing the unfunded liability to the Plan's net position and covered-employee payroll are also provided;
- schedule of employer's contributions which contains a history of employer contributions made to the Plan;
- schedule of investment returns which contains a history of the Plan's investment performance on a money-weighted basis.

FINANCIAL ANALYSIS

The table below provides summary information about the Plan's fiduciary net position (in \$000's).

	JUNE 30,			2021-2020		2020-2019	
	2021	2020	2019	\$ Change	% Change	\$ Change	% Change
ASSETS							
Receivables	\$ 365	\$ 419	\$ 733	\$ (54)	-12.9%	\$ (314)	-42.8%
Due from broker	-	-	343	-	0.0%	(343)	-100.0%
Investments, at fair value	319,682	250,439	246,746	69,243	27.6%	3,693	1.5%
TOTAL ASSETS	320,047	250,858	247,822	69,189	27.6%	3,036	1.2%
NET POSITION RESTRICTED FOR PENSIONS							
	\$ 320,047	\$ 250,858	\$ 247,822	\$ 69,189	27.6%	\$ 3,036	1.2%

Kaweah Delta Health Care District Employees' Retirement Plan Management Discussion and Analysis

The table below provides a summary of the changes in the Plan's net position during the years and reflects the activities of the Plan (in \$000's).

	YEARS ENDED JUNE 30,			2021-2020		2020-2019	
	2021	2020	2019	\$ Change	% Change	\$ Change	% Change
ADDITIONS							
Employer contributions	\$ 11,400	\$ 11,400	\$ 11,400	\$ -	0.0%	\$ -	0.0%
Net investment income	73,603	6,328	20,001	67,275	1063.1%	(13,673)	-68.4%
Total additions	85,003	17,728	31,401	67,275	379.5%	(13,673)	-43.5%
DEDUCTIONS							
Benefit payments	15,527	14,448	13,275	1,079	7.5%	1,173	8.8%
Administrative expenses	287	244	225	43	17.6%	19	8.4%
Total deductions	15,814	14,692	13,500	1,122	7.6%	1,192	8.8%
Net increase in net position	69,189	3,036	17,901	66,153	2179.0%	(14,865)	-83.0%
NET POSITION							
RESTRICTED FOR PENSIONS							
Beginning of year	250,858	247,822	229,921	3,036	1.2%	17,901	7.8%
End of year	\$ 320,047	\$ 250,858	\$ 247,822	\$ 69,189	27.6%	\$ 3,036	1.2%

The Plan's fiduciary net position and funded status may serve over time as a useful indication of the Plan's financial position. The Plan's fiduciary net position increased by 27.6% in 2021 compared to 2020, primarily due to plan contributions and investment earnings. As of June 30, 2021, \$320.0 million in fiduciary net position is held in trust for future pension benefits.

Investments – The investments of the Plan are governed by the “prudent investor rule.” The prudent investor rule, as set forth by state statute, establishes a standard for all fiduciaries, which includes anyone who has authority with respect to the fund.

During 2021, total investments measured at fair market value increased \$69.2 million, or 27.6%, from 2020. The overall return on total investments increased from 2.6% in 2020 to 29.6% in 2021. The Plan's management compares the actual returns to published index benchmarks by category. The Plan's composite-weighted benchmark for 2021 was a return of 30.4% compared to the Plan's actual return of 29.6%. The Plan's composite-weighted benchmark for 2020 was 0.1% compared to the Plan's actual return of 2.6%.

The Plan invests funds for the long-term, anticipating both good and bad financial markets. Investments are diversified to reduce investment risk and mitigate the risk of underperforming the assumed actuarial rate of return. While for any particular year, market performance may not match the assumed actuarial rate of return, long-term returns are expected to be in line with the assumption based on the diversified nature of the portfolio.

Kaweah Delta Health Care District Employees' Retirement Plan Management Discussion and Analysis

Additions to fiduciary net position – The assets needed to fund retirement benefits are accumulated through employer contributions and earnings on investments (net of investment fees). Employer contributions remained the same at \$11.4 million in 2021, 2020, and 2019. Net investment earnings increased \$67.3 million, or 1063.1%, in 2021 from 2020 and decreased \$13.7 million, or 68.4%, in 2020 from 2019. Per the Plan's funding policy, for Plan years ending on or before June 30, 2016, the actuarially-determined contribution was calculated based upon the existing unfunded accrued liability amortized over 30 years. The District annually assesses the need to increase or decrease the contribution amount based upon the District's current and projected financial outlook. Beginning with the Plan year 2017, the District changed its funding policy to calculate contributions based on the existing unfunded accrued liability amortized over 15 years.

Deductions from fiduciary net position – The Plan was established to provide lifetime retirement annuities and survivor benefits to qualified members and their beneficiaries. Deductions from fiduciary net position include recurring monthly benefit payments, and the cost of administering the Plan. Benefits payments increased \$1.1 million, or 7.5%, in 2021 from 2020 and increased \$1.2 million, or 8.8%, in 2020 from 2019, due to the annual cost of living adjustment received by participants and increasing participant retirements. Administrative expenses have increased \$43,000, or 17.6%, in 2021 from 2020, and an increase of \$19,000, or 8.4%, in 2020 from 2019.

PLAN'S FIDUCIARY RESPONSIBILITIES

As a part of the District's annual budget process, the District's Board of Directors authorizes all contributions to the Plan. The Retirement Committee and the District's Board of Directors are fiduciaries of the Plan under the California Government Code. The assets of the Plan can only be used for the exclusive benefit of Plan members and their beneficiaries.

CONTACTING THE PLAN

Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Kaweah Delta Health Care District Employees' Retirement Plan
Attn: Malinda Tupper, Chief Financial Officer
400 W. Mineral King Avenue
Visalia, California 93291

Financial Statements

**Kaweah Delta Health Care District
 Employees' Retirement Plan
 Statements of Fiduciary Net Position
 June 30, 2021 and 2020 (in \$000's)**

	<u>2021</u>	<u>2020</u>
ASSETS		
RECEIVABLES		
Accrued interest and dividends receivable	<u>\$ 365</u>	<u>\$ 419</u>
Total receivables	<u> 365</u>	<u> 419</u>
INVESTMENTS at fair value:		
Cash and cash equivalents	4,625	5,818
Fixed income investments	67,686	47,678
Alternative investments	-	34,200
Equities	<u>247,371</u>	<u>162,743</u>
Total investments	<u>319,682</u>	<u>250,439</u>
TOTAL ASSETS AND NET POSITION RESTRICTED FOR PENSIONS	<u><u>\$ 320,047</u></u>	<u><u>\$ 250,858</u></u>

**Kaweah Delta Health Care District
Employees' Retirement Plan
Statements of Changes in Fiduciary Net Position
Years Ended June 30, 2021 and 2020 (in \$000's)**

	2021	2020
ADDITIONS		
Employer contributions	\$ 11,400	\$ 11,400
Investment income:		
Net increase in fair value of investments	67,199	2,587
Interest and dividend income	8,053	5,107
Investment expense	(1,649)	(1,366)
Net income from investing	73,603	6,328
Total additions	85,003	17,728
DEDUCTIONS		
Benefit payments	15,527	14,448
Administrative expenses	287	244
Total deductions	15,814	14,692
Net increase in net position	69,189	3,036
NET POSITION RESTRICTED FOR PENSIONS		
Beginning of year	250,858	247,822
End of year	\$ 320,047	\$ 250,858

Kaweah Delta Health Care District Employees' Retirement Plan Notes to Financial Statements

NOTE 1 – DESCRIPTION OF PLAN

The Kaweah Delta Health Care District Employees' Retirement Plan (the "Plan") is a single-employer pension plan for certain employees of the Kaweah Delta Health Care District (the "District"). The following brief description is provided for general information purposes only. Participants should refer to the Plan agreement for more complete information.

General – The Plan is a defined benefit pension plan established to provide benefits to participants upon retirement. To be eligible for participation, an employee must be an employee of the District and his or her most recent date of hire must be on or before December 31, 2002. The employee must have elected not to participate in the Kaweah Delta Health Care District Employees' Salary Deferral Plan special matching component and must not be a member of a collective bargaining agreement. The Plan is administered by a committee (the "Retirement Committee") comprised of a District board member, management, and Plan participants.

Effective January 1, 2003, the Plan was amended to provide participants of the Plan the option to cease participation in the Plan and become a participant of the Kaweah Delta Health Care District Employees' Salary Deferral Plan's special matching component. Employees who made this irrevocable election transferred all service credit to the new defined contribution plan. Their vested net assets under the Plan were frozen and will be kept in the trust until such participants reach retirement age. The amendment further provided that no new employees will be allowed to participate in the Plan as of January 1, 2003.

Effective June 30, 2011, the Plan was amended to suspend all accruals and otherwise freeze benefits under the Plan and participants were offered a one-time opportunity to convert sick-leave hours to years of credited service. The California Public Employees' Pension Reform Act of 2013 is not applicable since benefits under the Plan are frozen.

Vesting – A participant in the Plan will not vest until he or she has completed five years of employment. At that time, the employee will become 100% vested in their benefit.

All amounts allocated to a participant's account become fully vested in the event of death of the participant and may then be paid in full to a designated beneficiary.

Retirement benefits – The Plan provides for retirement benefits to participants who are eligible. Normal retirement age is 65. Those participants who were members of the California Public Employees Retirement System on June 30, 1984, may elect early retirement starting at age 50 provided they have completed at least five years of service. All other participants may elect early retirement provided they are at least 55 and have completed at least ten years of service. Benefits are paid in the form of monthly payments based on years of service and a defined maximum of average monthly compensation for the three fiscal years of highest earnings preceding the date of retirement. The amendment effective June 30, 2011, freezes credited years of service and freezes the compensation used for benefits to periods ending no later than June 30, 2011.

Participants receiving monthly benefits are entitled to a cost-of-living increase each July 1, which reflects the change in the Consumer Price Index for the year. The maximum amount of such increase is 2% per year.

**Kaweah Delta Health Care District
Employees' Retirement Plan
Notes to Financial Statements**

Plan membership – Plan membership consisted of the following number of participants as of the actuarial valuation dates. The actuarial valuation for fiscal year 2021 and 2020 is based on participant data as of June 30, 2020 and June 30, 2019, respectively. Update procedures were used to rollforward the total pension liability to each Plan year end measurement date.

	2021	2020
Active employees	650	697
Terminated vested	999	1,011
Retirees receiving benefits	832	780
Total participants	2,481	2,488

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting – The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as applied to governmental units, using the accrual method of accounting. Employer contributions are recognized as additions to Plan assets in the period they are appropriated by the District’s Board of Directors. The Governmental Accounting Standards Board (“GASB”) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

Investment valuation and income recognition – Investments are recorded at fair value in accordance with GASB Statement No. 72, *Fair Value Measurement and Application*. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See Note 7 for discussion of fair value measurements. Purchases and sales of securities are recorded on a trade date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. The net increase or decrease in fair value of investments consists of both realized gains or losses and unrealized appreciation and depreciation of Plan investments.

Payments of benefits – Benefit payments are recorded upon distribution.

Administrative expenses – All administrative costs are paid using the assets of the Plan. Certain administrative and accounting services are provided to the Plan by the District without charge.

Use of estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Actual results could differ from those estimates.

Risk and uncertainties – Plan contributions are made and the total pension liability are reported based on certain assumptions pertaining to expected rates of returns on investments, interest rates, inflation rates, and employee demographics, all of which are subject to change. Due to uncertainties inherent in the estimations and assumptions process, it is at least reasonably possible that changes in these estimates and assumptions in the near term would be material to the financial statements.

**Kaweah Delta Health Care District
 Employees' Retirement Plan
 Notes to Financial Statements**

NOTE 3 – PLAN TERMINATION

Although the District has expressed no intent to terminate the Plan agreement, it may do so upon the occurrence of any of the following:

- 1. Resolution of termination by the District;
- 2. The bankruptcy or receivership of the District; or
- 3. The dissolution or merger of the District unless a successor to the business agrees to continue the Plan by executing an appropriate agreement.

In the event the Plan terminates, the accrued benefits of all affected participants accrued to the date of such termination or partial termination shall fully vest and become nonforfeitable.

NOTE 4 – NET PENSION LIABILITY OF THE DISTRICT

The components of the net pension liability of the District as of June 30, 2021 and 2020 are as follows (in \$000's):

	<u>2021</u>	<u>2020</u>
Total pension liability	\$ 297,776	\$ 291,230
Plan fiduciary net position	<u>320,047</u>	<u>250,858</u>
District's net pension liability (asset)	<u>\$ (22,271)</u>	<u>\$ 40,372</u>
Plan fiduciary net position as a percentage of total pension liability	107.5%	86.1%

**Kaweah Delta Health Care District
Employees' Retirement Plan
Notes to Financial Statements**

Additional information as of the latest actuarial valuation follows:

Valuation date	June 30, 2020
Actuarial cost method	Entry Age Normal
Amortization method	Level dollar over 15 years
Remaining amortization period	Rolling 15 years
Asset valuation method	Fair market value of assets
Actuarial assumptions:	
Investment rate of return	7.50%, net of pension plan expenses
Projected annual salary increases	N/A (due to benefit accrual freeze)
Cost-of-living adjustments	2%
Life expectancy of participants	The base table RP-2014 adjusted backward to 2006 with MP-2014 and projected forward using Scale MP-2020.
Age when 100% of participants retire	Age 65

The long-term expected rate of return on Plan investments was determined using an asset allocation study of the major asset classes to help determine a suitable strategic mix, given investment objectives and goals, risk tolerance and the investment time horizon. The underlying capital market and asset class assumptions are long-term assumptions used for comparative purposes. The following table includes the targeted approximate percentages determined as a part of the Plan's long-term asset allocation strategy, and the estimated long-term expected rates of return for each class:

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
High Yield Taxable Bonds	4%	6.2%
US Large Cap	30%	8.3%
US Mid Cap	10%	9.1%
US Small Cap	12%	9.8%
International Developed Equity	7%	7.7%
International Emerging Market Equity	7%	10.0%
Intermediate-term Fixed Income	14%	3.2%
Global Public REITS	3%	7.9%
Commodities	5%	6.7%
Hedge Fund Diversified	8%	5.3%
	<u>100%</u>	

The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that the District's contributions will be made at amounts equal to the annual actuarially-determined contributions, except that fiscal years 2022 through 2026 reflect planned expected contributions of \$11.4 million each year. Based on this assumption, the Plan's fiduciary net position was projected to be available to make substantially all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on the Plan's investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Kaweah Delta Health Care District
Employees' Retirement Plan
Notes to Financial Statements**

Sensitivity of the net pension liability to changes in the discount rate at June 30, 2021: The following presents the District's net pension liability calculated using the discount rate of 7.5%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5%) or 1- percentage-point higher (8.5%) than the current rate (in \$000's).

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
District's net pension liability (asset)	\$9,682	(\$22,271)	(\$49,180)

NOTE 5 – FUNDING POLICY

The actuarially determined contribution is intended to provide a systematic method for prefunding the liabilities for retirement benefits payable under the plan. The Kaweah Delta Health Care District Employees' Retirement Plan funding policy is to contribute an annual amount based upon the amount needed to amortize any unfunded net pension liability over 15 years, based on the actuarial valuation as of the beginning of the year. The net pension liability is determined using a discount rate based on the long-term expected return on the plan's assets. The expected return is consistent with Kaweah Delta Health Care District Employees' Retirement Plan investment policy. Kaweah will also annually assess the need to increase or decrease the contribution amount based on the plan and District's current and projected financial outlook. As a part of the District's annual budget process, the District's Board of Directors authorizes all contributions to the Plan.

The District contributed \$11.4 million in the years ended June 30, 2021 and 2020, respectively.

NOTE 6 – INVESTMENTS

The Plan follows GASB Statement No. 40, *Deposit and Investment Risk Disclosures*, which requires the Plan to disclose its deposit and investment policies related to investments with credit risk or deposits with custodial credit risk, the credit ratings and maturities of its investments (other than U.S. government obligations or obligations guaranteed by the U.S. government), and additional disclosures related to uninsured deposits.

**Kaweah Delta Health Care District
Employees' Retirement Plan
Notes to Financial Statements**

A summary of investments by investment type, with scheduled maturities at June 30, 2021, follows (in \$000's):

	Fair Value	Investment Maturities (in years)		
		Less than 1	1 - 5	More than 5
Fixed income investments:				
U.S. Treasury obligations	\$ 8,959	\$ 653	\$ 5,989	\$ 2,317
Federal agency obligations	1,211	-	725	486
Corporate obligations	14,817	1,513	8,689	4,615
Fixed income mutual funds	42,699	42,699	-	-
Fixed income investments	67,686	\$ 44,865	\$ 15,403	\$ 7,418
Cash and cash equivalents:				
Money market mutual fund	4,625			
Equity investments	247,371			
	\$ 319,682			

Investment activities of the Plan are governed by sections of the California Government Code, which allow any type of prudent investment. The Plan's investment policy is intended to assist the Retirement Committee (the "Committee") in prudently evaluating investment options and establishing an allocation strategy for the assets of the Plan. The objective of the Committee is to ensure the security of all accrued benefits. The Committee's asset allocation strategy is predicated on meeting its objective with a desire to effectively manage funded status volatility and mitigate undue risk exposure, taking into consideration performance expectations, risk tolerance and volatility, liquidity, and the Plan's time horizon. An analysis of Plan liabilities, projected liquidity needs and assets is used to determine the Plan's long-term investment strategy. The Committee intends to utilize a range of investment alternatives to achieve the return and risk objectives of the Plan. Asset classes utilized include, but are not limited to, those outlined in Note 4.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. Rebalancing reviews take place periodically, or at a frequency deemed appropriate by the Retirement Committee.

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Substantially all of the Plan's investments in corporate obligations were rated investment grade as of June 30, 2021. Mutual funds are not rated for credit risk.

Foreign currency risk is the risk that changes in exchange rates will adversely impact the fair value of an investment denominated in a foreign currency. The Plan's foreign currency risk exposure resides within the alternative investment holdings. The Plan does not hold any direct investments or instruments denominated in a foreign currency.

Kaweah Delta Health Care District

Employees' Retirement Plan

Notes to Financial Statements

Concentration of credit risk is the risk of loss attributed to the magnitude of the Plan's investment in a single issuer. As of June 30, 2021, there were no investments held with a single corporate or government agency issuer that exceeded 5% of the Plan's total investments (excluding investments issued by the U.S. government and mutual funds that are exempt from reporting).

There were no other concentrations of investments at or exceeding 5% of the Plan's fiduciary net position (excluding mutual funds that are exempt from reporting).

For the year ended June 30, 2021, the annual money-weighted rate of return on Plan investments, net of Plan investment expense, was 29.6%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

NOTE 7 – FAIR VALUE OF ASSETS AND LIABILITIES

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value hierarchy requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The three levels of inputs that may be used to measure fair value within the fair value hierarchy are:

- Level 1** Quoted prices in active markets for identical assets or liabilities
- Level 2** Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities
- Level 3** Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows.

**Kaweah Delta Health Care District
Employees' Retirement Plan
Notes to Financial Statements**

The following tables present the fair value measurements of assets recognized in the accompanying statements of fiduciary net position reported at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall (in \$000's):

Description	June 30, 2021			Balance
	Level 1	Level 2	Level 3	
Investments by fair value level				
Cash and cash equivalents	\$ 4,625	\$ -	\$ -	\$ 4,625
Fixed income investments				
Fixed Income mutual fund	42,699	-	-	42,699
U.S. Treasury obligations	-	8,959	-	8,959
Federal agency obligations	-	1,211	-	1,211
Corporate obligations	-	14,817	-	14,817
Total fixed income investments	42,699	24,987	-	67,686
Equity securities				
Domestic	220,407	-	-	220,407
International	25,967	-	-	25,967
Realty	997	-	-	997
Total equity securities	247,371	-	-	247,371
Total investments by fair value level	\$ 294,695	\$ 24,987	\$ -	\$ 319,682

**Kaweah Delta Health Care District
Employees' Retirement Plan
Notes to Financial Statements**

Description	June 30, 2020			Balance
	Level 1	Level 2	Level 3	
Investments by fair value level				
Cash and cash equivalents	\$ 5,818	\$ -	\$ -	\$ 5,818
Fixed income investments				
Fixed Income mutual fund	26,515	-	-	26,515
U.S. Treasury obligations	-	8,033	-	8,033
Federal agency obligations	-	289	-	289
Corporate obligations	-	12,841	-	12,841
Total fixed income investments	26,515	21,163	-	47,678
Equity securities				
Domestic	139,056	-	-	139,056
International	23,378	-	-	23,378
Realty	309	-	-	309
Total equity securities	162,743	-	-	162,743
Total investments by fair value level	\$ 195,076	\$ 21,163	\$ -	216,239
Investments measured at net asset value				
Alternative investments				34,200
Total investments measured at fair value				\$ 250,439

Description of classification and methods of valuation – Fixed income investments and equity securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for identical securities. Fixed income investments classified in Level 2 of the fair value hierarchy are valued using other significant observable inputs such as quoted prices of similar securities, interest rates, prepayment spends, and credit risk among others.

Kaweah Delta Health Care District Employees' Retirement Plan Notes to Financial Statements

The Plan had investments in five alternative investment funds, at June 30, 2020, which were fully liquidated during 2021. The fair values of these investments were determined using the net asset value per share or its equivalent. Each fund invests all of its assets through a master-feeder structure into master funds that have the same objectives as the feeder funds. The master funds invest with funds of hedge funds and other experienced portfolio managers or otherwise utilize the services of investment advisors or other investment managers employing a variety of trading styles or strategies. The objectives of the alternative investments were to generate consistent long-term capital appreciation with low volatility and little correlation with the equity and bond markets and to provide a partial inflation hedge with an attractive risk/return profile as compared to other products using a commodity index and investments in numerous futures markets.

The following table provides the fair value and redemption terms and restrictions for investments redeemable at NAV at June 30, 2020 (in thousands):

<u>Investments measured at NAV</u>	Fair Value (in \$000's) June 30, 2020	Unfunded Commitments	Redemption Frequency	Redemption Notice
Multi-strategy hedge fund	\$ 6,084	\$ -	Quarterly	95 days
Diversified multi-portfolio fund	5,628	-	Quarterly	35 days
Merger arbitrage fund	9,352	-	Quarterly	95 days
Focused technology fund	8,024	-	Quarterly	65 days
Diversified futures hedge fund	5,112	-	Monthly	35 days
	<u>\$ 34,200</u>	<u>\$ -</u>		

NOTE 8 – TAX STATUS

The District has received a favorable tax determination letter dated August 25, 2014, from the Internal Revenue Service that indicates that the Plan qualifies under Internal Revenue Code Section 401(a) and the related trust is exempt from federal income taxes. Although the Plan has been amended since receiving the determination letter, the Plan administrator believes that the Plan is designed and is currently being operated in compliance with the applicable requirements of the Internal Revenue Code.

NOTE 9 – RELATED PARTY TRANSACTIONS

The Plan investments are managed by independent fund managers. First State Trust Company (the "Trustee") is the trustee as defined by the Plan and, therefore, qualifies as a related party.

Fees paid to the Trustee by the Plan and included in administrative expense on the statement of changes in fiduciary net position were \$97,800 and \$94,400 for the years ended June 30, 2021 and 2020, respectively.

The Trustee retains the float on certain contributions to be invested or uncashed benefit payments as part of the Trustee's compensation for services.

Required Supplementary Information

**Kaweah Delta Health Care District
Employees' Retirement Plan**

Schedule of Changes in Net Pension Liability and Related Ratios – in \$000's (Schedule 1)

	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
Total pension liability								
Interest	\$ 21,157	\$ 20,967	\$ 20,386	\$ 19,997	\$ 19,275	\$ 17,721	\$ 17,147	\$ 16,843
Service cost-change in benefit terms in 2014	-	-	-	-	90	90	90	90
Changes of assumptions	(2,059)	6,216	(1,167)	5,445	(2,958)	11,818	347	332
Difference between expected and actual experience	2,975	(572)	2,304	842	5,563	-	677	264
Benefit payments	(15,527)	(14,448)	(13,275)	(12,707)	(11,333)	(10,577)	(10,426)	(8,662)
Net change in total pension liability	6,546	12,163	8,248	13,577	10,637	19,052	7,835	8,867
Total pension liability - beginning	291,230	279,067	270,819	257,242	246,605	227,553	219,718	210,851
Total pension liability - ending (a)	<u>\$ 297,776</u>	<u>\$ 291,230</u>	<u>\$ 279,067</u>	<u>\$ 270,819</u>	<u>\$ 257,242</u>	<u>\$ 246,605</u>	<u>\$ 227,553</u>	<u>\$ 219,718</u>
Plan fiduciary net position								
Contributions - employer	\$ 11,400	\$ 11,400	\$ 11,400	\$ 11,400	\$ 9,000	\$ 5,000	\$ 3,720	\$ 4,058
Net investment income (loss)	73,603	6,328	20,001	25,925	24,285	(1,142)	8,407	29,928
Benefit payments	(15,527)	(14,448)	(13,275)	(12,707)	(11,333)	(10,577)	(10,426)	(8,662)
Administrative expenses	(287)	(244)	(225)	(189)	(242)	(284)	(320)	(267)
Net change in plan fiduciary net position	69,189	3,036	17,901	24,429	21,710	(7,003)	1,381	25,057
Plan fiduciary net position-beginning	250,858	247,822	229,921	205,492	183,782	190,785	189,404	164,347
Plan fiduciary net position-ending (b)	<u>\$ 320,047</u>	<u>\$ 250,858</u>	<u>\$ 247,822</u>	<u>\$ 229,921</u>	<u>\$ 205,492</u>	<u>\$ 183,782</u>	<u>\$ 190,785</u>	<u>\$ 189,404</u>
District's net pension liability (asset) (a) - (b)	<u>\$ (22,271)</u>	<u>\$ 40,372</u>	<u>\$ 31,245</u>	<u>\$ 40,898</u>	<u>\$ 51,750</u>	<u>\$ 62,823</u>	<u>\$ 36,768</u>	<u>\$ 30,314</u>
Plan fiduciary net position as a percentage of the total pension liability	107.5%	86.1%	88.8%	84.9%	79.9%	74.5%	83.8%	86.2%
Covered payroll and percentage	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Notes to Schedule:

Changes in assumptions: In 2021, the mortality assumption was updated from MP-2019 to MP-2020. In 2020, the mortality assumption was updated from MP-2018 to MP-2019, and the discount rate changed to 7.5% from 7.75%. In 2019, the decrement timing assumption was updated from beginning-of-year to middle-of-year and the mortality assumption was updated from MP-2017 to MP-2018. In 2018, the discount rate changed to 7.75% from 8% used in all prior years presented and the mortality assumption was updated to RP-2014 (adjusted backward to 2006 with MP-2014 and projected generationally using Scale MP-2017). In 2017, the mortality assumption was updated to RP-2014 (adjusted backward to 2006 with MP-2014 and projected generationally using Scale MP-2016). In 2016, the mortality assumption was updated to RP-2014 (adjusted backward to 2006 with MP-2014 and projected generationally using Scale BB-2D). In 2015, the mortality assumption was updated to the PPA Static 2015 tables from the PPA Static 2014 tables used in 2014.

Covered payroll: The Plan was amended to freeze benefits effective June 30, 2011 and covered payroll no longer applies.

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Plan will present information for those years for which information is available.

**Kaweah Delta Health Care District
 Employees' Retirement Plan
 Schedule of Employer Contributions-in \$000's (Schedule 2)**

Year Ended June 30,	Actuarial Determined Contribution	Actual Contribution	Contribution Excess
2021	\$ 4,414	\$ 11,400	6,986
2020	3,466	11,400	7,934
2019	4,533	11,400	6,867
2018	5,818	11,400	5,582
2017	6,879	9,000	2,121
2016	3,224	5,000	1,776
2015	2,673	3,720	1,047
2014	3,972	4,058	86
2013	4,093	4,095	2
2012	2,233	2,235	2

Notes to Schedule

Valuation date:

Actuarially determined contribution rates are calculated as of June 30, one year prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal. Prior to 2014, Projected unit credit method.
Amortization method	Level dollar
Remaining amortization period	Rolling 15 years. Prior to 2017, Rolling 30 years
Asset valuation method	Fair value
Salary increases	N/A since 2011 - due to benefit accrual freeze in 2011.
Investment rate of return, net of expenses	7.50% for 2021 contribution. 7.75% for 2020 and 2019 contributions. 8% for 2018 and prior contributions.
Retirement age	Participants are assumed to retire at rates varying by age from 55 to 65.
Mortality	The 2021 contribution assumed mortality under the RP-2014 table projected using Scale MP-2019. The 2020 contribution assumed mortality under the RP-2014 table projected using Scale MP-2018. The 2019 contribution assumed mortality under the RP-2014 table projected using Scale MP-2017. The 2018 contribution assumed mortality under the RP-2014 table projected using Scale MP-2016. The 2017 contribution assumed mortality under the RP-2014 base table projected using Scale BB-2D. The 2016 contribution assumed mortality under the 2015 Static Annuitant and Non-Annuitant Mortality tables for males and females as shown in IRS Notice 2008-85. Updates to mortality tables were made in various prior years.
Cost of living adjustment	2%

Other information:

Covered payroll and contributions as a % are not presented since the Plan was frozen to benefit accruals since 2011.

**Kaweah Delta Health Care District
Employees' Retirement Plan
Schedule of Investment Returns (Schedule 3)**

<u>Years</u>	<u>Annual money-weighted rate of return, net of Plan expenses</u>
2021	29.6%
2020	2.6%
2019	8.7%
2018	12.7%
2017	13.2%
2016	-0.8%
2015	4.4%
2014	18.3%
2013	10.1%
2012	-1.4%



*Communication with
Those Charged with Governance*

**Kaweah Delta Health Care District
Employees' Retirement Plan**

June 30, 2021



Communications with Those Charged with Governance

To the Audit Committee
Kaweah Delta Health Care District Employees' Retirement Plan

We have audited the financial statements and supplementary information of Kaweah Delta Health Care District Employees' Retirement Plan (the Plan) as of and for the year ended June 30, 2021, and have issued our report thereon dated December 20, 2021. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility Under Auditing Standards Generally Accepted in the United States of America

As stated in our engagement letter dated November 1, 2021, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your responsibilities.

Our responsibility is to plan and perform the audit in accordance with auditing standards generally accepted in the United States of America and to design the audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control. We considered the Plan's internal control solely for the purposes of determining our audit procedures and not to provide assurance concerning such internal control. Accordingly, we do not express an opinion on the effectiveness of the Plan's internal control.

We are also responsible for communicating significant matters related to the financial statement audit that, in our professional judgment, are relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

You should understand that our audit is not specifically designed for and should not be relied upon to disclose matters affecting plan qualifications or compliance with the ERISA and Internal Revenue Code requirements.

Other Information in Documents Containing Audited Financial Statements

Our responsibility for other information in the Public Retirement Systems Financial Transactions Report does not extend beyond the financial information identified in our report. We do not have an obligation to perform any procedures to corroborate other information contained in this report. However, we have read the information contained in the report and nothing came to our attention that caused us to believe that such information or its manner of presentation is materially inconsistent with the information or manner of its presentation appearing in the financial statements.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in the engagement letter and planning discussions.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Plan are described in Note 2 to the financial statements.

No new accounting policies were adopted and there were no changes in the application of existing accounting policies during the year. We noted no transactions entered into by the Plan during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transactions occurred.

Significant Accounting Estimates

Accounting estimates may be an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates may be particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

The most sensitive estimates affecting the financial statements were:

- Management used a single discount rate of 7.5% in the total pension liability calculation at June 30, 2021. The calculation assumes the District will make expected planned contributions of \$11.4 million each year from 2022 through 2026, and thereafter annually make the actuarially determined contributions.
- The calculation is also dependent upon the District's estimate that the pension plan assets will be invested using a strategy to achieve the assumed returns and cover expenses. A change in this discount rate would have a significant impact on the pension liability.
- Management updated the estimated mortality assumption to the scale recommended by the actuary for generational projection.
- Management estimated that the census data as of June 30, 2020, was reasonable for the actuary to use in projecting the pension liability to the measurement date of June 30, 2021.

We evaluated the key factors and assumptions used to develop the estimates, in determining that they are reasonable in relation to the financial statements taken as a whole.

Financial Statement Disclosures

The disclosures in the financial statements are consistent, clear, and understandable. Certain financial statement disclosures may be particularly sensitive because of their significance to financial statement users.

The most sensitive disclosures affecting the financial statements were:

- Disclosure in Note 1 of the frozen future benefit accruals.
- Disclosure in Note 4 of the net pension liability, rates of return and sensitivity of the net pension liability to changes in the discount rate.
- Disclosure in Note 6 of investment credit risk. Management disclosed that substantially all plan investments in corporate obligations were rated investment grade.
- Disclosure in Note 6 of the money-weighted rate of return.
- Disclosure in Note 4 and in Note 6 of the plan investment strategy and asset allocation.

Significant Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Uncorrected Misstatements

We did not note any uncorrected misstatements in the course of the engagement.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated December 20, 2021.

Management Consultation with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to the Plan’s financial statements or a determination of the type of auditor’s opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Significant Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Plan’s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of Audit Committee and management of the Plan, and is not intended to be, and should not be, used by anyone other than these specified parties.

Mess Adams LLP

Stockton, California
December 20, 2021





*Report of Independent Auditors and
Financial Statements with
Supplementary Information*

**Kaweah Delta Health Care District
Employees' Salary Deferral Plan**

December 31, 2020 and 2019



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Report of Independent Auditors

To the Plan Administrator
Kaweah Delta Health Care District Employees' Salary Deferral Plan

Report on the Financial Statements

We have audited the accompanying financial statements of Kaweah Delta Health Care District Employees' Salary Deferral Plan (the Plan), which comprise the statements of fiduciary net position as of December 31, 2020 and 2019, and the related statement of changes in fiduciary net position for the year ended December 31, 2020, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Plan's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the fiduciary net position of the Plan as of December 31, 2020 and 2019, and the changes in fiduciary net position for the year ended December 31, 2020, in accordance with accounting principles generally accepted in the United States of America.

Other Matters –

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of assets as of December 31, 2020, is presented for the purpose of additional analysis and is not a required part of the financial statements. Such information is the responsibility of the Plan's management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 to 7 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express or provide any assurance.

Moss Adams LLP

Stockton, California
December 20, 2021

Management Discussion and Analysis

Kaweah Delta Health Care District Employees' Salary Deferral Plan Management Discussion and Analysis

Kaweah Delta Health Care District's (the District) discussion and analysis of the financial activities of the Kaweah Delta Health Care District Employees' Salary Deferral Plan (the Plan) is designed to assist the reader in focusing on significant financial issues, provide an overview of the Plan's financial activity, and identify changes in the Plan's financial position for the years ended December 31, 2020 and 2019. Please read it in conjunction with the audited financial statements and supplementary information in this report.

Financial Highlights

- Fiduciary net position totaled \$299.4 million at December 31, 2020, an increase of \$30.9 million, or 11.5%, from December 31, 2019. Fiduciary net position increased by \$55.6 million, or 26.1%, to \$268.5 million at December 31, 2019 from December 31, 2018.
- The increase to the Plan's 2020 net assets of \$30.9 million consists of total Plan additions of \$49.4 million, offset by total Plan deductions of \$18.5 million. The increase in the Plan's 2019 net assets of \$55.6 million consists of total Plan additions of \$65.5 million, as offset by total Plan deductions of \$9.9 million. Total Plan additions include employee and employer contributions, interest and dividends, appreciation or depreciation in the fair value of investments, and investment expenses. Total Plan deductions include benefits paid to participants and administrative expenses. Total Plan additions decreased in 2020 from 2019 due mainly to a decrease in employer contributions as well as a decline in investment performance.
- Benefits paid to participants, which include amounts directly paid to participants and/or beneficiaries (including direct rollovers), certain deemed distributions of participant loans, and other distributions, totaled \$18.3 million at December 31, 2020, an increase of \$8.5 million, or 86.1%, from December 31, 2019. The increase in benefits paid to participants was partially attributable to the number of distributions made to long-term participant retirees and Disaster Relief withdrawals.

The Plan continues to retain an investment consultant to identify opportunities to improve investment returns. The consultant performs plan design review, investment research, investment performance evaluation, and other related services.

Overview of the Financial Statements – The following Management's Discussion and Analysis is intended to serve as an introduction to the Plan's financial statements. The basic financial statements are:

- Statements of fiduciary net position
- Statement of changes in fiduciary net position
- Notes to financial statements

This report also contains supplemental information to the basic financial statements which provides a schedule of assets held at year end.

The basic financial statements contained in this report are described below:

- Statements of fiduciary net position is a point in time snapshot of account balances at year-end. It reports the assets available for future payments to participants, and any current liabilities that are owed as of the statement date. The resulting net position value [assets less liabilities equal the net position] represents the value of net position held in trust for pension benefits.

Kaweah Delta Health Care District Employees' Salary Deferral Plan Management Discussion and Analysis

- Statement of changes in fiduciary net position displays the effect of Plan fund transactions that occurred during the Plan year [additions less deductions equal the net increase (decrease) in fiduciary net position]. This net increase (decrease) in fiduciary net position reflects the change in the net assets value of Plan net position from the prior year to the current year. Both statements are in compliance with Governmental Accounting Standards Board (GASB) pronouncements.
- Notes to financial statements are an integral part of the financial statements and provide additional information that is essential for a comprehensive understanding of the data provided in the financial statements. These notes describe the accounting and administrative policies under which the Plan operates and provide additional levels of detail for selected financial statement items.

Financial Analysis

The condensed Plan statements of fiduciary net position as compared to prior years are as follows (in thousands):

	Year Ended December 31,		
	2020	2019	2018
ASSETS			
Investments	\$ 294,995	\$ 254,543	\$ 199,453
Receivables	4,453	13,966	13,473
NET POSITION AVAILABLE FOR BENEFITS	\$ 299,448	\$ 268,509	\$ 212,926

Kaweah Delta Health Care District Employees' Salary Deferral Plan Management Discussion and Analysis

The condensed statements of changes in the Plan's fiduciary net position as compared to prior year are as follows (in thousands):

	December 31,	
	2020	2019
ADDITIONS TO NET POSITION ATTRIBUTED TO		
Investment income (loss)	\$ 30,836	\$ 38,484
Interest income on notes receivable from participants	276	303
Contributions		
Participant	16,756	16,282
Employer	-	9,232
Rollovers	1,524	1,241
	<u>18,280</u>	<u>26,755</u>
Total additions	<u>49,392</u>	<u>65,542</u>
DEDUCTIONS FROM NET POSITION ATTRIBUTED TO		
Benefits paid to participants	18,304	9,834
Administrative expenses	149	125
	<u>18,453</u>	<u>9,959</u>
Total deductions	<u>18,453</u>	<u>9,959</u>
CHANGE IN NET POSITION	30,939	55,583
NET POSITION AVAILABLE FOR BENEFITS		
Beginning of year	<u>268,509</u>	<u>212,926</u>
End of year	<u>\$ 299,448</u>	<u>\$ 268,509</u>

Fiduciary Net Position increased \$30.9 million, or 11.5%, in 2020. This increase is mainly attributable to investment income due to positive market conditions. Net position available for benefits increased \$55.6 million, or 26.1%, in 2019. This increase is attributable to contributions net of benefits paid, with overall investment income from positive market conditions in the investment market.

Investment (loss) income The Plan had an investment income of \$30.8 million in 2020, compared to investment income of \$38.5 million in 2019. The stock market is the principal investment forum utilized by the Plan for participant-directed investments and market performance has a considerable impact on investment returns. Both the 2020 and 2019 investment income reflected the increases in the equity markets. With the help of the Plan's investment consultant, investment performance continues to be carefully monitored and fund replacements are made, when appropriate.

Participant Contributions continued to follow an upward trend with an increase in employee deferrals of \$474,000, or 2.9%, in 2020 from 2019 levels. While the participation rate decreased slightly at 56.1% in 2020, there was an increase in average deferral percent of 7.4% in 2020, as compared to 7.2% in 2019.

Employer Contributions decreased \$9.2 million, or 100%, in 2020 from 2019 levels. The District elected not to make a match contribution in 2020.

Kaweah Delta Health Care District Employees' Salary Deferral Plan Management Discussion and Analysis

Benefits Paid to Participants and Beneficiaries increased \$8.5 million, or 86.1%, in 2020 from 2019 levels. The increase in 2020 is attributable to the number of distributions made to long-term participant retirees and Disaster Relief withdrawals.

Contacting the Plan

Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Kaweah Delta Health Care District Employees' Retirement Plan
Attn: Dianne Cox, VP of Human Resource
400 W. Mineral King Avenue
Visalia, California 93291

Financial Statements

Kaweah Delta Health Care District Employees' Salary Deferral Plan
Statements of Fiduciary Net Position
December 31, 2020 and 2019 (in thousands)

	December 31,	
	2020	2019
ASSETS		
Investments		
Mutual funds	\$ 221,353	\$ 190,922
Self-directed brokerage accounts	2,834	968
Other	581	609
	<hr/>	<hr/>
Investments, at fair value	224,768	192,499
Group fixed annuity contract, at contract value	70,227	62,044
	<hr/>	<hr/>
Total investments	294,995	254,543
Receivables		
Notes receivable from participants	4,453	4,722
Employer contributions	-	9,244
	<hr/>	<hr/>
Total receivables	4,453	13,966
	<hr/>	<hr/>
TOTAL ASSETS	299,448	268,509
	<hr/>	<hr/>
NET POSITION AVAILABLE FOR BENEFITS	\$ 299,448	\$ 268,509
	<hr/> <hr/>	<hr/> <hr/>

Kaweah Delta Health Care District Employees' Salary Deferral Plan
Statement of Changes in Fiduciary Net Position
Year Ended December 31, 2020 (in thousands)

ADDITIONS TO NET POSITION ATTRIBUTED TO	
Investment income	
Net appreciation in fair value of investments	\$ 22,565
Interest	1,954
Dividends	6,588
	<hr/>
	31,107
Less investment expenses	(271)
	<hr/>
Net investment income	30,836
	<hr/>
Interest income on notes receivable from participants	276
	<hr/>
Contributions	
Participant	16,756
Employer	-
Rollovers	1,524
	<hr/>
	18,280
	<hr/>
Total additions	49,392
	<hr/>
DEDUCTIONS FROM NET POSITION ATTRIBUTED TO	
Benefits paid to participants	18,304
Administrative expenses	149
	<hr/>
Total deductions	18,453
	<hr/>
CHANGE IN FIDUCIARY NET POSITION	30,939
	<hr/>
FIDUCIARY NET POSITION	
Beginning of year	268,509
	<hr/>
End of year	\$ 299,448
	<hr/> <hr/>

Kaweah Delta Health Care District Employees' Salary Deferral Plan

Notes to Financial Statements

NOTE 1 – DESCRIPTION OF PLAN

The following description of the Kaweah Delta Health Care District Employees' Salary Deferral Plan (the Plan) provides only general information. Participants should refer to the Plan Agreement, as amended, for a more complete description of Plan provisions.

General – The Plan, established July 1, 1984, is a single employer 401(k) salary deferral defined contribution plan covering substantially all employees of Kaweah Delta Health Care District (the District). The District is the Plan's sponsor and serves as plan administrator. The Plan is not subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA) as the District is a governmental agency. At December 31, 2020, the Plan covered 3,087 active participants.

Eligibility – There is no minimum age or service requirement for participation in the Plan. If an employee elects to participate in the Plan, the date of entry is the first day of the payroll period. Participants must complete at least 1,000 hours of service during the Plan year and be employed as of the last day of the Plan year, to be eligible to receive any employer paid match contributions.

Contributions

Participant contributions – Each year, participants may defer any amount of pretax annual compensation, as defined in the Plan, up to regulatory limits. Participants can change or terminate a deferral election on a prospective basis as of each payroll period. Participants who have attained age 50 before the end of the Plan year are eligible to make catch-up contributions. Participants may also contribute amounts representing distributions from other qualified defined benefit or defined contribution plans, as defined in the Plan.

Employer match contributions – The District may elect to make discretionary matching contributions to the Plan. The employer match is based on the Plan year and includes defined compensation earned during the entire Plan year, even while an individual is not a participant in the Plan. The District may match up to 100% of employee contributions, up to the percentage of eligible compensation deferred to the Plan based upon years of service as shown in the below table:

Years of Service	Tiered match formula
Less than 1	0%
1 to 2	100% up to 3% of Plan Compensation
3 to 5	100% up to 4% of Plan Compensation
6 to 10	100% up to 5% of Plan Compensation
11 or more	100% up to 6% of Plan Compensation

Participant accounts – Each participant's account is credited or debited with the participant's contributions and District discretionary contributions, if any, and Plan earnings or losses. Plan earnings and losses are allocated based on participant investment choices. Participant accounts are charged with an allocation of administrative expenses that are paid by the Plan, or based on specific participant transactions as defined. The benefit to which a participant is entitled is the benefit that can be provided from the participant's vested account. Participants direct the investment of their account into various investment options offered by the Plan.

Kaweah Delta Health Care District Employees' Salary Deferral Plan

Notes to Financial Statements

Vesting – Participants are vested immediately in their contributions plus actual earnings thereon. Vesting in the District's contribution portion of their accounts is based on years of continuous service. A participant is fully vested after five years of credited service or in the event of death. For participants with a break in service, only vesting service earned after the participant's reemployment commencement date shall be counted when determining the participant's vested percentage. The District has included prior service with certain predecessor employers.

Notes receivable from participants – Under the terms of the Plan Agreement, loans are provided under a separate written loan policy. Loans are initiated through the Lincoln Alliance program only and serviced by Lincoln Retirement Services Company, LLC (LRSC). Participants may borrow a minimum of \$1,000 from their deferral and rollover accounts. The loans are secured by the balance in the participant's account. Participants may have a maximum of two (2) loans with a minimum payment period of thirty-six (36) months. Nonresidential loans have a maximum payment period of five (5) years and residential loans have a maximum payment period of twenty (20) years. Under the terms of the loan policy, a participant with an outstanding loan may suspend loan payments for up to twelve (12) months for any period during which the participant is on an unpaid leave of absence, or on paid leave of absence if the participant's rate of pay during the paid leave of absence is less than the loan repayment amount. The interest rate on plan loans is based on the quarterly prime interest plus one percent (1%). As of December 31, 2020, the rates of interest on outstanding loans ranged from 4.25% to 7.00% with various maturities through November 2040.

Payment of benefits – On termination of service or death, disability, or retirement, a participant may elect to receive either a lump-sum amount equal to the value of the participant's vested interest in his or her account, a partial lump-sum, or installments over a specified period not to exceed the life or life expectancy of the participant and a designated beneficiary. A participant who terminates employment with a vested interest in his or her account of \$5,000 or less will receive an involuntary lump-sum distribution; absent an election by the participant, the Plan will make the distribution as an automatic rollover to an individual retirement account. Participants are allowed to receive in-service distributions for financial hardship, attainment of age 59-1/2, or if a qualified reservist, as defined in the Plan.

Forfeitures – Forfeitures are the nonvested portion of a participant's account that is lost upon termination of employment. Forfeitures are retained in the Plan and may be used by the District to reduce the matching contribution or pay administrative fees. The amount of unallocated forfeitures as of December 31, 2020 and 2019, amounted to \$225,994 and \$125,582, respectively.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting – The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as applied to governmental units, using the accrual method of accounting. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

Use of estimates – The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that may affect certain amounts and disclosures. Accordingly, actual results could differ from those estimates.

Investment valuation – Investments of the Plan are reported at fair value, except for the group fixed annuity contract, which is reported at contract value.

Kaweah Delta Health Care District Employees' Salary Deferral Plan

Notes to Financial Statements

Fair value is the price that would be received to sell an asset or paid to transfer a liability (the "exit price") in an orderly transaction between market participants at the measurement date. See Note 4 for discussion of fair value measurements.

The group fixed annuity contract is valued at contract value as a cost-based measurement, as the contract is substantially nonparticipating. Contract value is the amount participants normally would receive if they were to initiate permitted transactions under the terms of the Plan. See Note 5.

Income recognition – Purchases and sales of securities are recorded on a trade-date basis. Dividends are recorded on the ex-dividend date. Interest income is recorded on the accrual basis. The net appreciation or depreciation in fair value of investments consists of both the realized gains and losses and unrealized appreciation and depreciation of those investments.

Notes receivable from participants – Notes receivable from participants are measured at amortized cost, which represents the unpaid principal balance plus accrued but unpaid interest. Delinquent notes receivable from participants are reclassified as distributions. No allowance for credit losses has been recorded as of December 31, 2020 or 2019.

Payment of benefits – Benefits are recorded when paid.

Expenses – Certain expenses of maintaining the Plan are paid directly by the District and are excluded from these financial statements. Fees related to the administration of notes receivable from participants are charged directly to the participant's account and are included in administrative expenses. Investment related expenses are included in net appreciation or depreciation in fair value of investments.

Revenue sharing – The Plan has a revenue sharing arrangement with its recordkeeper, LRSC, in which certain revenue earned by LRSC from the Plan investments, is used to offset LRSC recordkeeping expenses and the excess revenue is allocated to participants.

NOTE 3 – INVESTMENTS

Investment securities are exposed to various risks that can affect the value of the Plan investments such as custodial credit risk, foreign currency risk, interest rate risk, credit risk, and concentration risk.

Custodial credit risk – Custodial credit risk is the risk that, in the event of a failure by the counterparty, the Plan will not be able to recover the value of its investments that are in the possession of an outside party. The Plan policies do not specifically address custodial credit risk, but all the Plan's investments are insured or registered, or held by the Plan or its agent in the Plan's name.

Foreign currency risk – Foreign currency risk is the risk that changes in exchange rates will adversely impact the fair value of an investment denominated in a foreign currency. The Plan's foreign currency risk exposure resides within the international mutual fund holdings. The Plan does not hold any direct investments or instruments denominated in a foreign currency.

Interest rate risk and credit risk – The Plan does not hold any direct investments in fixed income securities.

Kaweah Delta Health Care District Employees' Salary Deferral Plan Notes to Financial Statements

Concentration risk – Investments representing 5% or more of total investments consist of the following as of December 31 (in thousands):

	2020	2019
Mutual funds		
MFS Growth Fund	\$ 39,014	\$ 33,714
Invesco Diversified Dividend Fund	\$ 21,439	\$ 19,806
PGIM Total Return Bond Fund	\$ 20,851	\$ 18,409
American Funds Fundamental Investors	*	\$ 12,497
Group fixed annuity contract		
Lincoln National Life Insurance Co	\$ 70,227	\$ 62,044
Self-directed brokerage accounts	*	*
Other	*	*

* Balance not 5% or more of total investments at year-end.

The Plan has an investment policy statement that provides guidance for selection, monitoring, and evaluation of the investment options for the Plan. The policy is designed to provide flexibility for participants to make prudent investment decisions based on their individual needs, in order to address the various types of investment risk described above.

NOTE 4 – FAIR VALUE MEASUREMENTS

The framework for measuring fair value provides a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3).

The three levels of the fair value hierarchy are described as follows:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities the Plan has the ability to access.

Level 2 – Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; and inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

Kaweah Delta Health Care District Employees' Salary Deferral Plan Notes to Financial Statements

Following is a description of the valuation techniques used for assets measured at fair value. There have been no changes in the techniques used at December 31, 2020 and 2019.

Mutual funds (registered investment companies) – Valued at the daily closing price as reported by the fund. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The funds held by the Plan are deemed to be actively traded. Mutual funds held by the Plan are open-end mutual funds that are registered with the U.S. Securities and Exchange Commission.

Self-directed brokerage accounts – Accounts primarily consist of mutual funds or common stocks that are valued on the basis of readily determinable market prices.

The valuation methods used by the Plan may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Plan believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table discloses the fair value hierarchy of the Plan's assets by level as of December 31, 2020 and 2019 (in thousands):

	Fair Value Measurement at December 31, 2020			
	Level 1	Level 2	Level 3	Total
Mutual funds	\$ 221,353	\$ -	\$ -	\$ 221,353
Self-directed brokerage accounts - common stocks and mutual funds	2,834	-	-	2,834
Other	581	-	-	581
Total assets in the fair value hierarchy	<u>\$ 224,768</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 224,768</u>

	Fair Value Measurement at December 31, 2019			
	Level 1	Level 2	Level 3	Total
Mutual funds	\$ 190,922	\$ -	\$ -	\$ 190,922
Self-directed brokerage accounts - common stocks and mutual funds	968	-	-	968
Other	609	-	-	609
Total assets in the fair value hierarchy	<u>\$ 192,499</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 192,499</u>

Kaweah Delta Health Care District Employees' Salary Deferral Plan

Notes to Financial Statements

NOTE 5 – GROUP FIXED ANNUITY CONTRACT WITH INSURANCE COMPANY

In 2003, the Plan entered into an unallocated group fixed annuity contract with Lincoln National Life Insurance Co. (Lincoln). Lincoln maintains the contributions in its general account. The account is credited with earnings on the accumulated balance and charged for participant withdrawals and administrative expenses. The contract issuer is contractually obligated to repay the principal and a specified interest rate that is guaranteed to the Plan. The crediting rate is established by the contract issuer but may not be less than 3%. The crediting rate is declared quarterly; contributions received in any quarter will earn interest at the declared rate for that quarter and the next three quarters. When contributions are beyond the initial four-quarter period, they will earn interest at a portfolio rate each quarter, established by the contract issuer.

The contract is reported at contract value by Lincoln. Contract value is the amount received by participants if they were to initiate permitted transactions under the terms of the Plan. Contract value, as reported to the Plan by Lincoln, represents contributions made under the contract, plus earnings, less participant withdrawals and administrative expenses. Participants may ordinarily direct the withdrawal or transfer of all or a portion of their investment at contract value; there is a 20% restriction on the amount that can be transferred from this investment option in a 12-month period.

The Plan's ability to receive amounts due is dependent on the issuer's ability to meet its financial obligations, which may be affected by future economic and regulatory developments.

The contract does not permit Lincoln to terminate the agreement except if the Plan fails to qualify as exempt under the tax code. Lincoln may prohibit new participants under the contract if Lincoln discontinues offering this type of contract. The Plan can elect to discontinue the contract with a three month written notice. Upon contract discontinuance, amounts may be withdrawn subject to a market value adjustment or according to a withdrawal schedule over five years with defined adjustments to the interest rate over that period. No events are probable of occurring that might limit the Plan's ability to transact at contract value with the contract issuer and that also would limit the ability of the Plan to transact at contract value with the participants.

NOTE 6 – TAX STATUS

The Plan document is a volume submitter governmental defined contribution plan that received a favorable opinion letter from the Internal Revenue Service on March 31, 2014, which stated that the Plan, as then designed, was in accordance with applicable sections of the Internal Revenue Code (IRC). Although the Plan has been amended since the date of the opinion letter, the Plan administrator believes that the Plan is designed and is currently being operated in compliance with the applicable requirements of the IRC.

NOTE 7 – RISKS AND UNCERTAINTIES

The Plan invests in various investment securities. Investment securities are exposed to various risks, such as interest rate, market volatility, and credit risks. It is reasonably possible, given the level of risk associated with investment securities, that changes in the values of the investments in the near term could materially affect a participant's account balance and the amounts reported in the statement of fiduciary net position.

Kaweah Delta Health Care District Employees' Salary Deferral Plan

Notes to Financial Statements

On January 30, 2020, the World Health Organization (WHO) announced a global health emergency stemming from a new strain of coronavirus that was spreading globally (the COVID-19 outbreak). On March 11, 2020, the WHO classified the COVID-19 outbreak as a pandemic, triggering volatility in financial markets and a significant negative impact on the global economy. However, because the values of the Plan's individual investments have and will fluctuate in response to changing market conditions, the number of losses that will be recognized as a result of this uncertainty, if any, cannot be determined. The full impact of the COVID-19 outbreak continues to evolve as of the date of this report.

NOTE 8 – PLAN TERMINATION

Although it has not expressed any intent to do so, the District, by duly adopted resolution, has the right to terminate the Plan and discontinue its contributions at any time. If the Plan is terminated, amounts allocated to a participant's account become fully vested.

NOTE 9 – SUBSEQUENT EVENTS

The Plan was amended effective January 1, 2021, to permit ROTH employee contributions, permit earnings on eligible hardship withdrawals, and to add an exhibit to the plan document for the definition of eligible compensation.

The Plan will be amended effective January 1, 2022, to permit In-Plan ROTH Rollovers and to amend employer non-elective contributions provisions.

Supplementary Information

Kaweah Delta Health Care District Employees' Salary Deferral Plan
Schedule of Assets
December 31, 2020

Identity of Issue, Borrower, Lessor, or Similar Party	Description of Investment, Including Maturity Date, Rate of Interest, Collateral, Par, or Maturity Value	Current Value
Oppenheimer Developing Markets Fund	Mutual fund	\$ 7,465
American Funds EuroPacific Growth Fund	Mutual fund	14,365
American Funds Fundamental Investors	Mutual fund	12,664
Janus Henderson Triton Fund	Mutual fund	7,332
American Funds American Balanced Fund	Mutual fund	3,058
PIMCO StocksPLUS Small Fund	Mutual fund	1,226
PIMCO Income Fund	Mutual fund	9,291
JPMorgan Small Cap Value Fund	Mutual fund	3,655
MFS Growth Fund	Mutual fund	39,014
Invesco Diversified Dividend Fund	Mutual fund	21,439
PGIM Total Return Bond Fund	Mutual fund	20,851
PIMCO StocksPLUS Absolute Return Fund	Mutual fund	9,751
PIMCO StocksPLUS International Fund (Unhedged)	Mutual fund	5,437
American Century Mid Cap Value Fund	Mutual fund	8,751
Janus Henderson Enterprise Fund	Mutual fund	9,507
Fidelity 500 Index Fund	Mutual fund	13,102
Fidelity Mid Cap Index Fund	Mutual fund	3,497
Fidelity Small Cap Index Fund	Mutual fund	2,169
Fidelity U.S. Bond Index Fund	Mutual fund	7,420
Fidelity Inflation-Protected Bond Index Fund	Mutual fund	6,791
Fidelity International Index Fund	Mutual fund	5,626
Fidelity Real Estate Index Fund	Mutual fund	8,942
 Total mutual funds		 221,353
TD Ameritrade Brokerage Account	Common stocks and mutual funds	2,834
Lincoln National Life Insurance Co	Group Fixed Annuity Contract	70,227
Other (Multi-fund accounts)		<u>581</u>
Total investments		294,995
Participant loans	Interest rates range from 4.25% to 7.00%, maturing through November 2040	4,453
Employer contributions receivables		<u>-</u>
		<u><u>\$ 299,448</u></u>



Compliance Program Activity Report – Open Session February 2022 through April 2022

Ben Cripps, Chief Compliance & Risk Officer



kaweahhealth.org



Education

Live Presentations

- Compliance and Patient Privacy – Management Orientation
- Operational Compliance Educational Update – Kaweah Health Medical Group
- Privacy Training – Patient and Family Services Department

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

- Compliance and Patient Privacy – New Hire 48 Hour Checklist
- Identify Theft Detection, Prevention, and Mitigation
- FairWarning
- Privacy Compliance in the Healthcare Setting
- Code of Conduct
- Guidelines for Releasing PHI to Law Enforcement
- Mandatory Annual Training (MAT) – Compliance and Privacy

Prevention & Detection

Continuous

Review and Distribution of:

- California Department of Public Health (CDPH) All Facility Letters (AFL)
- Medicare and Medi-Cal Monthly Bulletins
- Office of Inspector General (OIG) Monthly Audit Plan Updates
- California State Senate and Assembly Bill Updates
- Patient Privacy Walkthrough
- User Access Privacy Audits
- Office of Inspector General (OIG) Exclusion Attestations
- Medicare PEPPER Report Analysis

Oversight, Research & Consultation

Ongoing

- Fair Market Value (FMV) Oversight
- Medicare Recovery Audit Contractor (RAC) and Medicare Probe Audit Activity
- Licensing Applications
- KD Hub Non-Employee User Access
- COVID-19 Incident Response
- Medicare Conditions of Participation (CoP) with Discharge, Transfer Notifications
- Business Associate Agreements

Oversight, Research & Consultation

New

Record Retention: ED Call Logs – Research and consultation on retention of digital recorded information for the Transfer Center, Case Management (CM) and Patient Family Services (PFS) call logs. The California Hospital Association (CHA) Retention guidelines were reviewed and findings were provided to leadership.

Mental Health Patients in Acute Setting – Research and consultation on acute care admission and attending privileges for psychiatrists. Research confirmed that psychiatrists may admit patients to an acute care hospital and serve as the attending physician when privileges have been granted by the facility. Medical Staff confirmed Kaweah Health admitting physician and privilege forms for psychiatrists apply to all inpatient sites. Research and findings were provided to leadership and physicians.

Physician Assistant (PA) in Radiology Treating Fluoroscopy Patients – Research and consultation regarding a PA's ability to perform and bill Medicare for fluoroscopy procedures. Research confirmed that PAs may perform and bill for Fluoroscopy procedures with proper credentialing and certification. Research and findings were provided to leadership.

Oversight, Research & Consultation

New

Health and Human Services (HHS) Office of Civil Rights (OCR) Investigation – Responded to an OCR investigation alleging that Kaweah Health failed to provide a copy of medical records to a patient upon request. The investigation confirmed Kaweah Health made multiple attempts to contact the patient via phone and email and fulfilled the record request via the third-party medical records platform. An official response was sent to the OCR regional manager. On May 17, 2022, Kaweah Health received a Closure Notification Letter from the OCR citing no deficiencies.

COVID Related Matters – Research and consultation for questions related to visitor log retention and masking exemptions in outpatient settings. Research and findings were provided to leadership.

GoTo Meeting Recording Guidance – Research and consultation on the recording of virtual meetings. Leadership communications from the Compliance Office discouraged recordings citing concerns related to the Public Records Act. Research and findings were provided to the requestor.

Glucose Tolerance Test Protocols – Research of a concern regarding glucose administration for glucose lab testing. Research concluded that Kaweah Health has two policies (one for pregnant patients and one for non-pregnant patients) related to the administration of glucose tolerance tests. Following discussion with Lab Leadership and the Medical Director, the policies were combined to establish dosing consistency between the two.

Oversight, Research & Consultation

New

Superior Office Solutions – Investigated and resolved a concern regarding Kaweah Health's failure to remit payment to Superior Office Solutions for services rendered in 2017. Research concluded that Kaweah Health had not submitted payment for the services. On February 2, 2022, Kaweah Health entered into a Settlement Agreement with Superior Office Solutions, LLC. Payment was sent on February 25, 2022.

Oversight, Research & Consultation

Update

Operational Compliance Committee:

- Developed audit protocols for several departments within Kaweah Health Medical Group (KHMG) to assess regulatory compliance. Findings have indicated satisfactory compliance within focused areas. Process standardizations have been incorporated including best practices with educating staff, roll out of regulatory updates, and updating of patient forms.
- Implemented the use of a formal Education Log. Documentation of education provided to teams each month is maintained within the department dashboard for ongoing tracking.
- Enhancement to the Operational Compliance dashboard to track department policies and upcoming expiration dates. This enhancement has allowed the leaders to ensure they are proactively working on policies prior to expiration. Additionally, the Patient Accounting Department has expanded the use of the dashboard to include tracking updates for their job descriptions.

Oversight, Research & Consultation

Update

Operational Compliance Committee (Continued)

- Cross-departmental collaboration: Operational Compliance has become a conduit for encouraging cross-departmental collaboration for issues that otherwise were not being addressed.
- Proactive notification of potential issues: The Operational Compliance committee has allowed uninterrupted time between department leaders and Compliance to share concerns that may arise, preventing potential compliance issues.
- Phase II Implementation: Over the next 6 – 12 months, the following departments will be engaged to develop an Operational Compliance Committee: laboratory, diagnostic imaging, pharmacy, rural health clinics.

Auditing & Monitoring

New

- Patient Status Audit – An internal coding review of thirty-five (35) randomly selected Medicare encounters was completed to evaluate compliance with Medicare billing guidelines for Observation, Short Stay and Outpatient Surgery Patients. The audit noted an accuracy rate of 100%. The results have been shared with Case Management, Patient Access and Patient Accounting leadership.
- Medicare Secondary Payor (MSP) Claims Review – An external review of thirty (30) Medicare encounters to evaluate MSP billing compliance. The audit noted a 100% compliance rate for MSP billing. The results of the review have been shared with Patient Accounting Leadership. The results have been shared with Patient Accounting leadership.

Live with passion.

Health is our passion. Excellence is our focus. Compassion is our promise.



Policy Number: CP.01	Date Created: 03/21/2022
Document Owner: Lisa Wass (Compliance Analyst)	Date Approved: Not Approved Yet
Approvers: Board of Directors (Administration), Compliance Committee, Amy Valero (Compliance Manager), Ben Cripps (Chief Compliance/Risk Officer)	
Compliance Program Administration	

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

Purpose:

The Kaweah Delta Health Care District (“Kaweah [DeltaHealth](#)”) Compliance Program was developed to:

1. Establish standards and procedures to be followed by all Kaweah [Delta Health](#) employees to effect compliance with applicable federal, state and local laws, regulations and ordinances, Administrative Regulations, Medical Staff Bylaws, and Kaweah [Delta-Health](#) policies;
2. Designate the Kaweah [Delta-Health](#) official responsible for directing the effort to enhance compliance including implementation of the Compliance Program;
3. Document compliance efforts;
4. Ensure Discretionary Authority is given to appropriate persons;
5. Provide a means for communicating to all Kaweah [Delta-Health](#) employees the legal and ethical standards and procedures all employees are expected to follow;
6. Establish minimum standards for billing and collection activities, including a system of monitoring and oversight of billing activity to ensure adherence to the standards and procedures established;
7. Provide a means for reporting apparent illegal or unethical activity to the appropriate authorities;
8. Provide for the enforcement of ethical and legal standards;
9. Provide a mechanism to investigate any alleged violations and to prevent future violations;
10. Increase training of medical staff members and billing personnel concerning applicable billing requirements and Kaweah [Delta-Health](#) policies;

11. Provide for regular review of overall compliance efforts to ensure that practices reflect current requirements and that other adjustments made to improve the Compliance Program;
12. Monitor provision of quality care to the patients served by Kaweah [DeltaHealth](#);
13. Promote effective communication between Kaweah [Delta's Health's](#) Legal Counsel, Executive Team, and Board of Directors;
14. Preserve the financial viability of Kaweah [DeltaHealth](#); and
15. Enforce consistent disciplinary mechanisms for compliance or privacy violations.

Policy:

Kaweah [DeltaHealth](#), and its affiliated health care facilities, requires all employees, agents and medical staff members to act, at all times, in an ethical and legal manner, consistent with all applicable legal, governmental, and professional standards and requirements. In order to avoid even the appearance of impropriety or conflict of interest, this Compliance Program applies to employees, agents, faculty, and medical staff within Kaweah [DeltaHealth](#), without regard to an individual's specific job duties or function. It is the policy of Kaweah [Delta Health](#) that all services and business transactions rendered by Kaweah [Delta Health](#) shall be carried out and documented in accordance with federal, state, and local laws, regulations, and interpretations. This Compliance Program is intended to enhance and further demonstrate Kaweah [Delta's Health's](#) commitment to honest and fair dealing by providing an effective means by which to prevent and detect illegal, unethical or abusive conduct. Kaweah [Delta Health](#) will exercise due diligence in its efforts to ensure that the Compliance Program is effective in its design, implementation, and enforcement. Kaweah [Delta Health](#) employees are expected to deal fairly and honestly with patients and their families, suppliers, third-party payors, and their professional associates. Adherence to the Compliance Program is a condition of employment at Kaweah [DeltaHealth](#). Likewise, the granting of medical staff privileges and the offer of employment at Kaweah [Delta Health](#) is contingent upon acceptance of and compliance with the Compliance Program.

Kaweah [Health](#) encourages transparency and honesty in an effort to encourage employees to report suspected fraud and improprieties. Kaweah [Delta Health](#) will not tolerate retaliation against any employee who reports suspected wrongdoing. See [CP.13 See-Federal and State False Claims Act and Employee Protection Provisions](#). All reported information will be investigated, tracked and remediated according to Kaweah [Delta Health](#) policy and shall be kept confidential to the maximum extent possible.

Process:

The Compliance Program was developed to provide oversight of compliance administrative efforts including (1) establishing operating protocol and standards; (2) designating oversight responsibilities; (3) providing employee compliance training; (4) monitoring and auditing; (5) supporting and facilitating open lines of communication and reporting; (6) following through with enforcement and disciplinary procedures; and (7) establishing response and prevention plans.

1. Establishing Operating Protocol and Standards of Conduct – For the purposes of preventing illegal, unethical or abusive conduct, compliance Standards of Conduct and procedures shall be implemented and followed by all employees and agents of Kaweah [DeltaHealth](#). The procedures shall include mechanisms for reporting fraud, waste, abuse, and other wrongdoing. The reporting procedures shall be set in a manner that promotes the internal discovery and reporting of wrongdoings and/or non-compliance.

4.2. Designating Oversight Responsibilities – The [VP & Chief Compliance](#) and [PrivacyRisk Officer](#) and Kaweah [Delta-Health Leadership](#) shall oversee and enforce compliance standards and procedures. The [VP & Chief Compliance](#) and [PrivacyRisk Officer](#) shall have the authority to take appropriate action to assure effective implementation of compliance efforts. The [VP& Chief Compliance](#) and [PrivacyRisk Officer](#) shall report directly to the Chief Executive Officer (CEO) and the Board of Directors.

The [VP & Chief Compliance](#) and [PrivacyRisk Officer](#) shall have unrestricted authority and access to review all entity records, physical properties, and personnel related to compliance audit and investigative activities. Any confidential information received or reviewed shall not be used in any manner which would be contrary to law or detrimental to the interests of Kaweah [DeltaHealth](#).

Kaweah [Delta-Health](#) shall employ individuals whose education, training, and abilities are appropriate to perform the jobs assigned to them. Kaweah [Delta-Health](#) shall use due care to delegate substantial discretionary authority to appropriate competent individuals and shall use due care to avoid delegation of such authority to individuals whom he or she knows, or should have known, have a propensity to engage in illegal activities.

3. Providing Employee Compliance Training – Kaweah [DeltaHealth](#), through its Leadership, shall effectively communicate its standards and procedures to all staff members and agents by requiring mandatory participation in compliance training programs and by disseminating publications that explain the new policies, procedures and standards. See [Compliance Program Education](#).

2.4. Monitoring and Auditing – Kaweah [DeltaHealth](#), through its Leadership, shall take reasonable steps to achieve compliance with its standards by utilizing, monitoring and auditing systems including the use of legal reviews of policies and procedures, financial audits and providing all staff members access to a hotline. See [Compliance Reviews and Assessments](#).

3.5. Supporting and Facilitating Open Lines of Communication and Reporting – Kaweah [DeltaHealth](#) allows for anonymity and/or confidentiality, whereby ~~the organization's~~ employees and agents of Kaweah [DeltaHealth](#) may report or seek guidance regarding potential or actual ~~criminal conduct~~ wrong-doings or non-compliance without fear of retaliation.

4.6. Following through with Enforcement and Disciplinary Procedures – Kaweah [DeltaHealth](#)'s compliance program shall be promoted and enforced consistently throughout the organization through appropriate disciplinary measures for engaging in criminal conduct, wrongdoings, non-compliance and/or for failing to take reasonable steps to prevent or detect criminal conduct. See [HR.216 Progressive Discipline](#).

5.7. Establishing Response and Prevention Plans – The standards developed under the Kaweah [Delta-Health](#) Compliance Program shall be enforced consistently through appropriate disciplinary mechanisms including discipline of individuals responsible for failing to detect and report an offense. The Compliance Program shall take reasonable steps to investigate and respond appropriately to all reported concerns. See [Compliance and Privacy Issues Investigation and Resolution](#).

Procedure:

Reporting and Investigative Process and Non-Retaliation

Kaweah [Delta-Health](#) employees aware of any illegal, unethical or abusive conduct or any other wrongdoing or non-compliance shall report the concern immediately to Leadership. If the employee is uncomfortable reporting their concern to Leadership for fear of retaliation or is concerned that no action may be taken, the employee should immediately contact:

Kaweah [Delta-Health VP & Chief Compliance and Privacy Risk Officer](#) --(559) 624-5006

The Anonymous Compliance Line --(800) 998-8050

Kaweah [HealthDelta](#)'s Compliance Advocate – [Dennis M. Lynch](#) [Rachelle Berglund](#) --(559) [636-0200](#) [738-8100](#) or [\(559\) 280-3075](#)

Employees will not be subject to retaliation for reporting, in good faith, action that they feel violates Standards of Conduct, a law, and/or Kaweah [Delta-Health](#) policy.

Any employee engaging in any action of retaliation or reprisal for good faith reporting shall be subject to disciplinary action up to, and including, termination.

Investigation of Concerns

Investigations of suspected illegal, unethical, or abusive conduct or any other wrongdoing or non-compliance will be coordinated and organized by the [VP & Chief Compliance and PrivacyRisk](#) Officer, the Compliance Advocate, and/or Compliance Staff.

Internal Investigations

Internal investigation and resolution of compliance issues will be managed pursuant to [CP-05 Compliance and Privacy Issues Investigation and Resolution](#).

All reports of suspected or actual fraud and subsequent investigations and outcomes must be reported to the [VP & Chief Compliance and PrivacyRisk](#) Officer. The [VP & Chief Compliance and PrivacyRisk](#) Officer will contact the Compliance Advocate, the Chief Executive Officer, and the Kaweah [Delta Health](#) Chairperson of the Board of Directors (as necessary).

A financial audit will be conducted every year in accordance with Kaweah [Delta Health](#) policy and under appropriate audit guidelines and standards. A financial audit provides no assurance that Kaweah [Delta Health](#) complies with all federal laws and regulations; rather provides an opinion as to the general strength of the internal operating controls and procedures.

External Investigations

External investigations by a regulatory agency will be managed pursuant to [Unannounced Regulatory Survey Plan for Response](#).

"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."

Policy Number: CP.01	Date Created: 07/09/2019
Document Owner: Lisa Wass (Compliance Analyst)	Date Approved: 09/03/2019
Approvers: Board of Directors (Administration), Compliance Committee, Amy Valero (Compliance Manager), Ben Cripps (Chief Compliance/Risk Officer)	
Compliance Program Administration	

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Purpose:

The Kaweah Delta Health Care District (“Kaweah Delta”) Compliance Program was developed to:

1. Establish standards and procedures to be followed by all Kaweah Delta employees to effect compliance with applicable federal, state and local laws, regulations and ordinances, Administrative Regulations, Medical Staff Bylaws, and Kaweah Delta policies;
2. Designate the Kaweah Delta official responsible for directing the effort to enhance compliance including implementation of the Compliance Program;
3. Document compliance efforts;
4. Ensure Discretionary Authority is given to appropriate persons;
5. Provide a means for communicating to all Kaweah Delta employees the legal and ethical standards and procedures all employees are expected to follow;
6. Establish minimum standards for billing and collection activities, including a system of monitoring and oversight of billing activity to ensure adherence to the standards and procedures established;
7. Provide a means for reporting apparent illegal or unethical activity to the appropriate authorities;
8. Provide for the enforcement of ethical and legal standards;
9. Provide a mechanism to investigate any alleged violations and to prevent future violations;
10. Increase training of medical staff members and billing personnel concerning applicable billing requirements and Kaweah Delta policies;
11. Provide for regular review of overall compliance efforts to ensure that practices reflect current requirements and that other adjustments made to improve the Compliance Program;

12. Monitor provision of quality care to the patients served by Kaweah Delta;
13. Promote effective communication between Kaweah Delta's Legal Counsel, Executive Team, and Board of Directors;
14. Preserve the financial viability of Kaweah Delta; and
15. Enforce consistent disciplinary mechanisms for compliance or privacy violations.

Policy:

Kaweah Delta, and its affiliated health care facilities, requires all employees, agents and medical staff members to act, at all times, in an ethical and legal manner, consistent with all applicable legal, governmental, and professional standards and requirements. In order to avoid even the appearance of impropriety or conflict of interest, this Compliance Program applies to employees, agents, faculty, and medical staff within Kaweah Delta, without regard to an individual's specific job duties or function. It is the policy of Kaweah Delta that all services and business transactions rendered by Kaweah Delta shall be carried out and documented in accordance with federal, state, and local laws, regulations, and interpretations. This Compliance Program is intended to enhance and further demonstrate Kaweah Delta's commitment to honest and fair dealing by providing an effective means by which to prevent and detect illegal, unethical or abusive conduct. Kaweah Delta will exercise due diligence in its efforts to ensure that the Compliance Program is effective in its design, implementation, and enforcement. Kaweah Delta employees are expected to deal fairly and honestly with patients and their families, suppliers, third-party payors, and their professional associates. Adherence to the Compliance Program is a condition of employment at Kaweah Delta. Likewise, the granting of medical staff privileges and the offer of employment at Kaweah Delta is contingent upon acceptance of and compliance with the Compliance Program.

Kaweah encourages transparency and honesty in an effort to encourage employees to report suspected fraud and improprieties. Kaweah Delta will not tolerate retaliation against any employee who reports suspected wrongdoing. See [CP.13 Federal and State False Claims Act and Employee Protection Provisions](#). All reported information will be investigated, tracked and remediated according to Kaweah Delta policy and shall be kept confidential to the maximum extent possible.

Process:

The Compliance Program was developed to provide oversight of compliance administrative efforts including (1) establishing operating protocol and standards; (2) designating oversight responsibilities; (3) providing employee compliance training; (4) monitoring and auditing; (5) supporting and facilitating open lines of communication and reporting; (6) following through with enforcement and disciplinary procedures; and (7) establishing response and prevention plans.

1. **Establishing Operating Protocol and Standards of Conduct** – For the purposes of preventing illegal, unethical or abusive conduct, compliance Standards of Conduct and procedures shall be implemented and followed by all employees and agents of Kaweah Delta. The procedures shall include mechanisms for reporting fraud, waste, abuse, and other wrongdoing. The reporting procedures shall be set in a manner that promotes the internal discovery and reporting of wrongdoings and/or non-compliance.
2. **Designating Oversight Responsibilities** – The Compliance and Privacy Officer and Kaweah Delta Leadership shall oversee and enforce compliance standards and procedures. The Compliance and Privacy Officer shall have the authority to take appropriate action to assure effective implementation of compliance efforts. The Compliance and Privacy Officer shall report directly to the Chief Executive Officer (CEO) and the Board of Directors.

The Compliance and Privacy Officer shall have unrestricted authority and access to review all entity records, physical properties, and personnel related to compliance audit and investigative activities. Any confidential information received or reviewed shall not be used in any manner which would be contrary to law or detrimental to the interests of Kaweah Delta.

Kaweah Delta shall employ individuals whose education, training, and abilities are appropriate to perform the jobs assigned to them. Kaweah Delta shall use due care to delegate substantial discretionary authority to appropriate competent individuals and shall use due care to avoid delegation of such authority to individuals whom he or she knows, or should have known, have a propensity to engage in illegal activities.

3. **Providing Employee Compliance Training** – Kaweah Delta, through its Leadership, shall effectively communicate its standards and procedures to all staff members and agents by requiring mandatory participation in compliance training programs and by disseminating publications that explain the new policies, procedures and standards. See [Compliance Program Education](#).
4. **Monitoring and Auditing** – Kaweah Delta, through its Leadership, shall take reasonable steps to achieve compliance with its standards by utilizing, monitoring and auditing systems including the use of legal

reviews of policies and procedures, financial audits and providing all staff members access to a hotline. See [Compliance Reviews and Assessments](#).

5. **Supporting and Facilitating Open Lines of Communication and Reporting** – Kaweah Delta allows for anonymity and/or confidentiality, whereby employees and agents of Kaweah Delta may report or seek guidance regarding potential or actual wrongdoings or non-compliance without fear of retaliation.
6. **Following through with Enforcement and Disciplinary Procedures** – Kaweah Delta's compliance program shall be promoted and enforced consistently throughout the organization through appropriate disciplinary measures for engaging in criminal conduct, wrongdoings, non-compliance and/or for failing to take reasonable steps to prevent or detect criminal conduct. See [HR.216 Progressive Discipline](#).
7. **Establishing Response and Prevention Plans** – The standards developed under the Kaweah Delta Compliance Program shall be enforced consistently through appropriate disciplinary mechanisms including discipline of individuals responsible for failing to detect and report an offense. The Compliance Program shall take reasonable steps to investigate and respond appropriately to all reported concerns. See [Compliance and Privacy Issues Investigation and Resolution](#).

Procedure:

Reporting and Investigative Process and Non-Retaliation

Kaweah Delta employees aware of any illegal, unethical or abusive conduct or any other wrongdoing or non-compliance shall report the concern immediately to Leadership. If the employee is uncomfortable reporting their concern to Leadership for fear of retaliation or is concerned that no action may be taken, the employee should immediately contact:

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The Anonymous Compliance Line – (800) 998-8050

Kaweah Delta's Compliance Advocate – Dennis M. Lynch
(559) 738-8100 or (559) 280-3075

Employees will not be subject to retaliation for reporting, in good faith, action that they feel violates Standards of Conduct, a law, and/or Kaweah Delta policy. Any employee engaging in any action of retaliation or reprisal for good faith reporting shall be subject to disciplinary action up to, and including, termination.

Investigation of Concerns

Investigations of suspected illegal, unethical, or abusive conduct or any other wrongdoing or non-compliance will be coordinated and organized by the Compliance and Privacy Officer, the Compliance Advocate, and/or Compliance Staff.

Internal Investigations

Internal investigation and resolution of compliance issues will be managed pursuant to [Compliance and Privacy Issues Investigation and Resolution](#).

All reports of suspected or actual fraud and subsequent investigations and outcomes must be reported to the Compliance and Privacy Officer. The Compliance and Privacy Officer will contact the Compliance Advocate, the Chief Executive Officer, and the Kaweah Delta Chairperson of the Board of Directors (as necessary).

A financial audit will be conducted every year in accordance with Kaweah Delta policy and under appropriate audit guidelines and standards. A financial audit provides no assurance that Kaweah Delta complies with all federal laws and regulations; rather provides an opinion as to the general strength of the internal operating controls and procedures.

External Investigations

External investigations by a regulatory agency will be managed pursuant to [Unannounced Regulatory Survey Plan for Response](#).

"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."

Policy Number: CP.03	Date Created: 04/21/2022
Document Owner: Lisa Wass (Compliance Analyst)	Date Approved: Not Approved Yet
Approvers: Board of Directors (Administration), Compliance Committee, Ben Cripps (Chief Compliance/Risk Officer)	
Physician Contracts and Relationships	

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 Officer (CCO) (or designee) will oversee the management and administration of the FMV process.

The CCO (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 CCO (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~~Executive(s) (VP) (or designee) may negotiate rates up to the 50th percentile. Negotiations between the 51st and 65th percentiles require documented justification and CEO approval. Negotiations beyond the 65th percentile require Executive FMV Committee approval (CEO, Board Chair, and CCO).
- 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 the negotiated rates up to the 50th percentile. Negotiations between the 51st and 65th percentiles require documented justification and CEO approval. Negotiations beyond

the 65th percentile require Executive FMV Committee approval (CEO, Board Chair, and CCO).

- C. Exclusive and Non-Exclusive Provider Agreements – The FMV rate must be established through an independent and external FMV assessment. The VP-Executive (or designee) will work with the CCO (or designee) to engage Legal Counsel and a third-party valuation firm. The CCO (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-Executive(or designee) will work with the CCO (or designee) and Legal Counsel to establish the FMV rate. The Space Lease calculation must be reviewed by the CCO (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-Executive 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-Executive 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-Executive 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 ~~Executive~~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~~Executive.
 5. Upon receipt of the approved time record and payment amount, Accounts Payable will process the payment for the amount approved by the ~~Executive~~VP.
 6. The responsible ~~VP~~Executive (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 CCO.
- 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~~Executive (or designee).
- The proposed lease rate shall be at FMV.
1. Market analysis must be documented.
 2. Rate must be reviewed by the CCO (or designee) and approved by Legal Counsel.
- V. Physician Recruitment Agreements shall be negotiated by the Director of Physician Recruitment and Relations or responsible ~~VP~~Executive (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 CCO (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~~Executive (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~~Executive (or designee). If changes are not agreeable, Legal Counsel will provide explanations to the ~~VP~~Executive (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~~Executive (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.

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EXHIBIT A

MEDICAL DIRECTOR CONTRACT CHECKLIST

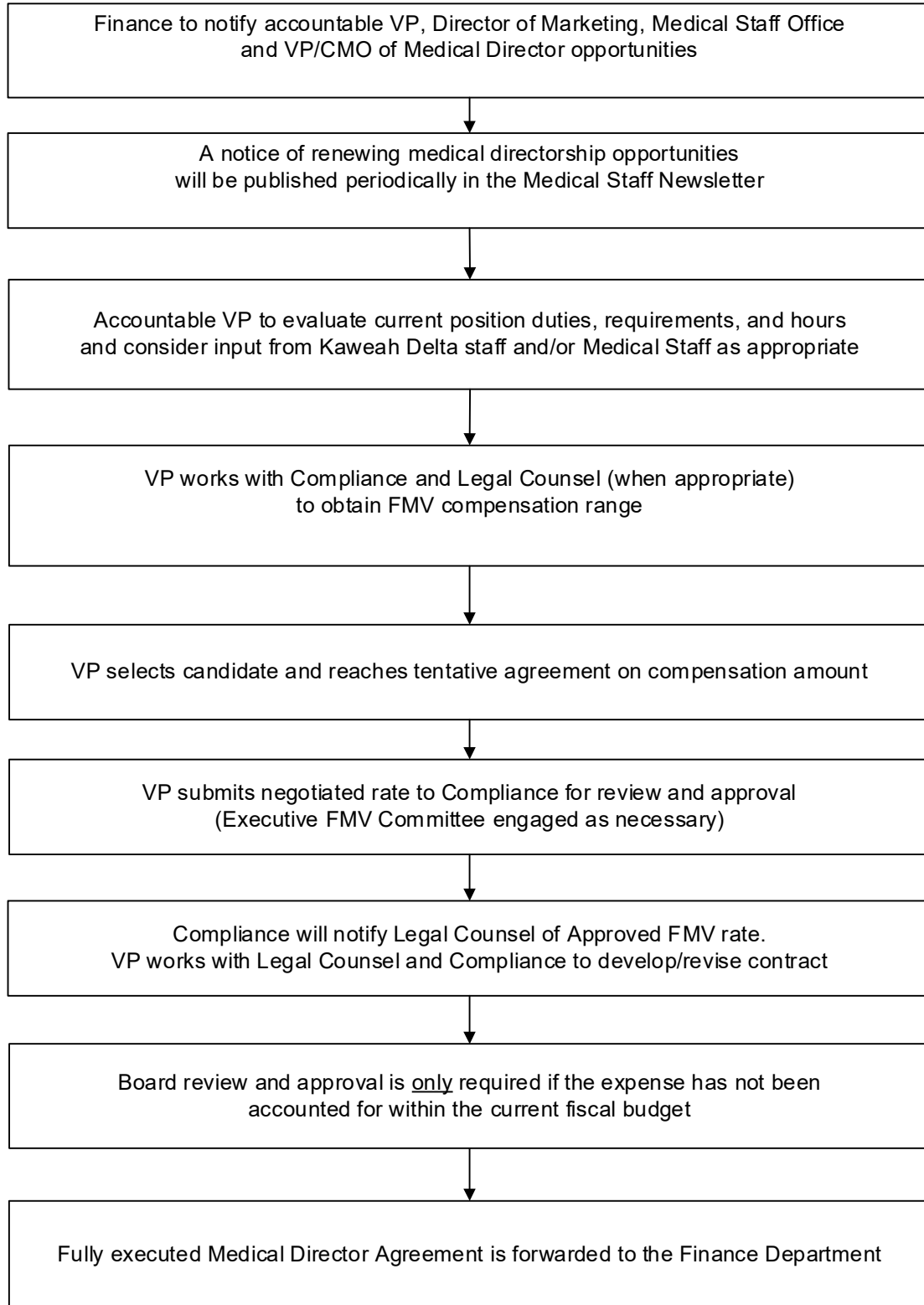


EXHIBIT B

PROVIDER CONTRACT RENEWALS

Exclusive and Non-Exclusive Provider Agreements

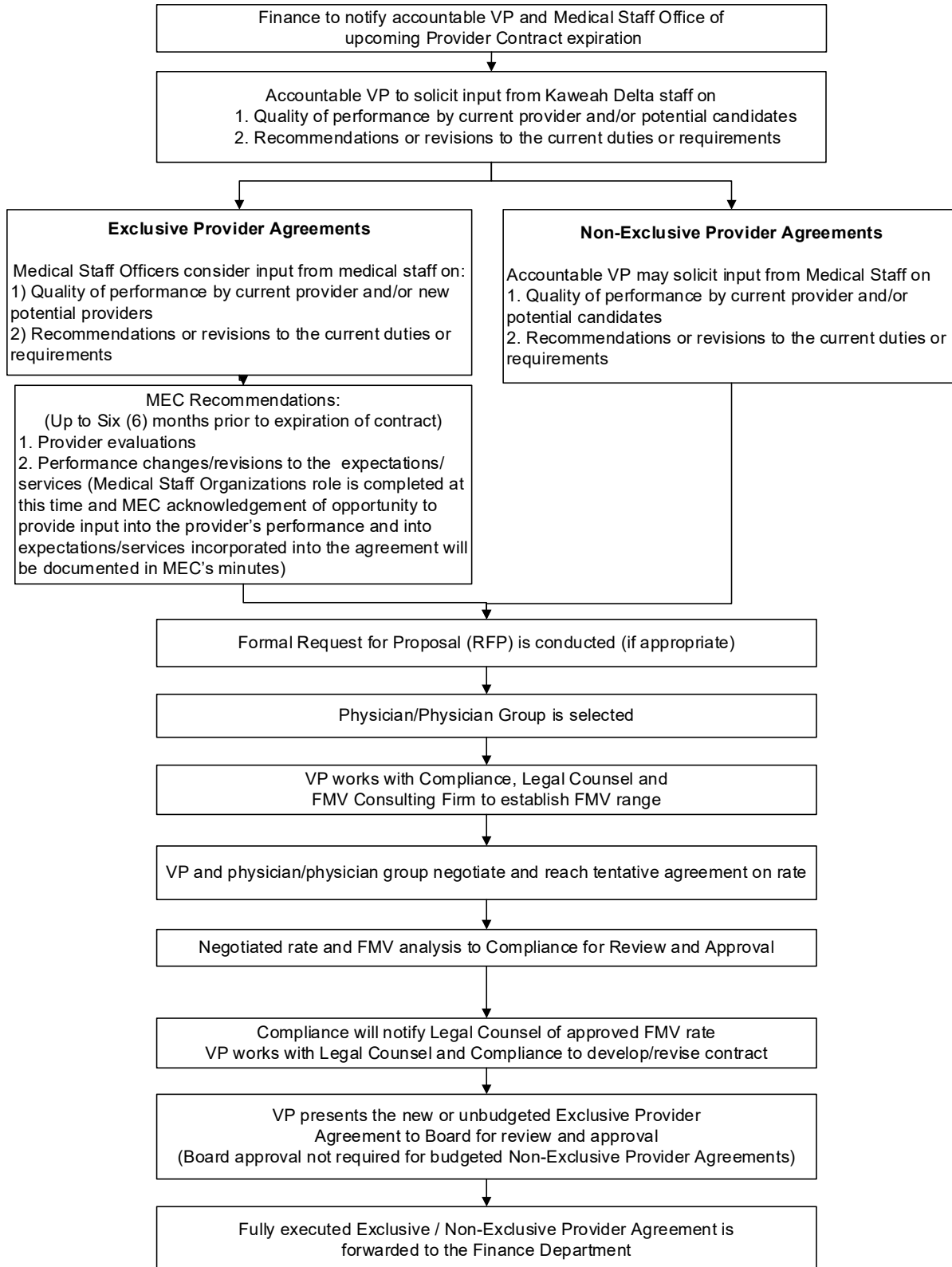


EXHIBIT C

NEW PROVIDER CONTRACT

Exclusive Provider Agreements

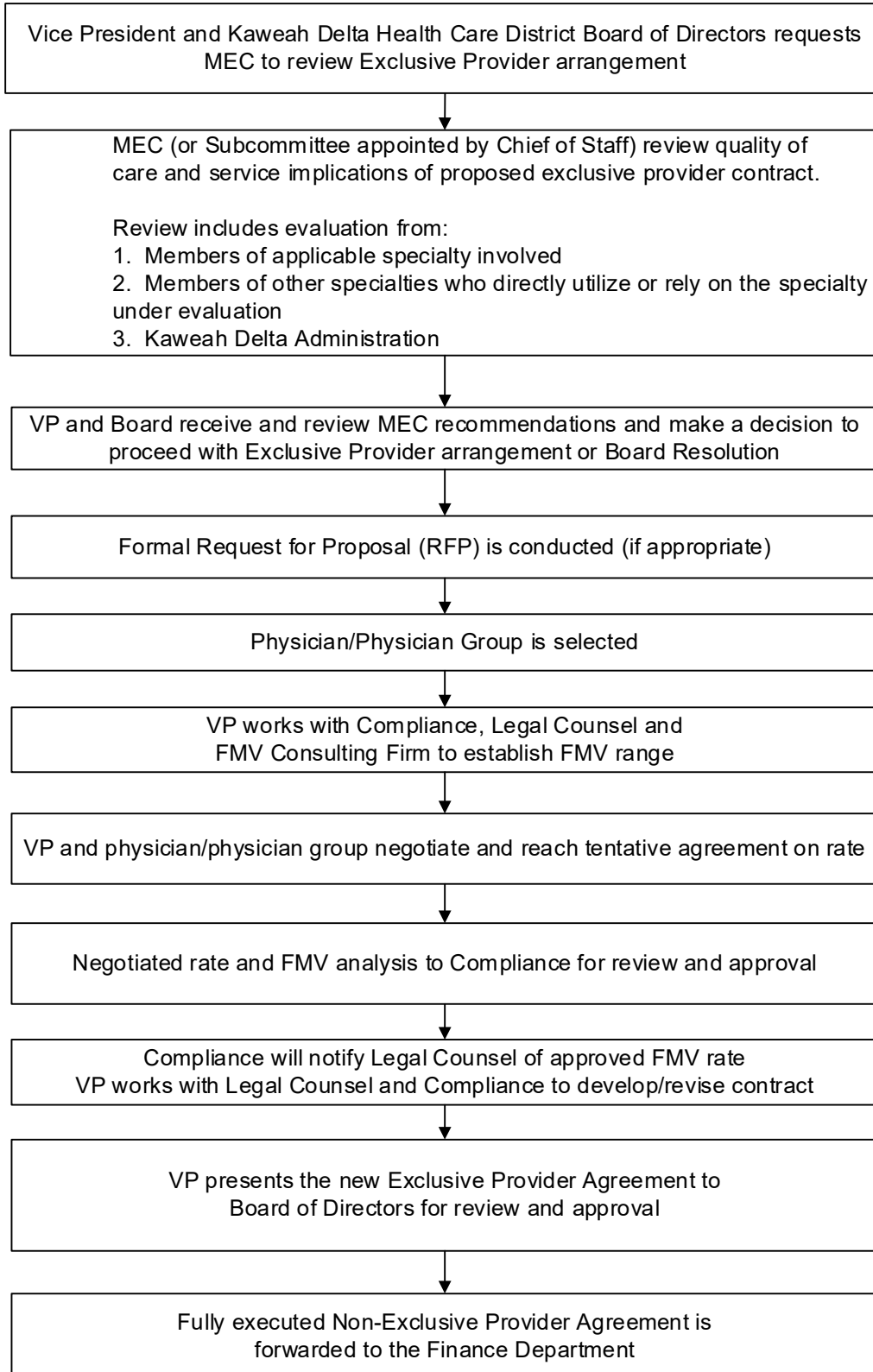
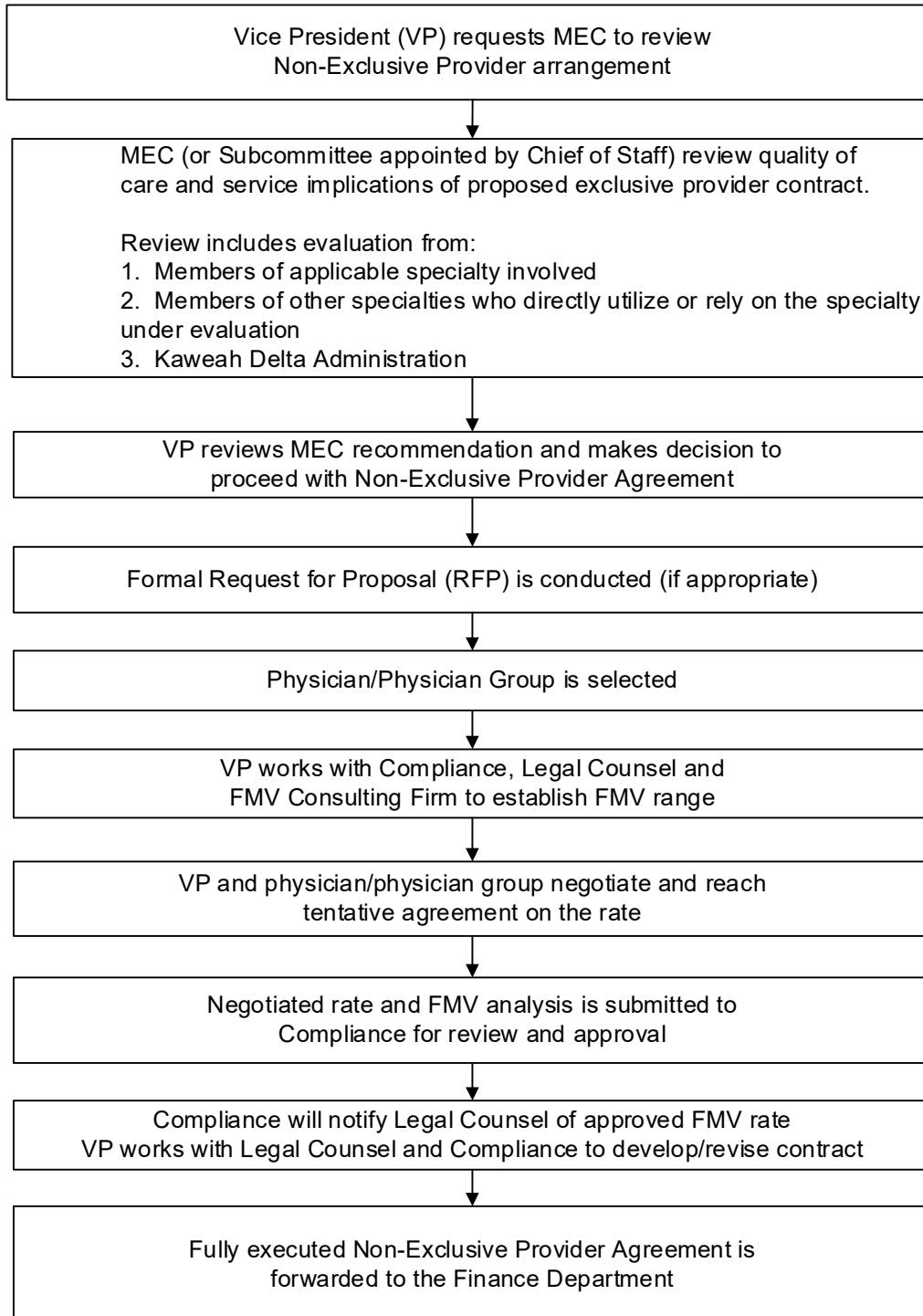


EXHIBIT D**NEW PROVIDER CONTRACT****Non-Exclusive Provider Agreements**

Policy Number: CP.03	Date Created: 07/30/2020
Document Owner: Lisa Wass (Compliance Analyst)	Date Approved: 03/08/2021
Approvers: Board of Directors (Administration), Compliance Committee, Ben Cripps (Chief Compliance/Risk Officer)	
Physician Contracts and Relationships	

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 Officer (CCO) (or designee) will oversee the management and administration of the FMV process.

The CCO (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 CCO (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 51st and 65th percentiles require documented justification and CEO approval. Negotiations beyond the 65th percentile require Executive FMV Committee approval (CEO, Board Chair, and CCO).
- 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 the negotiated rates up to the 50th percentile. Negotiations between the 51st and 65th percentiles require documented justification and CEO approval. Negotiations beyond

the 65th percentile require Executive FMV Committee approval (CEO, Board Chair, and CCO).

- 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 CCO (or designee) to engage Legal Counsel and a third-party valuation firm. The CCO (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 CCO (or designee) and Legal Counsel to establish the FMV rate. The Space Lease calculation must be reviewed by the CCO (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 CCO.
- 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 CCO (or designee) and approved by Legal Counsel.
- V. Physician Recruitment Agreements shall be negotiated by the 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 CCO (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.

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EXHIBIT A

MEDICAL DIRECTOR CONTRACT CHECKLIST

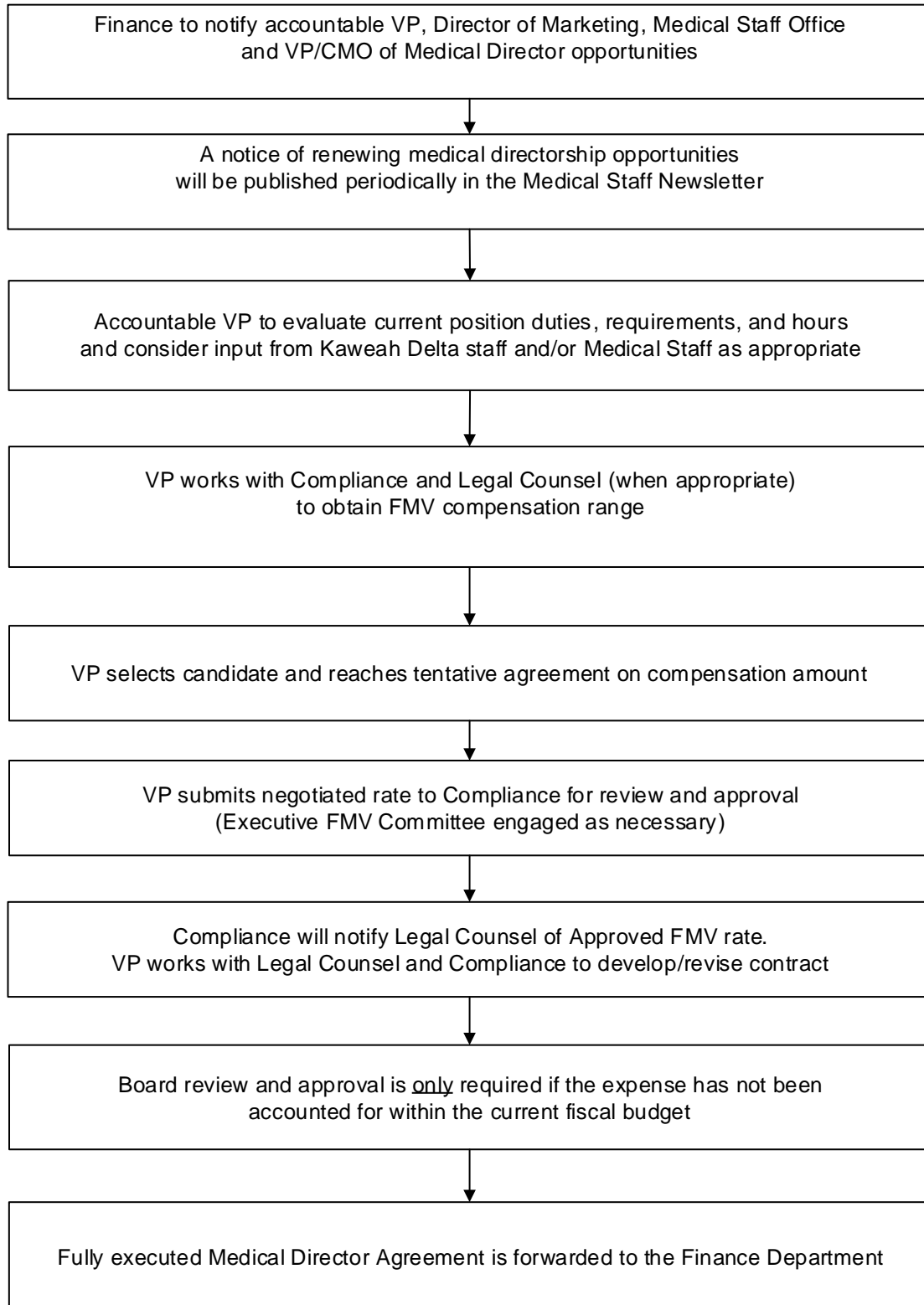


EXHIBIT B

PROVIDER CONTRACT RENEWALS

Exclusive and Non-Exclusive Provider Agreements

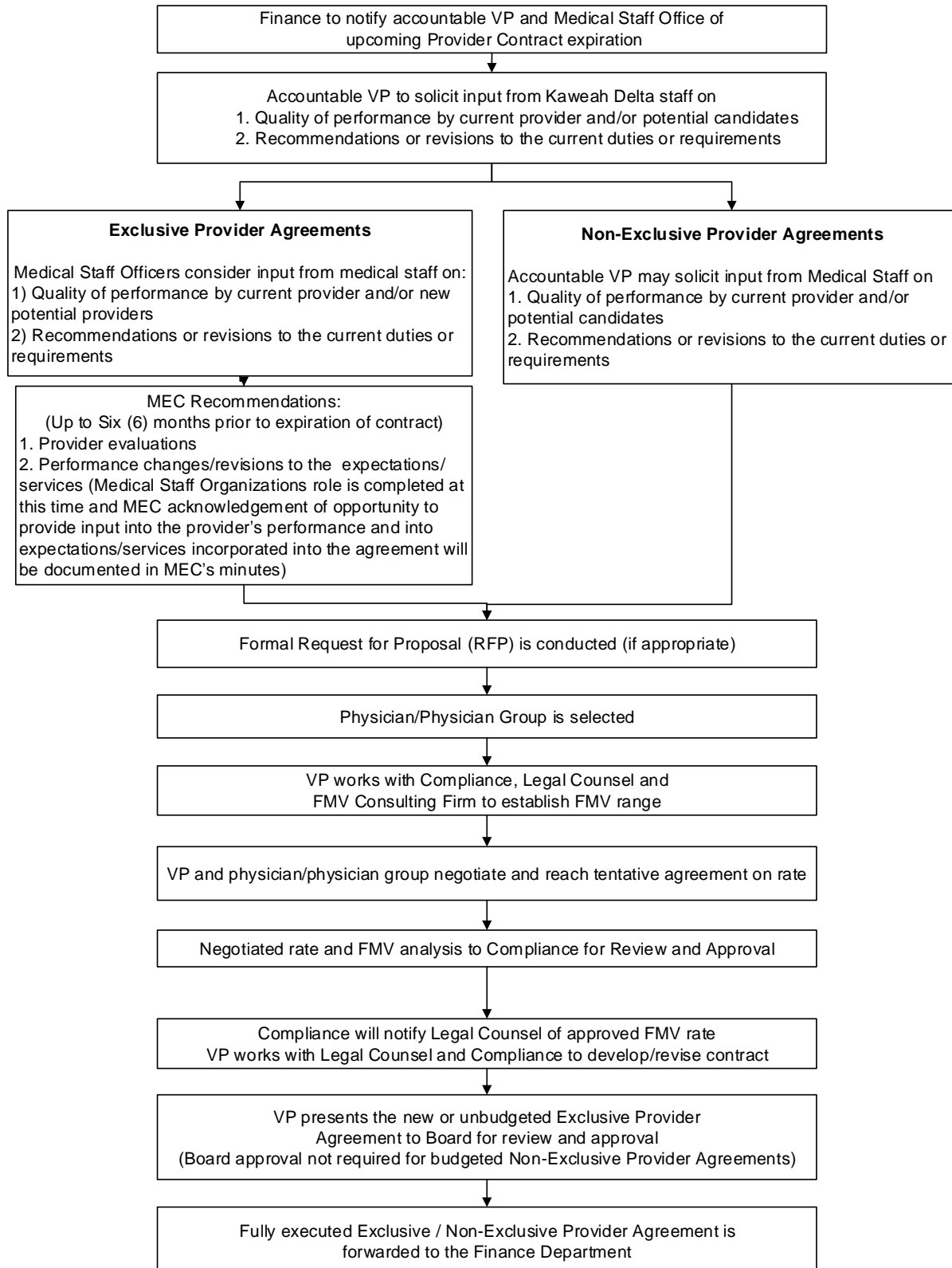


EXHIBIT C

NEW PROVIDER CONTRACT

Exclusive Provider Agreements

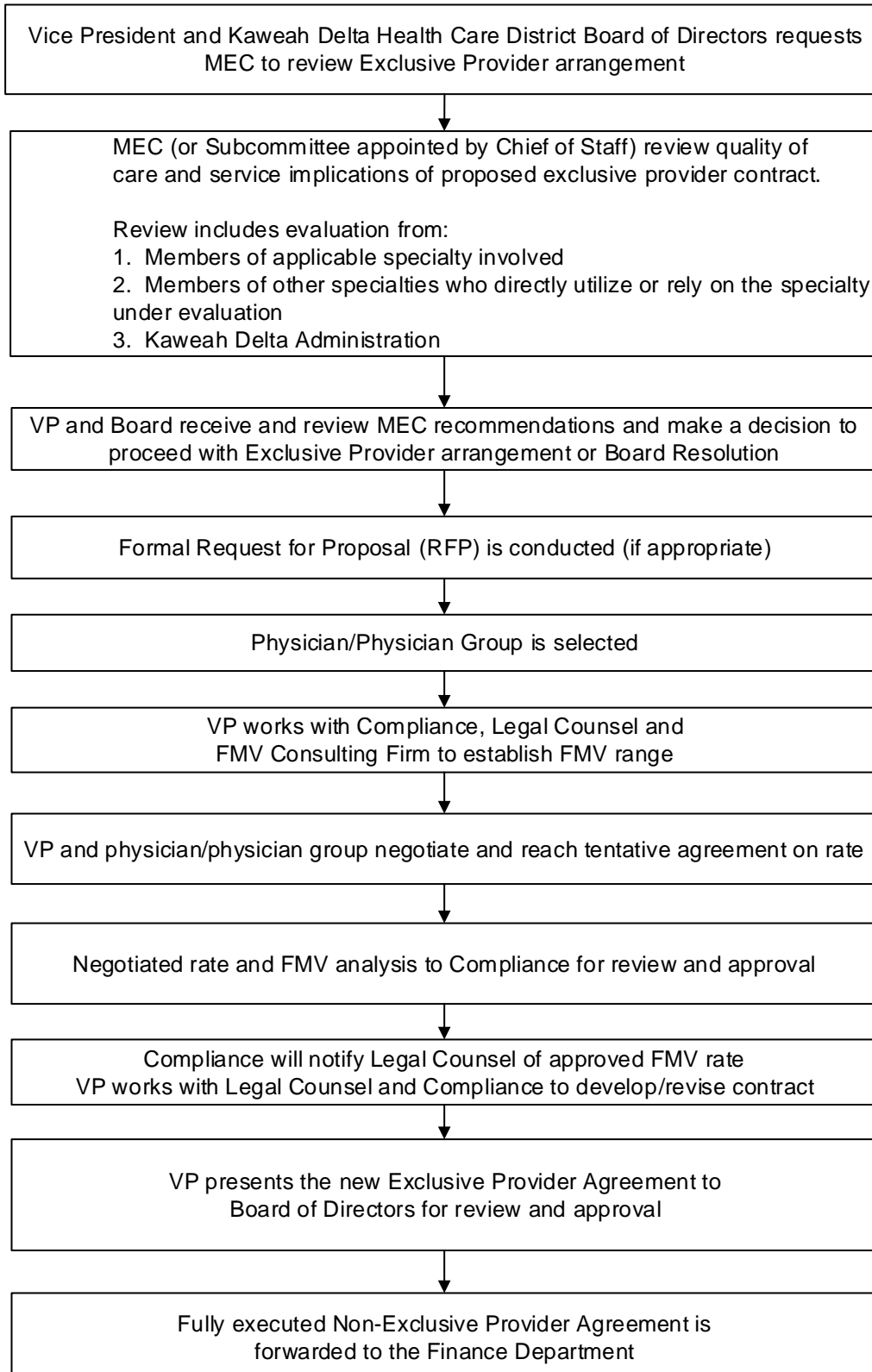
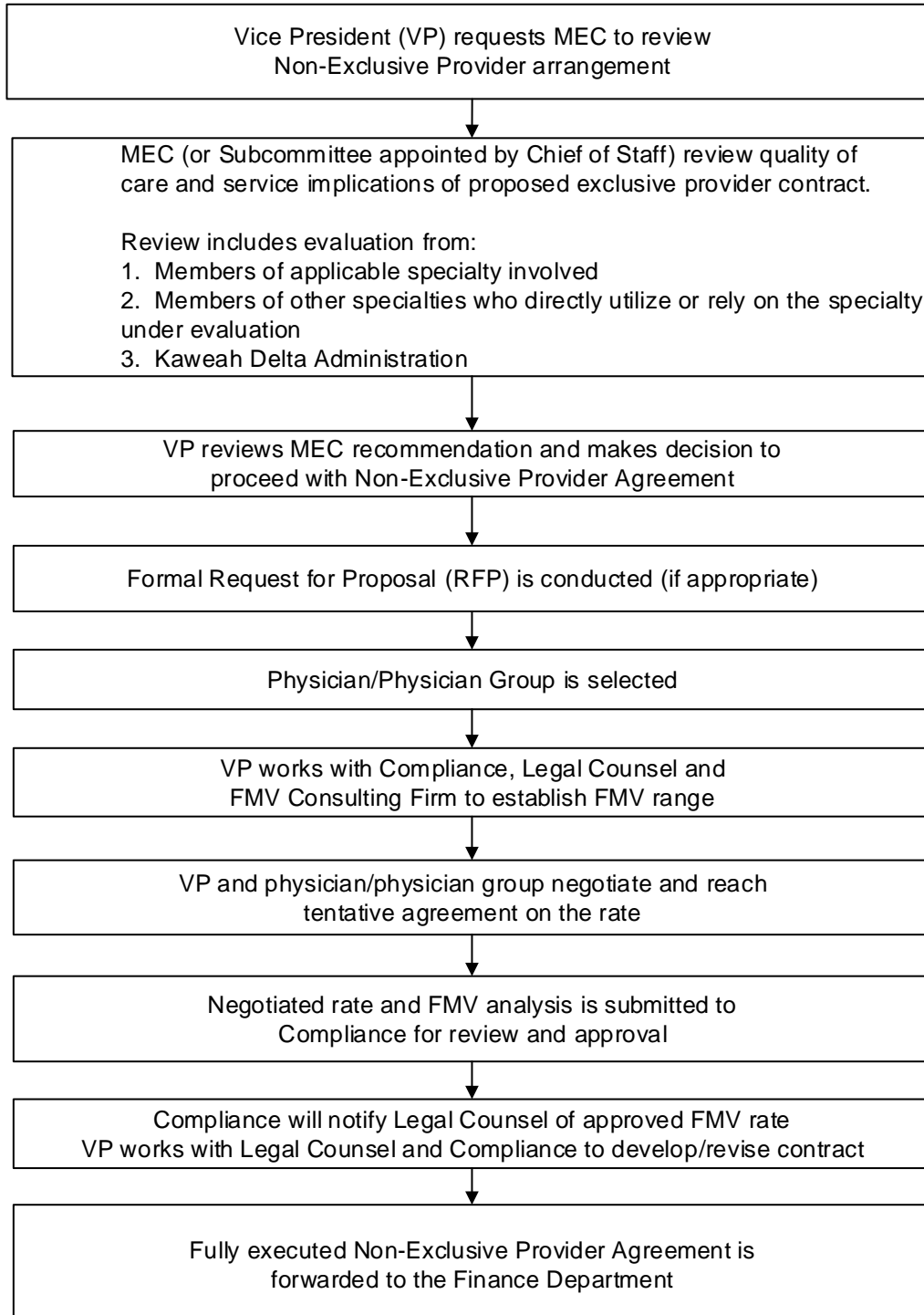


EXHIBIT D

NEW PROVIDER CONTRACT

Non-Exclusive Provider Agreements



Policy Number: CP.05	Date Created: 04/21/2022
Document Owner: Lisa Wass (Compliance Analyst)	Date Approved: Not Approved Yet
Approvers: Board of Directors (Administration), Compliance Committee, Amy Valero (Compliance Manager), Ben Cripps (Chief Compliance/Risk Officer)	
Compliance and Privacy Issues Investigation and Resolution	

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

Purpose: To establish a Compliance Program in which all issues are handled consistently to ensure integrity of the Program and all matters receive appropriate attention and resolution.

Policy: Investigations of suspected illegal, unethical, abusive conduct, wrongdoing, or non-compliance with laws, regulations, accreditation requirements and/or Kaweah Health policies and procedures shall be conducted by the appropriate person as determined by the ~~Vice President & Chief~~ Compliance ~~and Risk and Privacy~~ Officer (~~VPCCRO~~) (~~CPO~~) and the Kaweah Health Compliance Advocate.

Process:

- I. Issues shall be investigated when one or more of the following criteria are met:
 - A. Non-routine subpoena or search warrant received from a governmental or regulatory agency.
 - B. Outside regulatory site visit or audit resulting in deficiencies and/or citations, not including routine responses to the California Department of Health Care Services (CDPH).
 - C. Correspondence received from a governmental entity or government contractor regarding actual or potential billing errors or quality of care issues.
 - D. Allegation or indication from any source (including the Anonymous Information Line) that a regulation or policy has been violated.
 - E. Indication from any source that overpayments have been received by Kaweah Health.
 - F. Indication from any source that current procedures or processes may result in a violation, or create a compliance risk due to ineffectiveness or lack of controls.
 - G. Ineffective processes that create actual or potential billing errors or other compliance risks.
 - H. Concern raised regarding potential breaches of patient privacy, medical record security, or identity theft.

- I. Request made by a member of the Leadership and/or Executive Team.
 - J. Request made by the Audit and Compliance Committee, Compliance Advocate, or a Board member.
 - K. Any other concern of suspected illegal, unethical, abusive conduct, wrongdoing, or non-compliance with laws, regulations, accreditation requirements and/or Kaweah Health policies and procedures not otherwise identified above.
- II. The following steps shall be used in an internal investigation when a concern is identified or reported:
- A. The VPCCRO (or designee) will investigate the concern to determine how the potential problem was identified and designate the person who will oversee the investigation. When necessary, the appropriate Leadership and/or Executive Team members shall be notified of the potential concern.
 1. Issues that are strictly operational in nature shall be referred back to the appropriate Leadership and Executive Team members for review and investigation. Once complete, the Leadership and Executive Team member shall provide a summary of the resolution to the CPO-VPCCRO (or designee).
 2. Safety issues shall be referred to the Safety Officer with notification to the appropriate Executive Team member. Once complete, the Safety Officer shall provide a summary of the resolution to the CPOVPCCRO (or designee).
 3. Personnel issues shall be referred to Human Resources with notification to the appropriate Executive Team member. Once complete, the Human Resources representative shall provide a summary of the resolution to the CPO-VPCCRO (or designee).
 4. Quality of care issues shall be referred to Patient Safety and Quality Department with notification to the appropriate Executive Team member. Once complete, the Patient Safety and Quality representative shall provide a summary of the resolution to the CPOVPCCRO (or designee).
 5. Risk Management issues shall be referred to the Risk Management Department. Once complete, the Risk Management representative shall provide a summary of the resolution to the CCRO (or designee).
 6. Other issues shall be investigated by the CPOVPCCRO (or designee) with notification to the appropriate Executive Team member.
 - B. The CPOVPCCRO (or designee) will contact the Kaweah Health Compliance Advocate to invoke attorney-client privilege, as appropriate, in situations where a potential violation has been identified which could result in governmental intervention, self-reporting and/or re-payments to a third-party payer. In situations where the Kaweah Health Compliance Advocate invokes attorney-client privilege for investigation of an issue, all meetings, discussions and investigation activities related to that issue shall take

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place in the presence of, or under the direction of, the Kaweah Health Compliance Advocate or ~~CPO/VPCCRO~~.

- C. When necessary, the ~~CPO/VPCCRO~~ (or designee) will place the issue on the Compliance Issue Log reviewed quarterly by the Audit and Compliance Committee and the Board. If the matter is a privacy concern or other compliance matter not requiring inclusion on the Compliance Issue Log, the ~~CPO/VPCCRO~~ (or designee) will document and log the concern for tracking and reporting purposes.
- D. The ~~CPO/VPCCRO~~ (or designee) will determine the appropriate steps to investigate the issue and initiate these steps as soon as possible. The ~~CPO/VPCCRO~~ (or designee) will ensure Leadership places an immediate stop to any practice violating any federal or state law or regulation and/or accreditation standard; specifically those impacting billing or coding processes.
- E. The ~~CPO/VPCCRO~~ (or designee) will discuss the issue with the appropriate Leadership and/or Executive Team members.
- F. When appropriate, the ~~CPO/VPCCRO~~ (or designee) will retain outside opinions, other experts, or consultants, to evaluate the information and provide guidance or recommendations.
- G. The ~~CPO/VPCCRO~~ (or designee) will initiate specific steps to review the issue. These may include, but are not limited to:
 - 1. Review relevant policies and procedures.
 - 2. Identify and interview staff who may have knowledge of the problem. Analyze past history relevant to the problem.
 - 3. Research applicable laws.
 - 4. Review claims/medical records in question.
 - 5. Review relevant documents and files.
 - 6. Complete audits of patient records and system access.
- H. The ~~CPO/VPCCRO~~ (or designee) will document all steps taken in the investigation and resolution of the issue, including interview/meeting notes, summaries of reviews, completed copies of policies, or other relevant documents and other pertinent information related to the issue.
- I. The ~~CPO/VPCCRO~~ (or designee) will determine the appropriate course of action:
 - 1. Refer concerns about performance actions of specific individuals to Leadership and Human Resources.
 - 2. Work with appropriate Leadership and/or Executive Team members to implement new processes, policies and procedures, education, or other steps to ensure the problem does not persist or reoccur.
 - 3. Confirm the re-billing or repayment of any specific claims where a billing/payment error has been identified. If it is determined that an overpayment has been received from Medicare, the overpayment must be reported and returned to the appropriate agency within 60 days

after the date on which the overpayment amount is identified, or the date any corresponding cost report is due, if applicable. Failure to submit a timely report and return the overpayment may lead to False Claims Act liability. See CP.13 [Federal and State False Claims Act and Employee Protection Provisions](#) for additional information.

4. Determine if self-disclosure and restitution is necessary and, if so, work with the Kaweah Health Compliance Advocate and appropriate Executive Team member to make prompt restitution to the appropriate health care program/third-party payer.
 5. Schedule future monitoring and review activity to mitigate any future reoccurrence. The final resolution of the issue will be reported to the appropriate Executive Team member, the Audit and Compliance Committee, the Chief Executive Officer (CEO), and Board (when appropriate). The length of the investigation and final resolution will vary depending on the complexity and risk associated with the issue.
- III. When an investigation is initiated based upon a report of a problem by an employee, the [CGPO-VPCCRO](#) (or designee) will provide a summary of the final resolution to that employee. If the employee still has concerns, the following steps will be used:
- A. The [CPO-VPCCRO](#) will report the continuing concern to the Audit and Compliance Committee.
 - B. The [CPO-VPCCRO](#) or Compliance Advocate will contact the employee to request a written statement of their ongoing concerns.
 - C. The [CPO-VPCCRO](#) will prepare a written response to the employees concerns.
 - D. The Audit and Compliance Committee will review the written statement and respond and instruct the [CPO-VPCCRO](#) whether to continue or to close the investigation.
 - E. A letter will be sent from the Compliance Advocate on behalf of the Audit and Compliance Committee to the employee stating the final decision of the Audit and Compliance Committee.
- IV. When an investigation is initiated concerning a potential breach of patient confidentiality or inappropriate access to medical records the [CPO-VPCCRO](#) (or designee) will follow Kaweah Health Administrative Policy AP.108 [Patient Privacy Administrative and Compliance Requirements](#).
- A. When required by Federal and State law, the Compliance Department will make the necessary notifications to the patient and Federal/State agencies.

Exceptions:

Notification may be delayed if it would impede a criminal investigation, cause damage to national security, or cause harm to the patient.

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Policy Number: CP.05	Date Created: 07/06/2021
Document Owner: Lisa Wass (Compliance Analyst)	Date Approved: 02/14/2022
Approvers: Board of Directors (Administration), Compliance Committee, Amy Valero (Compliance Manager), Ben Cripps (Chief Compliance/Risk Officer)	
Compliance and Privacy Issues Investigation and Resolution	

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Purpose: To establish a Compliance Program in which all issues are handled consistently to ensure integrity of the Program and all matters receive appropriate attention and resolution.

Policy: Investigations of suspected illegal, unethical, abusive conduct, wrongdoing, or non-compliance with laws, regulations, accreditation requirements and/or Kaweah Health policies and procedures shall be conducted by the appropriate person as determined by the Vice President & Chief Compliance and Risk Officer (VPCCRO) and the Kaweah Health Compliance Advocate.

Process:

- I. Issues shall be investigated when one or more of the following criteria are met:
 - A. Non-routine subpoena or search warrant received from a governmental or regulatory agency.
 - B. Outside regulatory site visit or audit resulting in deficiencies and/or citations, not including routine responses to the California Department of Health Care Services (CDPH).
 - C. Correspondence received from a governmental entity or government contractor regarding actual or potential billing errors or quality of care issues.
 - D. Allegation or indication from any source (including the Anonymous Information Line) that a regulation or policy has been violated.
 - E. Indication from any source that overpayments have been received by Kaweah Health.
 - F. Indication from any source that current procedures or processes may result in a violation, or create a compliance risk due to ineffectiveness or lack of controls.
 - G. Ineffective processes that create actual or potential billing errors or other compliance risks.
 - H. Concern raised regarding potential breaches of patient privacy, medical record security, or identity theft.

- I. Request made by a member of the Leadership and/or Executive Team.
 - J. Request made by the Audit and Compliance Committee, Compliance Advocate, or a Board member.
 - K. Any other concern of suspected illegal, unethical, abusive conduct, wrongdoing, or non-compliance with laws, regulations, accreditation requirements and/or Kaweah Health policies and procedures not otherwise identified above.
- II. The following steps shall be used in an internal investigation when a concern is identified or reported:
- A. The VPCCRO (or designee) will investigate the concern to determine how the potential problem was identified and designate the person who will oversee the investigation. When necessary, the appropriate Leadership and/or Executive Team members shall be notified of the potential concern.
 1. Issues that are strictly operational in nature shall be referred back to the appropriate Leadership and Executive Team members for review and investigation. Once complete, the Leadership and Executive Team member shall provide a summary of the resolution to the VPCCRO (or designee).
 2. Safety issues shall be referred to the Safety Officer with notification to the appropriate Executive Team member. Once complete, the Safety Officer shall provide a summary of the resolution to the VPCCRO (or designee).
 3. Personnel issues shall be referred to Human Resources with notification to the appropriate Executive Team member. Once complete, the Human Resources representative shall provide a summary of the resolution to the VPCCRO (or designee).
 4. Quality of care issues shall be referred to Patient Safety and Quality Department with notification to the appropriate Executive Team member. Once complete, the Patient Safety and Quality representative shall provide a summary of the resolution to the VPCCRO (or designee).
 5. Risk Management issues shall be referred to the Risk Management Department. Once complete, the Risk Management representative shall provide a summary of the resolution to the VPCCRO (or designee).
 6. Other issues shall be investigated by the VPCCRO (or designee) with notification to the appropriate Executive Team member.
 - B. The VPCCRO (or designee) will contact the Kaweah Health Compliance Advocate to invoke attorney-client privilege, as appropriate, in situations where a potential violation has been identified which could result in governmental intervention, self-reporting and/or re-payments to a third-party payer. In situations where the Kaweah Health Compliance Advocate invokes attorney-client privilege for investigation of an issue, all meetings, discussions and investigation activities related to that issue shall take

place in the presence of, or under the direction of, the Kaweah Health Compliance Advocate or VPCCRO.

- C. When necessary, the VPCCRO (or designee) will place the issue on the Compliance Issue Log reviewed quarterly by the Audit and Compliance Committee and the Board. If the matter is a privacy concern or other compliance matter not requiring inclusion on the Compliance Issue Log, the VPCCRO (or designee) will document and log the concern for tracking and reporting purposes.
- D. The VPCCRO (or designee) will determine the appropriate steps to investigate the issue and initiate these steps as soon as possible. The VPCCRO (or designee) will ensure Leadership places an immediate stop to any practice violating any federal or state law or regulation and/or accreditation standard; specifically those impacting billing or coding processes.
- E. The VPCCRO (or designee) will discuss the issue with the appropriate Leadership and/or Executive Team members.
- F. When appropriate, the VPCCRO (or designee) will retain outside opinions, other experts, or consultants to evaluate the information and provide guidance or recommendations.
- G. The VPCCRO (or designee) will initiate specific steps to review the issue. These may include, but are not limited to:
 - 1. Review relevant policies and procedures.
 - 2. Identify and interview staff who may have knowledge of the problem. Analyze past history relevant to the problem.
 - 3. Research applicable laws.
 - 4. Review claims/medical records in question.
 - 5. Review relevant documents and files.
 - 6. Complete audits of patient records and system access.
- H. The VPCCRO (or designee) will document all steps taken in the investigation and resolution of the issue, including interview/meeting notes, summaries of reviews, completed copies of policies, or other relevant documents and other pertinent information related to the issue.
- I. The VPCCRO (or designee) will determine the appropriate course of action:
 - 1. Refer concerns about performance actions of specific individuals to Leadership and Human Resources.
 - 2. Work with appropriate Leadership and/or Executive Team members to implement new processes, policies and procedures, education, or other steps to ensure the problem does not persist or reoccur.
 - 3. Confirm the re-billing or repayment of any specific claims where a billing/payment error has been identified. If it is determined that an overpayment has been received from Medicare, the overpayment must be reported and returned to the appropriate agency within 60 days

after the date on which the overpayment amount is identified, or the date any corresponding cost report is due, if applicable. Failure to submit a timely report and return the overpayment may lead to False Claims Act liability. See CP.13 [Federal and State False Claims Act and Employee Protection Provisions](#) for additional information.

4. Determine if self-disclosure and restitution is necessary and, if so, work with the Kaweah Health Compliance Advocate and appropriate Executive Team member to make prompt restitution to the appropriate health care program/third-party payer.
 5. Schedule future monitoring and review activity to mitigate any future reoccurrence. The final resolution of the issue will be reported to the appropriate Executive Team member, the Audit and Compliance Committee, the Chief Executive Officer (CEO), and Board (when appropriate). The length of the investigation and final resolution will vary depending on the complexity and risk associated with the issue.
- III. When an investigation is initiated based upon a report of a problem by an employee, the VPCCRO (or designee) will provide a summary of the final resolution to that employee. If the employee still has concerns, the following steps will be used:
- A. The VPCCRO will report the continuing concern to the Audit and Compliance Committee.
 - B. The VPCCRO or Compliance Advocate will contact the employee to request a written statement of their ongoing concerns.
 - C. The VPCCRO will prepare a written response to the employees concerns.
 - D. The Audit and Compliance Committee will review the written statement and respond and instruct the VPCCRO whether to continue or to close the investigation.
 - E. A letter will be sent from the Compliance Advocate on behalf of the Audit and Compliance Committee to the employee stating the final decision of the Audit and Compliance Committee.
- IV. When an investigation is initiated concerning a potential breach of patient confidentiality or inappropriate access to medical records the VPCCRO (or designee) will follow Kaweah Health Administrative Policy AP.108 [Patient Privacy Administrative and Compliance Requirements](#).
- A. When required by Federal and State law, the Compliance Department will make the necessary notifications to the patient and Federal/State agencies.

Exceptions:

Notification may be delayed if it would impede a criminal investigation, cause damage to national security, or cause harm to the patient.

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Policy Number: CP.06	Date Created: 04/21/2022
Document Owner: Lisa Wass (Compliance Analyst)	Date Approved: Not Approved Yet
Approvers: Board of Directors (Administration), Compliance Committee, Amy Valero (Compliance Manager), Ben Cripps (Chief Compliance/Risk Officer)	
Compliance Program Education	

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

Purpose: To educate employees and physicians on the medical staff about the Kaweah Health Compliance Program on topics including, but not limited to, Code of Conduct, Patient Privacy regulations, False Claims Act (FCA), Anti-Kickback Statute (AKS), STARK, Criminal Health Care Fraud Statute, Federal Exclusion Statute, and Civil Monetary Penalties (CMP) Laws.

Policy: All employees shall receive mandatory Compliance and Privacy training upon hire, and annually thereafter. All employees and Medical Staff physicians will receive ongoing education on relevant compliance and Patient Privacy topics. Employees working within the Revenue Cycle shall receive additional focused education related to their function and responsibility.

Process:

- I. **New Employee Orientation** – The ~~Vice President & Chief~~ VPCCRO ~~and Privacy and Risk Officer~~ (or designee) will provide live, in-person training to all new employees at New Employee General Orientation. Training content shall include an overview of the Kaweah Health Compliance Program, Code of Conduct, Patient Privacy regulations, FCA, AKS, STARK, Criminal Health Care Fraud Statute, Exclusion Statute, CMP Laws, and other topics as deemed necessary.
- II. **Medical Staff Orientation** – New Medical Staff physicians will be oriented to the Kaweah Health Compliance Program through the Medical Staff Orientation Process. Training content shall include an overview of the Kaweah Health Compliance Program, Code of Conduct, Patient Privacy regulations, FCA, AKS, STARK, Criminal Health Care Fraud Statute, Exclusion Statute, CMP Laws, and other topics as deemed necessary.
- III. **New Manager Orientation** – New managers shall meet with the ~~VPCCRO Chief Compliance and Privacy Officer~~ (or designee) to receive a more detailed understanding of the Kaweah Health Compliance Program. The training will also include a review of the manager’s responsibility for compliance education and reporting.
- IV. **New Board Member Orientation** – New Board Members will meet with the ~~VPCCRO Chief Compliance and Privacy Officer~~ to receive a comprehensive

- overview of the Kaweah [Delta-Health](#) Compliance Program. The training will also include a review of the Board member's responsibility for compliance.
- V. **Continuing Education** - All employees shall receive on-going education about relevant compliance topics including updates to the Compliance Program, Code of Conduct, new laws and regulations, or new Compliance and Privacy policies and procedures. The ways in which information and education shall be provided include:
- A. Compliance and Privacy Mandatory Annual Training (MAT) shall be completed by all employees. Failure to complete MAT will result in disciplinary action pursuant to Kaweah Health's Human Resources Policy HR.216 [Progressive Discipline](#).
 - B. Relevant compliance topics included periodically via the Kaweah Health Communication Boards, all staff e-mail communications, the employee newsletter, and the Medical Staff newsletter.
 - C. Periodically, Compliance staff may attend department staff meetings to present relevant compliance and privacy topics as required by law, the [VPCCRO Compliance and Privacy Officer](#), or at the request of Department Management.
 - D. Each department/area will identify a representative to serve as their Area Compliance Expert (ACE). These individuals will help support their management by providing compliance and privacy related education on an on-going basis at their department/area staff meetings. Relevant topics will include identified high-risk areas for compliance or information on new laws or regulations.
- VI. **Focused Education** - Employees working in Patient Access, Patient Accounting, Health Information Management, Clinical Documentation Improvement, and Case Management participate in the development and ongoing management of Operational Compliance Committee, focused on the discussion of regulations, policies, auditing and monitoring, and educational efforts within the departments; including the development and implementation of dashboards designed to develop focused goals and measure effectiveness of each committee.

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Policy Number: CP.06	Date Created: 02/02/2021
Document Owner: Lisa Wass (Compliance Analyst)	Date Approved: 02/14/2022
Approvers: Board of Directors (Administration), Compliance Committee, Amy Valero (Compliance Manager), Ben Cripps (Chief Compliance/Risk Officer)	
Compliance Program Education	

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

Purpose: To educate employees and physicians on the medical staff about the Kaweah Health Compliance Program on topics including, but not limited to, Code of Conduct, Patient Privacy regulations, False Claims Act (FCA), Anti-Kickback Statute (AKS), STARK, Criminal Health Care Fraud Statute, Federal Exclusion Statute, and Civil Monetary Penalties (CMP) Laws.

Policy: All employees shall receive mandatory Compliance and Privacy training upon hire, and annually thereafter. All employees and Medical Staff physicians will receive ongoing education on relevant compliance and Patient Privacy topics. Employees working within the Revenue Cycle shall receive additional focused education related to their function and responsibility.

Process:

- I. **New Employee Orientation** – The Vice President & Chief Compliance and Risk Officer (VPCCRO) (or designee) will provide live, in-person training to all new employees at New Employee General Orientation. Training content shall include an overview of the Kaweah Health Compliance Program, Code of Conduct, Patient Privacy regulations, FCA, AKS, STARK, Criminal Health Care Fraud Statute, Exclusion Statute, CMP Laws, and other topics as deemed necessary.
- II. **Medical Staff Orientation** – New Medical Staff physicians will be oriented to the Kaweah Health Compliance Program through the Medical Staff Orientation Process. Training content shall include an overview of the Kaweah Health Compliance Program, Code of Conduct, Patient Privacy regulations, FCA, AKS, STARK, Criminal Health Care Fraud Statute, Exclusion Statute, CMP Laws, and other topics as deemed necessary.
- III. **New Manager Orientation** – New managers shall meet with the VPCCRO (or designee) to receive a more detailed understanding of the Kaweah Health Compliance Program. The training will also include a review of the manager’s responsibility for compliance education and reporting.
- IV. **New Board Member Orientation** – New Board Members will meet with the VPCCRO to receive a comprehensive overview of the Kaweah Health

Compliance Program. The training will also include a review of the Board member's responsibility for compliance.

- V. **Continuing Education** - All employees shall receive on-going education about relevant compliance topics including updates to the Compliance Program, Code of Conduct, new laws and regulations, or new Compliance and Privacy policies and procedures. The ways in which information and education shall be provided include:
- A. Compliance and Privacy Mandatory Annual Training (MAT) shall be completed by all employees. Failure to complete MAT will result in disciplinary action pursuant to Kaweah Health's Human Resources Policy HR.216 [Progressive Discipline](#).
 - B. Relevant compliance topics included periodically via the Kaweah Health Communication Boards, all staff e-mail communications, the employee newsletter, and the Medical Staff newsletter.
 - C. Periodically, Compliance staff may attend department staff meetings to present relevant compliance and privacy topics as required by law, the VPCCRO , or at the request of Department Management.
 - D. Each department/area will identify a representative to serve as their Area Compliance Expert (ACE). These individuals will help support their management by providing compliance and privacy related education on an on-going basis at their department/area staff meetings. Relevant topics will include identified high-risk areas for compliance or information on new laws or regulations.
- VI. **Focused Education** - Employees working in Patient Access, Patient Accounting, Health Information Management, Clinical Documentation Improvement, and Case Management participate in the development and ongoing management of Operational Compliance Committee, focused on the discussion of regulations, policies, auditing and monitoring, and educational efforts within the departments; including the development and implementation of dashboards designed to develop focused goals and measure effectiveness of each committee.

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Policy Number: CP.07	Date Created: 04/21/2022
Document Owner: Lisa Wass (Compliance Analyst)	Date Approved: Not Approved Yet
Approvers: Board of Directors (Administration), Compliance Committee, Amy Valero (Compliance Manager), Ben Cripps (Chief Compliance/Risk Officer)	
Excluded Individuals/Entities	
Office of Inspector General/Department of Health and Human Services	

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

Purpose: To establish procedures to prevent Kaweah Delta Health Care District (herein after referred to as Kaweah Health) hiring, employing, contracting with and/or the provision of Medical Staff privileges to anyone excluded from participation in a Federal or State Health Care Program.

Policy: All current and prospective new employees, independent contractors, vendors, suppliers, consultants, and Medical Staff members shall be searched against the Department of Health and Human Services/Office of Inspector General’s List of Excluded Individuals/Entities (OIG) and the General Systems Administration (GSA) list of Excluded Individuals/Entities based on the frequency outlined in this policy.

Definition of an Excluded Person:

An excluded person can be an employee, independent contractor, vendor, supplier, consultant, Medical Staff members, or entity who has been identified by the Federal or State government as committing an act that excludes the individual/entity from participating in a Federal or State health care program, or Federal/State procurement. The exclusion applies regardless of who submits the claims and applies to all administrative and management services furnished by the excluded person.

Procedure:

- I. Vendors/Suppliers/Contracted Services
 - A. Before entering into a contract or agreement, the person responsible for executing or renewing the contract shall ensure that the proposed vendor or supplier is not an Excluded Person/Entity. If the vendor or supplier is excluded from participation in a Federal or State Health Care Program, a contract shall not be executed.

All new or renewed contracts shall contain a clause, requiring the vendor to immediately notify Kaweah Health should they become ineligible / excluded from participating in a Federal or State Health Care Program. The contract shall also specify Kaweah Health's authority to immediately terminate the agreement in the event the vendor becomes excluded. See AP69 [Requirement for Contracting with Outside Service Providers](#). All executed agreements shall be retained in the Contract Management System.

- B. The Director of Finance (or designee) shall search the OIG/GSA List quarterly to ensure that any Kaweah Health vendor/supplier is not an Excluded Person/Entity. Any vendor found to be excluded shall be immediately notified and their contract with Kaweah Health terminated.
- C. Any providers not credentialed with Kaweah Health, but whose patients utilize Kaweah Health for the fulfillment of services (Laboratory, Imaging, etc.) will be searched for on the OIG list to validate exclusion status. A third-party vendor will maintain the monthly monitoring of non-credentialed providers. Orders for non-credentialed providers who are found to be excluded will not be accepted at Kaweah Health for the fulfillment of medical services.

Documentation of the review shall be forwarded to the Compliance Department and may be in the format in Exhibit A or other such format as agreed to by the ~~Vice President & Chief Compliance and Risk and Privacy Officer~~ [\(VPCCRO\)](#) or designee.

II. Medical Staff /Allied Health Staff

- A. Before approving a physician for Medical Staff privileges or authorizing an allied health staff person to provide services, the Medical Staff Director (or designee) shall ensure that the individual is not an Excluded Person. If a physician or allied health professional is identified on the OIG/GSA Exclusion Lists, Medical Staff privileges/authorization to provide services shall not be granted. Any physician or Allied Health Professional with a change in status, such as an exclusion from Federal or State Health Care participation, shall immediately report such change to the Kaweah [Delta Health \(VPCCRO\) Compliance Officer](#) and Medical Staff Office.
- B. The Director of the Medical Staff Office (or designee) shall search the OIG/GSA list monthly to ensure that any Kaweah Health Medical Staff or Allied Health Professional is not an Excluded Person. In the event a physician or Allied Health Professional is on the OIG/GSA Exclusion List, Medical Staff privileges/authorization to provide services shall be immediately revoked.

Documentation of the review shall be forwarded quarterly to the ~~VPCCRO Chief Compliance and Privacy Officer~~ (or designee) and may be in the format in Exhibit A or other such format as agreed to by the ~~VPCCRO Compliance and Privacy Officer~~.

III. Employment Applicants

- A. Prior to making an offer of employment or contract, Human Resources staff shall search the OIG/GSA List to ensure that the applicant is not an Excluded Person. In the event the applicant is on the OIG/ GSA List, no offer of employment or contract shall be made.

IV. Kaweah Health Employees

- A. The OIG/GSA and State Exclusion Lists shall be searched monthly to determine if a Kaweah Health employee has been identified as an Excluded Person. The review will also evaluate any published legal or license activity that might affect a person's status for their California licensure. Human Resources will be immediately notified of any potential situations that require further review and evaluation.
- B. In the event an employee is identified as an Excluded Person, the ~~Vice President of~~ Chief Human Resources ~~Officer~~ will review the finding and report the outcome of the review to the ~~VPCCRO Compliance and Privacy Officer~~. Confirmation of the "excluded" status is cause for immediate termination of employment with Kaweah Health.

V. Investigations of Excluded Person(s)

- A. In the event that an Excluded Person/party is identified, the Compliance Department will conduct an investigation following CP.05 [Compliance and Privacy Issues Investigation and Resolution](#).
- B. In the event that an Excluded Person/party is identified, Insurance Plan Sponsors and/or Payor will be notified (when appropriate).

EXHIBIT A

Verification of review of OIG and GSA List of Excluded Individuals/Entities

Review completed for: _____
Vendors, Medical and Allied Health Staff, Consultants, Staff)

Review completed on: _____
(Date)

I certify that this review has been completed and no Excluded Individuals/Entities were found.

Signature: _____

Print Name: _____

I certify that this review has been completed and the following Individuals/Entities were found:

Signature: _____

Print Name: _____

Please forward the completed form to the [VPCCRO Compliance and Privacy Officer or designee](#)

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Policy Number: CP.07	Date Created: 02/02/2021
Document Owner: Lisa Wass (Compliance Analyst)	Date Approved: 02/14/2022
Approvers: Board of Directors (Administration), Compliance Committee, Amy Valero (Compliance Manager), Ben Cripps (Chief Compliance/Risk Officer)	
Excluded Individuals/Entities	
Office of Inspector General/Department of Health and Human Services	

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

Purpose: To establish procedures to prevent Kaweah Delta Health Care District (herein after referred to as Kaweah Health) hiring, employing, contracting with and/or the provision of Medical Staff privileges to anyone excluded from participation in a Federal or State Health Care Program.

Policy: All current and prospective new employees, independent contractors, vendors, suppliers, consultants, and Medical Staff members shall be searched against the Department of Health and Human Services/Office of Inspector General’s List of Excluded Individuals/Entities (OIG) and the General Systems Administration (GSA) list of Excluded Individuals/Entities based on the frequency outlined in this policy.

Definition of an Excluded Person:

An excluded person can be an employee, independent contractor, vendor, supplier, consultant, Medical Staff members, or entity who has been identified by the Federal or State government as committing an act that excludes the individual/entity from participating in a Federal or State health care program, or Federal/State procurement. The exclusion applies regardless of who submits the claims and applies to all administrative and management services furnished by the excluded person.

Procedure:

- I. Vendors/Suppliers/Contracted Services
 - A. Before entering into a contract or agreement, the person responsible for executing or renewing the contract shall ensure that the proposed vendor or supplier is not an Excluded Person/Entity. If the vendor or supplier is excluded from participation in a Federal or State Health Care Program, a contract shall not be executed.

All new or renewed contracts shall contain a clause, requiring the vendor to immediately notify Kaweah Health should they become ineligible / excluded from participating in a Federal or State Health Care Program. The contract shall also specify Kaweah Health's authority to immediately terminate the agreement in the event the vendor becomes excluded. See AP69 [Requirement for Contracting with Outside Service Providers](#). All executed agreements shall be retained in the Contract Management System.

- B. The Director of Finance (or designee) shall search the OIG/GSA List quarterly to ensure that any Kaweah Health vendor/supplier is not an Excluded Person/Entity. Any vendor found to be excluded shall be immediately notified and their contract with Kaweah Health terminated.
- C. Any providers not credentialed with Kaweah Health, but whose patients utilize Kaweah Health for the fulfillment of services (Laboratory, Imaging, etc.) will be searched for on the OIG list to validate exclusion status. A third-party vendor will maintain the monthly monitoring of non-credentialed providers. Orders for non-credentialed providers who are found to be excluded will not be accepted at Kaweah Health for the fulfillment of medical services.

Documentation of the review shall be forwarded to the Compliance Department and may be in the format in Exhibit A or other such format as agreed to by the Vice President & Chief Compliance and Risk Officer (VPCCRO) or designee.

II. Medical Staff /Allied Health Staff

- A. Before approving a physician for Medical Staff privileges or authorizing an allied health staff person to provide services, the Medical Staff Director (or designee) shall ensure that the individual is not an Excluded Person. If a physician or allied health professional is identified on the OIG/GSA Exclusion Lists, Medical Staff privileges/authorization to provide services shall not be granted. Any physician or Allied Health Professional with a change in status, such as an exclusion from Federal or State Health Care participation, shall immediately report such change to the Kaweah Health VPCCRO and Medical Staff Office.
- B. The Director of the Medical Staff Office (or designee) shall search the OIG/GSA list monthly to ensure that any Kaweah Health Medical Staff or Allied Health Professional is not an Excluded Person. In the event a physician or Allied Health Professional is on the OIG/GSA Exclusion List, Medical Staff privileges/authorization to provide services shall be immediately revoked.

Documentation of the review shall be forwarded quarterly to the VPCCRO (or designee) and may be in the format in Exhibit A or other such format as agreed to by the VPCCRO.

III. Employment Applicants

- A. Prior to making an offer of employment or contract, Human Resources staff shall search the OIG/GSA List to ensure that the applicant is not an Excluded Person. In the event the applicant is on the OIG/ GSA List, no offer of employment or contract shall be made.

IV. Kaweah Health Employees

- A. The OIG/GSA and State Exclusion Lists shall be searched monthly to determine if a Kaweah Health employee has been identified as an Excluded Person. The review will also evaluate any published legal or license activity that might affect a person's status for their California licensure. Human Resources will be immediately notified of any potential situations that require further review and evaluation.
- B. In the event an employee is identified as an Excluded Person, the Vice President Chief Human Resources Officer will review the finding and report the outcome of the review to the VPCCRO. Confirmation of the "excluded" status is cause for immediate termination of employment with Kaweah Health.

V. Investigations of Excluded Person(s)

- A. In the event that an Excluded Person/party is identified, the Compliance Department will conduct an investigation following CP.05 [Compliance and Privacy Issues Investigation and Resolution](#).
- B. In the event that an Excluded Person/party is identified, Insurance Plan Sponsors and/or Payor will be notified (when appropriate).

EXHIBIT A

Verification of review of OIG and GSA List of Excluded Individuals/Entities

Review completed for: _____
Vendors, Medical and Allied Health Staff, Consultants, Staff)

Review completed on: _____
(Date)

I certify that this review has been completed and no Excluded Individuals/Entities were found.

Signature: _____

Print Name: _____

I certify that this review has been completed and the following Individuals/Entities were found:

Signature: _____

Print Name: _____

Please forward the completed form to the VPCCRO or designee

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Policy Number: CP.10	Date Created: 04/21/2022
Document Owner: Lisa Wass (Compliance Analyst)	Date Approved: Not Approved Yet
Approvers: Board of Directors (Administration), Compliance Committee, Amy Valero (Compliance Manager), Ben Cripps (Chief Compliance/Risk Officer)	
Compliance Reviews and Assessments	

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

Purpose: To outline and evaluate the process of performing audits and/or monitoring to measure compliance and assist in process improvement.

Policy: Kaweah Delta Health Care District (herein after referred to as Kaweah Health) acknowledges its responsibility to detect and prevent illegal, unethical, and abusive conduct. The Kaweah Health Compliance Program shall complete auditing and monitoring activities on a regular basis to evaluate compliance with specific laws, regulations, accreditation requirements and/or Kaweah Health policies and procedures. The Compliance Program shall evaluate and assess compliance risk through ongoing risk assessment process. The Compliance Program shall also audit and/or monitor high-risk areas and changing government standards or industry practices on a regular basis.

Process:

- I. **Closed Compliance Issues** – Risk areas identified for closed compliance issues will be evaluated and prioritized. Auditing and monitoring activities will be completed periodically based on the recommendation of the Vice President & Chief Compliance and Risk and Privacy Officer (VPCCRO) to the Audit and Compliance Committee. Follow-up audits or monitoring activity will be completed by Compliance staff or may be referred to Internal Audit. Reviews requiring independent detailed claim or record reviews will be completed by Compliance staff or contracted external audit firm.
- II. **Risk Prevention and Identification** – The Chief Compliance Officer/VPCCRO (or designee) will review risk areas identified by the Office of Inspector General (OIG), Centers for Medicare and Medicaid Services (CMS), Medi-Cal, California Department of Public Health (CDPH), and other government agencies and audit contractors. Particular focus will be given to risk areas involving complex processes and to those areas new to Kaweah DeltaHealth operations.

- III. **Billing and Coding Reviews** – Billing, coding and medical record reviews will be completed periodically as outlined in CP.02 [Review of Billing Practices](#) . The results of these reviews shall be monitored by the [Chief Compliance and Privacy Officer VPCCRO](#) (or designee) and reported to the Audit and Compliance Committee.
- IV. **Corrective Action Monitoring** – The Compliance and/or Internal Audit staff shall also audit and monitor processes in risk areas where compliance investigations have been completed and corrective actions implemented. Periodic monitoring of these risk areas will be used to validate the effectiveness of corrective actions and continued compliance.
- V. **Suspected Wrongdoing** – When an assessment identifies suspected wrongdoing, possible fraud and abuse, or non-compliance with laws, regulations, accreditation requirements and/or Kaweah [DeltaHealth](#) policies and procedures, a ~~more~~-thorough investigation will be initiated pursuant to Compliance Policy [Compliance and Privacy Issues Investigation and Resolution](#).
- VI. **Recommended Audit and Monitoring Procedures** – Assignments of audit staff will be based on the particular expertise required to fully audit the specific area or standard being evaluated. All analysis and documentation related to each unscheduled audit shall be compiled at the direction of the [Chief Compliance and Privacy Officer VPCCRO](#) and/or legal counsel and shall be treated as attorney-client work product (when appropriate).

All audit reports shall be completed in a timely fashion, reported to the Audit and Compliance Committee, and at a minimum include the following information:

- (1) Audit objectives and scope;
- (2) Audit procedures employed;
- (3) Results obtained;
- (4) Conclusions concerning accomplishment of the audit objectives;
- (5) Details concerning any deficiencies noted; and
- (6) Recommendations for corrective action or improvement.

"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."

Policy Number: CP.10	Date Created: 02/02/2021
Document Owner: Lisa Wass (Compliance Analyst)	Date Approved: 02/14/2022
Approvers: Board of Directors (Administration), Compliance Committee, Amy Valero (Compliance Manager), Ben Cripps (Chief Compliance/Risk Officer)	
Compliance Reviews and Assessments	

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Purpose: To outline and evaluate the process of performing audits and/or monitoring to measure compliance and assist in process improvement.

Policy: Kaweah Delta Health Care District (herein after referred to as Kaweah Health) acknowledges its responsibility to detect and prevent illegal, unethical, and abusive conduct. The Kaweah Health Compliance Program shall complete auditing and monitoring activities on a regular basis to evaluate compliance with specific laws, regulations, accreditation requirements and/or Kaweah Health policies and procedures. The Compliance Program shall evaluate and assess compliance risk through ongoing risk assessment process. The Compliance Program shall also audit and/or monitor high-risk areas and changing government standards or industry practices on a regular basis.

Process:

- I. **Closed Compliance Issues** – Risk areas identified for closed compliance issues will be evaluated and prioritized. Auditing and monitoring activities will be completed periodically based on the recommendation of the Vice President & Chief Compliance and Risk Officer (VPCCRO) to the Audit and Compliance Committee. Follow-up audits or monitoring activity will be completed by Compliance staff or may be referred to Internal Audit. Reviews requiring independent detailed claim or record reviews will be completed by Compliance staff or contracted external audit firm.
- II. **Risk Prevention and Identification** – The VPCCRO (or designee) will review risk areas identified by the Office of Inspector General (OIG), Centers for Medicare and Medicaid Services (CMS), Medi-Cal, California Department of Public Health (CDPH), and other government agencies and audit contractors. Particular focus will be given to risk areas involving complex processes and to those areas new to Kaweah Health operations.
- III. **Billing and Coding Reviews** – Billing, coding and medical record reviews will be completed periodically as outlined in CP.02 [Review of Billing Practices](#) . The

results of these reviews shall be monitored by the VPCCRO (or designee) and reported to the Audit and Compliance Committee.

- IV. **Corrective Action Monitoring** – The Compliance and/or Internal Audit staff shall also audit and monitor processes in risk areas where compliance investigations have been completed and corrective actions implemented. Periodic monitoring of these risk areas will be used to validate the effectiveness of corrective actions and continued compliance.
- V. **Suspected Wrongdoing** – When an assessment identifies suspected wrongdoing, possible fraud and abuse, or non-compliance with laws, regulations, accreditation requirements and/or Kaweah Health policies and procedures, a thorough investigation will be initiated pursuant to Compliance Policy [Compliance and Privacy Issues Investigation and Resolution](#).
- VI. **Recommended Audit and Monitoring Procedures** – Assignments of audit staff will be based on the particular expertise required to fully audit the specific area or standard being evaluated. All analysis and documentation related to each unscheduled audit shall be compiled at the direction of the VPCCRO and/or legal counsel and shall be treated as attorney-client work product (when appropriate).

All audit reports shall be completed in a timely fashion, reported to the Audit and Compliance Committee, and at a minimum include the following information:

- (1) Audit objectives and scope;
- (2) Audit procedures employed;
- (3) Results obtained;
- (4) Conclusions concerning accomplishment of the audit objectives;
- (5) Details concerning any deficiencies noted; and
- (6) Recommendations for corrective action or improvement.

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Policy Number: CP.13	Date Created: 03/21/2022
Document Owner: Lisa Wass (Compliance Analyst)	Date Approved: Not Approved Yet
Approvers: Board of Directors (Administration), Compliance Committee, Amy Valero (Compliance Manager), Ben Cripps (Chief Compliance/Risk Officer)	
Federal and State False Claims Act and Employee Protection Provisions	

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

Purpose: Kaweah Delta Health Care District (“Kaweah DeltaHealth”) (herein after known as Kaweah Health) acknowledges its responsibilities to establish policies and procedures under the Federal Deficit Reduction Act to provide information and education to its employees, agents and contracted work force regarding the federal False Claims Act, the Federal Whistleblower’s Act as well California law on these subjects. The following policy is established in order to help our employees, agents and contractors understand the provisions of the federal and state laws regarding submitting false claims for reimbursement, as well as to further inform our employees of their right to report violations at the state and federal levels as well as to their supervisor or through Kaweah Delta’s-Health’s Compliance structure.

Policy: Detailed information regarding both state and federal false claims laws and whistleblower laws will be distributed to employees via this policy as well as through the various educational courses and orientation programs ongoing throughout the system. Employees are strongly encouraged to report any observations they might make regarding potential violations to their supervisor, the Kaweah Delta-Health VP & Chief Compliance and PrivacyRisk Officer, or through the Kaweah Delta-Health Confidential Compliance Hotline (1-800-998-8050). Every concern will be investigated in accordance with policy CP.05 Compliance and Privacy Issues Investigation and Resolution.

Federal False Claims Act - The False Claims Act (FCA) is a federal statute that covers fraud involving any federally funded contract or program, including the Medicare and Medicaid (Medi-Cal) programs. The Act establishes liability for any person who knowingly presents or causes to be presented a false or fraudulent claim to the U. S. Government for payment.

The term “knowingly” is defined to mean that a person, with respect to information:

- Has actual knowledge of falsity of information in the claim;
- Acts in deliberate ignorance of the truth or falsity of the information in a claim;
- or
- Acts in reckless disregard of the truth or falsity of the information in a claim

The Act does not require proof of a specific intent to defraud the United States Government. Instead health care providers can be prosecuted for a wide variety of conduct that leads to the submission of fraudulent claims to the Government, such as knowingly making false statements, falsifying records, or otherwise causing a false claims to be submitted.

Claim - For purposes of the False Claims Act, a “claim” includes any request or demand for money that is submitted to the U.S. Government or its contractors.

Liability - Health care providers and suppliers (persons and organizations) who violate the False Claims Act can be subject to civil monetary penalties from \$10,957,11,803 and \$21,916,23,607 for each false claim submitted. In addition to this civil penalty, providers and suppliers can be required to pay three (3) times the amount of damages sustained by the U.S. Government (See 31 USC §3729(a)). If a provider or supplier is convicted of a False Claims Act violation, the Office of Inspector General (OIG) may seek to exclude the provider or supplier from participation in federal health care programs.

California False Claims Act - The California FCA, enacted in 1987, is a state statute that covers fraud involving state funded contracts or programs, including Medi-Cal. The act establishes liability for any person who knowingly presents or causes to be presented a false claim for payment or approval or causes to be made or used a false statement to get a false claim paid or approved.

The California FCA closely mirrors the structure and content of the Federal False Claims Act. However, the California FCA does contain some provisions that differ from the federal statute. For example, the California FCA imposes liability upon a provider for an inadvertent submission of a false claim when the provider subsequently discovers the falsity but fails to disclose it within a reasonable period of time after the discovery of the false claim. Further, the California FCA states that liability is triggered if a provider conspires to defraud by getting a false claim allowed or paid.

The term “knowingly” for the California FCA is ~~the~~ identical to the federal False Claims Act. As with the federal statute, proof of specific intent to defraud is not required.

Damages for the California FCA are similar to its federal counterpart. Any provider who violates the California FCA is liable to the state for three (3) times the amount of damages. Such a provider is also responsible for the costs of a civil action to recover the penalties and damages. Finally, any provider who violates the state statute may be liable for a civil penalty for each false claim. A “claim” is defined as any request or demand for money or services.

Employee Protection - Qui Tam “Whistleblower” Provision - To encourage individuals to come forward and report misconduct involving false claims, both the federal False Claims Act and the California FCA include “qui tam” or whistleblower provisions. These provisions allow a person who is the “original source” to file a *qui tam* action and the party bringing the action is known as the “relator.” “Original source” is defined as direct and independent knowledge of the information on which

the allegations are based and has voluntarily provided the information to the Government before filing a lawsuit on behalf of the U.S. Government or State of California. There are many different types of health care fraud that can be the basis of a qui tam action. These include, but are not limited to: add-on services, up-coding and unbundling, kickbacks, false certification and information, lack of medical necessity, fraudulent cost reports, grant or program fraud, and billing for inadequate patient care.

Kaweah [DeltaHealth](#) staff have the right to request the presence of their supervisor, the Director of Risk Management, and/or the Compliance and Privacy Officer during an interview with a government investigator/inspector. Additionally, employees, or an employee's representative, have the right to discuss possible regulatory violations and/or patient safety concerns with the California Department of Public Health's (CDPH) inspector(s) privately during the course of an investigation or inspection. (See [AP.91 Unannounced Regulatory Survey Plan for Response](#)).

The False Claims Act is an increasingly significant enforcement tool due to the whistleblower provisions which entitle relators to recover a percentage of the penalty imposed. Law enforcement officials are using these acts and the whistleblower protections to pursue high penalty fraud allegations against hospitals, physicians, and other health care providers. However, individuals seeking whistleblower status must meet several criteria (e.g. "original source") to prevail as outlined below.

Health Insurance Portability and Accountability Act (HIPAA) Exception – Section 164.502(j)(1) of HIPAA permits a member of a covered entity's workforce or a business associate to disclose PHI with a Government Agency and/or Attorney due to the workforce member or business associate's belief in good faith that the covered entity has engaged in conduct that is unlawful or otherwise violates professional or clinical standards, or that the care, services, or conditions provided by the covered entity potentially endangers one or more patients, workers, or the public.

Qui Tam Procedure - The relator must file his or her lawsuit on behalf of the Government in a federal district court or for the State of California in the name of California if state funds are involved. The lawsuit will be filed "under seal," meaning that the lawsuit is kept confidential while the state and/or federal Government reviews and investigates the allegations contained in the lawsuit and decides how to proceed.

Rights of Parties to Qui Tam Actions - If the Government determines that the lawsuit has merit and decides to intervene, the prosecution of the lawsuit will be directed by the U.S. Department of Justice. If the state proceeds with the action, it shall have the responsibility for prosecuting the action. If the federal government or state decides not to intervene, the whistleblower can continue with the lawsuit on his or her own.

Award to Qui Tam Whistleblowers - If the federal and/or state lawsuit is successful, and provided certain legal requirements are met, the relator may receive a percentage award of the total amount recovered or settlement made. If the federal and/or state does not proceed with the action and the *qui tam* plaintiff proceeds with

the action, the relator may receive a percentage award of the penalties and damages. The whistleblower may also be entitled to reasonable expenses including attorney's fees and costs for bringing the lawsuit. All such expenses, fees and costs will be awarded against the defendant and in no circumstances will they be the responsibility of the federal government or state.

No Retaliation - In addition to a financial award, the False Claims Act entitles whistleblowers to additional relief, including employment reinstatement, back pay, and any other compensation arising from retaliatory conduct against a whistleblower for filing an action under the False Claims Act or committing other lawful acts, such as investigating a false claim or providing testimony for, or assistance in, a False Claims Act action. Additionally, non-retaliation and whistleblower protections are afforded to county patients' rights advocates who are contracted individuals or entities.

Reporting a Concern – Employees are required to report any concerns of suspected non-compliance pursuant to Compliance Policy [Compliance Program Administration](#). Concerns should be reported immediately to Kaweah ~~Delta-Health~~ Leadership, the ~~VP &~~ [Chief](#) Compliance and [PrivacyRisk](#) Officer, the Compliance Hotline at 1(800) 998-8050, or the Kaweah ~~Delta-Health~~ Compliance Advocate at (559) ~~738-8100~~[636-0200](#).

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Policy Number: CP.13	Date Created: 11/15/2019
Document Owner: Lisa Wass (Compliance Analyst)	Date Approved: 12/19/2019
Approvers: Board of Directors (Administration), Compliance Committee, Amy Valero (Compliance Manager), Ben Cripps (Chief Compliance/Risk Officer)	
Federal and State False Claims Act and Employee Protection Provisions	

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

Purpose: Kaweah Delta Health Care District (“Kaweah Delta”) acknowledges its responsibilities to establish policies and procedures under the Federal Deficit Reduction Act to provide information and education to its employees, agents and contracted work force regarding the federal False Claims Act, the Federal Whistleblower’s Act as well California law on these subjects. The following policy is established in order to help our employees, agents and contractors understand the provisions of the federal and state laws regarding submitting false claims for reimbursement, as well as to further inform our employees of their right to report violations at the state and federal levels as well as to their supervisor or through Kaweah Delta’s Compliance structure.

Policy: Detailed information regarding both state and federal false claims laws and whistleblower laws will be distributed to employees via this policy as well as through the various educational courses and orientation programs ongoing throughout the system. Employees are strongly encouraged to report any observations they might make regarding potential violations to their supervisor, the Kaweah Delta Compliance and Privacy Officer, or through the Kaweah Delta Confidential Compliance Hotline (1-800-998-8050). Every concern will be investigated in accordance with policy CP.05 [Compliance and Privacy Issues Investigation and Resolution](#).

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