



December 7, 2021

NOTICE

The Kaweah Delta Health Care District Board of Directors will meet in an Audit and Compliance Committee meeting at 3:00 PM on Tuesday, December 14, 2021 in the Kaweah Health Specialty Clinic Conference Room {325 S. Willis Street, 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 3:00 PM meeting on Tuesday, December 14, 2021 in the Kaweah Health Specialty Clinic Conference Room {325 S. Willis Street, 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
Garth Gipson, Secretary/Treasurer

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

Cindy Moccio
Board Clerk
Executive Assistant to CEO

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

Tuesday, December 14, 2021

Kaweah Health Specialty Clinic – Conference Room
325 S. Willis Street, Visalia, CA 93291

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

OPEN MEETING – 3:00PM

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

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

1. Written Reports – Committee review and discussion of written reports

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

1.2 Compliance Policies for Review and Approval – *Ben Cripps*

A. CP. 02 Review of Billing Practices

B. CP.05 Compliance and Privacy Issues Investigation and Resolution

C. CP.06 Compliance Program Education

D. CP.07 Excluded Individuals/Entities

E. CP.08 Governmental Payer Regulatory Updates

F. CP.10 Compliance Reviews and Assessments

1.3 [Physician Payment Testing](#) – *Suzy Plummer*

1.4 [Segregation of Duties Review – Kaweah Health Medical Group](#) – *Suzy Plummer*

1.5 [Internal Audit Activity Update](#) – *Suzy Plummer*

2. Verbal Reports

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

- 3. Approval of Closed Meeting Agenda** – Kaweah Health Specialty Clinic Conference Room – immediately following the open meeting
- Conference with Legal Counsel – Anticipated Litigation
Significant exposure to litigation pursuant to Government Code 54956.9(d)(2) (4 cases)
– *Ben Cripps and Rachele Berglund (Legal Counsel)*

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

CLOSED MEETING – Immediately following the 3:00PM open meeting

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

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

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

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

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

EDUCATION

Live Presentations

- Compliance and Patient Privacy – New Hire
- Compliance and Patient Privacy – Management Orientation
- Operational Compliance Educational Update – Kaweah Health Medical Group
- False Claims Act – Kaweah Health Medical Group Supervisors Meeting

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

- Social Media Posts, Access to Medical Record Portal
- False Claims Act

PREVENTION AND DETECTION

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

- **Medicare PEPPER Report Analysis** – Quarterly review of Medicare Inpatient Rehabilitation, Hospice, Mental Health, and Acute Inpatient PEPPER statistical reports to identify outlier and/or areas of risk; evaluate with Kaweah Health leadership quarterly at PEPPER Review meeting
- **Centers for Medicare and Medicaid Services (CMS Final Rule)** – Review and distribution of the Inpatient Prospective Payment System (IPPS), Outpatient Prospective Payment System (OPPS), Inpatient Psychiatric Facility (IPF), Inpatient Rehabilitation Facility (IRF), Home Health and Hospice, and Physician Fee Schedule (PFS) policy and payment updates; department responses reviewed and tracked to address the regulatory change and identify potential current/future risk

OVERSIGHT, RESEARCH & CONSULTATION

- **Fair Market Value (FMV) Oversight** – Ongoing oversight and administration of physician payment rate setting and contracting activities including Physician Recruitment, Medical Directors, Call Contracts, and Exclusive and Non-Exclusive Provider Contracts
- **Medicare Recovery Audit Contractor (RAC) and Medicare Probe Audit Activity** – Records preparation, tracking, appeal timelines, and reporting
- **Licensing Applications** – Forms preparation and submission of licensing application to the California Department of Public Health (CDPH); ongoing communication and follow-up regarding status of pending applications
- **KD Hub Non-Employee User Access** – Oversight and administration of non-employee user onboarding, privacy education, and user profile tracking; evaluate, document, and respond to requests for additional system access; on-going management of non-employee KD Hub users; the annual renewal process with the new Compliance 360 workflow is currently in process
- **Covid-19 Incident Response** – Participation in Section Chief Meetings to advise on regulatory matters and to ensure ongoing compliance; ongoing oversight and review of Covid-19 regulatory review and response
- **Operational Compliance Committee** – Consultation, oversight, and prevention; in July 2020, the Compliance Department created the Operational Compliance Committee comprised of six (6) high-risk departments including Patient Accounting, Health Information Management, Revenue Integrity, Case Management, Patient Access and Clinical Documentation Improvement (CDI) Department, and Kaweah Health Medical Group; meetings are held monthly to discuss regulations, policies, auditing and monitoring, and educational efforts within the departments; Compliance developed and implemented the use of departmental dashboards designed to develop focused goals and measure effectiveness of the program
- **Medicare Conditions of Participation (CoP) with Discharge, Transfer Notifications** – Oversight and consultation; participation in review and assessment of regulatory guidance concerning the current electronic medical record (EMR); new CoP's require hospitals to allow

patients to consent to electronic notifications to be sent to the provider of their choice; a work plan was established to satisfy the requirement until the EMR system upgrade can take place; the Compliance Department is monitoring the progress and implementation of the work plan; System testing was completed and go-live is scheduled for December 7th with the Informed Provider notification out of Soarian Financials

- **Inpatient Rehab Quality Data Reporting Issue** – Oversight and consultation; worked with the Rehab Leadership team to ensure Quality Data reporting measurements for Clostridium difficile (C. diff) were submitted properly; is subject to a 2% reduction in payment for failure to submit timely
- **Continuing Medical Education (CME) Kit Documentation Review** – Consultation; worked with the Graduate Medical Education (GME) office to determine the validity of documentation submitted for faculty payment; investigation concluded the name of the course on the flyer contained the wrong location; payments made to faculty were deemed appropriate
- **Behavioral Health Release Process** – Oversight and consultation; working with the Health Information Management (HIM) Team and Rural Health Clinic (RHC) Behavioral Health Physicians to create a matrix for release of medical records
- **Nurse Practitioner (NP) Locum at Wound Center** – Research and consultation; worked with the Wound Center and Finance teams to assess NP Locum billing regulations; billing regulations researched, and system logic established to allow the Nurse Practitioner to treat patients at the Wound Center until Kaweah Health hires a permanent Nurse Practitioner.
- **Office for Civil Rights (OCR)** – Oversight; worked with Information Systems Services (ISS) to investigate a concern reported to the OCR regarding the use of the Guest network to transmit electronic Protected Health Information (PHI) between medical devices; following a review, we determined that Kaweah Health does not use the Guest network to transmit PHI; ISS Technical Services Team will continue to monitor, educate, and practice safe techniques
- **Present on Admission (POA) Indicator Quarterly Update and CMS Instruction** – Oversight; based on a quarterly update for POA Indicators, Compliance worked with Health Information Management, Information Systems and Patient Accounting to establish system logic and identify claims requiring an update to the POA Indicator and potential rebills
- **Contracts Management** – Consultation; working with Information System Services, Consulting Services, and Cardiac Service line leadership to establish the Kaweah Health Cardiothoracic Surgery Clinic and draft a new Exclusive Provider Agreement for Cardiothoracic Surgery
- **Business Associate Agreements** – Oversight; working with Materials Management to transition management of Business Associate Agreements to allow for improved tracking, monitoring, and reporting

AUDITING AND MONITORING

- **Noridian Post Payment Probe Audit of Sleep Study** – Noridian (Medicare Claims Administrator) completed a post-payment Targeted Probe review of Outpatient Sleep Study claims. The review of five (5) claims was completed in May 2021. The review resulted in a 100% compliance rate. The audit is now closed.
- **Noridian Post Payment Probe Audit of Inpatient Rehabilitation Services** – Noridian (Medicare Claims Administrator) completed a post-payment Targeted Probe review of Inpatient Rehabilitation Service claims. The audit commenced in July 2021 and was completed on August 31, 2021. Noridian completed a review of two (2) claims and identified a 100% compliance rate. The audit is now closed.
- **National Government Services (NGS) Probe Audit of Hospice Services** – NGS has notified Kaweah Health of its intent to complete a post payment audit of Hospice services billed with Q5003/Q5004. The review affects Hospice claims for patients residing in Skilled Nursing Facilities. The audit is currently in progress. The results of the audit will be provided upon completion of the audit.
- **Charge Audit Review** – The Compliance Department completed an Outpatient Services Billing Review. The objective of the review was to determine the extent to which Kaweah Health complies with billing guidance for selected Outpatient Claims. The electronic health record was used to review and assess the following elements: whether the charge was supported by a physician’s order, the appropriateness of the billing modifier (as necessary), the billing units noted on the order match the billing units submitted on the claim, the service ordered by the physician matches the service billed on the claim, any other exceptions noted during the review. Following a review of thirty (30) randomly selected outpatient claims for the period April 1, 2021 through July 1, 2021, the Compliance Department noted a 97% compliance rate. The results of the review were shared with the Patient Accounting leadership team for review and assessment.
- **KX Modifier Review** – The Compliance Department completed a review to evaluate billing compliance for single chamber or dual chamber cardiac pacemakers and use of KX modifier. The KX modifier is applied when certain diagnoses are met in order to receive proper payment. The electronic health record was used to review the coding attestation for the diagnosis, procedure note, UB-04 billing statement, and Remittance Advice to verify the proper use and application of the KX modifier. Following a review of thirty (30) randomly selected accounts for the period January 2021 – September 2021, the Compliance Department noted a 100% compliance rate. The results of the review were shared with Patient Accounting leadership for review and assessment.

KAWEAH HEALTH INTERNAL AUDIT EXECUTIVE SUMMARY PHYSICIAN PAYMENT TESTING

11/7/21

AUDIT BACKGROUND AND PROCEDURES

This audit of physician payments was added to the annual audit plan for this calendar year. Physician Agreements have been the subject of increasing government review, resulting in a number of highly publicized Office of Inspector General (OIG) settlements and fines. In the settlement agreements, the Government (OIG) has routinely cited violations of the Anti-Kickback Statute and the Stark Law; and more specifically, findings surrounding physician compensation and Fair Market Value.

This review of physician payments was initiated to ensure that payments being made to physicians are supported by executed contracts with specific payment terms, that payment to physicians were properly approved and supported with appropriate documentation and that the amounts paid to the physicians were in accordance with the compensation terms outlined in the contract.

The audit consisted of reviewing a random sample of 30 physician payments related to ED Call, Graduate Medical Education and Medical Directorships from payments made between 1/1/21 and 8/31/21.

OBSERVATIONS

No exceptions were noted during testing.

RECOMMENDATIONS

Audits of physician contracts and payments should continue on a regular basis, as these arrangements have a significant level of focus and attention from the OIG.

KAWEAH HEALTH INTERNAL AUDIT EXECUTIVE SUMMARY SEGREGATION OF DUTIES PAYMENT PROCESSING-KAWEAH DELTA MEDICAL FOUNDATION

11/2/21

AUDIT BACKGROUND

This review of the segregation of duties processes related to payment processing at Kaweah Health Medical Group was part of the approved annual audit plan.

Segregation of duties is a key internal control intended to reduce the risk of fraud or concealment of errors by ensuring that no one employee has access to both initiate a fraudulent transaction and also conceal that transaction in the normal course of their duties. When duties are effectively separated or segregated no one employee has control over authorization or approval of the transaction, custody of the asset, recording of the transaction and reconciliation activities. Each of these functions serves as a check and balance on the others and increases the likelihood that an inappropriate transaction is identified. Effective segregation of duties is considered a preventive control, in that it is put in place to attempt to prevent an undesirable outcome. However, in some situations segregation of duties cannot be implemented and therefore, detective controls should be put in place. Detective controls occur after the transaction is completed and are in place to detect errors and anomalies. Examples of detective controls are supervisor review of reports and transactions, variance or exception report analysis and other monitoring activities.

The purpose of this review was to gain a better understanding of how the responsibilities for the different functions within the payment processing cycle are assigned and managed.

AUDIT PROCEDURES

The review initially focused on user access to the various functions within the PCIS billing system as well as discussions with Management about internal processes, responsibilities and reporting.

OBSERVATIONS

Through the review and inquiry process we learned that the PCIS system has not been set up to ensure segregation of duties based on the functions assigned within the system. While Management stated that staff would know they are not allowed to complete certain functions, the system does not actually prevent them from accessing those functions. In addition, at this point there is no consistent oversight, based on exception reporting or tools, to ensure that staff are not accessing certain functions within the system.

It was noted that two KHMG team members, the Director of Business Services and an IT Support Tech, have administrator access to the PCIS system, as does the PCIS vendor representative. This allows these individuals full access to all of the functions within the system.

We learned through review and inquiry that there is not a clear understanding of all of the functions or of the reports within the PCIS system. In some cases, it is unclear if certain aspects of the system are needed or used. Further, there is no standard set of reports used or reviewed related to payment processing and management of the revenue cycle. While the system does provide a number of reports, they do not appear to be used regularly by staff to work accounts, by Management to ensure work is being completed or by Executive leadership to ensure effective management of the revenue cycle.

At the time this summary was written, the Director of Finance, the Director of Business Services and the Director of Clinical Operations have developed a workgroup to better understand and document the workflows and processes within the revenue cycle. This is an excellent step to outline existing processes and to identify opportunities to streamline and improve current practices where appropriate.

RECOMMENDATIONS

1. Roles and responsibilities for the Revenue Cycle need to be documented. Use of a matrix outlining key functions and responsible parties will allow Management to easily identify areas that lack segregation of duties. In cases where segregation of duties cannot be properly implemented, the matrix should indicate what monitoring will occur around the function or process to provide mitigating controls over the risks. Internal Audit can assist Management in developing and documenting the matrix.
2. Additional education and training for the PCIS billing system needs to be undertaken. If this cannot be achieved internally, external support from PCIS should be obtained. Training should include in depth training on the functions within the billing system, including how the various screens and worklists are used and the information included. There should also be education around the various standardized reports that currently exist within the system. Reports appear to fall into various categories, with some being worklists, some being useful as outlier or exception reports for use by Management and others providing high level data related to the revenue cycle for Executive Leadership. Understanding who should be using these reports and how, will result in better oversight and management of the billing and collections process, and the revenue cycle as a whole.
3. Access to PCIS needs to be reviewed for appropriateness. This can be completed in conjunction with development of the roles and responsibilities matrix in recommendation number one. In addition, Management should determine which functions are deemed appropriate for the individuals with administrator access and determine if certain functions should be limited. Access to functions within PCIS should be driven by the roles and responsibilities of the employee with the mindset of limiting access to only those functions needed for individual to complete their job. In some cases inquiry access versus full access might be adequate.
4. The efforts of the Revenue Cycle workgroup should continue so that processes, procedures and practices can be thoroughly reviewed and documented. Improvement efforts are always an ongoing process, but must start with documenting the current state. Other Kaweah Health resources can and should be engaged to understand billing and revenue cycle processes at the main hospital and the other hospital clinics. Internal Audit and the internal consulting team are available as a support resource as well.



Internal Audit Activity Update 12/14/2021

Suzy Plummer, Director of Audit and Consulting Services

2021 Planned Audits, Reviews and Projects

- Segregation of Duties Review-KHMG-Completed
- Shift Incentive Payments-Completed
- Physician Payment Testing-Completed
- Grant Process Development-Kick off this month
- Payroll Processing Efficiency-Possible 2022 Consulting Project
- Licensing and Certification Compliance-Suspended due to Medical Leave
- Purchasing Processes-Postponed due to Lawson Consulting Engagement
- Leaves of Absence Process (Consider Outsourcing)-Not Started

2021 Cycle Audit Areas

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