BOARD AUDIT & COMPLIANCE COMMITTEE MEETING
AGENDA
Tuesday April 20, 2021
5:00 p.m.

Meeting participation to be Virtual pursuant to California Governor Newson’s Executive Order N-29-20
Please see meeting log-in information below

<table>
<thead>
<tr>
<th>PLEASE MUTE YOUR MICROPHONE UPON ENTERING THE VIRTUAL MEETING ROOM AND WHEN NOT SPEAKING</th>
<th>Time</th>
<th>Form A Page</th>
<th>Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>CALL TO ORDER</td>
<td>5:00</td>
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</tr>
<tr>
<td>I. Establishment of Quorum</td>
<td>1</td>
<td>5:05</td>
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<tr>
<td>II. Public Comments¹</td>
<td>15</td>
<td>5:20</td>
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<tr>
<td>III. Follow-up Items</td>
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<tr>
<td>IV. Agenda Item(s) for Review</td>
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<tr>
<td>1. *Minutes: Board Audit &amp; Compliance Committee Meeting – February 24, 2021 (ADD A-Pp 7-9)</td>
<td>5</td>
<td>1</td>
<td>5:25</td>
</tr>
<tr>
<td>2. *Review Audit &amp; Compliance Committee section in Bylaws (ADD B-Pp 11)</td>
<td>10</td>
<td>2</td>
<td>5:35</td>
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<tr>
<td>3. Moss Adams Audit Plan</td>
<td>10</td>
<td>3</td>
<td>5:45</td>
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<tr>
<td>4. Physician Contracting Audit (ADD C-Pp 13-27)</td>
<td>45</td>
<td>4</td>
<td>6:30</td>
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<td>5. Discussion: Audit of Compliance Department</td>
<td>10</td>
<td>5</td>
<td>6:40</td>
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<tr>
<td>V. Public Comments¹</td>
<td>15</td>
<td>6:45</td>
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<tr>
<td><strong>FINAL ADJOURNMENT</strong></td>
<td><strong>6:45</strong></td>
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*Voting Members

| Board Audit & Compliance Committee Members |
|---|---|
| *John Clark, Chair | Diane Hansen, President & CEO |
| * Jeff Griffith, E.M.T.-P | Kevin DeBruin, Esq., Interim Chief Legal Officer |
| * Laurie Edwards-Tate, M.S., Director | Gregory King, Compliance Program Manager |
| *Richard Engel, MD, 1st Board Alternate | Lachlan Macleay, MD, Committee Appointed Physician Representative |
| | Thea McKenzie, Committee Secretary |

*Asterisks indicate anticipated action

NOTE: In accordance with the ADA (Americans with Disabilities Act) please notify us at 760-740-6375 48 hours prior to the meeting, so we may provide reasonable accommodations.

¹5 minutes allowed per speaker with a cumulative total of 15 minutes per group. For further details & policy, see Request for Public Comment notices available in meeting room.

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Minutes
Board Audit and Compliance Committee Meeting
Wednesday, February 24, 2021

TO: Board Audit and Compliance Committee

MEETING DATE: Tuesday, April 20, 2021

FROM: Thea McKenzie – Committee Secretary

Background: The minutes from the Board Audit and Compliance Committee meeting held on Wednesday, February 24, 2021 are respectfully submitted for approval.

Budget Impact: N/A

Staff Recommendation: Recommend to approve Wednesday, February 24, 2021 Board Audit and Compliance Committee meeting minutes.

Committee Questions:

COMMITTEE RECOMMENDATION:

Motion: X

Individual Action:

Information:

Required Time:
Review Audit & Compliance Committee Section in Bylaws

TO: Board Audit and Compliance Committee

MEETING DATE: Tuesday, April 20, 2021

FROM: Kevin DeBruin, Esq.

Background: Annual Review. Article VIII: Board Committees Section B. Standing Committees. 2. Audit & Compliance Committee

Budget Impact: N/A

Staff
Recommendation: Review and revise if necessary

Committee Questions:

COMMITTEE RECOMMENDATION:

Motion: X

Individual Action:

Information:

Required Time:
Moss Adams Audit Plan

TO: Board Audit and Compliance Committee

MEETING DATE: Tuesday, April 20, 2021

FROM: John Clark, Committee Chair

Background: Moss Adams Audit Plan verbal update on next steps

Budget Impact: N/A

Staff Recommendation: N/A

Committee Questions:

COMMITTEE RECOMMENDATION:

Motion:

Individual Action:

Information: X

Required Time:
Physician Contracting Audit

TO: Board Audit & Compliance Committee
MEETING DATE: Tuesday, April 20, 2021
FROM: Gregory King, Compliance Manager

Background: Ben Durie, partner with Hooper Lundy & Bookman to present findings from physician contract review. Evaluated certain categories of contracts between Palomar Health and physicians/medical groups for compliance with Stark Law and Anti-kickback statutes.

Budget Impact: N/A

Staff Recommendation:

Committee Questions:

COMMITTEE RECOMMENDATION:

Motion:
Individual Action:
Information: X
Required Time:
Discussion: Audit of Compliance Department

TO: Board Audit & Compliance Committee

MEETING DATE: Tuesday, April 20, 2021

FROM: Gregory King, Compliance Manager

Background: Compliance Department Audit

Budget Impact: N/A

Staff Recommendation:

Committee Questions:

COMMITTEE RECOMMENDATION:

Motion: X

Individual Action:

Information:

Required Time:
ADDENDUM A
**Board Audit & Compliance Committee Meeting Minutes – Wednesday, February 24, 2021**

<table>
<thead>
<tr>
<th><strong>AGENDA ITEM</strong></th>
<th><strong>CONCLUSION/ACTION</strong></th>
<th><strong>FOLLOW UP / RESPONSIBLE PARTY</strong></th>
<th><strong>FINAL?</strong></th>
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<tbody>
<tr>
<td><strong>DISCUSSION</strong></td>
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<tr>
<td><strong>NOTICE OF MEETING</strong></td>
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<tr>
<td>Notice of meeting reschedule was posted Wednesday February 10, 2021. The agenda packet was posted on the Palomar Health website on Friday, February 19, 2021.</td>
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<tr>
<td><strong>CALL TO ORDER</strong></td>
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<tr>
<td>The meeting was held virtually pursuant to California Governor Newsom’s Executive Order N-29-20 via Go To Meeting and called to order at 5:10 p.m. by Committee Director Jeff Griffith. Called to order at 5:00 p.m. by Committee John Clark</td>
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<tr>
<td><strong>I. ESTABLISHMENT OF QUORUM</strong></td>
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<tr>
<td>• Quorum comprised of Directors Clark, Edwards-Tate, Griffith</td>
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<tr>
<td>• Absent: none</td>
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<td><strong>II. PUBLIC COMMENTS</strong></td>
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<td>There were no public comments.</td>
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<td><strong>VI. FOLLOW UP ITEMS</strong></td>
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<td>1. Moss Adams Audit Update</td>
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<td>• Noted as a follow up item because the last Board Audit &amp; Compliance meeting occurred in June 2020, before the finalization of the 2019/2020 fiscal audit. The update is that the Audit results were presented to the Full Board in which the Directors in this meeting were present.</td>
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# Agenda Item(s) for Review

<table>
<thead>
<tr>
<th>VII. Agenda Item(s) for Review</th>
<th>Conclusion/Action</th>
<th>Follow Up / Responsible Party</th>
<th>Final?</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. *Minutes: Board Audit &amp; Compliance Committee Meeting – June 16, 2020</td>
<td><strong>MOTION:</strong> by Director Griffith, and 2nd by Laurie Edwards-Tate to move to approve meeting minutes as presented. All in favor. None opposed.</td>
<td>N/A</td>
<td>Y</td>
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<tr>
<td>• The minutes from the June 16, 2020 Board Audit &amp; Compliance Committee meeting were reviewed and approved as written.</td>
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<tr>
<td>2. Adopt Board Audit &amp; Compliance Committee 2021 Meeting Recurrence</td>
<td><strong>MOTION:</strong> by Director Griffith, and 2nd by Laurie Edwards-Tate to move to approve as presented. All in favor. None opposed.</td>
<td>N/A</td>
<td>Y</td>
</tr>
<tr>
<td>• Committee members passed the proposed Bi-Monthly meeting schedule as presented. Resolution will be brought to the next full board meeting for approval.</td>
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<tr>
<td>4. Approve Standing Agenda Items for Calendar Year 2021</td>
<td><strong>MOTION:</strong> by Director Griffith, and 2nd by Laurie Edwards-Tate to move to approve as presented. All in favor. None opposed.</td>
<td></td>
<td>Y</td>
</tr>
<tr>
<td>• Standing items were presented, reviewed and approved by the committee. Director Clark and Edwards-Tate noted that the items can be added and adjusted as we move forward.</td>
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# BOARD AUDIT & COMPLIANCE COMMITTEE MEETING MINUTES – WEDNESDAY, FEBRUARY 24, 2021

## AGENDA ITEM

### DISCUSSION

<table>
<thead>
<tr>
<th>AGENDA ITEM</th>
<th>CONCLUSION/ACTION</th>
<th>FOLLOW UP / RESPONSIBLE PARTY</th>
<th>FINAL?</th>
</tr>
</thead>
<tbody>
<tr>
<td>5. Review Revised Compliance &amp; Ethics Plan</td>
<td>MOTION: by Director Griffith, and 2nd by Laurie Edwards-Tate to move to approve the policy as presented. All in favor. None opposed.</td>
<td>Committee Secretary to forward policy to full board for final review and approval</td>
<td>Y</td>
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</tbody>
</table>

- Redline and clean copy of the policy was presented. Kevin noted that under Section III. General Duties, 1.a will need to be updated to state “Bi-monthly meetings” as they are to take place this calendar year. Director Edwards-Tate made the committee aware that she would like to have additional discussion regarding the policy. Motion to approve policy as presented with the addition of the noted change. All in favor, none opposed.

## VIII. PUBLIC COMMENTS

There were no public comments

## FINAL ADJOURNMENT

There being no further business, Committee Chair Clark adjourned the meeting at 5:40 p.m.

### SIGNATURES:

<table>
<thead>
<tr>
<th>COMMITTEE CHAIR</th>
<th>COMMITTEE SECRETARY</th>
</tr>
</thead>
<tbody>
<tr>
<td>_______________</td>
<td>____________________</td>
</tr>
<tr>
<td>John Clark</td>
<td>Thea McKenzie</td>
</tr>
</tbody>
</table>
Audit and Compliance Committee.

1. Voting Membership. All recommendations must be ratified by the Board prior to any action taken.

2. Membership shall consist of no more than three members of the Board and one alternate. The alternate shall attend and enjoy voting rights only in the absence of a voting Committee member. If the Board alternate is also not available another Board Member may attend as a voting member with Board Chair approval.

3. Non-Voting Membership. The President and Chief Executive Officer, the Chief Legal Officer, the Compliance Manager, and a physician appointee. Any District executive, representative or director will attend as an invited guest.

   a. Duties. Determine and establish that appropriate review mechanisms and management of the District's assets and resources are in place and that the organization complies with all applicable state and federal regulations relative to the audit and financial stewardship of the District. The duties of the Committee shall include but are not limited to:

      i. Routinely review the system of internal controls for the organization.

      ii. Recommend a qualified audit firm to complete independent financial audits of the system and review reports, management letters and recommendations from the firm to assure compliance with recognized audit principles and standards.

      iii. Keep up with trends in the field of health care audit and compliance to help educate other Board members on the latest trends in the industry.

      iv. Approve and review the effectiveness and overall audit scope including but not limited to financial statements, external/internal audits, compliance, internal controls and reporting responsibilities.

      v. Recommend to the Board the approval of the organization’s annual audit reports.

      vi. Review annually those policies within its purview and report the results of such review to the Board. Such reports shall include recommendations regarding the modification of existing or creation of new policies.

      vii. Assess and monitor the independent status of the outside independent auditors.

      viii. Direct special investigations for the Board.
ADDENDUM C
Presentation Overview

• General Introduction and Scope of Engagement
• Applicable Statutory/Regulatory Framework
• High-Level Observations and Recommendations
• Initial Recommendations Related to Physician Contracting Process
General Introduction and Scope of Engagement
General Introduction and Scope of Engagement

• Purpose is to evaluate certain categories of contracts between Palomar Health and physicians/medical groups for compliance with Stark Law and Antikickback statutes

• Review included *samples* of the following categories:
  • Medical Directorships
  • Call Coverage Agreements
  • General Professional Service Agreement
  • Physician Recruitment Agreements
  • Real Property Leases
General Introduction and Scope of Engagement

• Specific Documents Reviewed:
  • Contracts, amendments
  • Invoices from physicians, medical groups
  • Palomar Payment Coversheets and Timesheets (where available)
  • Fair market value and commercial reasonableness support (opinion letters)
  • Contracting Policies

• Did Not Review or Assess:
  • All contracts -- just samples of each category
  • Tax information or 1099s confirming all payments made to physicians
  • Sufficiency of FM documentation or methodology
Applicable Statutory and Regulatory Framework
Applicable Statutory/Regulatory Framework

• Stark Law and PORA
  • Prohibits hospitals from submitting payments to Medicare/Medi-Cal for services if referral for service is made by physician (or immediate family member) with a compensation or ownership relationship with the hospital unless an exception applies.
  • Applicable exceptions generally require signed contract, compensation that is consistent with FMV, commercially reasonable and that does not take into account volume or value of services exchanged by the parties.

• State and Federal Antikickback Statutes
  • General prohibition against knowingly and willfully soliciting or receiving any remuneration (including any kickback, bribe, or rebate) directly or indirectly, overtly or covertly, in cash or in kind in return for referring an individual to a person for the furnishing of any item or service.
High-Level Observations and Recommendations
High-Level Observations

• Overall contracting process is thorough and well-organized
  • Process is clear and required components included – concerted effort to ensure compliance, including FM and commercial reasonableness
  • Compliance 360 is a quality tool

• Review included close look at completeness of the “file”
  • Back-Up Support for Arrangement
    ▪ Contemporaneous Business Justification Statement
    ▪ FM Opinion or Survey Data
    ▪ Commercial Reasonableness Support
  • Fully Executed Agreement
  • Timesheets/Attestations
High-Level Observations

• Several incidents of technical deficiencies with “file” for specific arrangements
  • Late signatures
  • Missing FMV support for specific arrangements (mostly for older arrangements)
  • Questions regarding description of services or other material terms in arrangements
  • Missing timesheets or lack of complete descriptions on timesheets
  • Apparent deficiencies do not necessarily mean there is a compliance issue – often more indicative of process – will need additional review.
Initial Recommendations

• Review of “technical” concerns to confirm whether compliance issue is present

• Review of overlap between of services for physicians with multiple arrangements – update descriptions in agreements

• Consider review of contracting process to ensure completeness of file at the beginning of the arrangement (more detailed recommendations in following section)

• Consider reviewing all professional services agreements – audit limited to handful of arrangements

• Consider regular payment audits (*review of timesheets, 1099s, payment history*)
Contracting Process Recommendations
Contracting Process Recommendations

• Consider introduction of new physician contracting packet to ensure complete file before each arrangement is entered into.

• Consider “business justification” form as part of contracting packet
  • Executive(s) would provide narrative description of why the contract is necessary for the hospital – important to have contemporaneous documentation

• Packet would include:
  • Business justification
  • FMV support
  • Physician agreement
  • Executive(s) would sign packet confirming presence of all required materials
Contracting Process Recommendations

• Revise and update physician contract policies and procedures to reflect new Stark/Kickback final rules – introduction of value based exceptions

• A few areas for clarification:
  • More detail description of process that includes completion of packet (business justification, FMV, signed attestation)
  • Clarify application and scope for physician contracts
  • Add concept of “referral source”
  • Make clear that applies to family members of physicians
  • Introduce regular monitoring of compliance with process of payments to referral sources