The Board may take action on any of the items listed below, unless the item is specifically labeled “Informational Only”

<table>
<thead>
<tr>
<th>Time</th>
<th>Form A Page</th>
<th>Target</th>
</tr>
</thead>
</table>

**CALL TO ORDER**

<table>
<thead>
<tr>
<th>Time</th>
<th>Form A Page</th>
<th>Target</th>
</tr>
</thead>
</table>

I. Establishment of Quorum

1. Establishment of Quorum 1 4:01

II. Public Comments

1. Pursuant to California Government Code § 54956.6 — CONFERENCE WITH LEGAL COUNSEL—ANTICIPATED LITIGATION — Significant exposure to litigation pursuant to paragraph (2) or (3) of subdivision (d) of Section 54956.9: One (1) potential case 4:31

III. Adjourn to Closed Session

1. Pursuant to California Government Code § 54956.6 — CONFERENCE WITH LEGAL COUNSEL—ANTICIPATED LITIGATION — Significant exposure to litigation pursuant to paragraph (2) or (3) of subdivision (d) of Section 54956.9: One (1) potential case 4:32

IV. Re-Adjourn to Open Session

1. Pursuant to California Government Code § 54956.6 — CONFERENCE WITH LEGAL COUNSEL—ANTICIPATED LITIGATION — Significant exposure to litigation pursuant to paragraph (2) or (3) of subdivision (d) of Section 54956.9: One (1) potential case 4:38

V. Action Resulting from Closed Session

1. Pursuant to California Government Code § 54956.6 — CONFERENCE WITH LEGAL COUNSEL—ANTICIPATED LITIGATION — Significant exposure to litigation pursuant to paragraph (2) or (3) of subdivision (d) of Section 54956.9: One (1) potential case 4:39

VI. Action Item(s)

1. Review/Adopt Board Audit & Compliance Committee Minutes, June 20, 2023 ADD A - Pp 6-10 4:44

2. Status Update of Employee Conflict of Interest (COI) — Informational Only 4:49

3. Review Self-Referral Disclosure Protocol (SRDP) ADD B - Pp 11-12 4:54

4. Review Department of Justice Quarter 2 FCA Penalties and Organizations ADD C - Pp 13-14 4:59


VIII. Committee Member Agenda Suggestions

1. Pursuant to California Government Code § 54956.6 — CONFERENCE WITH LEGAL COUNSEL—ANTICIPATED LITIGATION — Significant exposure to litigation pursuant to paragraph (2) or (3) of subdivision (d) of Section 54956.9: One (1) potential case 5:19

**FINAL ADJOURNMENT**

---

**Board Audit & Compliance Committee Members**

<table>
<thead>
<tr>
<th>VOTING MEMBERS</th>
<th>NON-VOTING MEMBERS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Michael Pacheco, Chair</td>
<td>Diane Hansen, President &amp; CEO</td>
</tr>
<tr>
<td>Laurie Edwards-Tate, MS, Director</td>
<td>Kevin DeBruin, Esq., Chief Legal Officer</td>
</tr>
<tr>
<td>Linda Greer, RN, Director</td>
<td>Helen Waishkey, Corporate Compliance Officer</td>
</tr>
<tr>
<td>Jeff Griffith, EMT-P – 1st Board Alternate</td>
<td>Lewann Baucknecht, Compliance Program Analyst</td>
</tr>
<tr>
<td>Lachlan Macleay, MD, Committee Appointed Physician Representative</td>
<td></td>
</tr>
</tbody>
</table>

Note: If you have a disability, please notify us by calling 760.740.6375, 72 hours prior to the event so that we may provide reasonable accommodations. 1 3 minutes allowed per speaker with a cumulative total of 9 minutes per group. For further details & policy, see Request for Public Comment notices available at Public Comments and Attendance at Public Board Meetings.
Board Audit & Compliance Committee
Location Options

The Linda Greer Conference Room
2125 Citracado Parkway, Suite 300, Escondido, CA 92029

- Elected members of the Board of Directors will attend at this location, unless otherwise noticed below – Members of the public may also attend at this location
- PLEASE TURN OFF CELL PHONES OR SET THEM TO SILENT MODE UPON ENTERING THE MEETING ROOM

https://www.microsoft.com/en-us/microsoft-teams/join-a-meeting?rtc=1

• Meeting ID: 279 816 564 856   Passcode: BA3vJB
• or Dial in using your phone at (929) 352-2216; Access Code: 695 301 673#

- Non-Board member attendees and members of the public may attend the meeting virtually utilizing the above link.
- New to Teams? Get the app now and be ready when your first meeting starts @ https://www.microsoft.com/en-us/microsoft-teams/download-app

1522 Brighton Glen, San Marcos, CA. 92078

- An elected member of the Board of Directors will be attending the meeting virtually from this location
Policy: Public Comments and Attendance at Public Board Meetings

I. PURPOSE:
A. It is the intention of the Palomar Health Board of Directors to hear public comment about any topic that is under its jurisdiction. This policy is intended to provide guidelines in the interest of conducting orderly, open public meetings while ensuring that the public is afforded ample opportunity to attend and to address the board at any meetings of the whole board or board committees.

II. DEFINITIONS:
A. None defined.

III. TEXT / STANDARDS OF PRACTICE:
A. There will be one-time period allotted for public comment at the start of the public meeting. Should the chair determine that further public comment is required during a public meeting, the chair can call for such additional public comment immediately prior to the adjournment of the public meeting. Members of the public who wish to address the Board are asked to complete a Request for Public Comment form and submit to the Board Assistant prior to or during the meeting. The information requested shall be limited to name, address, phone number and subject, however, the requesting public member shall submit the requested information voluntarily. It will not be a condition of speaking.
B. Should Board action be requested, it is encouraged that the public requestor include the request on the Request for Public Comment as well. Any member of the public who is speaking is encouraged to submit written copies of the presentation. C. The subject matter of any speaker must be germane to Palomar Health’s jurisdiction.
C. Based solely on the number of speaking requests, the Board will set the time allowed for each speaker prior to the public sections of the meeting, but usually will not exceed 3 minutes per speaker, with a cumulative total of thirty minutes.
D. Questions or comments will be entertained during the "Public Comments" section on the agenda. All public comments will be limited to the designated times, including at all board meetings, committee meetings and board workshops.
E. All voting and non-voting members of a Board committee will be seated at the table. Name placards will be created as placeholders for those seats for Board members, committee members, staff, and scribes. Any other attendees, staff or public, are welcome to sit at seats that do not have name placards, as well as on any other chairs in the room. For Palomar Health Board meetings, members of the public will sit in a seating area designated for the public.
F. In the event of a disturbance that is sufficient to impede the proceedings, all persons may be excluded with the exception of newspaper personnel who were not involved in the disturbance in question.
G. The public shall be afforded those rights listed below (Government Code Section 54953 and 54954).
   1. To receive appropriate notice of meetings;
   2. To attend with no pre-conditions to attendance;
   3. To testify within reasonable limits prior to ordering consideration of the subject in question;
   4. To know the result of any ballots cast;
   5. To broadcast or record proceedings (conditional on lack of disruption to meeting);
   6. To review recordings of meetings within thirty days of recording; minutes to be Board approved before release,
   7. To publicly criticize Palomar Health or the Board; and
   8. To review without delay agendas of all public meetings and any other writings distributed at the meeting. I. This policy will be reviewed and updated as required or at least every three years.

IV. ADDENDUM:

Original Document Date: 2/94
Reviewed: 8/95; 1/99; 9/05
Revision Number: 1 Dated: 9/20/05
Source Administrator Hernandez, Lisa

Document Owner DeBruin, Kevin
Collaborators: Carla Albright, Deanna Peterson, Deborah Hollick, Douglas Moir, Jami Pearson, Jeffrey Griffith, Julie H Avila, Kelly Wells, Laurie Edwards-Tate, Megan Strole, Nancy Calabria, Nanette Irwin, Richard Engel, Sally Valle, Tanya L Howell, Thomas Kumura

Reviewers Approvals
- Committees: ( 10/12/2022 ) Policies & Procedures
- Signers: Kevin DeBruin

Original Effective Date Kevin DeBruin, Chief Legal Officer ( 10/25/2022 09:21AM PST )
Revised Reviewed [09/20/2005 Rev. 1], [03/13/2009 Rev. 2], [04/14/2012 Rev. 3], [05/01/2014 Rev. 4], [02/03/2017 Rev. 5], [04/22/2019 Rev. 6], [07/10/2019 Rev. 7], [12/02/2021 Rev. 8], [10/25/2022 Rev. 9]

Next Review Date 10/24/2025
Attachments:

(REFERENCED BY Public Comment Form
Paper copies of this document may not be current and should not be relied on for official purposes. The current version is in Lucidoc at
https://www.lucidoc.com/cgi/doc-gw.pl?ref=pphealth:21790$9.)
TO: Board Audit & Compliance Committee
MEETING DATE: Tuesday, August 15, 2023
FROM: Carla Albright, Committee Assistant

Background: Minutes from the Tuesday, June 20, 2023, Board Audit and Compliance Committee meeting are respectfully submitted for review and approval

Budget Impact: N/A

Staff Recommendation: Approval of minutes as written

Committee Questions:

COMMITTEE RECOMMENDATION:

Motion: X

Individual Action:

Information:

Required Time:
Board Audit & Compliance Committee – Self-Referral Disclosure Protocol (SRDP) – Informational Only

TO: Board Audit and Compliance Committee

MEETING DATE: Tuesday, August 15, 2023

FROM: Helen Waishkey, Corporate Compliance Officer

Background: Review Self-Referral Disclosure Protocol (SRDP)

Budget Impact: N/A

Staff Recommendation: For informational purposes only

Committee Questions: N/A

COMMITTEE RECOMMENDATION:

Motion:

Individual Action:

Information: X

Required Time:
TO: Board Audit and Compliance Committee  
MEETING DATE: Tuesday, August 15, 2023  
FROM: Helen Waishkey, Corporate Compliance Officer  

Background: Review Department of Justice Quarter 2 FCA Penalties and Organizations report.  
Budget Impact: N/A  
Staff Recommendation: For informational purposes only.  
Committee Questions: N/A  

COMMITTEE RECOMMENDATION:  
Motion:  
Individual Action:  
Information: X  
Required Time:
Board Audit & Compliance Committee - Moss Adams 2023 Annual Audit Planning for Palomar Health

TO: Board Audit & Compliance Committee

MEETING DATE: Tuesday, August 15, 2023

FROM: Helen Waishkey, Corporate Compliance Officer

Background: Presentation of Moss Adams annual audit plan for Palomar Health will be presented to the Board Audit & Compliance Committee for their review and information.

Budget Impact: N/A

Staff Recommendation: Review and Information

Committee Questions:

COMMITTEE RECOMMENDATION: N/A

Motion:

Individual Action:

Information: X

Required Time:
ADDENDUM A
# Board Governance Committee

## Attendance Roster

**Calendar Year 2023**

<table>
<thead>
<tr>
<th>Voting Members</th>
<th>Meeting Dates:</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2/21/23</td>
</tr>
<tr>
<td>Director Linda Greer, RN – Chair</td>
<td>P</td>
</tr>
<tr>
<td>Director Laurie Edwards-Tate, MS</td>
<td>V</td>
</tr>
<tr>
<td>Director Michael Pacheco</td>
<td>P</td>
</tr>
</tbody>
</table>

**Alternate Members**

| Alternate Members | |
|-------------------| |
| Jeff Griffith, EMT-P, 1st Board Alternate | P |

**Non-Voting Members**

| Non-Voting Members | |
|--------------------| |
| Diane Hansen, President & CEO | P | E | E |
| Kevin DeBruin, Esq., Chief Legal Officer | P | P | V |
| Helen Waishkey, Corporate Compliance Officer | V | P | V |
| Lewann Baucknecht, Compliance Program Analyst | V | P | V |
| Lachlan Macleay, MD | |
| Committee Appointed Physician Representative | V | V | V |

**Committee Secretary**

| Committee Secretary | |
|---------------------| |
| Carla Albright | P | P | P |

**Invited Guests**

| Invited Guests | |
|----------------| |
| See text of minutes for names of invited guests |
**BOARD AUDIT AND COMPLIANCE MEETING MINUTES – Tuesday, June 20, 2023**

<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><strong>DISCUSSION</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>NOTICE OF MEETING</strong></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Notice of Meeting was posted at the Palomar Health Administrative Office; also posted with agenda packet on the Palomar Health website on Tuesday, June 13, 2023.</td>
<td></td>
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</tr>
<tr>
<td><strong>CALL TO ORDER</strong></td>
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</tr>
<tr>
<td>The meeting, which was held in the Linda Greer Board Room at 2125 Citracado Parkway, Suite 300, Escondido, CA. 92029, and virtually, was called to order at 4:01 p.m. by Chair Michael Pacheco</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Approval by vote from Chair Michael Pacheco and Director Laurie Edwards-Tate to allow Director Linda Greer to attend the meeting virtually. Kevin DeBruin, Chief Legal Officer, confirmed inquired if there were other attendees at the unnoticed location. Director Greer noted no other attendees are attending at her virtual location. Meeting then proceeded.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>ESTABLISHMENT OF QUORUM</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Quorum comprised of: Chair Michael Pacheco, Director Laurie Edwards-Tate, and Director Linda Greer</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Excused Absences:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>PUBLIC COMMENTS</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• There were no public comments.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>FOLLOW UP ITEMS</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Helen Waishkey, Corporate Compliance Officer, presented a follow up report of the OIG Workplan</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
## Action Items

1. **Minutes: Board Audit and Compliance Meeting, Tuesday, April 18, 2023**

   **MOTION** by Director Greer, 2nd by Director Edwards-Tate to approve the April 18, 2023, meeting minutes as written.
   Roll call voting was utilized.
   Director Edwards-Tate - Aye
   Director Greer – Aye
   Director Pacheco - Aye
   All in favor. None opposed.

   **Discussion:**
   - No discussion

2. **Corporate Integrity Agreement (CIA) Report – Informational Only**

   **MOTION** Informational only

   **Discussion:**
   - Helen Waishkey, Corporate Compliance Officer, shared a presentation with the committee

3. **1557/504 Non-Discrimination – Informational Only**

   **MOTION** Informational only

   **Discussion:**
   - Helen Waishkey, Corporate Compliance Officer, shared a presentation with the committee

## Adjourn to Closed Session

## Re-Adjourn to Open Session

1. **Pursuant to California Government Code § 54956.6 — Conference with Legal Counsel—Anticipated Litigation** — Significant exposure to litigation pursuant to paragraph (2) or (3) of subdivision (d) of Section 54956.9: One (1) potential case

2. **Pursuant to California Government Code § 54956.6 — Conference with Legal Counsel—Anticipated Litigation** — Significant exposure to litigation pursuant to paragraph (2) or (3) of subdivision (d) of Section 54956.9: One (1) potential cases

## Action Resulting from Closed Session
Discussion:
  • No action resulted from closed session

VI. Committee Member Agenda Suggestions

  • None

FINAL ADJOURNMENT

Meeting adjourned by Director Pacheco at 4:44 p.m.

SIGNATURES:

  COMMITTEE CHAIR
  ____________________________
  Michael Pacheco

  COMMITTEE SECRETARY
  ____________________________
  Carla Albright
ADDENDUM B
The Self-Referral Disclosure Protocol (SRDP) is the process that enables providers and suppliers to self-disclose actual or potential violations of the federal Stark Law or Physician Self-Referral law.

The chart below provides the total numbers for CY 2021 & 2022:

<table>
<thead>
<tr>
<th>Year</th>
<th>Total # of Settlements</th>
<th>Settlement Range</th>
<th>Annual Aggregate</th>
</tr>
</thead>
<tbody>
<tr>
<td>2021</td>
<td>27</td>
<td>$631 - 1,110,148.</td>
<td>$1,988,451</td>
</tr>
<tr>
<td>2022</td>
<td>104</td>
<td>$299 - $1,171,174.</td>
<td>$9,287,866</td>
</tr>
</tbody>
</table>
ADDENDUM C
<table>
<thead>
<tr>
<th>State</th>
<th>Providers</th>
<th>Paid Penalty Amount</th>
<th>Other Items</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>TX</td>
<td>Dr. Joel Aronowitz; Daniel Aronowitz; Joel A. Aronowitz, M.D., a medical corporation; Tower Multi-Specialty Medical Group; Tower Wound Care Center of Santa Monica, Inc.; Tower Outpatient Surgery Center, Inc.; and Tower Medical Billing Solutions</td>
<td>7.96 Million</td>
<td>Other Items Description</td>
<td>A physician and his wife who owned a pharmacy submitted false claims to Worker's Comp Program in which they sent federal employees unwanted, unnecessary and costly medications through the mail. The physician also received kickbacks for his referrals to the pharmacy.</td>
</tr>
<tr>
<td></td>
<td>Beverly Hills, CA</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>MI</td>
<td>Vascular Surgeon - Vasso Godiali</td>
<td>23.9 Million</td>
<td>Surgeon and 1 of his medical practices will be excluded from Federal Healthcare Programs for 15 years, the surgeon’s son will be excluded for 3 years.</td>
<td>They falsified the place of service for skin grafts to maximize reimbursements and billed multiple times for single-use products (instead of disposing of unused product physician would use on another patient)</td>
</tr>
<tr>
<td>DC</td>
<td>Sibley Hospital and John Hopkins Health System</td>
<td>5 Million</td>
<td></td>
<td>Sibley violated the Stark Law by billing Medicare for services referred by ten cardiologists to whom Sibley was paying compensation that exceeded the fair market value of the services provided. These allegations arose out of conduct that Sibley and Johns Hopkins self-disclosed to the United States.</td>
</tr>
<tr>
<td>IL</td>
<td>St. Elizabeth’s Hospital of the Hospital Sisters Health System</td>
<td>12.5 Million</td>
<td></td>
<td>It erroneously submitted claims for urgent care services but at a higher rate of service.</td>
</tr>
<tr>
<td>MI</td>
<td>The Detroit Medical Center Inc. (DMC), Vanguard Health Systems Inc. (Vanguard), and Tenet Healthcare Corporation (Tenet)</td>
<td>29.7 Million</td>
<td></td>
<td>A group hospital system. Over a 3 year period, they provided the services of mid-level practitioners to 13 physicians at no cost or below fair market value, in violation of the AKS. The government alleged the physicians were chosen due to their large number of patient referrals.</td>
</tr>
<tr>
<td>SC</td>
<td>Non Profit hospital St. Francis Physician Services, Inc., St. Francis Hospital, and Bon Secours St. Francis Health System, Inc.,</td>
<td>36.5 Million</td>
<td></td>
<td>It violated the FCA, the Stark Law and the AKS by making payments to orthopedic surgeons tied to the value or volume of the surgeons’ referrals. They submitted false claims to Medicare and Tricare as a result of an unlawful contractual payments structure between St. Francis and Piedmont Orthopedic Associates.</td>
</tr>
</tbody>
</table>

**Total Collected:** $158,979 Million
ADDENDUM D
Palomar Health
2023 AUDIT PLANNING

Discussion with Management and the Audit Committee
Agenda

1. Your Service Team
2. Scope of Services
3. Auditor’s Responsibilities in a Financial Statement Audit
4. Group Audit Discussion
5. Significant Risks Identified
6. Risks Discussion
7. Consideration of Fraud in a Financial Statement Audit
8. Audit Timeline
9. Audit Deliverables
10. Expectations
11. Documents Containing Audited Financial Statements and Independent Auditor’s Report
12. Recent Accounting Developments
13. Executive Session
Your Service Team

Stacy Stelzriede  
Audit Engagement Partner  
Stacy.Stelzriede@mossadams.com  
(949) 474-2684

Brian Conner  
Concurring Reviewer  
Brian.Conner@mossadams.com  
(209) 955-6144

Aparna Venkateswaran  
Single Audit Engagement Partner  
Aparna.Venkateswaran@mossadams.com  
(949) 517-9473

Jessa May Sidebotham  
Audit Senior Manager  
JessaMay.Sidebotham@mossadams.com  
(949) 517-9488

Irmin Yunus  
Audit Manager  
Irmin.Yunus@mossadams.com  
(858) 627-1477
Scope of Services

Relationships between Moss Adams and Palomar Health:

Audit Services

• Annual financial statement audit for the year ended June 30, 2023
• Single audit of federal awards for the year ended June 30, 2023, in accordance with Uniform Guidance

Non-Attest Services

• Assist management with drafting the financial statements (excluding Management’s Discussion and Analysis) for the year ended June 30, 2023
• Assist management with the implementation of Governmental Accounting Standards Board (GASB) 96, Subscription-Based Information Technology Arrangements (SBITAs)
• Assist management with drafting the Data Collection Form as of and for the year ended June 30, 2023
• FEMA application support for COVID-19 disaster and Provider Relief Fund reporting guidance
• Medicare reimbursement services
• Assessment of qualification for Employee Retention Tax Credit for Palomar Health Medical Group
Auditor’s Responsibilities in a Financial Statement Audit

- Auditor is responsible for:
  - forming and expressing an opinion on whether the financial statements are prepared, in all material respects, in conformity with U.S. generally accepted accounting principles;
  - performing an audit in accordance with generally accepted auditing standards issued by the American Institute of Certified Public Accountants and government auditing standards;
  - communicating significant matters, as defined by professional standards, arising during the audit that are relevant to you; and
  - when applicable, communicating particular matters required by law or regulation, by agreement with you, or by other requirements applicable to the engagement.

- The audit of the financial statements does not relieve management or you of your responsibilities.
- The auditor is not responsible for designing procedures for the purpose of identifying other matters to communicate to you.
**Group Audit Discussion**

<table>
<thead>
<tr>
<th>Topics</th>
<th></th>
</tr>
</thead>
</table>
| **The components we have identified include:** | • Palomar Health  
• Palomar Health Medical Group |
| **The work we will perform on the financial information of each component includes:** | • Moss Adams to audit both components |

*Palomar Health and Palomar Health Medical Group are collectively referred to as Palomar Health.*
## Significant Risks Identified

During the planning of the audit, we have identified the following significant risks:

<table>
<thead>
<tr>
<th>Significant Risks</th>
<th>Procedures</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Patient revenue and receivables</strong></td>
<td>Net patient revenue and receivables have been historically significant. We will document our understanding of management’s analysis in determining the contractual and bad debt allowances and perform walk-throughs of the controls related to these by testing revenue charges, accounts receivable, cash receipts, and zero balance accounts. We will also develop our own independent estimate of the valuation of patient accounts receivable based on historical collection rates by payor and compare to the amount recorded.</td>
</tr>
<tr>
<td><strong>Compliance with terms and conditions of federal grant awards</strong></td>
<td>We will obtain a schedule of expenditures of federal awards and test for completeness and accuracy. Based on our risk assessment, we will test Palomar Health’s compliance with the grant award provisions. We will also assess whether grant revenue was recognized in the proper period.</td>
</tr>
</tbody>
</table>
## Significant Risks Identified

During the planning of the audit, we have identified the following significant risks:

<table>
<thead>
<tr>
<th>Significant Risks</th>
<th>Procedures</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost report settlements and supplemental funding</td>
<td>We will obtain substantive supporting documents to evaluate if the receivables or payables are valid as of June 30, 2023, and properly supported.</td>
</tr>
<tr>
<td>Liabilities, contingent liabilities, and long-term debt (including covenant compliance)</td>
<td>Palomar Health is subject to financial covenants related to their tax-exempt bonds. We will obtain management’s covenant calculations, compare calculations to related debt agreements, and trace amounts to accounting records.</td>
</tr>
</tbody>
</table>
Significant Risks Identified

During the planning of the audit, we have identified the following significant risks:

<table>
<thead>
<tr>
<th>Significant Risks</th>
<th>Procedures</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transactions with affiliated entities</td>
<td>Palomar Health provides financial assistance to Palomar Health Medical Group and Palomar Health Foundation by means of contributions and economic support. We will perform substantive procedures with respect to the consolidation to assess whether material eliminations and adjustments are properly reflected in the financial statements. We will further evaluate the appropriateness of the disclosures in the footnotes to the financial statements and review board minutes and other supporting documentation to gain an understanding of the approval process for significant transactions.</td>
</tr>
</tbody>
</table>
Significant Risks Identified

During the planning of the audit, we have identified the following significant risks:

<table>
<thead>
<tr>
<th>Significant Risks</th>
<th>Procedures</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adoption of GASB 96, SBITAs, for Palomar Health</td>
<td>Palomar Health is required to implement GASB 96, SBITAs, during the year ended June 30, 2023. We were engaged to assist in implementation; however, such assistance is limited to reviewing and summarizing agreements and providing guidance, not calculating amounts to be recorded or making management decisions. We will obtain management’s analysis, trace key inputs to the related lease agreements, test key assumptions, and ensure required disclosures in the financial statements are complete and accurate.</td>
</tr>
</tbody>
</table>
Risks Discussion

1. What are your views regarding:

   • Palomar Health’s objectives, strategies, and business risks that may result in material misstatements
   • Significant communications between the entity and regulators
   • Attitudes, awareness, and actions concerning:
     • Palomar Health internal control and importance
     • How those charged with governance oversee the effectiveness of internal control
     • Detection or the possibility of fraud
     • Other matters relevant to the audit

2. Do you have any areas of concern?
**Consideration of Fraud in a Financial Statement Audit**

Auditor’s responsibility: Obtain reasonable assurance that the financial statements as a whole are free from material misstatement – whether caused by fraud or error

<table>
<thead>
<tr>
<th>Procedures to address the risk of fraud</th>
<th>• Engagement team discussion</th>
</tr>
</thead>
<tbody>
<tr>
<td>Identify the risks of material misstatement due to fraud</td>
<td>• Perform procedures to address identified risks • Inherent limitation of an audit</td>
</tr>
<tr>
<td>Unavoidable risk exists that some material misstatements may not be detected</td>
<td></td>
</tr>
</tbody>
</table>
Audit Timeline

2023

May
Planning Meeting with Management
Interim Fieldwork Begins

August
Entrance Meeting with Audit Committee
Fieldwork Procedures for Single Audit Begin*

August
Final Fieldwork Procedures for the Financial Statement Audit Begin

September
Discuss Draft Financial Statements and Auditor’s Report with Management

October
Exit Meeting and Audit Committee Approval of the Financial Statements

October
Issue Auditor’s Report on the Financial Statements and Single Audit

*Note: The June 30, 2023 Single Audit is due to the Federal Clearinghouse on or before March 31, 2024.
Audit Deliverables

- **Report of Independent Auditors**
  on financial statements for the year ended June 30, 2023

- **Report to Management**
  communicating internal control related matters identified in an audit

- **Report to Those Charged With Governance**
  communicating required matters and other matters of interest
Audit Deliverables

Single Audit Report
for the year ending June 30, 2023, to be issued no later than March 31, 2024

• Auditors' Reports on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards.

## Expectations

<table>
<thead>
<tr>
<th>Client will:</th>
<th>Moss Adams will:</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Have no adjusting journal entries after beginning of field work.</td>
<td>• Communicate proposed adjustments with management when identified.</td>
</tr>
<tr>
<td>• Close books and records before beginning of field work.</td>
<td>• Communicate control deficiencies with management when identified.</td>
</tr>
<tr>
<td>• Provide auditor requested information in Client Audit Preparation schedule one week prior to the beginning of fieldwork.</td>
<td>• Discuss any additional fees over estimate in engagement letter with management.</td>
</tr>
</tbody>
</table>
Documents Containing Audited Financial Statements and Independent Auditor’s Report

- Our responsibility under generally accepted auditing standards
- Request for advance notification when you intend to include audited financial statements and the independent auditor’s report in a document
- Arrangements to obtain the other information prior to report issuance
Recent Accounting Developments
Recent Accounting Developments

GASB 94

**Public-Private and Public-Public Partnerships and Availability Payment Arrangements**

- Provides guidance to improve accounting and financial reporting for public-private and public-public partnership arrangements (commonly referred to as P3s) and availability payment arrangements (APAs).
  - GASB 94 carries forward the financial reporting requirements for service concession arrangements (SCAs) that were included in Statement 60, with modifications to apply the more extensive requirements related to recognition and measurement of leases to SCAs.
  - P3s that meet the definition of a lease should apply the guidance in Statement 87, if existing assets of the transferor that are not required to be improved by the operator as part of the P3 arrangement are the only underlying P3 assets and the P3s do not meet the definition of an SCA.
  - GASB 94 defines an APA as an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying infrastructure or other nonfinancial asset for a period of time in an exchange or exchange-like transaction.
  - GASB 94 requires governments to account for APAs related to those activities and in which ownership of the asset transfers by the end of the contract as a financed purchase of the underlying infrastructure or other nonfinancial asset.

- Effective for annual periods beginning after June 15, 2022.
Recent Accounting Developments

GASB 96

Subscription-Based Information Technology Arrangements

• Provides guidance on the accounting and financial reporting for SBITAs for government end users.
  ➢ Defines an SBITA as a contract that conveys control of the right to use another party’s information technology software, alone or in combination with tangible capital assets, as specified in the contract for a period of time in an exchange or exchange-like transaction
  ➢ Establishes that an SBITA results in a right-to-use subscription asset (intangible asset) and a corresponding subscription liability
  ➢ Provides the capitalization criteria for outlays other than subscription payments, including implementation costs of an SBITA
  ➢ Requires note disclosures regarding an SBITA

• Based on the standards established in Statement No. 87, Leases.
• Effective for fiscal years beginning after June 15, 2022.
SAVE THE DATE

2023 Executive Health Care Conference

Nov. 1-3, 2023 | JW Marriott Resort & Spa | Las Vegas

The conference will kick off with our second annual Women’s Health Care Leadership Forum Nov. 1, 2023, followed by our main event on Nov. 2–3, 2023

Keynote Speakers

Donna Brazile
Karl Rove
Daniel Kraft, MD
Bradford Koles, Jr.

Preview the conference with this year’s promo video.
Visit mossadams.com/HCC2023
Why attend the 2023 Executive Health Care Conference? Check out highlights from 2022

- Topics affecting the health care continuum
- Networking opportunities among executives
- See sessions from 2022

---

**MOSS ADAMS 2022**

**ANNUAL HEALTH CARE EXECUTIVE CONFERENCE**

<table>
<thead>
<tr>
<th>November 2-4 2022</th>
<th>230 Attendees</th>
<th>Executive Women’s Leadership Retreat</th>
<th>75% of attendees held executive leadership positions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Red Rock Casino Resort &amp; Spa, Las Vegas, Nevada</td>
<td>39 Industry presenters</td>
<td>13.5 CPE Credits</td>
<td>84% of those who responded to our survey indicated they were &quot;very satisfied&quot; with the conference</td>
</tr>
</tbody>
</table>

**Attendee Profiles**

- Ancillary Health Care Services: 23%
- Hospitals and Health Systems: 17%
- Health plans and insurance: 14%
- Medical groups and physicians: 13%
- Long-term care: 13%
- Financial services organizations: 10%
- Tribal health: 7%
- Other: 3%

**Sponsors**

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- Gallagher
- Cascadia Capital LLC
- Foley & Larner LLP
- Union Bank
- White Oak Healthcare Partners, LLC
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Executive Session
THANK YOU