



March 16, 2023

TO: Legal Counsel

News Media

Salinas Californian

El Sol

Monterey County Herald

Monterey County Weekly

KION-TV

KSBW-TV/ABC Central Coast

KSMS/Entravision-TV

The next regular meeting of the **CORPORATE COMPLIANCE AND AUDIT - COMMITTEE OF THE WHOLE** of the **SALINAS VALLEY HEALTH**¹ will be held **MONDAY, MARCH 21, 2023, AT 5:00 P.M., DOWNING RESOURCE CENTER, CEO CONFERENCE ROOM, ROOM 117, SALINAS VALLEY HEALTH MEDICAL CENTER, 450 E. ROMIE LANE, SALINAS, CALIFORNIA** or via **TELECONFERENCE** (visit SalinasValleyHealth.com/virtualboardmeeting for Access Information).

A handwritten signature in black ink, appearing to read "Pete Delgado", written in a cursive style.

Pete Delgado
President/Chief Executive Officer



Committee Members: Juan Cabrera, Chair; Catherine Carson, Vice Chair; Pete Delgado, President/CEO; Augustine Lopez, CFO; Mike Nolan, Community Member; and Sanjeev Tandon, Community Member

**CORPORATE COMPLIANCE AND AUDIT COMMITTEE MEETING
MARCH 2023 - COMMITTEE OF THE WHOLE
SALINAS VALLEY HEALTH¹**

**TUESDAY, MARCH 21, 2023, 5:00 P.M.
DOWNING RESOURCE CENTER, CEO CONFERENCE ROOM 117
SALINAS VALLEY HEALTH MEDICAL CENTER
450 E. ROMIE LANE, SALINAS, CALIFORNIA
AND VIA TELECONFERENCE
(Visit [SalinasValleyHealth.com/virtualboardmeeting](https://www.SalinasValleyHealth.com/virtualboardmeeting) for Access Information)**

AGENDA

1. Approval of Minutes from the Corporate Compliance and Audit Committee Meeting of November 16, 2022 (DELGADO)
 - Motion/Second
 - Action by Committee

2. Compliance Officer Report (LOPEZ/OELKERS)

3. Public Input

This opportunity is provided for members of the public to make a brief statement, not to exceed three (3) minutes, on issues or concerns within the jurisdiction of this District Board which are not otherwise covered under an item on this agenda.

4. Closed Session

5. Reconvene Open Session/Report on Closed Session

6. Adjournment

The Corporate Compliance and Audit Committee meets quarterly. The next meeting is scheduled for **Tuesday, June 20, 2023 at 5:00 p.m.**

This Committee meeting may be attended by Board Members who do not sit on this Committee. In the event that a quorum of the entire Board is present, this Committee shall act as a Committee of the Whole. In either case, any item acted upon by the Committee or the Committee of the Whole will require consideration and action by the full Board of Directors as a prerequisite to its legal enactment.

The Committee packet is available at the Committee Meeting, at www.SalinasValleyHealth.com, and in the Human Resources Department of the District. All items appearing on the agenda are subject to action by the Committee.

Requests for a disability related modification or accommodation, including auxiliary aids or services, in order to attend or participate in a meeting should be made to the Board Clerk during regular business hours at 831-755-0741. Notification received 48 hours before the meeting will enable the District to make reasonable accommodations.

¹ Salinas Valley Memorial Healthcare System operating as Salinas Valley Health

**CORPORATE COMPLIANCE AND AUDIT COMMITTEE MEETING
COMMITTEE OF THE WHOLE**

AGENDA FOR CLOSED SESSION

Pursuant to California Government Code Section 54954.2 and 54954.5, the board agenda may describe closed session agenda items as provided below. No legislative body or elected official shall be in violation of Section 54954.2 or 54956 if the closed session items are described in substantial compliance with Section 54954.5 of the Government Code.

CLOSED SESSION AGENDA ITEMS

HEARINGS/REPORTS

(Government Code §37624.3 & Health and Safety Code §§1461, 32155)

Subject matter: (Specify whether testimony/deliberation will concern staff privileges, report of medical audit committee, hospital internal audit report, or report of quality assurance committee): _____

1. 340B Spendmend Report
2. Admissions Criteria
3. FEMA

ADJOURN TO OPEN SESSION

CALL TO ORDER
ROLL CALL

(Chair to call the meeting to order)

**SALINAS VALLEY MEMORIAL HEALTHCARE SYSTEM
CORPORATE COMPLIANCE AND AUDIT COMMITTEE
COMMITTEE OF THE WHOLE
MEETING MINUTES
NOVEMBER 16, 2022**

Pursuant to SVMHS Board Resolution No. 2022-16, Assembly Bill 361, and guidance from the Monterey County Health Department in response to concerns regarding COVID-19, Board Members of Salinas Valley Memorial Healthcare System, a local health care district, are permitted to participate in this duly noticed public meeting via teleconference and certain requirements of The Brown Act are suspended.

The Corporate Compliance and Audit Committee convened at 5:04 p.m. in the Downing Resource Center Rooms A, B, & C.

Committee Members Present:

Pete Delgado, Vice Chair Joel Hernandez Laguna, Augustine Lopez, Mike Nolan, and Sanjeev Tandon (*via teleconference*), and Juan Cabrera (*via teleconference*).

Committee Members Absent:

None

Other Board Members Present, Constituting Committee of the Whole:

None

Juan Cabrera joined the meeting at 5:17 p.m.

A quorum was present and Vice Chair Hernandez Laguna called the meeting to order at 5:05 p.m.

COMPLIANCE PROGRAM UPDATE

Lorrie Oelkers, MBA, CPA, CISA, Director Internal Audit & Compliance, recently joined our team and comes to the Salinas Valley Memorial Hospital (SVMHS) with more than 30 years' experience in healthcare internal audit, finance, and compliance: Fairview Health Services (academic partner of the University of Minnesota); Texas Children's Hospital; Public Accounting-KPMG.

Ms. Oelkers provided a compliance program update with a focus on how compliance programmatic elements and other responsibilities being managed during the leadership transition.

An update was provided for two audits:

Physician Contracts

Analysis of payments made to physicians for agreement with contract terms.

- Work is underway and results will be reported at the next Corporate Compliance and Audit Committee Meeting. This audit is performed annually, no exceptions noted last four years.

Cares Act: Balance Billing.

Ensure patients with out-of-network insurance are not billed more than they would be with in-network insurance.

- Business Office is monitoring for compliance. Internal Audit is reviewing process and ensuring refunds are made to patients as required.

APPROVE MINUTES OF SEPTEMBER 2022

Pete Delgado, President/Chief Executive Officer, recommended the Corporate Compliance and Audit Committee approve the minutes of September 20, 2022. This information was included in the Committee packet.

No public input received.

MOTION:

Upon motion by Committee member Delgado, and second by Committee member Nolan, the September 20, 2022 minutes of the Corporate Compliance and Audit Committee were approved, as presented.

Ayes: Delgado, Lopez, Nolan, Tandon, and Vice Chair Hernandez Laguna; Noes: None; Abstentions: None; Absent: Committee Chair Cabrera. Motion Carried.

CONSIDER RECOMMENDATION FOR BOARD OF DIRECTORS APPROVAL OF THE YEARS ENDED JUNE 30, 2022 AND 2021 AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR SALINAS VALLEY MEMORIAL HEALTHCARE SYSTEM.

Augustine Lopez, Chief Financial Officer, introduced independent auditors Chris Pritchard and Joelle Pulver of Moss Adams, who presented the Audit Results for Salinas Valley Memorial Healthcare System. This information was included in the Board packet.

The presentation included an overview of the following areas:

- Auditor Opinion and Report of Independent Auditors and Consolidated Financial Statements with Supplementary Information for Salinas Valley Memorial Healthcare System for years ended June 30, 2022 and 2021
- Significant Risks Identified
- Matters to be communicated to the Governing Body
- Statements of Net Position
- Operations

Moss Adams issued an unmodified opinion that the consolidated financial statements are presented fairly and in accordance with U.S. generally accepted accounting principles.

Deferred outflows driven by the pension.

Liabilities, Deferred inflows, and Net Positions (in millions) increase driven by 42 million 45 positive income from operations. Travelers are in a separate category.

Income Statements Year to Year Comparison

Net Patient Services Accounts Receivable – changed due to payor mix

District hospitals are doing very well compared to non-profits. The days in Accounts Receivable trend upwards and will continue into 2023.

No Public Comment.

The Committee commended the work and excellent efforts of the management and the audit team. Committee member Tandon complimented the team on a job well done.

MOTION:

Upon motion by Committee member Nolan, and second by Committee member Cabrera, the Corporate Compliance and Audit Committee recommends the Board of Directors approve the Years Ended June 30, 2022 and 2021 Audited Financial Statements for Salinas Valley Memorial Healthcare System, as presented.

Ayes: Cabrera, Delgado, Lopez, Nolan, Tandon, and Vice Chair Hernandez Laguna; Noes: None; Abstentions: None; Absent: None. Motion Carried.

MOTION:

Upon motion by Committee member Nolan, and second by Committee member Cabrera, the Corporate Compliance and Audit Committee recommends the Board of Directors approve the Years Ended June 30, 2021 and 2020 Single Audit Report for Salinas Valley Memorial Healthcare System, as presented.

Ayes: Cabrera, Delgado, Lopez, Nolan, Tandon, and Vice Chair Hernandez Laguna; Noes: None; Abstentions: None; Absent: None. Motion Carried.

CONSIDER RECOMMENDATION FOR BOARD OF DIRECTORS APPROVAL OF THE YEARS ENDED DECEMBER 31, 2021 AND 2020 AUDITED FINANCIAL STATEMENTS FOR THE SALINAS VALLEY MEMORIAL HEALTHCARE DISTRICT EMPLOYEE'S PENSION PLAN.

Moss Adams issued an unmodified opinion stating that the financial statements of Salinas Valley Memorial Healthcare District Employees' Pension Plan for year ended December 31, 2021 and 2020, are presented fairly in accordance with accounting principles generally accepted in the United States of America.

Moss Adams, independent auditor, provided an overview of the Report of Independent Auditors and Financial Statements for Salinas Valley Memorial Healthcare District Employees' Pension Plan for the years ended December 31, 2021 and 2020. This information was included in the Board packet. Key areas reviewed were as follows:

- Pension Financial Highlights
- Significant Audit Areas
- Required Communications

Moss Adams issued an unmodified opinion that the consolidated financial statements are presented fairly and in accordance with U.S. generally accepted accounting principles.

No Public Comment.

The Committee commended the excellent efforts of management and the audit team.

During the year ended December 31, 2021, the net position held in trust for pension benefits increased by approximately 15%. Employer contributions were \$23.1 million in 2021 compared to \$23.8 million in 2020. Benefit payments were \$16.4 million during 2021 compared to \$14.3 million during 2020. Net investment income was \$47.0 million during 2021 compared to \$43.5 million during 2020.

No Public Comment.

MOTION:

Upon motion by Committee member Nolan, and second by Committee member Delgado, the Corporate Compliance and Audit Committee recommends the Board of Directors approve the Years Ended December 31, 2021 and 2020 Audited Financial Statements for the Salinas Valley Memorial Healthcare District Employee's Pension Plan, as presented.

Ayes: Cabrera, Delgado, Lopez, Nolan, Tandon, and Vice Chair Hernandez Laguna; Noes: None; Abstentions: None; Absent: None. Motion Carried.

PUBLIC INPUT

No public input received.

CLOSED SESSION

Joel Hernandez Laguna, Vice Chair, announced the items to be discussed in Closed Session are *Conference with Legal Counsel-Anticipated Litigation* and *Public Employee Performance Evaluation*. The meeting was recessed into Closed Session under the Closed Session protocol at 6:01 p.m.

RECONVENE OPEN SESSION/REPORT ON CLOSED SESSION

The Committee reconvened Open Session at 6:10 p.m. Vice Chair Hernandez Laguna reported that in Closed Session, the Committee discussed: *Trade Secret: Trade secrets, strategic planning/proposed new services and programs*, and *Hearings/Reports Hearings/Reports*.

No action was taken in Closed Session.

ADJOURNMENT

There being no other business, the meeting was adjourned at 6: p.m. The December 2022 Corporate Compliance and Audit Committee Meeting is quarterly.

ATTEST:

Joel Hernandez Laguna, Vice Chair
Corporate Compliance & Audit Committee

/es

Compliance Program

Corporate Compliance and Audit Committee March 21, 2023



Seven Elements of an Effective Compliance Program: Policies and Procedures and Compliance Officer

Our Standards of Ethical Business Practices guide employees in appropriate conduct, compliance with laws and regulations, and reduce the likelihood of wrongdoing; recognizing that all employees are expected to conduct themselves with integrity.

The organization has designated a Compliance Officer with authority and resources to manage the Compliance Program on a day-to-day basis. The Internal Ethics and Compliance Committee, comprised of leaders across the organization, meets quarterly and provides advice and programmatic support to manage compliance risk and hold the organization to the highest standards of ethics and integrity.

Seven Elements of an Effective Compliance Program: Education and Training

The organization has effective, ongoing training and establishes open lines of communication.

All new employees receive in-person training in our *Standards of Ethical Business Practices*, including key health care laws and regulations, conflicts of interest and other policies, and the hotline. On average, in-person new hire training reaches 300 people every year.

Employees are also required to complete annual compliance training.

Seven Elements of an Effective Compliance Program: Reporting

Employees and contractors have a duty to report suspected non-compliance and are protected from retaliation when reporting in good faith.

The organization provides an anonymous method for reporting concerns. People will only report if they trust in anonymity, know they will be protected from retaliation, *and* believe that their report will lead to change.

Industry Average: 1.6 Reports per 100 employees or 32 per year.

Historically we receive approximately 25 reports per year.

Industry Average Anonymous Reporting Rate 57%

Historically our rate is 58%

Seven Elements of an Effective Compliance Program: Monitoring and Feedback

The organization performs periodic reviews of its regulatory and other risks, and resolves to correct any issues.

The work plan includes compliance with District and other laws, financial and operational risks. This quarter we supported the organization in 340B compliance, partnered to research and respond to various inquiries, initiated annual Form 700 filings, participated in an infant abduction “code pink” drill, reviewed compliance with CARES Act Balance Billing prohibition, and partnered with Case Management in a review of admissions criteria.

Seven Elements of an Effective Compliance Program: Enforcement

Standards of conduct are enforced and employees, agents, and others are held accountable to these standards.

Matters brought to the attention of the Director of Audit and Compliance are timely and thoroughly reviewed. External expertise is engaged when appropriate. We are committed to transparency; compliance activities and the results of reviews are shared with the *Internal Ethics and Compliance Committee*, employees, leaders, and the Board.

Industry Average: Number of Days to Close Alerts is 40

On average in 2022, Salinas Valley Health closed alerts within 4 days

Seven Elements of an Effective Compliance Program: Response and Prevention

Detected issues are addressed and deficiencies are corrected. Leadership's *tone at the top* is consistent with values of integrity and ethics.

Positive perceptions of an organization's ethical culture are associated with higher levels of engagement. Management's commitment to ethics is particularly important for employee engagement and advances a culture of integrity and transparency.

"This organization conducts business in an ethical manner..."

National Healthcare average 4.09

Salinas Valley Health 2022 survey 4.16

Audits and Reviews

Health Resources and Services Administration (HRSA) 340B Program Audit:

What is a 340B Audit?

The federal 340B Drug Pricing Program allows qualifying hospitals and clinics (covered entity), that treat low-income and uninsured patients, to buy outpatient prescription drugs at a significant discount.

HRSA has the authority to audit a covered entity's records that directly pertain to 340B program compliance.

340B Audit Scope and Timing

Review of policies, procedures and processes that pertain to 340B drugs; verification of internal controls in place to prevent diversion and duplicate discounts; testing of transactions that pertain to 340B drugs.

- All items on the data request list were submitted on-time and as directed.
- Auditors will be on site March 23 and March 24.
- We will update the Committee on the results of the 340B audit.

Balance Billing Audit:

To increase access to care during the public health emergency, organizations accepting CARES Act Funding are prevented from collecting from COVID patients out-of-pocket expenses in an amount greater than what the patient would have been required to pay if the care had been provided by an in-network provider.

Internal Audit reviewed the Business Offices' processes, controls and patient accounts to ensure that out-of-network patients with a COVID actual or likely diagnosis were not inappropriately balance billed.

The audit revealed that Salinas Valley Health is in compliance with this requirement of the CARES Act.

Questions/Comments?

PUBLIC INPUT

CLOSED SESSION

*(Report on Items to be
Discussed in Closed Session)*

*RECONVENE OPEN SESSION/
REPORT ON CLOSED SESSION*

ADJOURNMENT