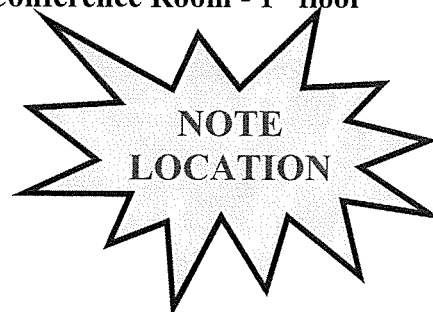


Palomar Pomerado Health Internal Audit and Compliance Board Committee

**Tuesday – March 17, 2009
8:00 a.m. – 10:00 a.m.**

**PPH Grand Office Bldg
456 E. Grand. Escondido
Conference Room - 1st floor**

A G E N D A



Call To Order

- Public Comments
- *Approval of Minutes – February 17, 2009

<u>Item</u>	<u>Presenter</u>	<u>Mins</u>	<u>Page</u>
1. • Update Status of Dir Corporate Compliance search	Janine Sarti	5	1
2. • Update on calls to Compliance Hotline	Janine Sarti	5	2
3. • Update on Internal Audit & Comp Committee Charter	Linda Greer	5	3
4. • Update on Internal Audit Services activities	Tom Boyle	10	4
5. • Update on New Privacy Laws	Luba Halich	20	5
6. • Report on Contract Performance Tool	Margie D.	20	6
(Tom will provide handouts at the meeting for this topic)			
7. • Open Discussion	All		7
8. * Date/Time/Location of Next Meeting	Tom Boyle	5	8

ADJOURNMENT

Distribution Via Email: by Michele Gilmore, Secretary

Linda Greer, Chairman	Janine Sarti, General Counsel	John Lilley, M.D.
Jerry Kaufman, M.A.P.T.	Bob Hemker, CFO	Lachlan Macleay, M.D,
Alan Larson, M.D.	Tom Boyle, Director Internal Audit	Bruce Krider, M.A., Alt
Michael Covert, CEO	Joanna Sainmervil, Admin Fellow	Nicole Dennis, BOD Secretary

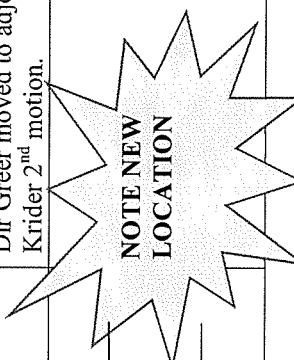
NOTE: Asterisks indicate anticipated action; action is not limited to those designated items.

.....“In observance of the ADA, Americans with Disabilities Act, please notify us at (858) 675-5230, forty-eight hours prior to meeting so that we may provide reasonable accommodations”.

**Palomar Pomerado Health
INTERNAL AUDIT & COMPLIANCE
BOARD SUB-COMMITTEE MEETING**

PPH Corporate Building
456 E. Grand Ave.
1st Floor Conference Room
February 17, 2009

AGENDA ITEM/ PRESENTER/ORIGINATING DATE	DISCUSSION	CONCLUSIONS/ACTION	FOLLOW-UP/ RESPONSIBLE PARTY/FINALIZED
CALL TO ORDER	8:00am by Dir Greer. Quorum comprised of Directors, Greer, Kaufman and Krider. Also attending: Janine Sarti (via phone), Tom Boyle, Michael Covert, Bob Hemker and Ken Hugins. Nicole Dennis scribed for the meeting in the absence of Michele Gilmore. Guests: Harmony and Mark of Deloitte & Touche Regrets from:		
NOTICE OF MEETING	Notice of Meeting was posted consistent with legal requirements.		
PUBLIC COMMENTS	None		
ADJOURNMENT TO CLOSED SESSION pursuant to... (if needed)			
RE-ADJOURNMENT TO OPEN SESSION			
APPROVAL OF MINUTES	The minutes of January 20, 2009 were reviewed and approved.		
<ul style="list-style-type: none"> • Status of Dir of Corporate Compliance search 	Janine reported on the status of the recruitment for Director of Corporate Compliance by the recruiting firm KornFerry. Dir Greer stated that the full Board would like to be involved in the final decision making process.	MOTION: by Dir Kaufman, 2 nd by Dir Krider and carried to approve the January 20, 2009 minutes as submitted. All in favor - none opposed.	
<ul style="list-style-type: none"> • Report on Compliance Hotline activity 	Janine reported that there have been 3 calls to the Compliance hot-line since last reported in January 2009, noting that not all Compliance		

AGENDA ITEM/ PRESENTER/ORIGINATING DATE	DISCUSSION	CONCLUSIONS/ACTION	FOLLOW-UP/ RESPONSIBLE PARTY/FINALIZED
<ul style="list-style-type: none"> • Report on Compliance Ad Hoc Committee items sent to 2/9 BOD meeting for discussion 	<p>issues are phone calls; some people prefer a face-to-face meeting.</p> <p>Dir. Linda Greer reported on the discussions of the Ad Hoc committee; i.e. the IA & C committee charter recommended changes involving limitations of the authority and responsibilities of this committee; and the organizational level and title of the Compliance Officer and the Dir. of Internal Audit that were taken to the full BOD at the 2/9/09 meeting.</p>		
<ul style="list-style-type: none"> • Update on Internal Audit Services 	<p>Tom Boyle gave a report on the Internal Audit reporting & monitoring projects and provided a chart for review. He also shared a report of completed, proposed and in-process projects and other current activities as well. Teams are being established for the projects in progress.</p>		
<ul style="list-style-type: none"> • Year End Audit Report and Management Letter 	<p>Deloitte & Touche gave their report on significant year end deficiencies; as well as their recommendations for correcting those deficiencies.</p>		<p>Luba will report back in March on what is being done in IT security for adjusting access when individuals are transferred in the system or when terminated.</p>
<ul style="list-style-type: none"> • Open discussion • Date/Time & Location of next meeting 	<p>March 17, 2009, 8:00 am in the corporate conference room @ 456 E. Grand.</p> <p>8:57am</p>		
<p>(FINAL) ADJOURNMENT</p> <p>SIGNATURES</p> <ul style="list-style-type: none"> ▪ Committee Chairperson ▪ Secretary to Committee 	<p>[Linda C. Greer, R.N.]</p> <p>[Nicole Dennis for Michele Gilmore]</p>	<p>Dir Greer moved to adjourn. Dir Krider 2nd motion.</p> 	

PALOMAR POMERADO HEALTH

Status of Director of Corporate Compliance Search

TO: Internal Audit & Compliance Committee

MEETING DATE: Tuesday March 17, 2009

FROM: Janine Sarti, Esq., General Counsel

BY: Michele Gilmore, Secretary to Committee

BACKGROUND:

Janine Sarti will report on the status of the search to fill the vacant position of Director of Corporate Compliance.

BUDGET IMPACT: None

STAFF RECOMMENDATION: INFORMATION

COMMITTEE QUESTIONS:

COMMITTEE RECOMMENDATION:

Motion:

Individual Action:

Information:

Required Time:

PALOMAR POMERADO HEALTH

Status of Compliance Department Hotline

TO: Internal Audit & Compliance Committee
MEETING DATE: Tuesday March 17, 2009
FROM: Janine Sarti, Esq., General Counsel
BY: Michele Gilmore, Secretary to Committee

BACKGROUND:

Janine Sarti will report on the Compliance Department Hotline.

BUDGET IMPACT: None

STAFF RECOMMENDATION: INFORMATION

COMMITTEE QUESTIONS:

COMMITTEE RECOMMENDATION:

Motion:

Individual Action:

Information:

Required Time:

PALOMAR POMERADO HEALTH

Update on Internal Audit & Compliance Committee Charter

TO: Internal Audit & Compliance Committee

MEETING DATE: Tuesday March 17, 2009

FROM: Janine Sarti, Esq., General Counsel

BY: Michele Gilmore, Secretary to Committee

BACKGROUND:

Linda Greer will report on the final resolution of the charter for the Internal Audit and Compliance Committee to include language from the ad hoc Committee report.

BUDGET IMPACT: None

STAFF RECOMMENDATION: APPROVAL

COMMITTEE QUESTIONS:

COMMITTEE RECOMMENDATION:

Motion:

Individual Action:

Information:

Required Time:

PALOMAR POMERADO HEALTH
Update on Internal Audit Services activities

TO: Internal Audit & Compliance Committee
MEETING DATE: Tuesday March 17, 2009
FROM: Tom Boyle, Director Internal Audit
BY: Michele Gilmore, Secretary to Committee

BACKGROUND:
Tom Boyle will report on Internal Audit Services activities.

BUDGET IMPACT: None

STAFF RECOMMENDATION: INFORMATION

Committee Questions:

COMMITTEE RECOMMENDATION:

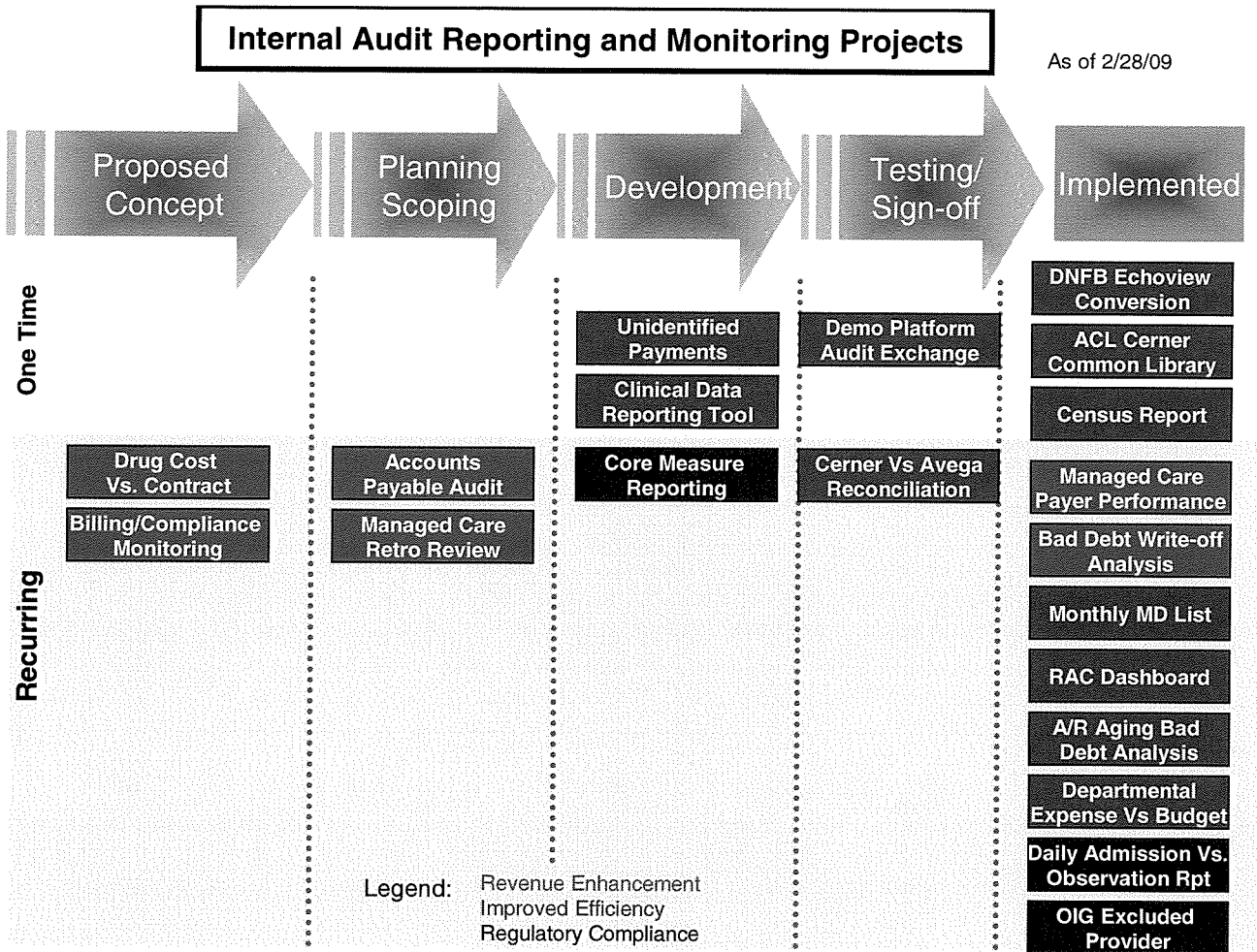
Motion:

Individual Action:

Information:

Required Time:

Internal Audit Activity As of February 28, 2009



Presented to
Audit & Compliance Committee Meeting
March 17, 2009

Completed Projects Year to Date

1. Managed Care Contract Performance

This application was developed as an efficient tool to be used by Managed Care to analyze and monitor plan financial performance, trends and anomalies on a recurring and ad hoc basis. The result is a user-defined tool capable of downloading multiple years of data, for determining accurate payment of carve-outs and other contractual terms. Initial reports were compiled in Avega, but results are too large for Excel. By producing data files in ACL, there is no limit to the file size and data is easily manipulated and analyzed.

2. OIG LEIE Excluded Provider Test

An automated process was developed and implemented which replaced a less-effective, manually intensive process to meet a CMS compliance requirement. On a monthly basis, PPH employee, physician and vendor master files are harmonized and combined into a single table, then compared with a list of excluded providers and entities, downloaded from the CMS web site to identify any suspected matches.

3. Current Physician List

Report of PPH Physicians from Cerner (as a subroutine of the Excluded Provider test), along with relevant data (TBD) is created and distributed daily via auto-email to PFS. Stakeholder; Traci Adair, Patient Financial Services.

4. Zero Balance Accounts

This process was developed and implemented which performs a summary analysis on Zero Balance Accounts on a monthly basis. Historically, this task was performed manually by Finance staff and required many hours of work on a monthly basis, which exposed the risk of error and inconsistency, in addition to the lack of consistent documentation (audit trail). Stakeholders; Tim Nguyen, Sandy Lin.

5. Daily Admission -Observation report

This report was developed as a tool for the RAC (Revenue Audit Contractor) Task Force to minimize erroneous classification of patient status. The result is an extract from Cerner which identifies possibly misclassification of admissions Vs. Observation status, to be used as a work queue for auditing classification. Report is automatically run and distributed daily to Case Managers, bed-assignment staff. Stakeholders/contacts; Marv Levenson, MD, Brian McGuiness, Monica Phillips (RAC Task Force)

6. Dashboard, PFS components

Assist PFS in automating certain components of reporting ATBs and AR statistics for EMT dashboard

7. Charge Audit Program

ACL is used on an ad hoc basis to analyze accounts and identify areas with audit opportunity which may be missing charges.

8. ED Level Analysis

This routine process was developed using ACL which analyzes data extracted from Avega and evaluates the ED level charges on a historical basis, indicating adverse trends. Stakeholder; Monica Phillips

9. Conversion of EhcoView reports

Data converted to a format to allow analysis and interaction with data on a recurring basis. Stakeholder; Monica Phillips, Managed Care.

10. Late Charge Analysis

Automation of routine task with ACL scripts saves hours of staff time and minimizes risk of manual errors. Stakeholder; Monica Philips, Managed Care

11. Departmental expense to budget analysis

Internal Audit has created an automated analytic process which accumulates departmental expenses by GL subaccount and compare to corresponding budget for applicable variances. The process occurs monthly, and on demand with email notification to dept directors, Finance and the EMT. Historically, there was knowledge deficit at the close of each month as departments were challenged to validate the expenses charged to their respective cost centers. As the window of time for reconciling errors and justifying variances is minimal, this reporting process provides department managers and accounting, with a tool for identifying and correcting discrepancies on a very timely basis. Stakeholders; Finance, Stephanie Schulte, Danny Delosantos, all PPH Directors.

12. Common Library

This process creates a shared library of tables which are commonly used by most other ACL projects. The information is updated every morning prior to the start of the business day. This project eliminates repetition of effort in other projects, reduces the amount of time for ongoing projects to complete, and also reduces the impact of activity between ACL and the PPH databases (Cerner, Avega, Lawson).

12. AD HOC Demographic Report

A report was created for PPNC Health Development which summarizes the number of patients encountered at each facility by sex, race and language. The report can be modified as need and is capable of running on demand.

Projects in Process

Revenue-Enhancing Projects**1. Bad Debt Write Off Analysis** (final testing)

The objective of this project is to identify and analyze accounts written off to bad debt and reduced to zero balance.

This process will be performed on a regular and timely basis for the purpose of validating the accuracy and validity of the transaction and track historical trends which may indicate secondary issues.

Compliance / Quality Improvement / Improved Efficiency Projects**1. Clinical Data Reporting Tool**

In a response to a request, we are developing a proof-of-concept tool for ad hoc reporting of clinical data related to physician-specific and diagnostic data. This reporting capability will be evaluated as a potential bridge to provide selected data for administrative purposes and possibly as an end-user tool for ad hoc reporting

2. Core Measure reporting (Pending)

Federal regulations are mandating the reporting of quality indicators by healthcare providers as a means of comparison for consumers and other parties. This project involves the access of selected data elements from Cerner using ACL and populate mandated report template for National quality indicators to be submitted on a routine basis. Currently there is no mechanism in place to extract this data on an automatic basis and as many as 6 staff abstractors are

manually reviewing medical records and related documentation to collect this data. The results will be a significant savings of staff time as well as improves accuracy and consistency of data. Stakeholders; Quality, Opal Reinbold, Karen Kennedy, Roma Bourne

3. **Unidentified Payments work queue** (pending)

Currently there is a work process in the Patient Financial Services area which is very inefficient and prone to error. Payments received occasionally lack sufficient identification to accurately post the proper account, which results in an ongoing reconciliation of accounting detail to maintain this account. We are providing a more efficient working tool to accomplish this task which will eliminate many hours of work per month. Stakeholders; PFS Lorraine Rose, Traci Adair

4. **Denials Management**

Assist in development of a denials management tool for tracking, trending and reporting reasons of denials from EOBs and Correspondence by payors and encounters. Stakeholders; Traci Adair, PFS

5. **Census Detail Report**

Report details Cerner census statistics on a daily basis. This report provides more detail than reports existing available. Stakeholder; Roger Dickerson, Decision Support

~~~~~  
**Proposed Projects**  
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1. **Implantable Devices Audit**

Evaluate the accuracy and profitability/loss involved with current processes involving the use and reimbursement for implantable devices. [Currently internal audit is involved with a task-force analyzing several facets of implantable device usage. This includes item selection, purchase, usage, charge-capture, physician practice patterns, reimbursement, profitability and service-line strategies.]

2. **Accounts Payable Audit**

Develop an automated process for identifying duplicate payments, unclaimed discounts, and overpaid taxes. This will be a recurring audit process which will result in a management tool for Finance/Accounts Payable staff and will eliminate the need to use external vendors to perform this audit. Stakeholders/contacts; Finance/Accounts Payable, Tim Nguyen, Tom Koza

3. **Drug costs – Vs Group Purchasing Contract**

Compare actual costs per drug (NDC) to the contracted amounts via group purchasing agreement to determine variances in amount charged vs. contract. Sources indicated that these arrangements are likely to contain discrepancies and result in overpayments by hospitals.

4. **Managed Care Audit**

Perform a retrospective audit of managed care contract performance in order to identify underpaid contractual obligations. Eliminate the need to utilize an outside vendor currently charging +30% commission rates. Stakeholders/contacts; Margie Drobatschewsky, Managed Care

5. Revenue/Compliance Assurance

Develop suite of tests to validate completeness of charges, appropriateness of charges/services based on clinical protocols, procedural logic, gender, age, historical trends.

Other Activities

1. Conduct Enterprise Risk Assessment

This year, with the involvement of the other “Internal Consultants”, the Audit Risk Assessment process is expanded to encompass more of an Enterprise Risk Assessment, with a broader scope to include ethics, culture, patient safety, and communications.

2. PPH Consultative Activities

Participate in a variety of administrative committees and task forces on a regular basis to include:

- Chair the Compliance Oversight Committee
- Internal Consulting Group
- Revenue Optimization Committee (ROC)
- RAC Taskforce
- IT Steering Committee
- IT Security Oversight Committee
- Project Evaluation Team
- Financial Management Team
- PPH Foundation Audit Committee
- North County Health Development
- Baldrige Internal Examiners
- Management Group
- Leadership Council

3. ACL Training

Audit staff conducts regular training and provide technical support to other PPH staff members who currently use, or who would like to use ACL software. Current users include Managed Care, Patient Financial Services, Finance, Clinical Nurse Management, and Performance Excellence

4. Professional and local activities

- Committee Member of the Association of Healthcare Internal Auditors
- Member of the International ACL Customer Advisory Board
- Health Ethics Trust, member of Best Practices Committee
- Founders, Directors of the San Diego ACL Users Group,
- Faculty; Fraud Training for Hospital Association of San Diego and Imperial County
- Institute of Internal Auditors, San Diego Chapter
- Information Security and Controls Association, San Diego Chapter

PALOMAR POMERADO HEALTH

Update on New Privacy Laws

TO: Internal Audit & Compliance Committee

MEETING DATE: Tuesday March 17, 2009

FROM: Janine Sarti, Esq., General Counsel

BY: Michele Gilmore, Secretary to Committee

BACKGROUND:

Luba Halich will provide an update and PowerPoint presentation on the newly updated privacy laws and how they affect PPH.

BUDGET IMPACT: None

STAFF RECOMMENDATION: APPROVAL

COMMITTEE QUESTIONS:

COMMITTEE RECOMMENDATION:

Motion:

Individual Action:

Information:

Required Time:

California Privacy Laws

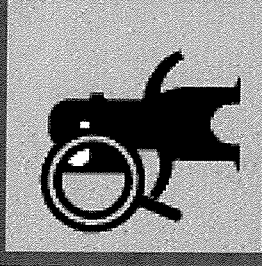
Effective January 1, 2009

AB 211 and SB 541

**Changes to the California Health
and Safety Code**

CA Privacy Laws Summary

- AB 211 and SB 541 are now a part of the CA Health and Safety Code
- These are “anti-snooping” laws
- There is no “good faith” exception (I made a mistake doesn’t count – it is still a violation)
- Establishes heavy fines for facilities and **individuals**
- Establishes Office of Health Information Integrity within California Health and Human Services Agency.



AB 211 - Summary

- Requires health care providers to take appropriate safeguards to protect patient medical information
- Authorizes enforcement of state medical privacy laws.
- Allows for the assessment of penalties against individuals for privacy breaches.
- Individual fines for breaches could range from \$2,500 to \$250,000 depending on the nature of the violation.

SB 541 - Summary

- Allows the state to investigate health information privacy breaches in health facilities and assess penalties of \$25,000 per patient whose medical information was breached, up to a maximum of \$250,000 per incident.
- Requires facilities to report a violation no later than 5 days after detection. If they fail to do so, they can be penalized \$100 per day, up to a maximum of \$250,000 per reported event.

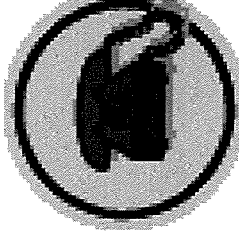
What is PPH Required to do?

Establish and implement appropriate administrative, technical, and physical safeguards to **prevent** any **unauthorized** access or **unlawful** access, use, or disclosure of a patient's medical information.

- Create procedures
- Secure computers, laptops, etc.
- Education

What is PPH Required to do?

Report the unauthorized access to the
(i) CA Dept. of Public Health (CDPH) and to
the (ii) affected patient **no later than five**
(5) days after the unlawful or unauthorized
access, use, or disclosure has been
detected by PPH.



Definition of Unauthorized Access

The inappropriate review or viewing of patient medical information without a direct need for diagnosis, treatment or other lawful use as permitted by the Confidentiality of Medical Information Act or by other statutes or regulations governing the lawful access, use, or disclosure of medical information.

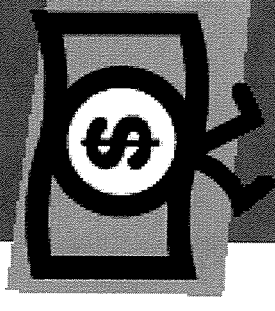
Very small window of permissive use!

Definition of Medical Information

- “Medical information” means any individually identifiable information, in electronic or physical form, in possession of or derived from a provider of health care, health care service plan, pharmaceutical company, or contractor regarding a patient's medical history, mental or physical condition, or treatment. “Individually identifiable” means that the medical information includes or contains any element of personal identifying information sufficient to allow identification of the individual, such as the patient's name, address, electronic mail address, telephone number, or social security number, or other information that, alone or in combination with other publicly available information, reveals the individual's identity.

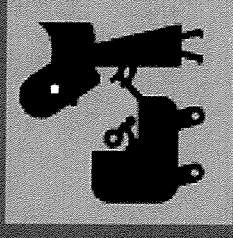
Fines – effective Jan. 1, 2009

- **INDIVIDUALS:**
 - \$2,500- \$250,000 depending on the nature of the violation
 - (i.e. \$2,500 for negligent unlawful disclosures up to \$250,000 for unlawful disclosures for the purpose of financial gain.)
- **PPH:**
 - \$25,000 per patient for first violation,
 - \$17,500 for second and subsequent violations of that patient's medical information;
 - \$100 per day for failure to report violations,
 - shall not exceed \$250,000 per reported event.



Example #1

- Patient is at PMC for surgery.
- Nurse A is a cousin of Patient's.
- Nurse A is not involved in Patient's care.
- Nurse A is curious about her cousin's condition so she looks at Patient's medical record.
- Is this a violation?

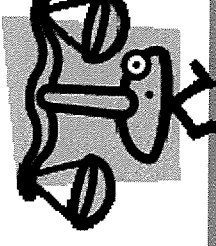


Answer to Example #1

- Yes, this is a violation. The nurse cannot look in the record.
- Being a relative does not automatically give you authority to look at another relative's medical record. If your viewing the record is not for a lawful or authorized purpose, then doing so is a violation.

Example #2

- Employee works as a lab tech at POM. Her job requires her to take and test blood samples.
- In 2008, she tested the blood of Joe. The sample came back positive for alcohol and Employee recorded the BAC of .19 in Joe's medical record.
- In 2009, the State filed a lawsuit against Joe for vehicular homicide. Employee gets subpoenaed to testify at trial.
- Employee cannot remember this patient, so she reviews Joe's medical record to refresh her memory before trial.
- Is this a violation?

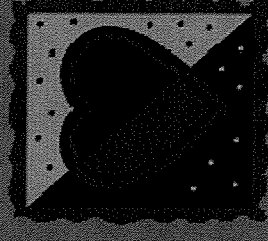


Answer to Example #2

- No, it is not a violation.
- She can look in the record because doing so would be for a lawful purpose.
- The nurse needs to work with the Legal or Risk Management Dept. to work with HIS to view the record.

Example #3

- Employee works in the IT Department and has access to Cerner.
- Last week when she was visiting PMC, she was getting coffee in the gift shop and started a conversation with a patient.
- When she left, she got his name, but not his number.
- She developed a liking for this patient, so when she got back to her office, she pulled up this patient's medical record on Cerner and got his phone number.
- Is this a violation?

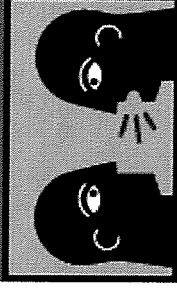


Answer to Example #3

- Yes. She is not looking at the record for an authorized or lawful purpose.

Example #4

- Employee #1 and Employee #2 are coders. They have access to all patient medical records. One day at work they heard that a famous person was a patient at PMC.
- So Employee #1 decided to look through the famous person's medical records out of curiosity. She found a lengthy medical history. Employee #1 then told Employee #2 about what she found.
- Is this a violation? If so, how is this different than the previous examples?
- Would this outcome be any different if it had been the medical record of a Director at PPH?



Answer to Example #4

- Yes, this would be a violation.
- This is different because this could result in a subsequent violation related to the same patient's medical record.
 - (25,000 initial fine, then \$17,500 for each additional unauthorized/unlawful disclosure of the patient's record)
- The answer would be the same if it was a Director at PPH.

Example #5

- Tech A works in the ER at POM. He is friends with an ambulance driver who dropped off Patient A at POM.
- The ambulance driver came back the next week and asked Tech A about what happened to Patient A.
- Tech A looked at the Patient A's medical record and told the ambulance driver about what happened to Patient A.
- Is this a violation?

Answer to Example #5

- Yes. There is no authorized or lawful purpose for Tech A to look in the record.
- Please note, this also applies when patients **transfer between departments**. Just be cause you “used” to treat the patient, doesn’t mean you are “currently” treating the patient. Therefore, you cannot continue to look in the record once your use of the record is no longer for an authorized or lawful reason.

What do I need to do?

- Make sure your staff is aware that they can be **personally liable** for a unauthorized or unlawful use of patient medical information.
- Make sure staff know to call the Compliance Hotline - **1-800-850-2551** if they think there has been a violation.
- Contact Kim Jackson, Luba Halich, Janine Sarti, Kate Philbin, Susan Gray or Julie Eberlein with any questions.

PALOMAR POMERADO HEALTH

Report on Contract Performance Tool

TO: Internal Audit & Compliance Committee

MEETING DATE: Tuesday March 17, 2009

FROM: Janine Sarti, Esq., General Counsel

BY: Michele Gilmore, Secretary to Committee

BACKGROUND:

Margie Drobatschewsky will provide an update on a new contract performance tool.

BUDGET IMPACT: None

STAFF RECOMMENDATION: APPROVAL

COMMITTEE QUESTIONS:

COMMITTEE RECOMMENDATION:

Motion:

Individual Action:

Information:

Required Time:

PALOMAR POMERADO HEALTH
Date/Time/Location Of Next Meeting

TO: Internal Audit and Compliance Committee

MEETING DATE: Tuesday March 17, 2009

FROM: Tom Boyle, Director Internal Audit

BY: Michele Gilmore, Secretary to Committee

Background:

To discuss the date and time of the next meeting. It is currently scheduled for 8:00 am Tuesday, April 21, 2009 at the Grand Office 1st floor conference room – 456 E. Grand Ave., Escondido, CA.

Budget Impact: N/A

Staff Recommendation: INFORMATION

Committee Questions:

COMMITTEE RECOMMENDATION:

Motion:

Individual Action:

Information:

Required Time: