

SALINAS VALLEY MEMORIAL HEALTHCARE SYSTEM

Compliance Program

March 2018

PROGRAM GOAL/PURPOSE

The Salinas Valley Memorial Healthcare System (SVMHS) adopted this Compliance Program (Program) to identify SVMHS' policies and procedures for promoting compliance with the law and preventing and detecting violations. In today's complex health care environment, SVMHS has determined that the appropriate approach to compliance is to organize, centralize and formalize compliance policies and procedures.

This Program applies to directors, employees (including management), medical staff members, volunteers, students, contractors, and other agents (collectively, "covered persons").

SVMHS desires to maintain its reputation for integrity and strict compliance with the letter and the spirit of all laws, regulations and contractual obligations. Each covered person is expected to continue to conduct SVMHS's business transactions with honesty, accuracy, fairness, and respect for others.

SVMHS' Program is currently structured to contain the following elements:

- The Director of Internal Audit and Compliance serves as the Ethics and Compliance Officer and has the responsibility and authority to design, implement, oversee, and revise as necessary SVMHS' efforts in establishing and maintaining compliance including an annual review of the Program's structure;
- The Hospital Ethics and Compliance Committee is chartered to oversee the hospital's implementation of ethics and compliance programs, policies and procedures, to advise the Ethics and Compliance Officer in implementation of the Compliance Program, and to assist and report to the Corporate Compliance and Audit Committee of the Board of Directors.
- Policies and Procedures guide SVMHS' employees and other representatives in appropriate business practice, compliance with laws and government regulations, and reduce the likelihood of wrongdoing;
- Training programs facilitate understanding of the Program and future changes in the Program and relevant laws and regulations;
- Periodic background checks are performed as required by Federal and State regulations.
- Structured monitoring and auditing of the Program, billing policies and procedures relevant to other business risks facing SVMHS, currently and prospectively, are conducted to identify any required corrective action or training;
- Mechanisms for employees and other representatives to communicate with the Ethics and Compliance Officer provide employees and other representative with a means to report potential non-compliance issues or other areas of concern without fear of retribution;
- A process for corrective action has been established, including appropriate disciplinary measures, to address any issues of non-compliance; and
- Guidelines have been prepared by the Ethics and Compliance Officer for response and prevention of compliance offenses.

RESOLUTION AND CHARGE

SVMHS is committed to providing high quality care that conforms with all applicable federal, state, and local laws and regulations, professional and ethical codes of conduct, and its policies and procedures.

Covered persons are urged to seek the guidance or report violations to the Ethics and Compliance Officer or department. Covered persons may contact Director of Internal Audit and Compliance, (Ethics and Compliance Officer) directly at (831) 759-1958 (ext. 1958).

Every covered person is expected to continue to maintain compliance with the Program. The federal government can impose monetary fines and criminal charges on both SVMHS and the covered person for violation of applicable federal, state, and local fraud and abuse laws and this Program. Each covered person must understand that the consequences of failing to comply can result in discipline up to and including discharge.

Covered persons also have a duty to report any suspected or known violation of applicable law to their supervisor, the Ethics and Compliance Officer, or through one of the processes available for confidential reporting.

STANDARDIZED COMPLIANCE POLICIES AND PROCEDURES

SVMHS is committed to having written policies and procedures in place throughout the system to ensure that all covered persons have access to guidance and protocols that should be followed in performing their duties. The contents of this Program will document SVMHS' policies and procedures related to the Compliance function, as well as the procedures that the Ethics and Compliance Officer (Officer) will utilize to monitor various aspects of compliance. The Program will be communicated to all new and existing covered persons.

SVMHS' Program is comprised of the following components:

- This Program Document, which defines the basic framework of how the Compliance Program will operate,
- The Standards of Ethical Business Practices, which provide guidelines for business decision-making and behavior, and
- Other related SVMHS compliance policies and procedures that address identified areas of risk.

All covered persons are responsible to understand and comply with the forgoing components of the Program. These components are not intended to cover every situation that may occur; covered persons are expected to comply with all applicable laws and regulations whether they are specifically addressed by the above components or not.

STRUCTURE AND ORGANIZATION

The Compliance and Audit Committee of the Board of Directors of SVMHS has established the following structure, reporting relationships and designation of responsibilities to oversee the administration of the Program and to ensure those potential non-compliance issues or violations are investigated and addressed.

- The Director of Internal Audit and Compliance serves as the Ethics and Compliance Officer and reports to the Chief Financial Officer.
- The Ethics and Compliance Officer has access to the Compliance and Audit Committee of the Board at any time a need arises.
- The Ethics and Compliance Officer has sufficient authority to fulfil the responsibilities of the position.
- The Ethics and Compliance Officer will meet periodically with the President/CEO, the CFO, and the Compliance and Audit Committee of the Board of Directors as necessary to review the Compliance Program.
- The Ethics and Compliance Officer is responsible for overall management of the Program as well as day-to-day administration of the Program including continued development of the Standards of Ethical Business Practices and other compliance policies and procedures, training and communication, monitoring and auditing, enforcement and discipline, response and discipline, and oversight.
- The Hospital Ethics and Compliance Committee oversees the implementation of ethics and compliance programs, policies, and procedures that are designed to be responsive to the various compliance and regulatory risks facing the organization; assists the Ethics and Compliance Office in the implementation of the Compliance Program, and assists the Corporate Compliance and Audit Committee of the Board in fulfilling its oversight responsibilities.
- The Corporate Compliance and Audit Committee of the Board of Directors is chartered by the Board of Directors to advise and assist the Board in its exercise of oversight by monitoring compliance policies, controls, and processes of the organization and to assist the Board in oversight of regulatory audits and assuring the organizational integrity of SVMHS in a manner consistent with its mission and purpose.

TRAINING AND EDUCATION

SVMHS has a training program for all covered persons to facilitate their understanding of the Program's expectations and their responsibilities. This training program is administered and coordinated by the Ethics and Compliance Officer.

All new employees will attend an orientation training session within a reasonable period of time of commencing their employment that discusses the goals and objectives of the Program and familiarizes new employees generally with the Program. Documentation shall be maintained by Human Resources reflecting the attendance of the employee training program.

Following the initial training, all existing employees will receive update training at least once a year and as the need arises to address significant changes in the Program, in applicable laws, or any issues of interest.

The Ethics and Compliance Officer will also provide additional training and awareness sessions as determined by that Officer in coordination with department heads, and will distribute ethical awareness communications through various venues.

Additional training sessions may be conducted for specific covered persons who have responsibilities with specific compliance issues or at the direction of the Ethics and Compliance Officer. .

Documentation will be maintained reflecting the attendance at all ethics and compliance training.

Members of the Board of Directors and those required by the California Fair Political Practices Act will receive compliance and ethics education within their first year and every two years after that as per California Assembly Bill 1234 (2005).

Training will be updated as required based on changes to applicable federal healthcare program requirements, applicable state requirements, and trends in compliance inquiries and hotline issues.

On an ongoing basis, covered persons are encouraged to ask questions whenever they have concerns that need to be addressed. Initially, covered persons should request assistance from their immediate supervisor. If additional assistance is needed, covered persons are encouraged to contact the Ethics and Compliance Officer.

MONITORING AND PERIODIC AUDITING

SVMHS will conduct periodic auditing and monitoring activities of SVMHS in order to identify and rectify potential compliance issues.

Periodic auditing and monitoring activities will be reported at meetings of the Hospital Ethics and Compliance Committee by the Ethics and Compliance Officer as well as representatives from Patient Financial Services & Registration, Revenue Integrity, Case Management, Quality Management, Health Information Management, Privacy, Contracts, Information Technology, and others as required or requested.

Auditing and monitoring will include ensuring the performance of periodic audits and spot checks intended to confirm that charging, billing, claims processing and reimbursement procedures, and practices, as well as non-billing procedures, adhere to federal and state regulations and industry standards. Examples are listed at the end of this document.

The Compliance Work Plan will be developed and overseen by the Hospital Ethics and Compliance Committee. Records are retained of all meetings held by that committee. Monitoring reviews and audits conducted externally will be reported to and recorded in the work plan of the Hospital Ethics and Compliance Committee, along with a report of results.

The Ethics and Compliance Officer or designee shall conduct periodic audit procedures throughout the year. A plan for conducting the periodic audits will be reviewed and updated at each meeting of the Hospital Ethics and Compliance Committee. For each audit, the Ethics and Compliance Officer shall determine if SVMHS has the requisite skill set to complete the review. If the Ethics and Compliance Officer determines that the skill set is not available or, for other reasons, the Ethics and Compliance Officer will recommend to the CFO, the President/CEO and the Compliance and Audit Committee of the Board the need to employ such consultants. The Ethics and Compliance Officer shall review all reports, and, where required, shall recommend corrective actions.

The Ethics and Compliance Officer or designee will have appropriate access to information and documents to complete the audits and ensure appropriate monitoring and will maintain the confidentiality of those records. For significant issues identified, the Compliance Officer will implement a follow-up process to ensure they are addressed in a timely manner.

REPORTING MECHANISMS AND LINES OF COMMUNICATION

SVMHS has established a mechanism for employees and other representatives to ask questions and/or report any matter that may be an issue of non-compliance without fear of retribution.

Employees may contact the following to report a compliance concern:

- Their supervisor
- Human Resources at 831-759-1759
- Quality Management / Risk Management 831-759-1983
- Compliance and Ethics Hotline number (anonymously) at 888-274-8231
- Ethics Point (Compliance Hotline) (anonymously) at <https://www.ethicspoint.com>
- Occurrence Reporting (anonymously) at <http://memnet.verge.html>

Additionally, the established mechanism for reporting non-compliance issues is outlined in the Administrative Policy: *Non-Compliance Reporting and Response and Non-Retaliation*. All reports are prioritized according to an objective level of severity.

Retaliation against a covered person who reports a concern in good faith is prohibited, as indicated in the SVMHS *Non-Compliance Reporting and Response and Non-Retaliation policy*. Anyone found to have committed a retaliatory act against a covered person for a good faith report will be subject to disciplinary action, up to and including termination of employment.

ENFORCEMENT AND DISCIPLINE

There are significant legal and ethical consequences for non-compliance with the Program. The Program will be enforced consistently throughout the organization. The Ethics and Compliance Officer, in collaboration with Human Resources, will recommend to the President/CEO and/or appropriate administrators, enforcement action with respect to both violators of the Program and those who negligently or wilfully fail to detect violations or who fail to respond appropriately to a violation. The Ethics and Compliance Officer will report such violations and enforcement action to the CFO and the Compliance and Audit Committee of the Board. Disciplinary action may include a range of responses depending on the circumstances. These responses may include:

- Notations in the evaluation of an employee;
- Educational counselling;
- Reprimand;
- Demotion;
- Suspension; or
- Termination.

RESPONSE AND PREVENTION

Each covered person is responsible for taking timely action in response to any suspected or known non-compliance that arises under the Program and for notifying the appropriate person when they believe a violation of law or SVMHS policy has occurred. If a covered person believes that another covered person, regardless of their position within SVMHS, is violating the law or this policy, that employee should bring the information to the attention of their direct supervisor. If the situation is not resolved, see page 8 of this document for reporting mechanisms.

All reports or reasonable indications of fraud or abuse, violations of other applicable laws or regulations, or violations of SVMHS policy, will be promptly investigated.

Records of investigations will generally include documentation of the concern, copies of interview notes and key documents, lists and dates of interviews, lists of documents reviewed, results of the investigation, and corrective actions recommended (if applicable). In addition, such records may be protected by attorney-client privilege if SVMHS' legal counsel is engaged in connection with such investigation.

It is SVMHS' policy to comply with applicable law and to cooperate with any reasonable demand made in a government investigation. In so doing, however, it is essential that SVMHS' legal rights, and those of covered persons, be protected and that SVMHS' counsel be engaged at the appropriate time. If any employee receives an inquiry, subpoena, or other legal documents regarding SVMHS' business, whether at home or in the workplace, from any governmental agency, SVMHS encourages that person to notify the Ethics and Compliance Officer immediately. In all potential legal matters the Risk Management Department will also be informed and a determination will be made by the Risk Management Department whether to notify the SVMHS liability carrier.

SVMHS will take all reasonable steps to respond to and prevent further occurrences of activities determined non-compliant.

COMPLIANCE AND ETHICS POLICIES AND PROCEDURES

The Ethics and Compliance Officer will be directly responsible for maintaining and updating the following policies and procedures and educating and ensuring compliance with each:

- Standards of Ethical Business Practices
- Conflict of Interest
- False Claims Act
- Gifts, Ticket & Honoraria
- Compliance Sanctions Review
- Non-Compliance Reporting and Response and Non-Retaliation
- Procurement Management
- Competitive Solicitation

OPERATIONAL REGULATORY MATTERS

The SVMHS Compliance Program supports various SVMHS operational areas to ensure that we are meeting the relevant requirements of applicable laws as well as our policies and procedures. Each of these areas will implement its own policies and procedures. The Ethics and Compliance Officer will ensure monitoring of these areas as indicated in the Auditing and Monitoring section of this document. These areas include, but are not limited to:

Billing/Revenue Integrity –

SVMHS is committed to ensuring that its billing practices comply with all applicable laws. SVMHS also is committed to developing and maintaining policies and procedures that facilitate accurate billing and submission of claims only for services that are actually rendered and medically necessary and filing of cost reports that accurately reflect costs incurred for furnishing health care services. The Director of Patient Financial Services and the Revenue Integrity Coordinator are members of the Hospital Ethics and Compliance Committee. These billing and revenue integrity areas include but are not limited to:

- Coding
- Charging
- Charge Master
- Claims submission
- Medical necessity
- Adjustments
- Bad debts
- Credit balances and overpayments
- Financial assistance
- Cost reports

Accounting for Financial Transactions –

SVMHS is committed to maintaining accurate and complete financial records. These financial records serve as the basis for managing the business, for measuring and fulfilling SVMHS' obligations to patients, employees, suppliers and others, and for compliance with tax and financial reporting requirements.

It is the policy of SVMHS to comply with the recording requirements of applicable law and generally accepted accounting principles.

This accounting for financial transactions area includes, but is not limited to, the following:

- Time card completion and approval
- Purchase requisition preparation and approval
- Financial transactions entry and approval
- Release of financial information
- Submission of reports to third parties

- Accuracy, completeness, and timeliness of records
- Internal controls over financial transactions

Privacy –

SVMHS is committed to protecting the privacy rights of its patients. Disclosure of any patient information to anyone other than providers involved in care and treatment of the patient or the payment and health care operations of the organization specific to SVMHS, is prohibited unless otherwise permitted or required by law. Violations may be subject to immediate termination. The organization's Privacy Officer is a member of the Hospital Ethics and Compliance Committee.

Information Technology –

SVMHS has developed policies and procedures related to information technology. The organization's Chief Information Officer is a member of the Hospital Ethics and Compliance Committee. SVMHS is committed to meeting the increasing regulatory requirements for information technology including, but not limited to, the following:

- HIPAA Security
- HITECH

Quality of Care –

The Centers for Medicare and Medicaid Services (CMS) conditions of participation (COP) require the provision of patient care consistent with established standards within the medical community. SVMHS is required to comply with applicable Medicare COP. The Senior Administrative Director of Quality Management is a member of the Hospital Ethics and Compliance Committee.

Contracts –

There are a number of laws governing Medicare, Medi-Cal and other government health care programs. These laws prohibit remuneration in return for the referral of a government health care program patient, or to induce the purchase of goods or services to be paid for by a government health care program. Similar state laws prohibit like conduct with respect to patients not covered by a government health care program. In this section, two laws are discussed -- the Stark Law and the federal Anti-Kickback Statute ("Anti-Kickback Statute"). Physicians and hospitals that knowingly violate the Stark Law or the Anti-Kickback Statute may be subject to civil monetary penalties and exclusion from federal health care programs. Criminal penalties may also apply.

The Stark Law prohibits hospitals and certain other entities from submitting any claim to Medicare (and keeping the money associated with that claim) for a "designated health service" ("DHS") if the referrals of the DHS comes from a physician with whom the hospital or entity has a prohibited financial relationship. DHS includes all inpatient and outpatient hospital services provided to Medicare patients (including hospital services provided under arrangement).

To be allowable under the Stark Law, financial relationships between physicians and SVMHS must be evaluated and determined to meet an exception to Stark Law. Such evaluations review whether the referral is for a service that is a DHS, whether the physician (or an immediate family member) has a financial relationship with SVMHS, and whether the financial relationship fits a Stark Law exception.

SVMHS undertakes the following measures to facilitate compliance with the Stark Law:

- Policies and procedures to help insure that all contracts and agreements with physicians who make DHS referrals to SVMHS satisfy a Stark Law exception.
- Contracting and leasing processes are reviewed at frequent intervals to insure all contractual arrangements with physicians meet the Stark Law, are signed by all parties, and are maintained on file in accordance with established requirements. Reporting requirements shall be met for any identified exceptions.
- Compensation arrangements are consistent with fair market value and are commercially reasonable.
- Policies provide for monitoring the total value of annual non-monetary compensation provided to referring physicians, the value of incidental benefits, and the value of any professional courtesy extended to physicians.
- Physician recruitment programs, including those conducted jointly with group practices, are structured to conform with the Stark Law requirements.
- Processes are in place to insure billing to Medicare will not occur if any services or goods provided to patients are prohibited by the Stark Law.

The Anti-Kickback Statute is a criminal statute that prohibits the exchange (or offer to exchange) anything of value in an effort to induce or reward the referral of federal health care program business. There is also potential liability under the False Claims Act when a violation of the Anti-Kickback Statute results in submission of a claim to a federal health care program for services or goods. Such potential liability lends itself to scrutinizing arrangements or practices for significant potential for abuse using two criteria: 1) Does SVMHS have any remunerative relationships with other persons or entities that are in a position to generate federal health care program business for SVMHS, directly or indirectly? 2) Could the purpose of the remuneration be to induce or reward the referral or recommendation of business payable in whole or part by a federal health care program?

There are several additional areas to evaluate whether arrangements and practices could be problematic under the Anti-Kickback Statute: 1) the potential to affect or interfere with clinical decision-making; 2) the potential to unnecessarily increase the cost to a federal health care program or its beneficiaries; 3) the potential for inappropriate or over utilization; or 4) the arrangement adversely impacts patient safety or quality of care. Arrangements that are identified as being potentially problematic under the Anti-Kickback Statute should be evaluated for a relevant “safe harbour” exception. In addition, special fraud alerts and advisory bulletins provide guidance regarding anti-kickback arrangements and exceptions.

Identified areas of activity that should be scrutinized for anti-kickback relationships are joint ventures, physician compensation arrangements, relationships with other health care entities,

recruitment arrangements, discounts, medical staff credentialing, malpractice subsidies and gainsharing arrangements.

SVMHS implements processes and policies and procedures to help ensure that financial relationships with physicians and other health care professionals remain within the directives of the Anti-Kickback Statute.

- Referral relationships with physicians and other health care providers must be consistent with the Anti-Kickback Statute. Appropriate measures will be taken to reduce or eliminate Anti-Kickback Statute risks.
- Policies and procedures shall facilitate the provision of federal guidance, fraud alerts and advisory bulletins to senior management in a timely manner.
- Business arrangements that may pose an Anti-Kickback Statute risk will be reviewed to determine whether they may be structured to fit into a “safe harbor”.
- Joint ventures with potential referral sources will be evaluated to insure that ownership or remuneration does not take into account the value or volume of any past or anticipated future referrals, that the selection criteria for participants excludes referral considerations, that the structure and design is not related to referrals, and that the method for financial investment and profit distribution is not based on referrals.
- Compensation arrangements with physicians will be consistent with fair market value, commercially reasonable and not be contingent on past or future referrals or other business relationships between SVMHS and the physician(s).
- Recruitment of physicians and other potential referral sources will be evaluated for the size and value of the recruitment benefit, the payout duration, the practice of the existing physician, need for recruitment and the ability to structure the arrangement to fit the Anti-Kickback Statute practitioner recruitment safe harbor.
- All discounts, including rebates from group purchasing organizations, will be properly disclosed and accurately reflected on Salinas Valley Memorial Hospital’s cost reports. Discounts offered to any buyer for any item or services will be properly disclosed on the related invoice or other documentation for the discounted item or service.
- Medical staff credentialing and privileging will be tied to the performance of a specified number of procedures necessary to maintain clinical proficiency rather than the referral volume.
- The provision of medical malpractice insurance subsidy program will be structured to avoid improper inducement of referrals resulting from the subsidy.
- Gainsharing arrangements will be structured so that there is no incentive for physicians or other practitioners to reduce or limit medically necessary clinical services.

Augustine Lopez, CFO 03/23/2018
Date

Renée W. Jaenicke, Director of Internal Audit and Compliance 03/23/2018
Date

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