ALAMEDA
HEALTH SYSTEM

1411 East 31 st Street
Oakland, CA 94602

MEMORANDUM

2018-03-22
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At Places

TO: AHS Board of Trustees

FROM: Kinkini Banerjee, Chair, Audit and Compliance Committee

DATE: March 16, 2018

SUBJECT: Report of Audit Committee meeting held on March 8, 2018

The Audit and Compliance Committee met on March 8 with committee members Michele Lawrence, Gary Charland, Louis Chicoine, Anthony Thompson and Kinkini Banerjee in attendance.

Meeting minutes for November 2 were approved.

Educational Session: AHS 340B Steering Committee
Diana Thamrin, System Director, Pharmacy and Rick Kibler, VP, Compliance & Internal Audit presented an education session for the board on the 340B drug program and the role of AHS' 340B Steering Committee. Created by Congress in 1992, the 340B Drug Discount Program provides medication access to vulnerable or uninsured patients. The 340 B discount program is limited to Disproportionate Share hospitals (DSH) and Federally Qualified Health Clinics (FQHCs), and covers outpatient medications only. This program is administered by the Office of Pharmacy Affairs (OPA) within the Health Resources and Services Administration (HRSA),

Ms. Thamrin explained background information about 340B program, the scale of AHS participation in it, and the necessary elements that need to implemented on a consistent basis to maintain compliance. The AHS DSH Hospitals are Highland and Alameda Hospitals. The FQHCs are John George Psychiatric Outpatient, Fairmont Hospital Outpatient, and Eastmont, Newark and Hayward Wellness centers. 340B Drug prices are typically 20-50% off typical drug costs. Participation in this program produces savings of $14.5 M per year for AHS, allowing re-investment of resources for more comprehensive patient care services. HRSA has the authority to audit covered Hospitals to make sure they are compliant. The biggest vulnerabilities they find are a) Diversion and b) Duplicate Discounts. Diversion occurs when drugs from the 340B program are utilized for inpatients. Duplicate discounts occur when a hospital double dips by buying the drug at the 340B discounted rate, and then submitting a claim MediCal for the discount, leading MediCal to request a rebate from the Manufacturer. Trustees discussed the findings from the 2015 HRSA audit of Highland hospital. Ms. Thamrin provided details about the 340B Oversight Committee's role in providing accountability measures to meet HRSA criteria by continuously monitoring complex program parameters, which include updating Policy and Procedures, Recertification and Registration processes, patient eligibility verification, segregation of 340B transactions, contract pharmacy relations and procedures, and many more.

Compliance Risk Assessment
Mr Kibler shared the findings of a comprehensive risk assessment conducted for FY 2019 by SBUs. The assessment was conducted by polling management for risks within their area of responsibility and supplementing the results with industry specific risk data. Identified risks were scored and ranked using consistent criteria and formula. There were 212 risk areas identified and ranked, with 30 being assigned high risk areas. The risk scores will be used to develop the Internal Audit and Compliance Annual Plan. The committee asked for details about the risks identified with the SBUs, and discussed monitoring and tracking functions. Mr. Kibler and his team were commended for their thorough risk assessment process and detailed report.

Recognizing that the current size of the Internal Audit and Compliance team may be relatively small for the scale of Alameda Health System, and when compared to peer institutions, the committee discussed the importance of building the capacity of Internal Audit and Compliance department, so oversight and monitoring of AHS' internal controls, as well as our adherence to quality care and compliance with health care rules and regulations were conducted appropriately. Mr. Kibler was asked to keep budget team informed of his staffing needs.

Audit Committee Charter
The Committee had provided significant improvements to the current Audit and Compliance Committee Charter. The revised Charter was approved.

Code of Conduct
The committee approved the revised Code of Conduct, a guide for employees, affiliated physicians, providers, contractors, volunteers, and others engaged in AHS work environment or acting on behalf of AHS.

Written reports
The committee reviewed and discussed the Internal Audit Status Reports, the status of FY2018 Internal Audit and Compliance Plan, follow-up to past audit reports (such as the HIPAA walkthrough audit of Ambulatory clinics last October), the Compliance Program reports and the Program Assessment. While the Audit plan is currently behind schedule, Mr Kibler explained that the team pivoted time and resources to emerging needs that had not been planned for. He described the compliance skill training module that has been developed for the AHS Leadership Academy. This module is required training for all management (supervisor and above) and will help to increase the staff knowledge around compliance This interactive training module has been very well regarded by members of the Leadership cohort.

The committee reviewed the AHS Compliance Dashboard FY17 4QTR, and discussed the schedule. It was recommended that an educational session on AHS Compliance Program be scheduled for the full board before the end of FY18.

The committee adjourned at 7:20 pm.