

Integrating a New Healthcare Entity into Your Compliance Program



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Speaker Introductions

- Chris Anusbigian, Deloitte & Touche, LLP
- Harriet Kinney, Trinity Health
- Melissa Fury, Trinity Health



Agenda

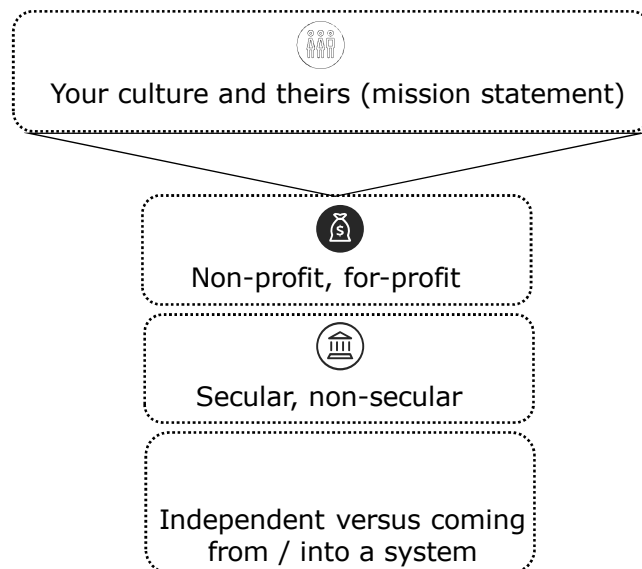
- Due diligence
- Impact of due diligence results
- Integration considerations and planning
- Integration: Day 1 / Week 1 / Month 1



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First Impressions Are Everything

The creation of the new relationship(s):



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First Impressions Are Everything

Diligence and integration planning go hand in hand – the discovery and dialogue is ongoing (never enough)



Face-to-face opportunities are golden



Balance need for information and visits with understanding that patient care and business operations are still the first priority



Be mindful of body language, facial expressions, tone, how you speak to them and each other – we/they are watching/listening
Comfort level that colleagues are open and forthcoming about their risks



Words matter

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No Matter How Well You Plan and Execute, there will always be a curveball

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Due Diligence Review

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Due Diligence

- Multidisciplinary process that:
 - Identifies existing risks that may be assumed through the transaction in order to develop mitigation strategies;
 - Identifies post-closing gaps; and
 - Informs the integration plan
- Perform due diligence:
 - With the entity(ies) targeted to join your organization, and
 - Entities being transferred within your organization

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Due Diligence Team

- Clinical Integration
- Continuing Care (Home Care, Assisted Living, SNF, Hospice)
- Physician Network Operations
- Operations
- Revenue Excellence
- Payer Strategies
- Finance
- IT
- Mission
- Governance and Office of the President
- Human Resources
- Community Benefit
- Advocacy
- Communications
- Tax / Treasury
- Insurance / Risk Management
- Legal
- Compliance



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Compliance Program Effectiveness

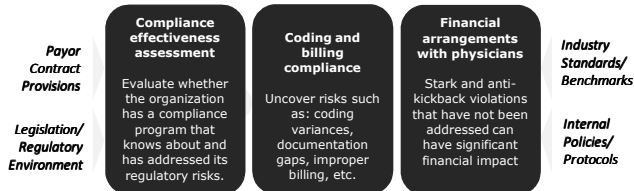
An effective compliance program is critical in order to understand risks and liabilities that may impact transactional purchase price, Day 1 readiness and transaction execution

Imperatives

- Understand potential exposure from Target programs by completing thorough due diligence
- Understand compatibility of programs between Target and Buyer
- Establish controls and policies to support compliance
- Develop a "culture of compliance" through education/training
- Consistently monitor activities for regulation or contract adherence

Compliance Focus Areas (Illustrative)

Lack of a compliance program and compliance activities can result in significant risks to the organization; non-compliance can result in significant repayment obligations, fines and penalties, or based on the severity of compliance issues can lead to exclusion from Federally funded programs

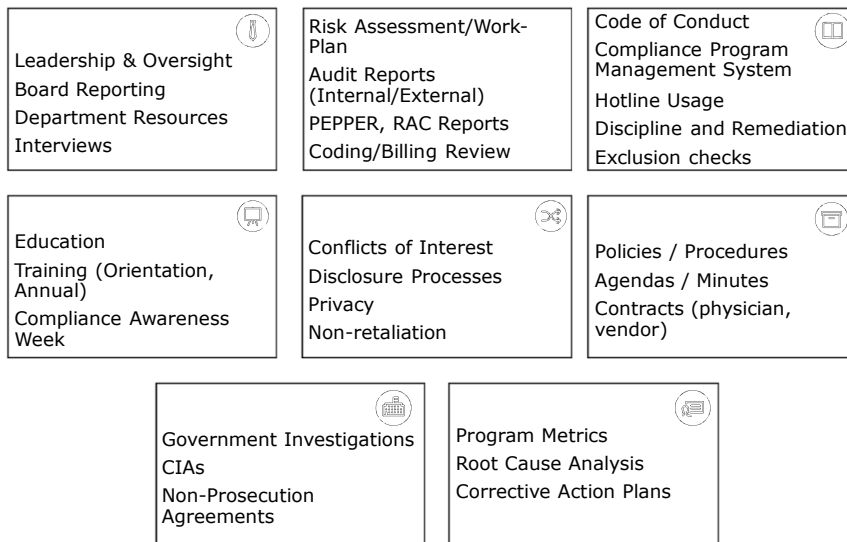


Representative Activities

- Evaluate compliance program effectiveness through management interviews and review of compliance program documents, including evaluation of auditing and monitoring activities, exclusion checks, to assess risk of non-compliance
- Gain an understanding around regulatory activities such as corporate integrity agreements, subpoenas, investigations and/or repayments
- Evaluate paid claims for compliance with documentation, medical necessity requirements
- Evaluate the controls that support compliant employment or contracting with physicians

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Compliance Program Review Toolkit



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Compliance Program Effectiveness Assessment / Gap Analysis

- Read compliance committee minutes and Board reports
 - Follow up with questioning on compliance issues being reported
- Are interviewees aware of any material violations or potential compliance issues with risk of:
 - Health System Entity becoming subject to a Corporate Integrity Agreement ("CIA") or Settlement Agreement with CIA provisions
 - Criminal prosecution of management
 - Exclusion from Medicare and/or Medicaid
 - The finding of a violation of law by a regulatory body

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Compliance Program Effectiveness

Assessment / Gap Analysis

- Look for issues and reserves for repayments
 - RAC audits
 - Routine audits
 - Investigations, settlements, CIAs
- Review:
 - PEPPER and assess outliers (coding, care management, billing)
 - Risk assessment, compliance work plan and related compliance and coding audits
 - Provider based billing
 - 340B
 - Physician arrangements
- Department(s) or new service lines yet to be audited

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Due Diligence Red Flags

- Turnover of compliance officer / compliance team
- Lack of or limited compliance work plan
- Lack of audit/monitoring, minimal or unclear documentation of audit findings
- Lack of exit interviews for departing employees and related documentation
- Interviewees describe compliant procedures, but the process is not documented (policies, procedures, auditing and monitoring)
- Lack of corrective action plans and or root cause analysis in order to develop effective corrective actions
- Lack of reports to the full Board, lack of Board training on compliance or attention to and support of compliance initiatives
- Lack of repayments over time

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Due Diligence Red Flags

- "Read the public information (e.g., annual report, 10-K); it's all there"
 - Read the 10-K footnotes!
- What's in the CIA / Non-Prosecution Agreement?
 - Obligations / warranties from the Target with the OIG, DOJ



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Due Diligence Red Flags

Assess findings

- Is a repayment or voluntary disclosure needed
 - Work with experienced legal counsel to assess
- Conversation with Target - Need facts and circumstance specifics
 - What is the amount of liability you want to take on?
 - Risk?
 - Potential of whistleblower?
 - Front page news?

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How Nimble Are You?

- *Due diligence process can sometimes move very quickly*
 - *be prepared to assess and react*
- *Can you assess that Stark issue in 30 days?*



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It's OK to Slow / Stop Due Diligence

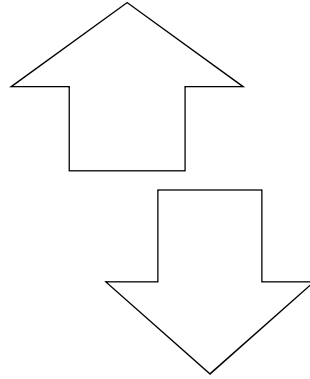


- Communication is key: Make sure diligence leadership is informed of any compliance concerns that arise during due diligence
- Report issues, observations and potential impacts or implications
- Implications can include regulatory actions, repayment obligations, need for corrective actions and / or financial reserves
- Work with your organization's leadership to develop an action plan
- Obtain legal advice where needed

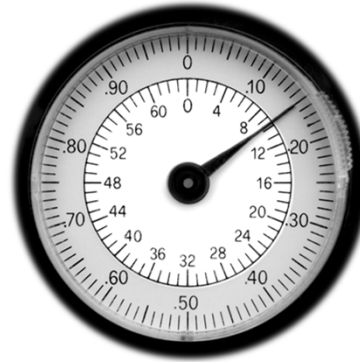
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What Can You Live With vs. a Deal Breaker?

- Issues identified in due diligence that require renegotiation of the sale
- Is the buyer accepting the obligations?
 - Compliance issues
 - Overpayments
 - Stark issues
- Understand how the transaction is structured and the your organization's responsibility for compliance issues / liabilities



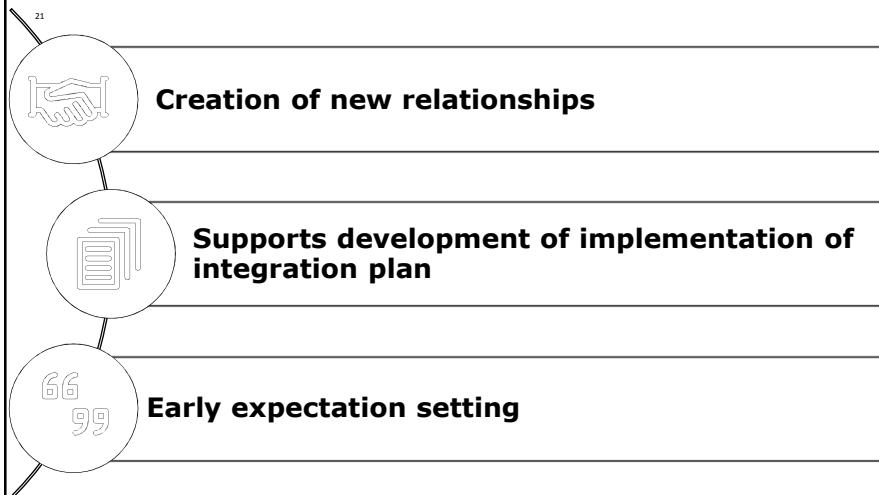
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Due Diligence Informs and Sets Expectations for Integration

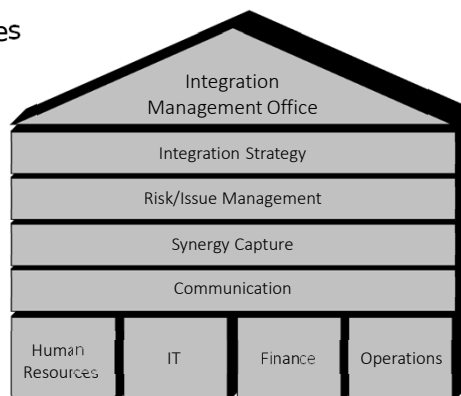
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Effective Due Diligence = Day 1 Readiness



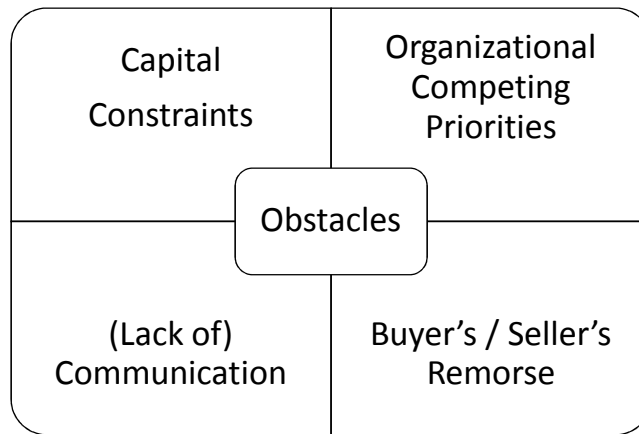
Integration Concerns

- Managing a complex process while keeping focus on core business operations
- Realizing synergy targets
- Integrating systems/processes
- Building a strategic platform
- Customer (patient) retention
- Workforce retention
- Cultural alignment
- Business continuity



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Challenges to Compliance



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Commonly Overlooked Aspects of Due Diligence



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Culture

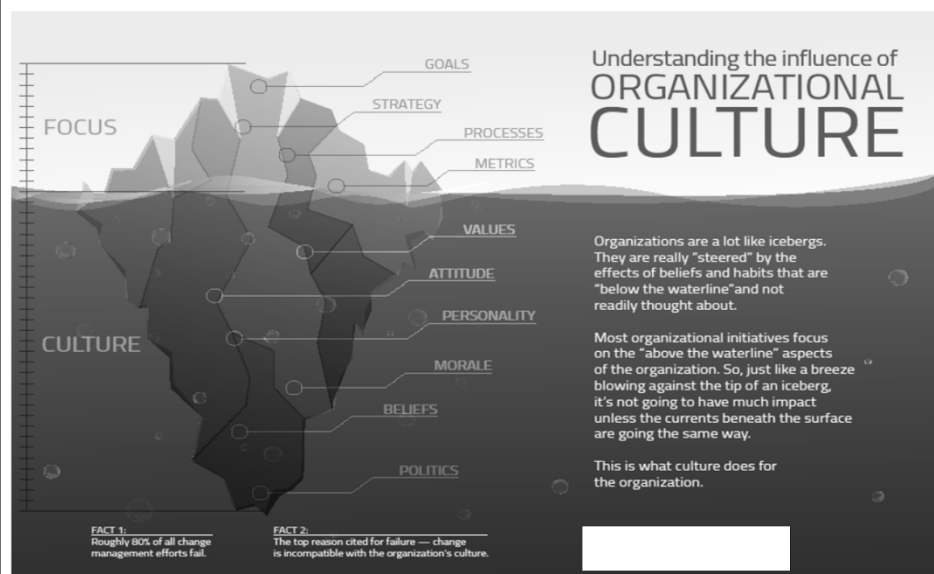
- Are the organizations compatible?
- Will the culture undermine the ability to adapt and integrate?
- No two organizations function in exactly the same way, no matter what their apparent similarities may be
- Due diligence must include an effective assessment of the two cultures and an understanding of what it will take for the two organizations to integrate

"A breeze blowing against the tip of an iceberg...it's not going to have much impact unless the currents beneath the surface are going the same way"

(<http://blog.thinkwiseinc.com/how-do-you-view-culture>)

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The Iceberg Effect



<http://blog.thinkwiseinc.com/how-do-you-view-culture>

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Impact on People

- What's the tipping point for your compliance team to take on the Target?
 - Compliance FTE resources
 - Span of control
 - Right sizing
 - Knowledge base / skill set of compliance team
 - Program management and audit tools
 - Scope / Depth of the annual Work Plan



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Integration Planning



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Integration Plan

- Sets expectations
 - Buyer's core values, mission statement, authority matrix
- Touch base / Reference point
 - A documented, repeatable process
 - Eight elements of an effective compliance program



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Use Due Diligence Summary for Development of the Integration Plan

- Due diligence summary is your starting point; drill down to further understand the compliance department, tools and activities
 - Depends on the veracity and work performed during due diligence
- Develop a Compliance Program Integration Plan; take into consideration:
 - Organization structure
 - Infrastructure
 - Interdependencies
 - Costs (and expected financial synergies)
 - Gaps noted during due diligence
- If staff turnover is expected near or at Day 1, plan for timely transition of investigations, meetings, work plans, corrective actions

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Take the Time



To orient the Target entity about your entity and your compliance program

- ***Leadership and oversight***
- ***Team members***
- ***Code of Conduct***
- ***Culture of compliance***

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Elements of Integration

Due diligence findings frame integration planning

Expectation Management (Core Operating Practices)



Executive Sponsorship & Leadership



Integration Methodology

- Baseline Plan
- Interdependencies
- Tools & Templates
- Database for tracking & reporting progress
- Dashboards
- Checklists

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Current State of the Target's Compliance Program

Operating Model	<ul style="list-style-type: none"> ➤ [Name] is the Chief Compliance officer ➤ Compliance committee members ➤ Board committee (or equivalent) ➤ [Number] individuals are responsible for compliance activities ➤ Compliance activities include: <ul style="list-style-type: none"> • Compliance training • Compliance audits (approximately [number] per year) • HIPAA (privacy and security) • Clinical research • Hospital and physician practice • Investigations ➤ Tools and costs <ul style="list-style-type: none"> • Governance, risk and compliance system • Hotline monitored by outside company • Exclusion checks • FMV – [internal + any outsourced [add cost]] • Physician contract database [add cost] per month • Conflicts of interest tracking [add cost] • Other publications and regulatory research tools [add cost] ➤ Contracts and costs <ul style="list-style-type: none"> • Consultants • Law firms
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Highlights of A Compliance Integration Plan

Program Transition	<ul style="list-style-type: none"> ➤ Code of Conduct ➤ Hotline number / compliance management system ➤ Policies, procedures
HR / Workforce	<ul style="list-style-type: none"> ➤ Job Description updates ➤ Annual Review form updates
Education & Training	<ul style="list-style-type: none"> ➤ Learning Management System courses ➤ New hire education ➤ Compliance Awareness Week
Board / Sr. Leader Orientation	<ul style="list-style-type: none"> ➤ Authority matrix and Board reporting ➤ Compliance Work Plan ➤ Local authority and accountability
IT Integration	<ul style="list-style-type: none"> ➤ Website / Intranet access ➤ Access to shared files, audit tools ➤ Access to Learning Management System

Integration Planning Considerations

- Deal terms and conditions impacting compliance:
 - Merger or acquisition?
 - What's the authority matrix?
 - Will colleagues be leased, hired, or both?
 - Subject to full new hire process including exclusions screening, or run it separately 30 days before transaction date?
 - Consider you may need to repeat some processes if you have blended hire/lease arrangement



Integration Planning Considerations

Synergy Realization / Speed to Value

- Hotline, compliance program management
 - Transition service agreement (software)
 - Archiving or transferring the data
- What departments (other than compliance) perform compliance functions?
 - Exclusions screening (new hire, monthly / annual)
 - Conflicts of Interest
- FTE resources:
 - Compliance officer and / or staff departure
 - New compliance program support hires
 - Third-party contractor auditing support



Integration Planning Considerations

Compliance Interdependencies and Interactions

- Legal, Internal Audit
- Revenue Cycle, Quality, Safety, HIM, Care Management, Insurance / Risk Management, HR, IT

Appropriate Resources

- Integration Management Office support
- Dedicated compliance integration resources
- Workforce, skill sets / subject matter expertise
- Tools (publications, audit tools)

Speed to Value

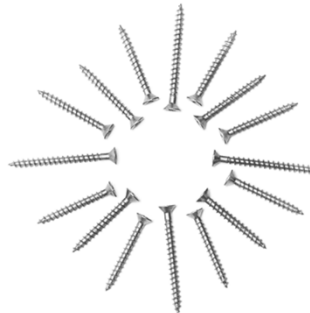
- Timely execution
- Delays = Lost opportunities, lost savings
- Prioritize integration initiatives
- Focus on priority initiatives

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Integration Planning Considerations

Authority Matrix

- Board recommend v. approve responsibilities move to System / Corporate Office Board
 - C-suite compensation
 - Compliance audit plan
- Compliance officer reporting to CEO and System Office compliance officer
- Governance and management
 - Local, regional, and national responsibilities
 - Target management and governance
 - System management and governance
 - Sponsorship and governance



**Integration: Pre-close,
Day 1,
and
Forward**



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Day 1 Readiness

If identified to have:

- Ineffective or weak compliance program
- Areas of risk with potential for whistleblowers

Ensure Code of Conduct, policies and procedures, and compliance training move into place Day 1!

Day 1 Readiness

Carryover or Must Transfer Day 1?

- Vendor contracts review
 - BAA and service agreement carryover
- Research, IRB
 - Will the Seller continue oversight for six months after transaction date, or must it transfer on Day 1?
 - Transferring an IRB and research takes time
 - Review studies
 - Research compliance
 - Fit your mission statement? Core values?
 - Impact on GME/residency program; Magnet status



Day 1 Readiness

MUST DO: 30-45 Days Before "Go" Date

- Exclusions screening
 - Workforce (full time, temporary)
 - Board of Directors
 - Physicians (employed and medical staff)
 - Vendors
 - **Volunteers**



Day 1 Compliance Program

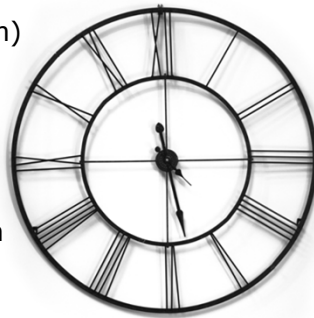
MUST DO: 30-45 Days Before "Go" Date



- Compliance officer on-site
 - Introductions / Walking around on units
- Introduction of Compliance Program
 - Flat screens
 - Table tents in cafeteria
 - Hotline number magnets
 - Code of Conduct on intranet

Week 1 / Month 1 / Quarter 1 Compliance Program

- New hire education
- Board of Directors education (introduction to compliance program)
- "One off" Conflict of Interest survey of senior leadership and Board
- Code of Conduct rollout
- Policies/ Procedures implementation
- Monthly exclusions screening implementation



Incorporating Lessons Learned

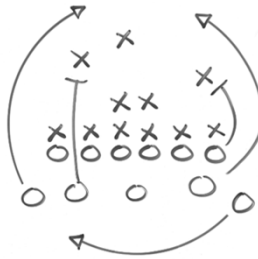
➤ Ongoing Improvement of Baseline Plan

- Incorporate regulatory changes



➤ Perform an Integration survey approximately nine months post Day 1

- Incorporate lessons learned



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Contacts



Chris Anusbigian, Deloitte & Touche LLP

canusbigian@deloitte.com



Harriet Kinney, Trinity Health

kinneyh@trinity-health.org



Melissa Fury, Trinity Health

furym@trinity-health.org

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