



## AGENDA COMPLIANCE AND AUDIT COMMITTEE OF THE EL CAMINO HEALTH BOARD OF DIRECTORS

**Wednesday, March 4, 2026 – 5:00 pm**

El Camino Health | 2500 Grant Road, Mountain View, CA 94040 | Sobrato Boardroom 1

THE PUBLIC IS INVITED TO JOIN THE OPEN SESSION PORTION OF THE MEETING LIVE AT THE ADDRESS ABOVE OR VIA TELECONFERENCE AT:

**1-669-900-9128, MEETING CODE: 966 5622 0344#. No participant code. Just press #.**

To watch the meeting, please visit:

[Compliance and Audit Committee Link](#)

Please note that the livestream is for **meeting viewing only** and there is a slight delay; to provide public comment, please use the phone number listed above.

**NOTE:** In the event that there are technical problems or disruptions that prevent remote public participation, the Chair has the discretion to continue the meeting without remote public participation options, provided that no Committee member is participating in the meeting via teleconference.

**TIME ESTIMATES:** Except where noted as TIME CERTAIN, listed times are estimates only and are subject to change at any time, including while the meeting is in progress. The Committee reserves the right to use more or less time on any item, to change the order of items and/or to continue items to another meeting. Particular items may be heard before or after the time estimated on the agenda. This may occur in order to best manage the time at a meeting.

A copy of the agenda for the Regular Meeting will be posted and distributed at least seventy-two (72) hours prior to the meeting. In observance of the Americans with Disabilities Act, please notify us at **(650) 988-3218** prior to the meeting so that we may provide the agenda in alternative formats or make disability-related modifications and accommodations.

	AGENDA ITEM	PRESENTED BY	ACTION	ESTIMATED TIMES
1.	<b>CALL TO ORDER/ROLL CALL</b>	Lica Hartman, Chair		<b>5:00 pm</b>
2.	<b>POTENTIAL CONFLICT OF INTEREST DISCLOSURES</b>	Lica Hartman, Chair	Information	<b>5:00 pm</b>
3.	<b>PUBLIC COMMUNICATION</b> a. Oral Comments <i>This opportunity is provided for persons to address the Board on any matter within the subject matter jurisdiction of the Board that is not on this agenda. Speakers are limited to three (3) minutes each.</i> b. Written Public Comments <i>Comments may be submitted by mail to the El Camino Hospital Board Compliance and Audit Committee at 2500 Grant Avenue, Mountain View, CA 94040. Written comments will be distributed to the Committee as quickly as possible. Please note it may take up to 24 hours for documents to be posted on the agenda.</i>	Lica Hartman, Chair	Information	<b>5:00 pm</b>
4.	<b>CONSENT CALENDAR ITEMS</b> a. <a href="#">Approve Minutes of the Open Session of the CAC meetings (11/05/2025)</a> b. <a href="#">Approve Amendment to Physician Financial Arrangements Policy</a> c. <a href="#">Receive FY 2026 Committee Pacing Plan</a> d. <a href="#">Receive FY 2026 Committee Goals Status</a>	Lica Hartman, Chair	<b>Motion Required</b>	<b>5:00 – 5:05</b>
5.	<b><a href="#">REVIEW PROPOSED FY 2026 SCOPE OF FINANCIAL AUDIT PLAN AND ENGAGEMENT OF AUDITOR</a></b>	Joelle Pulver, Partner Baker Tilly	<b>Motion Required</b>	<b>5:05 – 5:20</b>
6.	<b><a href="#">GOVERNANCE EFFECTIVENESS: ASSESSMENT REVIEW AND COMMITTEE IMPROVEMENT ACTIONS</a></b>	Raju Iyer, CFO Lica Hartman, Chair	<b>Motion Required</b>	<b>5:20 – 5:40</b>

	AGENDA ITEM	PRESENTED BY	ACTION	ESTIMATED TIMES
7.	<b><u>RECEIVE PROPOSED FY 2027 MEETING DATES AND PROPOSED COMMITTEE GOALS</u></b>	Lica Hartman, Chair	Discussion	5:40 – 5:45
8.	<b>RECESS TO CLOSED SESSION</b>	Lica Hartman, Chair	<b>Motion Required</b>	5:45
9.	<b>RECEIVE CYBERSECURITY PROGRAM UPDATE</b>  <i>Gov't Code Section 54957(a) – discussion and report regarding cybersecurity threats to essential public services</i>	Deb Muro, CIO  Josh Spencer, CISO  Theresa Fuentes, Chief Legal Officer	Discussion	5:45 – 5:50
10.	<b>RECEIVE INTERNAL AUDIT REPORTS</b> a. Shadow IT Assessment b. Workday Post- Implementation Change Control Governance c. Update re: ECHMN Accounts Payable Control Review  <i>Gov't Code Section 54956.9(d)(2) – conference with legal counsel – pending or threatened litigation</i>	Josh Spencer, CISO  First Health Advisory  Alex Robison, Protiviti  Theresa Fuentes, Chief Legal Officer	Discussion	5:50 – 6:20
11.	<b>RECEIVE SUMMARY OF PHYSICIAN FINANCIAL ARRANGEMENTS</b>  <i>Health and Safety Code Section 32106(b) Report on health facility trade secrets regarding new services or programs</i> <i>Gov't Code Section 54956.9(d)(2) – conference with legal counsel – pending or threatened litigation</i>	Mark Adams, MD, CMO  Theresa Fuentes, Chief Legal Officer	Discussion	6:20 – 6:25
12.	<b>ECH STRATEGY UPDATE</b> - Review Progress of FY26 Organizational Goals - Preview of FY27 Organizational Goals  <i>Health and Safety Code Section 32106(b) for a report and discussion involving healthcare facility trade secrets</i>	Dan Woods, CEO  Andreu Reall, VP Strategy	Discussion	6:25 – 6:40
13.	<b>RECEIVE ENTERPRISE RISK MANAGEMENT STATUS UPDATE</b>  <i>Gov't Code Section 54956.9(d)(2) – conference with legal counsel – pending or threatened litigation</i>	Tracey Lewis Taylor, COO  Theresa Fuentes, Chief Legal Officer	Discussion	6:40 – 6:50
14.	<b>RECEIVE OIG WORKPLAN AND MANAGEMENT RESPONSE</b>  <i>Gov't Code Section 54956.9(d)(2) – conference with legal counsel – pending or threatened litigation</i>	Theresa Fuentes, Chief Legal Officer  Brandon Goulter, Manager Corporate Compliance	Discussion	6:50 – 6:55
15.	<b>RECEIVE COMPLIANCE PROGRAM REPORTS</b> a. KPI Scorecard and Trends b. Internal Audit Work Plan FY 2026 c. Internal Audit Follow-Up Table  <i>Gov't Code Section 54956.9(d)(2) – conference with legal counsel – pending or threatened litigation</i>	Theresa Fuentes, Chief Legal Officer  Brandon Goulter, Manager Corporate Compliance	Discussion	6:55 – 7:05

Agenda: Compliance & Audit Committee

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	<b>AGENDA ITEM</b>	<b>PRESENTED BY</b>	<b>ACTION</b>	<b>ESTIMATED TIMES</b>
<b>16.</b>	<b>APPROVE MINUTES OF THE CLOSED SESSION OF THE COMPLIANCE &amp; AUDIT COMMITTEE</b> a. Minutes of the Closed Session of the CAC Meeting (11/05/25)  <i>Gov't Code Section 54957.2 for closed session minutes.</i>	Lica Hartman, Chair	<b>Motion Required</b>	<b>7:05 – 7:05</b>
<b>17.</b>	<b>EXECUTIVE SESSION</b>  <i>Gov't Code Section 54957(b) for discussion and report on personnel performance matters: Senior Management</i>	Lica Hartman, Chair	Discussion	<b>7:05 – 7:10</b>
<b>18.</b>	<b>RECONVENE TO OPEN SESSION</b>	Lica Hartman, Chair	<b>Motion Required</b>	<b>7:10</b>
<b>19.</b>	<b>CLOSED SESSION REPORT OUT</b> <i>To report any required disclosures regarding permissible actions taken during Closed Session.</i>	Lica Hartman, Chair	Information	<b>7:10</b>
<b>20.</b>	<b>ADJOURNMENT</b>	Lica Hartman, Chair	<b>Motion Required</b>	<b>7:10</b>

**Upcoming Meeting:** June 3, 2026



**Minutes of the Open Session of the  
Compliance and Audit Committee  
of the El Camino Hospital Board of Directors  
Wednesday, November 5, 2025**

**Members Present**

Lica Hartman, Chair  
Julia Miller, Vice Chair  
Sharon Anolik Shakked \*\*  
Sylvia Fong  
Christine Sublett

**Members Absent**

Jack Po

**Staff Present**

Theresa Fuentes, CLO  
Tracey Lewis Taylor, COO  
Deb Muro, CIO  
Diane Wigglesworth, VP, Compliance  
Tracy Fowler, Executive Director,  
Governance Services\*\*  
Gabriel Fernandez, Coordinator,  
Governance Services

\*\*via teleconference

Agenda Item	Comments/Discussion	Approvals/ Action
1. <b>CALL TO ORDER/ ROLL CALL</b>	Chair Hartman called to order the open session meeting of the Compliance and Audit Committee of El Camino Hospital ("the Committee") at <b>5:04 p.m.</b> Director Po was absent. A quorum was present.	<b><i>Called to order at 5:04 p.m.</i></b>
2. <b>CONSIDER APPROVAL FOR AB 2449 REQUESTS</b>	Ms. Shakked participated remotely in accordance with standard Brown Act teleconferencing provisions. Consideration of AB 2449 was not required.	
3. <b>POTENTIAL CONFLICT OF INTEREST</b>	Chair Hartman asked if any Committee member had a conflict of interest with any of the items on the agenda. None were reported.	
4. <b>PUBLIC COMMUNICATION</b>	There were no members of the public present in person or via teleconference.	
5. <b>CONSENT CALENDAR</b>	<p>Chair Hartman asked if any members of the Committee would like to remove an item from the Consent Calendar for further discussion. No items were removed. Vice Chair Miller asked if there were any questions on the redline of item d – Committee Governance Policy. There were no questions from the Committee.</p> <p><b>Motion:</b> To approve the consent calendar</p> <p><b>Movant:</b> Fong <b>Second:</b> Anolik-Shakked <b>Ayes:</b> Fong, Hartman, Miller, Sublett, Anolik-Shakked <b>Noes:</b> None <b>Abstentions:</b> None <b>Absent:</b> Po <b>Recused:</b> None</p>	<b><i>Consent calendar approved.</i></b>

<p><b>6. REVIEW 2025 COMMITTEE ASSESSMENT RESULTS</b></p>	<p>Ms. Wigglesworth presented the FY25 Compliance &amp; Audit Committee assessment results, noting full member participation and an overall average rating of 3.5 out of 4.0. She highlighted strengths in leadership and transparency, with opportunities to further strengthen collegiality, strategic alignment, and the governance focus of materials.</p> <p>Committee discussion focused on turning survey insights into concrete improvements. Members noted challenges taking notes and annotating materials in Boardvantage; staff will identify training resources and short how-to videos to improve note-taking, highlighting, and navigation, and will gather specific feature requests from members to tailor support</p> <p>The Committee agreed to review both FY24 and FY25 assessment results and return in March 2026 with recommended enhancements and a simple implementation timeline. Vice Chair Miller asked about cost versus impact of the assessment process; Ms. Wigglesworth recommended using the combined results to drive targeted improvements and to report back in March.</p>	<p><b>Actions:</b> Staff to solicit feedback from Committee for training needs on Boardvantage and provide resources.</p> <p>Committee to review FY24 and FY25 assessment results jointly at the March 2026 Committee meeting to draft a proposed action plan.</p>
<p><b>7. RECESS TO CLOSED SESSION</b></p>	<p><b>Motion:</b> To recess to closed session at <b>5:19 p.m.</b></p> <p><b>Movant:</b> Miller  <b>Second:</b> Fong  <b>Ayes:</b> Fong, Hartman, Miller, Sublett, Anolik-Shakke  <b>Noes:</b> None  <b>Abstentions:</b> None  <b>Absent:</b> Po  <b>Recused:</b> None</p>	<p><b>Recess to closed session at 5:19 p.m.</b></p>
<p><b>8. AGENDA ITEM 14: RECONVENE OPEN SESSION/ REPORT OUT</b></p>	<p>Agenda items 8 – 12 were covered in Closed Session. Mr. Fernandez reported that during the Closed Session, the Compliance and Audit Committee approved the closed session minutes of the September 29, 2025 meeting.</p>	<p><b>Reconvened to Open Session at 6:18 p.m.</b></p>
<p><b>9. AGENDA ITEM 15: ADJOURNMENT</b></p>	<p>Before moving to adjourn, Chair Hartman recognized Ms. Wigglesworth for her sixteen years of service to the Committee and commended her for her contributions. The Committee members provided personal comments and thanks for her work over the course of 109 Compliance Committee meetings.</p> <p><b>Motion:</b> To adjourn at <b>6:22 p.m.</b></p>	<p><b>Meeting Adjourned at 6:22 p.m.</b></p>

	<p><b>Movant:</b> Miller <b>Second:</b> Sublett <b>Ayes:</b> Fong, Hartman, Miller, Sublett, Anolik-Shakke <b>Noes:</b> None <b>Abstentions:</b> None <b>Absent:</b> Po <b>Recused:</b> None</p>	
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**Attest as to the approval of the foregoing minutes by the Compliance and Audit Committee of El Camino Hospital:**

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Gabriel Fernandez  
Governance Services Coordinator

Prepared by: Tracy Fowler, Director, Governance Services  
Reviewed by: Diane Wigglesworth, VP of Compliance; Theresa Fuentes, Chief Legal Officer;





**EL CAMINO HOSPITAL BOARD OF DIRECTORS  
COMPLIANCE AND AUDIT COMMITTEE MEETING MEMO**

**To:** ECH Compliance and Audit Committee  
**From:** Theresa Fuentes, Chief Legal Officer  
**Date:** March 4, 2026  
**Subject:** Physician Financial Arrangements Policy Update

**Recommendation:** To approve amendment to the Physician Financial Arrangements – Review and Approval Policy (the “Policy”), which has been modified to more explicitly apply to El Camino Health Medical Network (ECHMN)’s physician financial arrangements.

**Summary:** The Policy establishes processes and approvals that must be satisfied prior to El Camino Health, including ECHMN, entering into a direct or indirect financial arrangement with a physician to ensure financial transactions are negotiated and implemented in a manner which complies with Stark Law, Anti-Kickback, HIPAA, and all other Federal and State Laws.

The Policy has been updated to clarify applicability to ECHMN and that the ECHMN Board will approve any physician compensation arrangements entered into by ECHMN that exceed 75% of fair market value, or which deviate from the standard compensation model approved by ECHMN.

In addition, the Policy was updated for El Camino Hospital to clarify annual summary reporting requirements regarding Hospital physician arrangements.

**Other Reviews:**

The Policy has been approved by ECHMN Board of Managers, and needs approval by the Hospital’s Finance Committee, Compliance Committee, and Hospital Board for approval.

**List of Attachments:**

1. REDLINE Physician Financial Arrangements Policy
2. CLEAN Physician Financial Arrangements Policy

# Physician Financial Arrangements - Review and Approval Policy

## COVERAGE:

El Camino Health, including El Camino Hospital and its wholly-owned affiliates or entities, and their staff, Contract Personnel, Physicians, employed or contracted Healthcare Providers, and the Governing Board.

## PURPOSE:

The purpose of this policy is to comply with the Stark law, Anti-Kickback, HIPAA and all other Federal and State Laws.

## POLICY STATEMENT:

This policy implements the overall compliance goals of the Hospital with respect to Physician financial arrangements.

This policy establishes administrative principles and guidelines, Board delegation of authority and oversight, and review processes and approvals that must be followed before the Hospital enters El Camino Health ("ECH") enter into a direct or indirect financial arrangement with an individual physician, a physician group, other organizations representing a physician, or a member of immediate family of a physician ("Physician"). Physician financial arrangements that involve any transfer of value, including monetary compensation, are subject to this and the following policies: 1) Signature Authority policy, 2) Reimbursement of Business Expenses policy, and 3) Physician Recruitment policy.

All financial arrangements of any kind involving Physician, including but not limited to, medical director, consulting, on-call arrangements, professional service agreements, education and training, conference reimbursement or real estate leases, will comply with the Stark law, Anti-Kickback, HIPAA and all other Federal and State Laws. All Physician financial arrangements are prohibited except those Physician financial arrangements that are approved and documented as provided in this Policy.

Physician financial arrangements may be entered into only where they are needed and serve the strategic goals (including quality and value) of the Hospital ECH. Each Physician financial arrangement must meet or exceed the complex and stringent legal requirements that regulate Physician financial relationships with the Hospital. All Physician financial arrangements between a physician and the Hospital El Camino Health must be in writing and meet fair market value, commercial reasonableness and the following requirements as applicable.

## PROCEDURE:

### A. Administrative Standards:

When creating or renewing a Physician financial arrangement, the following principles must be followed. This Policy applies to any Physician financial arrangement including, but not limit to: Medical Directorships, ED Call Panels, Professional Services, Panel

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Professional Services, Consulting, Lease, Education and Training, Conference Payment, and Physician Recruitment.

1. All Physician Financial Arrangements:

- a. Each Physician financial arrangement (except Physician Lease Contracts) must provide a service that is needed for at least one of the following reasons: 1) it is required by applicable law, 2) required administrative or clinical services or oversight can only be provided by a qualified physician, 3) the administrative services to be provided support an articulated strategic goal of ~~the Hospital~~ECH, such as patient safety, 4) the arrangement must solve, prevent or mitigate an identified operational problem for ~~the Hospital~~ECH.
- b. The terms of the Physician financial arrangement must be fair market value and commercially reasonable and must not take into account the volume or value of any referrals or other business generated between the parties. All of the terms of the Physician financial arrangement must be in a written contract that details the work or activities to be performed and all compensation ~~(of any kind)~~ or the lease terms ("Physician Contracts"). The services contracted for may not exceed those that are reasonable and necessary for the legitimate business purposes of the Physician financial arrangement. If there is more than one Physician Contract with a Physician, the Physician Contracts must cross-reference one another (or be identified on a list of Physician Contracts) and be reviewed for potential overlapping commitments prior to negotiating additional agreements.

The process for determining Physician compensation for each Physician financial arrangement must be set forth in the Physician Contract file and identified in sufficient detail so that it can be objectively verified as meeting fair market value standards. Any compensation paid to or remuneration received by a Physician shall not vary based on the volume or value of services referred or business otherwise generated by the Physician and must reflect fair market value. All physician financial arrangements must be reviewed and approved by the Chief Medical Officer, Compliance, and Legal. ~~For the Hospital,~~ Compensation cannot exceed the seventy-fifth percentile of fair market value without prior approval from the Finance Committee of the Board of Directors. ~~Compensation and compensation~~ cannot exceed the ninetieth percentile without prior approval from the Finance Committee and the Board of Directors. For ECHMN, Compensation cannot exceed seventy-fifth percentile of fair

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market value without prior approval from the ECHMN Board of Managers.—All Physician contracts should use local or regional market data, when available, to determine the seventy-fifth percentile of FMV.

In order to support reasonableness of compensation or remuneration, written fair market data must accompany the Physician Contract and show compensation paid by similar situated organizations and/or independent compensation surveys by nationally recognized independent firms.

- c. Compensation should not be revised or modified during the first twelve (12) months of any Physician financial arrangement. Exceptions on a case by case basis may be evaluated and approved by Legal and Compliance as long as such modification during the first twelve months adheres to the Stark Law requirements. If the compensation is revised thereafter, it must be evidenced by a written amendment to the Physician Contract, signed by both parties before the increase in compensation takes effect. For example, if the increase in compensation is to take effect on April 1, the amendment must be signed by both parties on or before April 1 and the original Physician Contract must have been effective on or before March 31 of the prior year. The compensation cannot be changed for twelve (12) months after the effective date of such amendment unless an exception is approved by Legal and Compliance and the change adheres to Stark Law requirements. Compensation shall include total combined annual known (e.g., fixed or base salary, bonuses, relocation assistance) and reasonably estimated (e.g., productivity-based) compensation under any Physician Contract.
- d. All Physician Contract renewals should be signed before the expiration of the term of the existing Physician Contract. Exceptions on a case by case basis may be evaluated and approved by Legal and Compliance if the parties are engaged in ongoing negotiations and the exception complies with Stark Law requirements.
- e. Physician Contracts must be in writing and executed by the parties before commencement of services. Exceptions on a case by case basis may be evaluated and approved by Legal and Compliance as long as such exception complies with Stark Law requirements. Only the CEO of Hospital or designee or the President of ECHMN or designee by CEO may execute a Physician Contract for the Hospital, except

Physicians Contracts that are real estate or equipment leases with Physicians may be signed by the Chief Administrative Services Officer ("CASO"), and IT agreements may be executed by the Chief Information Officer (CIO). Execution of physician contracts by CEO, CMIO, CASO, or CEO designee must comply with the general signature authority and limits established in the Signature Authority policy.

- f. Physicians cannot be compensated for work performed, nor may a lease commence, prior to execution by both parties, unless a Stark Law exception applies, and the exception is reviewed and approved by Legal and Compliance.
- g. The Physician financial arrangement must not violate the Stark law, the anti-kickback statute (section 1128B(b) of the Act) or any Federal or State law or regulations.
- h. The Physician Contract will permit ~~the Hospital~~ECH to suspend performance under the Physician Contract if there is a compliance concern. Concerns about compliance should be directed to Compliance, Legal, or the office of the Chief Medical Officer ("CMO"). Performance under Physician Contracts deemed to not meet the administrative guidelines shall be suspended until the Physician Contract can be remedied.
- i. Physician Contracts must contain termination without cause provisions (except for real estate and equipment leases). Physician Contracts which grant an exclusive right to Hospital-based physicians to perform services may not exceed five years. If a Physician Contract is terminated, then the ~~Hospital~~contracting party may not enter into a new financial arrangement with the same Physician covering the same arrangement on different terms within twelve (12) months of the effective date of the terminated Physician Contract.
- j. Physicians with potential conflicts of interest must complete a conflict of interest form that must be reviewed by the Compliance Officer prior to entering into a Physician Contract. The conflict must be addressed and referenced in the Physician Contract. A conflict may prevent entry into a Physician Contract.
- k. All Physician Contracts must be prepared using the appropriate ~~Hospital~~-contract template prepared by Legal Services. All Physician Contracts must be drafted by personnel designated by Legal Services.



Physicians unless the total work under all arrangements is needed.

- d. Medical Director Contracts must require Physician completion and submission of a physician time study reports each month in the manner specified in the contract, and each such report must be approved by the Designated Manager and the Compliance Department before any compensation is paid. There must be one or more internal review processes to verify that the Medical Director is performing the expected duties and tasks, of which the required time report is one example. *Please refer to Appendix "D" 'Medical Director Time Report Guidelines' for more detailed guidance on completion of time report.*
  - e. All Medical Director Contracts providing for total annual compensation of \$30,000 or more shall include two (2) annual quality incentive goals that support the Hospital's strategic initiatives, one of which shall be related to an outcome quality metric and the other shall be related to a process metric or milestone for service to patients, unless an exception is approved by the CMO for two (2) process goals. For Medical Director Contracts greater than \$100,000 in compensation per year, 20% of the total compensation will be held at risk based on the completion of the quality incentive goals. For Medical Director Contracts between \$50,000 to \$99,999 per year, 10% of the total compensation will be held at risk based on the completion of the goals. For Medical Director Contracts between \$30,000 to \$49,999 per year, 5% of the total compensation will be held at risk based on the completion of the goals.
  - f. Medical Director Contracts must include a Hospital-approved HIPAA Business Associate Agreement.
3. Physician Consulting Contracts:  
In addition to the criteria set forth in the *All Physician Financial Arrangements* section (D-1) above, the following criteria must be met *before* creating or renewing a Physician Consulting Contract:
- a. Physician Consulting Contracts must require concise deliverables and due dates and require completion of a physician time study report. The deliverables and due dates must be set for the duration of the Physician Consulting Contract before the services begin and the Physician Consulting Contract is signed.
  - b. The number of hours assigned to the Physician Consulting Contract must be appropriate in light of the work required.

- c. Physician Consulting Contracts must include a Hospital-approved HIPAA Business Associate Agreement.

4. Physician Lease Contracts:

In addition to the criteria set forth in the *All Physician Financial Arrangements* section above ~~(D.1)~~, the following criteria must be met *before* creating, amending, or renewing a Physician Lease Contract:

- a. Attached to the final version of a Physician Lease Contract, and prior to execution, must be a completed "Lease Contract Review Checklist" (Appendix C) and an executed "Contract Certification" (Appendix B).
- b. The Physician Lease Contract shall confirm total measurement of the space to be utilized by Physician under the lease.
- c. The Physician Lease Contract must be supported by fair market value documentation from a property appraiser or brokers opinion of value.
- d. Tenant Improvements must be incorporated into the Physician Lease Contract as a Tenant expense.
- e. Physician must not use the space and the Hospital must not make the space available for use prior to the execution of the Physician Lease Contract by both parties.
- f. The Physician Lease Contract shall require that all property taxes are to be paid by the Tenant for Triple Net leases.
- g. Physician Lease Contracts are executed by the CEO or the CASO.

5. Physician Education, Training and Conference Payment Contracts:

In addition to the criteria set forth in the *All Physician Financial Arrangements* section above ~~(D.1)~~, the following criteria must be met *before* creating a new Education, Training and Conference Reimbursement Contracts and prior to attendance:

- a. Physician Education, Training and Conference Payment Contracts must be created and reimbursed in accordance with Hospital Policy Reimbursement of Business, Education and Travel Expenses.
- b. ~~The Hospital's ECH's~~ need for this training to be provided to the Physician shall be documented as part of the approval process.

6. Physician Recruitment Contracts:

In addition to the criteria set forth in the *All Physician Financial*

Arrangements section above (D.1), the following criteria must be met *before* creating a new Physician Recruitment Contract:

- a. Physician Recruitment Contracts must be created in accordance with the Physician Recruitment Policy Program, and must be consistent with the recruitment plan approved by the Board. -

B. Approval of Physician Contracts:

1. Attached to the final version of a Physician Contract *before* CEO execution, must be a completed questionnaire in the contracts management system addressing terms, necessity, and fair market value. Documentation of fair market value must be submitted in the contracts management system. -
2. Attached to the final version of a Physician Lease Contract, *prior* to execution by the CEO or the CASO, must be a completed "Lease Contract Review Checklist" (Appendix C) and signed "Contract Certification" (Appendix B).
3. Corporate Compliance and Legal, as needed, will verify the checklist, certification, and documentation accompanying all Physician Contracts (including FMV) prior to execution by the CEO or the CASO. Incomplete or missing checklist and certifications will be returned to the originator for completion.
4. All proposed Physician Contracts lacking the appropriate documentation will be returned to the originator for completion. No services may be performed under the Physician Contract or leases implemented until the Physician Contract is fully executed, or an exception has been granted by Compliance and Legal in accordance with Stark Law requirements.

~~5. CEO Approval: The CEO or the CEO's designee will have authority to execute new, renewal and amended Physician Contracts (up to the authority as stated in the Signature Authority policy), except as set forth in Section 6) below.~~

~~6. Board Approval: The Board must approve prior to CEO or CEO designee execution of Physician Contracts for the following arrangements:~~

~~5. All physician financial arrangements, including Professional Services Agreements for the El Camino Health Medical Network that~~

~~a. For the Hospital, all physician financial arrangements that exceed 75% of fair market value (regardless of total annual compensation) must be reviewed by the Finance Committee of the Board. ~~Additionally, all~~ physician financial arrangements that exceed 90% of fair market value must also be reviewed and approved by the Board. -~~

~~b.1. A memo prepared by the Designated Manager that justifies the Hospital's needs shall be provided to the Finance Committee and/or Board of Directors as necessary for approval as part of the approval documents.~~

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e. The CEO Approval: The CEO or the CEO's designee will have authority to execute new, renewal and amended Physician Contracts for the Hospital (up to the authority as stated in the Signature Authority policy), except that the CEO may execute without Board approval a new, renewal or amended Professional Services Agreement (PSA) with ECHMNI-Camino Health Medical Associates (ECMA) Network (ECHMN), so long as the total cash compensation to each individual physician is consistent with the approved PSA. employed by ECMA/ECHMN does not exceed 75% percentile of fair market value or the CEO's signature authority.

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7. For El Camino Health Medical Network, all physician financial arrangements that exceed 75% of fair market value (regardless of total annual compensation), or which deviate from the approved Compensation Structure must be reviewed and approved by the El Camino Health Medical Network Board.

8. A memo prepared by the Designated Manager that justifies the Hospital's El Camino Health's needs shall be provided to the Finance Committee and/or Board of Directors or Board of Managers as necessary for approval as part of the approval documents.

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C. Board Oversight and Internal Review Process for Hospital based arrangements:

During the third quarter of each Hospital fiscal year, management and staff will prepare a summary report for all Hospital based Physician financial arrangements describing: 1) the names of all such arrangements Fair Market Value determinations and associated physician trends, 2) the organizational need that justifies each arrangement, 3) the total amounts paid to each physician Overall Budget and Goals for group for each Physician-Contract annually (and in total for duration on of contract term), 4) current and prior year annual financial comparison, and 5) any recommendations for changes to the Policy or any procedure.

For Medical Directorships, the summary report will also include: 1) the goals set forth for each Medical Directorship, 2) the contracted rate and hours, and 3) assessment of the performance goals of Medical Directors over the past year.

The CFO, COO & CLO and CMO will review the information and prepare recommendations if any regarding specific actions or changes that will be implemented.

The report will then be reviewed by the CEO and presented to the Compliance and Finance committees of the Board of Directors for review and approval no later than the end of the following quarter fiscal year.

D. Exceptions:

There are no exceptions to this Policy except as indicated herein.

~~D.~~

E. Review and/or Validate:

The CEO and the Corporate Compliance Officer shall be responsible for reviewing the policy and guidelines as conditions warrant but at a minimum at least annually to assure consistency with Board expectations. The Compliance department will annually monitor organizations adherence to the policy and report to the Board.

F. Policy Enforcement

El Camino ~~Hospital's~~ Health's Compliance Officer is responsible for monitoring enforcement of this policy. Any workforce member found to have violated this policy may be subject to disciplinary action, up to and including termination of employment.

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# Physician Financial Arrangements - Review and Approval Policy

## COVERAGE:

El Camino Health, including El Camino Hospital and its wholly-owned affiliates or entities, and their staff, Contract Personnel, Physicians, employed or contracted Healthcare Providers, and the Governing Board

## PURPOSE:

The purpose of this policy is to comply with the Stark law, Anti-Kickback, HIPAA and all other Federal and State Laws.

## POLICY STATEMENT:

This policy implements the overall compliance goals of the Hospital with respect to Physician financial arrangements.

This policy establishes administrative principles and guidelines, Board delegation of authority and oversight, and review processes and approvals that must be followed before El Camino Health ("ECH") enter into a direct or indirect financial arrangement with an individual physician, a physician group, other organizations representing a physician, or a member of immediate family of a physician ("Physician"). Physician financial arrangements that involve any transfer of value, including monetary compensation, are subject to this and the following policies: 1) Signature Authority policy, 2) Reimbursement of Business Expenses policy, and 3) Physician Recruitment policy.

All financial arrangements of any kind involving Physician, including but not limited to, medical director, consulting, on-call arrangements, professional service agreements, education and training, conference reimbursement or real estate leases, will comply with the Stark law, Anti-Kickback, HIPAA and all other Federal and State Laws. All Physician financial arrangements are prohibited except those Physician financial arrangements that are approved and documented as provided in this Policy.

Physician financial arrangements may be entered into only where they are needed and serve the strategic goals (including quality and value) of ECH. Each Physician financial arrangement must meet or exceed the complex and stringent legal requirements that regulate Physician financial relationships with the Hospital. All Physician financial arrangements between a physician and El Camino Health must be in writing and meet fair market value, commercial reasonableness and the following requirements as applicable.

## PROCEDURE:

### A. Administrative Standards:

When creating or renewing a Physician financial arrangement, the following principles must be followed. This Policy applies to any Physician financial arrangement including, but not limit to: Medical Directorships, ED Call Panels,



Professional Services, Panel Professional Services, Consulting, Lease, Education and Training, Conference Payment, and Physician Recruitment.

1. All Physician Financial Arrangements:

- a. Each Physician financial arrangement (except Physician Lease Contracts) must provide a service that is needed for at least one of the following reasons: 1) it is required by applicable law, 2) required administrative or clinical services or oversight can only be provided by a qualified physician, 3) the administrative services to be provided support an articulated strategic goal of ECH, such as patient safety, 4) the arrangement must solve, prevent or mitigate an identified operational problem for ECH.
- b. The terms of the Physician financial arrangement must be fair market value and commercially reasonable and must not take into account the volume or value of any referrals or other business generated between the parties. All of the terms of the Physician financial arrangement must be in a written contract that details the work or activities to be performed and all compensation (of any kind) or the lease terms ("Physician Contracts"). The services contracted for may not exceed those that are reasonable and necessary for the legitimate business purposes of the Physician financial arrangement. If there is more than one Physician Contract with a Physician, the Physician Contracts must cross-reference one another (or be identified on a list of Physician Contracts) and be reviewed for potential overlapping commitments prior to negotiating additional agreements.

The process for determining Physician compensation for each Physician financial arrangement must be set forth in the Physician Contract file and identified in sufficient detail so that it can be objectively verified as meeting fair market value standards. Any compensation paid to or remuneration received by a Physician shall not vary based on the volume or value of services referred or business otherwise generated by the Physician and must reflect fair market value. All physician financial arrangements must be reviewed and approved by the Chief Medical Officer, Compliance, and Legal. For the Hospital, Compensation cannot exceed the seventy-fifth percentile of fair market value without prior approval from the Finance Committee of the Board of Directors and compensation cannot exceed the ninetieth percentile without prior approval from the Finance Committee and the Board of Directors. For ECHMN, Compensation cannot exceed seventy-fifth percentile of fair market value without prior approval from the ECHMN Board of Managers. All Physician contracts should use local or



regional market data, when available, to determine the seventy-fifth percentile of FMV.

In order to support reasonableness of compensation or remuneration, written fair market data must accompany the Physician Contract and show compensation paid by similar situated organizations and/or independent compensation surveys by nationally recognized independent firms.

- c. Compensation should not be revised or modified during the first twelve (12) months of any Physician financial arrangement. Exceptions on a case by case basis may be evaluated and approved by Legal and Compliance as long as such modification during the first twelve months adheres to the Stark Law requirements. If the compensation is revised thereafter, it must be evidenced by a written amendment to the Physician Contract, signed by both parties before the increase in compensation takes effect. For example, if the increase in compensation is to take effect on April 1, the amendment must be signed by both parties on or before April 1 and the original Physician Contract must have been effective on or before March 31 of the prior year. The compensation cannot be changed for twelve (12) months after the effective date of such amendment unless an exception is approved by Legal and Compliance and the change adheres to Stark Law requirements. Compensation shall include total combined annual known (e.g., fixed or base salary, bonuses, relocation assistance) and reasonably estimated (e.g., productivity-based) compensation under any Physician Contract.
- d. All Physician Contract renewals should be signed before the expiration of the term of the existing Physician Contract. Exceptions on a case by case basis may be evaluated and approved by Legal and Compliance if the parties are engaged in ongoing negotiations and the exception complies with Stark Law requirements.
- e. Physician Contracts must be in writing and executed by the parties before commencement of services. Exceptions on a case by case basis may be evaluated and approved by Legal and Compliance as long as such exception complies with Stark Law requirements. Only the CEO of Hospital or designee or the President of ECHMN or designee may execute a Physician Contract, except Physicians Contracts that are real estate or equipment leases with Physicians may be signed by the Chief Administrative Services Officer ("CASO"), and IT agreements may be executed by the Chief Information Officer (CIO). Execution of physician contracts



by CEO, CMIO, CASO, or CEO designee must comply with the general signature authority and limits established in the Signature Authority policy.

- f. Physicians cannot be compensated for work performed, nor may a lease commence, prior to execution by both parties, unless a Stark Law exception applies, and the exception is reviewed and approved by Legal and Compliance.
- g. The Physician financial arrangement must not violate the Stark law, the anti-kickback statute (section 1128B(b) of the Act) or any Federal or State law or regulations.
- h. The Physician Contract will permit ECH to suspend performance under the Physician Contract if there is a compliance concern. Concerns about compliance should be directed to Compliance, Legal, or the office of the Chief Medical Officer ("CMO"). Performance under Physician Contracts deemed to not meet the administrative guidelines shall be suspended until the Physician Contract can be remedied.
- i. Physician Contracts must contain termination without cause provisions (except for real estate and equipment leases). Physician Contracts which grant an exclusive right to Hospital-based physicians to perform services may not exceed five years. If a Physician Contract is terminated, then the contracting party may not enter into a new financial arrangement with the same Physician covering the same arrangement on different terms within twelve (12) months of the effective date of the terminated Physician Contract.
- j. Physicians with potential conflicts of interest must complete a conflict of interest form that must be reviewed by the Compliance Officer prior to entering into a Physician Contract. The conflict must be addressed and referenced in the Physician Contract. A conflict may prevent entry into a Physician Contract.
- k. All Physician Contracts must be prepared using the appropriate contract template prepared by Legal Services. All Physician Contracts must be drafted by personnel designated by Legal Services.
- l. All Physician Contracts must comply with the review and documentation process established through the contracts management system, as approved by Legal and Compliance. Physician Lease Contracts must also include a signed "Contract Certification" (Appendix B) and "Lease Contract Review Checklist" (Appendix C) to be reviewed and approved by Legal Services and Compliance.



- m. All executed Physician Contracts must be scanned into the contract management system.
  - n. Payments may not be made to a Physician unless there is adherence with all of the requirements of this Policy.
  - o. Each Physician Contract shall comply with all applicable laws.
2. Hospital Medical Director Contracts: In addition to the criteria set forth above for *All Physician Financial Arrangements*, the following must be met *prior* to creating, renewing or amending a Hospital Medical Directorship:
- a. A Medical Directorship may not be intended or used as a means to recruit a Physician to practice at the Hospital.
  - b. A Medical Directorship must fit within a rational management framework that optimizes coordination of the Medical Director's knowledge and work efforts with Hospital needs and resources. To meet this requirement, the Medical Director must work with, and be accountable to, a supporting Hospital manager-partner who is a Hospital supervisor, manager or executive director who verifies the Medical Director's work and efforts. The Designated Manager shall participate in the negotiation of the Medical Director Contract, including setting duties and goals, and will be familiar with the details of the Medical Director contract. The CMO will evaluate and approve all Medical Director contracts.
  - c. The number of hours assigned to the Medical Directorship must be appropriate considering the work required. Medical Director contracts are typically a two-year term and upon renewal, an evaluation shall be conducted by the CMO and the Designated Manager to evaluate whether all such services are needed in any new or renewal term, whether new services are needed and if the hours are still reasonable and necessary for the legitimate business purpose of the Medical Directorship arrangement. The proposed services may not duplicate work that is provided to the Hospital by other Physicians unless the total work under all arrangements is needed.
  - d. Medical Director Contracts must require Physician completion and submission of a physician time study reports each month in the manner specified in the contract, and each such report must be approved by the Designated Manager and the Compliance Department before any compensation is paid. There must be one or more internal review processes to verify that the Medical Director is performing the expected duties and tasks, of which the required time report is one



example. Please refer to Appendix "D" 'Medical Director Time Report Guidelines' for more detailed guidance on completion of time report.

- e. All Medical Director Contracts providing for total annual compensation of \$30,000 or more shall include two (2) annual quality incentive goals that support the Hospital's strategic initiatives, one of which shall be related to an outcome quality metric and the other shall be related to a process metric or milestone for service to patients, unless an exception is approved by the CMO for two (2) process goals. For Medical Director Contracts greater than \$100,000 in compensation per year, 20% of the total compensation will be held at risk based on the completion of the quality incentive goals. For Medical Director Contracts between \$50,000 to \$99,999 per year, 10% of the total compensation will be held at risk based on the completion of the goals. For Medical Director Contracts between \$30,000 to \$49,999 per year, 5% of the total compensation will be held at risk based on the completion of the goals.
- f. Medical Director Contracts must include a Hospital-approved HIPAA Business Associate Agreement.

3. Physician Consulting Contracts:

In addition to the criteria set forth in the *All Physician Financial Arrangements* section above, the following criteria must be met *before* creating or renewing a Physician Consulting Contract:

- a. Physician Consulting Contracts must require concise deliverables and due dates and require completion of a physician time study report. The deliverables and due dates must be set for the duration of the Physician Consulting Contract before the services begin and the Physician Consulting Contract is signed.
- b. The number of hours assigned to the Physician Consulting Contract must be appropriate in light of the work required.
- c. Physician Consulting Contracts must include a Hospital-approved HIPAA Business Associate Agreement.

4. Physician Lease Contracts:

In addition to the criteria set forth in the *All Physician Financial Arrangements* section above, the following criteria must be met *before* creating, amending, or renewing a Physician Lease Contract:

- a. Attached to the final version of a Physician Lease Contract, and prior to execution, must be a completed "Lease Contract Review Checklist" (Appendix C) and an executed "Contract Certification" (Appendix B).



- b. The Physician Lease Contract shall confirm total measurement of the space to be utilized by Physician under the lease.
  - c. The Physician Lease Contract must be supported by fair market value documentation from a property appraiser or brokers opinion of value.
  - d. Tenant Improvements must be incorporated into the Physician Lease Contract as a Tenant expense.
  - e. Physician must not use the space and the Hospital must not make the space available for use prior to the execution of the Physician Lease Contract by both parties.
  - f. The Physician Lease Contract shall require that all property taxes are to be paid by the Tenant for Triple Net leases.
  - g. Physician Lease Contracts are executed by the CEO or the CASO.
5. Physician Education, Training and Conference Payment Contracts: In addition to the criteria set forth in the *All Physician Financial Arrangements* section above, the following criteria must be met *before* creating a new Education, Training and Conference Reimbursement Contracts and prior to attendance:
- a. Physician Education, Training and Conference Payment Contracts must be created and reimbursed in accordance with Hospital Policy Reimbursement of Business, Education and Travel Expenses.
  - b. ECH's need for this training to be provided to the Physician shall be documented as part of the approval process.
6. Physician Recruitment Contracts: In addition to the criteria set forth in the *All Physician Financial Arrangements* section above (D.1), the following criteria must be met *before* creating a new Physician Recruitment Contract:
- a. Physician Recruitment Contracts must be created in accordance with the Physician Recruitment Policy Program, and must be consistent with the recruitment plan approved by the Board.
- B. Approval of Physician Contracts:
- 1. Attached to the final version of a Physician Contract *before* execution, must be a completed questionnaire in the contracts management system addressing terms, necessity, and fair market value. Documentation of fair market value must be submitted in the contracts management system.



2. Attached to the final version of a Physician Lease Contract, *prior* to execution by the CEO or the CASO, must be a completed "Lease Contract Review Checklist" (Appendix C) and signed "Contract Certification" (Appendix B).
3. Corporate Compliance and Legal, as needed, will verify the checklist, certification, and documentation accompanying all Physician Contracts (including FMV) prior to execution by the CEO or the CASO. Incomplete or missing checklist and certifications will be returned to the originator for completion.
4. All proposed Physician Contracts lacking the appropriate documentation will be returned to the originator for completion. No services may be performed under the Physician Contract or leases implemented until the Physician Contract is fully executed, or an exception has been granted by Compliance and Legal in accordance with Stark Law requirements.
5. For the Hospital, all physician financial arrangements that exceed 75% of fair market value (regardless of total annual compensation) must be reviewed by the Finance Committee of the Board. Additionally, all physician financial arrangements that exceed 90% of fair market value must also be reviewed and approved by the Board.
6. The CEO Approval: The CEO or the CEO's designee will have authority to execute new, renewal and amended Physician Contracts for the Hospital (up to the authority as stated in the Signature Authority policy), except that the CEO may execute without Board approval a new, renewal or amended Professional Services Agreement (PSA) with ECHMN) so long as the total cash compensation to each individual physician is consistent with the approved PSA. . For El Camino Health Medical Network, all physician financial arrangements that exceed 75% of fair market value (regardless of total annual compensation), or which deviate from the approved Compensation Structure must be reviewed and approved by the El Camino Health Medical Network Board.
7. A memo prepared by the Designated Manager that justifies El Camino Health's needs shall be provided to the Finance Committee and/or Board of Directors or Board of Managers as necessary for approval as part of the approval documents.

C. Board Oversight and Internal Review Process for Hospital based arrangements:

During the third quarter of each Hospital fiscal year, management and staff will prepare a summary report for all Hospital based Physician financial arrangements describing: 1) Fair Market Value determinations and trends, 2) Overall Budget and Goals 3) current and prior year annual financial comparison, and 4) any recommendations for changes to the Policy or any procedure.

The CFO, COO, CLO, and CMO will review the information and prepare recommendations if any regarding specific actions or changes that will be



implemented.

The report will then be reviewed by the CEO and presented to the Compliance and Finance committees of the Board of Directors for review no later than the end of the fiscal year.

D. Exceptions:

There are no exceptions to this Policy except as indicated herein.

E. Review and/or Validate:

The CEO and the Corporate Compliance Officer shall be responsible for reviewing the policy and guidelines as conditions warrant but at a minimum at least annually to assure consistency with Board expectations. The Compliance department will annually monitor organizations adherence to the policy and report to the Board.

F. Policy Enforcement

El Camino Health's Compliance Officer is responsible for monitoring enforcement of this policy. Any workforce member found to have violated this policy may be subject to disciplinary action, up to and including termination of employment.



### Compliance and Audit Committee FY26 Proposed Pacing Plan

AGENDA ITEM	Q1			Q2			Q3			Q4		
	JUL	AUG	SEP 9/29	OCT	NOV 11/5	DEC	JAN	FEB	MAR 3/4	APR	MAY	JUN 6/3
<b>STANDING AGENDA ITEMS</b>												
Results of Internal Audits			✓		✓				✓			✓
Cybersecurity Program			✓		✓				✓			✓
Enterprise Risk Management (ERM) Metrics					✓				✓			
<b>Discussion Items/Committee Actions</b>												
Review FY 25 Annual Enterprise Compliance Program Report			✓									
Review FY 25 Annual Patient Safety/Claims Report			✓									
Review Status of Current FY Compliance Work Plan Activity Completed and next FY work plan												✓
Receive FY 25 Financial Auditors Consolidated Financial Statements, 403(b) and Cash Balance Audit results			✓									
Review Summary Report of Physician Financial Agreements									✓			
Approve next FY Committee Goals and Meeting Dates									✓			
Review FY 26 Annual Financial Audit Plan with Financial Auditors									✓			
Review OIG Work Plan and Management's Response									✓			
Review Internal Audit Risk Assessment and next FY Internal Audit Work Plan												✓
Committee Reviews Self-Assessment Results					✓							
<b>COMMITTEE GOALS</b>												
Review ERM metrics and assess if any modifications are needed to currents domains or metrics to align with enterprise risk tolerance					✓							
Evaluate potential revisions to CAC Charter or Code of Conduct to foster continuous committee improvement									✓			
Review 2027 Strategic Plan, Goals and JV/Business Affiliates for potential impact to Compliance Program									✓			



## FY26 COMMITTEE GOALS

### Compliance and Audit Committee

**PURPOSE**

The purpose of the Compliance and Audit Committee (the “Committee”) is to advise and assist the El Camino Hospital (ECH) Hospital Board of Directors (“Board”) in its exercise of oversight of Corporate Compliance, Privacy, Internal Audits, Financial Audit, Enterprise Risk Management, and Cybersecurity. The Committee will accomplish this by monitoring the compliance policies, controls, and processes of the organization and the engagement, independence, and performance of the external financial auditor. The Committee assists the Board in oversight of any regulatory audit and in assuring the organizational integrity of ECH in a manner consistent with its mission and purpose.

**STAFF:**      **TBD** , Compliance/Privacy Officer (Executive Sponsor)

The VP, Corporate Compliance, shall serve as the primary staff to support the Committee and is responsible for drafting the Committee meeting agenda for the Committee Chair’s consideration. Additional members of the Executive Team or outside consultants may participate in the meetings upon the recommendation of the Executive Sponsor and at the discretion of the Committee Chair.

GOALS	TIMELINE	STATUS	METRICS
<b>1.</b> Review Enterprise Risk Management (ERM) metrics and assess if any modifications are needed to current domains monitored or individual metrics to align with enterprise risk tolerance.	Q2 FY26	100%	Committee reviews and provides feedback regarding ERM domains or metrics. (Reviewed at 11/5/25 meeting)
<b>2.</b> Evaluate potential revisions to the Committee Charter and Code of Conduct to foster continuous improvement within the Compliance Committee.	Q3 FY26	100 %	Committee provides recommendations for revisions and monitors impact to committee self-assessment results. (Reviewing on 3/4/26)
<b>3.</b> Review 2027 Strategic Plan, Goals and Joint Ventures/Business Affiliates for potential impact on Compliance Program.	Q3 FY26	100%	Committee provides recommendations if compliance assessments or modifications to Compliance Program are needed for strategies the organization is undertaking. (Reviewed at 12/10/25 ECHB meeting, further review on 3/4/26)

**SUBMITTED BY:** **Chair:** Lica Hartman    **Executive Sponsor:** Diane Wigglesworth



**EL CAMINO HOSPITAL BOARD OF DIRECTORS  
COMMITTEE MEETING COVER MEMO**

**To:** Compliance and Audit Committee  
**From:** Raju Iyer, Chief Financial Officer  
**Date:** March 4, 2026  
**Subject:** Review of Proposed FY2026 Financial Audit Plan and Approve Scope of Plan and Engagement of Auditor

**Purpose:**

**Motion:** To approve of Scope of FY2026 Financial Audit Plan and Engagement of Auditor Baker Tilly

**Summary:**

1. Authority: The Compliance and Audit Committee is responsible for the oversight of the compliance program and audit plans.

**List of Attachments:**

- a. Baker Tilly Material: El Camino Healthcare District 2026 Audit Planning



# **El Camino Healthcare District**

## **2026 Audit Planning**

Discussion with Management and  
the Audit Committee

# Agenda

1. Your Service Team
2. Scope of Services
3. Auditor's Responsibility in a Financial Statement Audit
4. Significant Risks Identified
5. Risks Discussion
6. Consideration of Fraud
7. Audit Timeline
8. Recent Accounting Developments



# Your Service Team



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# Scope of Services

Relationships between Baker Tilly and El Camino Healthcare District:

## Annual Audit

Annual consolidated financial statement audit as of and for the year ending June 30, 2026

## Non-Attest Services

- Assist in drafting the consolidated financial statements and related footnotes as of and for the year ending June 30, 2026
- Tax return preparations



# Auditor's Responsibilities in a Financial Statement Audit

Auditor is responsible for:

- forming and expressing an opinion on whether the financial statements are prepared, in all material respects, in conformity with U.S. Generally Accepted Accounting Principles
- communicating significant matters, as defined by professional standards, arising during the audit that are relevant to you
- when applicable, communicating particular matters required by law or regulation, by agreement with you, or by other requirements applicable to the engagement

The audit of the financial statements doesn't relieve management or you of your responsibilities.

The auditor is not responsible for designing procedures for the purpose of identifying other matters to communicate to you.



# Significant Risks Identified

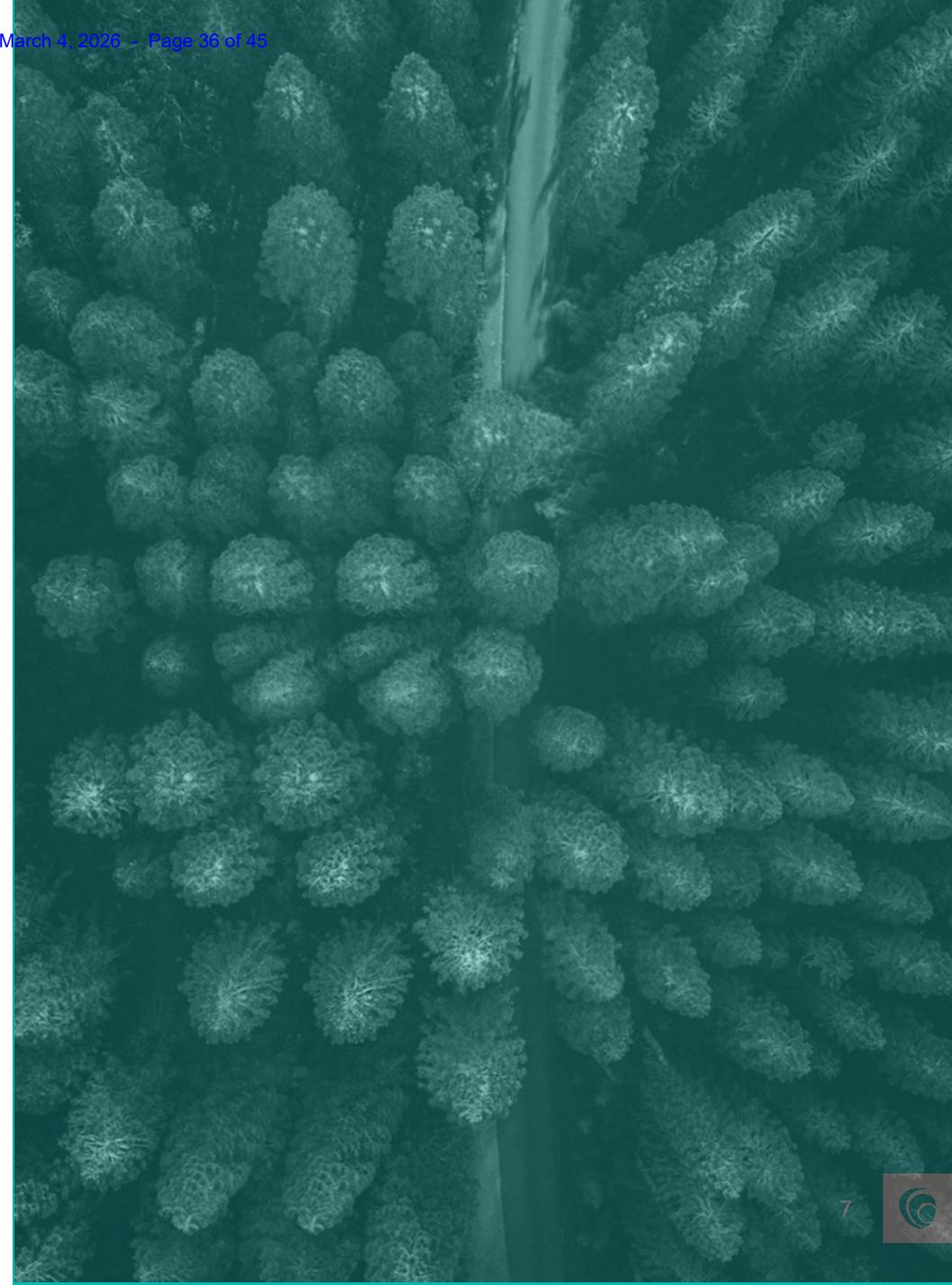
Based on initial risk assessment procedures, we identified the following:

Significant Risks	Procedures
<b>Valuation of Patient Accounts Receivable</b>	<ul style="list-style-type: none"> <li>- Tie out of reserving schedules</li> <li>- Zero Balance Accounts (ZBA) analysis</li> <li>- Lookback analysis &amp; subsequent collections analysis</li> </ul>
<b>Revenue Recognition</b>	<ul style="list-style-type: none"> <li>- Hospital patient revenue analysis &amp; cut-off analysis</li> <li>- Journal entry testing focusing on revenue reversals</li> </ul>
<b>Valuation of Investments</b>	<ul style="list-style-type: none"> <li>- Third party confirmations</li> <li>- Independent price testing</li> </ul>



# Risks Discussion

1. What are your views regarding:
  - El Camino Healthcare District's objectives, strategies and business risks that may result in material misstatements
  - Significant communications between the entity and regulators
  - Attitudes, awareness, and actions concerning
    - El Camino Healthcare District's internal control and importance
    - How those charged with governance oversee the effectiveness of internal control
    - Detection or the possibility of fraud
    - Other matters relevant to the audit
2. Do you have any areas of concern?



# Consideration of Fraud in a Financial Statement Audit

Auditor's responsibility: Obtain reasonable assurance the financial statements as a whole are free from material misstatement – whether caused by fraud or error

## To identify fraud-related risks of material misstatement, we:

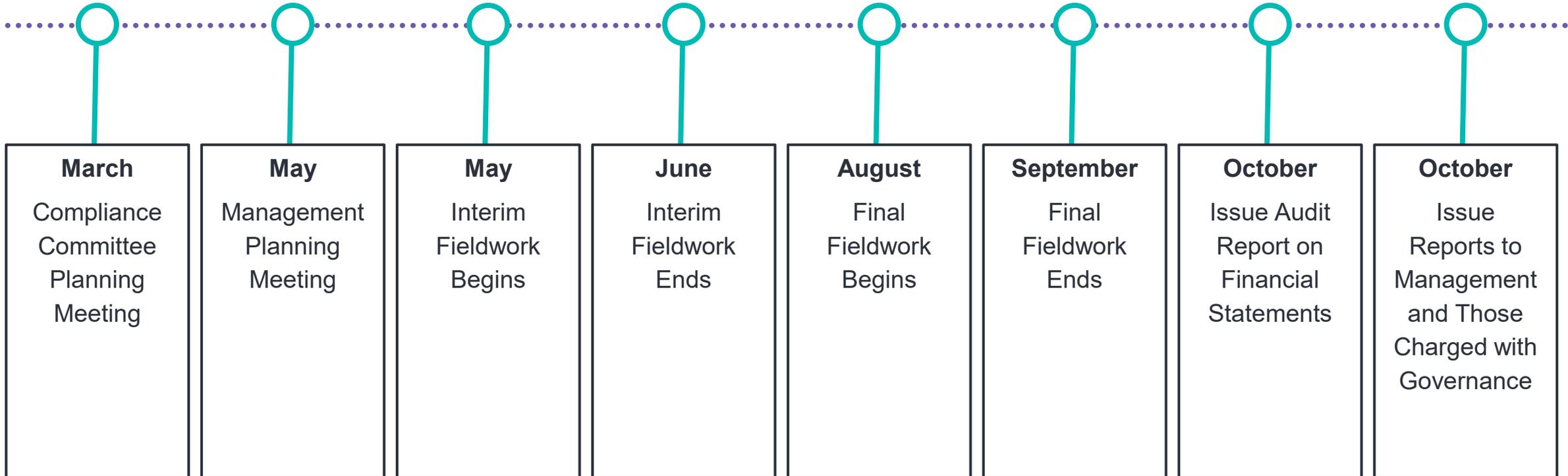
- Brainstorm with team
- Conduct personnel interviews
- Document understanding of internal control
- Consider unusual or unexpected relationships identified in planning and performing the audit

## Procedures we perform:

- Examine general journal entries for nonstandard transactions
- Evaluate policies and accounting for revenue recognition
- Test and analyze significant accounting estimates for biases
- Evaluate rationale for significant unusual transactions

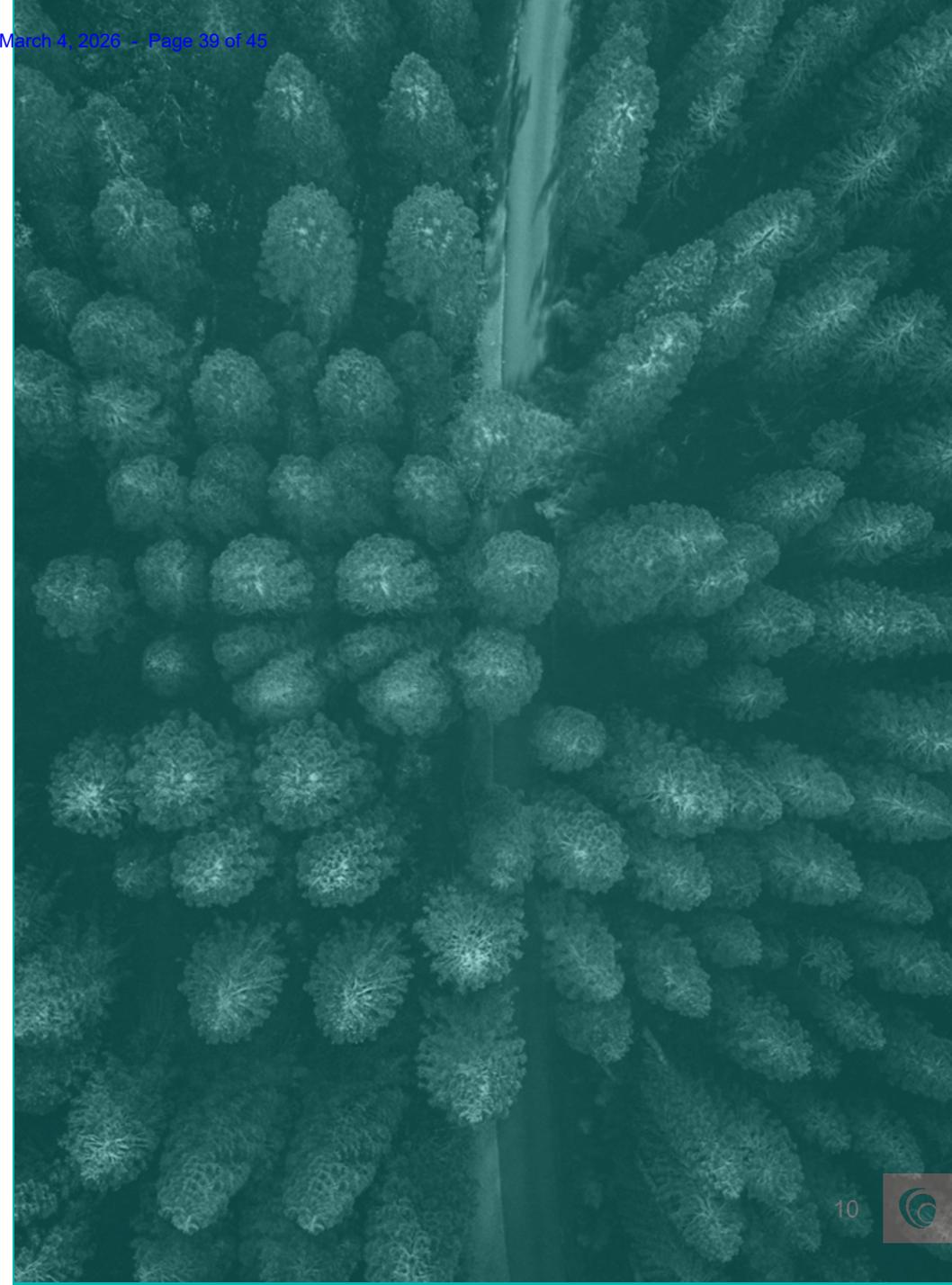
# Audit Timeline

2026



# Recent Accounting Development

- GASB 103 – *Financial Reporting Model Improvements*
  - Effective beginning July 1, 2025
- GASB 104 – *Disclosure of Certain Capital Assets*
  - Effective beginning July 1, 2025



**THANK  
YOU**



## EL CAMINO HOSPITAL BOARD OF DIRECTORS COMPLIANCE AND AUDIT COMMITTEE MEETING MEMO

**To:** ECH Compliance and Audit Committee  
**From:** Theresa Fuentes, CLO  
**Date:** March 4, 2026  
**Subject:** Governance Effectiveness: Assessments Review and Committee Improvement Actions

**Purpose:** To review the Compliance and Audit Committee assessment results, highlight governance improvements already underway, and approve the proposed Committee Action Plan and draft FY27 goals to support continued effectiveness and strategic oversight.

**Recommended Motion:** Approve the Committee Action Plan and FY27 Goals.

**Summary:** The FY25 Compliance and Audit Committee assessment reflects continued strong performance, with an overall average score of 3.5 out of 4.0 and highlights effective leadership and transparent management reporting.

The assessment also identified several development areas to further strengthen the Committee's governance effectiveness, including collegial engagement, meeting efficiency, clarity of governance expectations, and alignment with enterprise strategy and risk oversight.

Several improvements are already underway. In December 2025, the Committee participated in a joint strategy session focused on enterprise priorities and risk alignment. In addition, enhanced rigor has been implemented around governance-level meeting materials, including earlier posting timelines and the increased use of executive summaries to support more focused oversight discussions.

Building on both the FY24 follow-up work and FY25 assessment results, Governance Services has consolidated feedback into a proposed Compliance and Audit Committee Action Plan designed to formalize continuous improvement efforts and strengthen Committee effectiveness.

The proposed Action Plan focuses on:

- Charter and governance boundary alignment
- Reinforcement of Code of Conduct expectations
- Enhanced enterprise risk and strategic oversight
- Improved governance-level meeting materials and decision efficiency
- Structured follow-through on annual goals and assessment outcomes

The Committee is asked to review and provide feedback on the proposed Action Plan and the draft FY27 Committee goals.

**List of Attachments:**

1. DRAFT CAC Action Plan



Compliance and Audit Committee Action Plan – March 2026

Focus Area	Issue Identified from Assessments	Key Actions	Responsible Parties	Timeline	Success Measure
<b>Committee Culture &amp; Professional Conduct</b>	Low collegiality and concerns regarding tone and professionalism in meetings	Annually distribute Board Code of Conduct to committee members with reminder about expectations  Ensure agenda pacing supports effective deliberation	Committee Chair, Executive Sponsor	FY26 and annually	Improved collegiality score in next assessment
<b>Governance Boundaries &amp; Committee Scope</b>	Uncertainty regarding scope of oversight between Compliance & Audit and Finance Committees	Annual Charter review agenda item  Discussion with Finance Committee leadership to confirm audit scope and roles	Executive Sponsor, Committee Chairs, Governance Services	FY27	Improved clarity of role and responsibility scores
<b>Strategic &amp; Enterprise Risk Alignment</b>	Limited involvement in strategic planning and enterprise risk calibration	Annual strategy review with risk lens Annual ERM domain and risk tolerance review Regular updates on AI and third-party vendor risk	Executive Sponsor, CEO, Strategy Leadership	FY26 and annually	Improved strategic alignment survey ratings
<b>Meeting Effectiveness &amp; Materials</b>	Excessive detail in materials and reduced decision efficiency	Review materials with compliance leadership and make recommendations to streamline  Materials posted one week in advance	Executive Sponsor, Governance Services	FY27	Improved material quality and efficiency scores
<b>Compliance Leadership Continuity</b>	Risk related to leadership transition and institutional knowledge	Regular updates on Compliance leadership succession plan  Identification of external SMEs as needed	Executive Sponsor, Committee Chair	FY27	Stable compliance oversight and continuity



## EL CAMINO HOSPITAL BOARD OF DIRECTORS COMPLIANCE AND AUDIT COMMITTEE MEETING MEMO

**To:** ECH Compliance and Audit Committee  
**From:** Theresa Fuentes, CLO  
**Date:** March 4, 2026  
**Subject:** Proposed FY27 Committee Dates and Goals

**Purpose:** To review the proposed FY27 Compliance and Audit Committee meeting dates and discuss the draft FY27 Committee goals to support effective oversight, strategic alignment, and continuous improvement.

**Summary:** Governance Services has developed the proposed FY27 Compliance and Audit Committee meeting schedule to align with Hospital Board meeting cadence and key oversight milestones throughout the fiscal year. The FY27 Board calendar will need to be reviewed and approved by the Hospital Board.

The recommended meeting dates provide timely review of internal and external audit activity, enterprise risk management updates, compliance program reporting, cybersecurity oversight, and strategic risk discussions in coordination with Board priorities.

In addition, draft FY27 Committee goals have been developed to reinforce strong governance practices, enhance enterprise risk oversight, strengthen strategic alignment, and continue improving Committee effectiveness and culture.

The proposed goals include a focus on:

- Charter and Code of Conduct alignment and governance effectiveness
- Enterprise risk management calibration and emerging risk oversight
- Strategic compliance and risk integration
- Audit plan alignment and remediation tracking
- Continued improvement in Committee engagement and decision-making

The Committee is asked to review and provide feedback on the proposed FY27 meeting dates and draft FY27 Committee goals.

### **List of Attachments:**

1. Proposed FY27 Committee Dates
2. Proposed FY27 Committee Goals



**Compliance and Audit Committee  
Proposed FY2027 Meeting Dates**

<b>RECOMMENDED CAC DATES</b>	<b>CORRESPONDING HOSPITAL BOARD DATE</b>
<b>Wednesday, September 30, 2026</b>	Tuesday, October 13, 2026
<b>Wednesday, December 2, 2026</b>	Wednesday, December 16, 2026
<b>Wednesday, March 3, 2027</b>	Wednesday, March 10, 2027
<b>Wednesday, June 9, 2027</b>	Wednesday, June 16, 2027



## DRAFT FY27 COMMITTEE GOALS

### Compliance and Audit Committee

**PURPOSE**

The purpose of the Compliance and Audit Committee (the “Committee”) is to advise and assist the El Camino Hospital (ECH) Hospital Board of Directors (“Board”) in its exercise of oversight of Corporate Compliance, Privacy, Internal Audits, Financial Audit, Enterprise Risk Management, and Cybersecurity. The Committee will accomplish this by monitoring the compliance policies, controls, and processes of the organization and the engagement, independence, and performance of the external financial auditor. The Committee assists the Board in oversight of any regulatory audit and in assuring the organizational integrity of ECH in a manner consistent with its mission and purpose.

**STAFF:** TBD , Compliance/Privacy Officer (Executive Sponsor)

The VP, Corporate Compliance, shall serve as the primary staff to support the Committee and is responsible for drafting the Committee meeting agenda for the Committee Chair’s consideration. Additional members of the Executive Team or outside consultants may participate in the meetings upon the recommendation of the Executive Sponsor and at the discretion of the Committee Chair.

GOALS	TIMELINE	STATUS	METRICS
1. Reinforce Committee Charter and Code of Conduct alignment through annual education and structured meeting norms.	Q4 FY27		Annual Charter review completed; meeting effectiveness survey score ≥ 3.6.
2. Review and calibrate ERM domains, risk tolerance thresholds, and emerging risks (AI, vendor risk, cybersecurity).	Q4 FY27		Annual ERM review completed; documented recommendations to Board.
3. Evaluate compliance and risk implications of Strategic Plan initiatives.	Q4 FY27		Written compliance risk summary provided to Board prior to strategy approval
4. Review internal audit plan alignment to enterprise risk profile and ensure timely remediation tracking.	Q4 FY27		100% of high-risk audit findings tracked to resolution.
5. Improve collegiality, preparedness, and efficient decision-making.	Q4 FY27		Collegiality score improves from 2.5 to ≥ 3.3 in next survey.

**SUBMITTED BY:**

**Chair:** Lica Hartman

**Executive Sponsor:** TBD