Parkland

The Audit Committee meeting will begin at 3:00 pm instead of 12:30 pm.

Audit Committee Agenda

Committee Members
Chair: Todd Furniss, JD
Ramon Miguez, PE
Vincent Hall
Elizabeth Palacios, MD

Agenda for the ***Audit Committee*** meeting of the Dallas County Hospital District is scheduled for ***Wednesday, October 11, 2023 at 12:30 PM***, at 5200 Harry Hines Blvd (WISH Building) Dallas, TX 75235, Executive Conference Room 02-175. (If assistance is needed in locating the room, please see the Administration receptionist on the 4th floor, 04-131.) A quorum will be physically present at the location of the meeting. Videoconferencing access is also possible via WebEx. That application is available at https://www.webex.com/downloads.html. Teleconferencing access is possible by calling +1-415-655-0001. Both virtual access forms require inputting (meeting number: 2621 850 0963; meeting password: 1234) to join the meeting. The ***Audit Committee*** reserves the right to exercise discretion and may convene in Executive Session as permitted by Texas Government Code §§551.071 (consultation with attorney), 551.072 (deliberations regarding real estate), 551.074 (personnel matters), 551.076 (deliberations regarding security devices or security audits), 551.078 and/or 551.0785 (deliberations by medical committee or by governmental body that administers a public insurance, health or retirement plan regarding individuals' medical or psychiatric records), 551.085 (deliberation by governing board of certain providers of health care services), 551.087 (deliberation regarding economic development negotiations), 551.088 (deliberation regarding test item); Texas Government Code §418.183 (deliberation of information under §§418.175 – 418.182 for purposes of disaster management or disaster planning); Texas Health & Safety Code §161.032 (medical committee or medical peer review committee records, information or reports; and/or medical committee or medical peer review committee proceedings under Tex. Health & Safety Code Chapter 161 and/or Tex. Occ. Code Chapters 151 and 160); and/or as otherwise authorized by law on any item listed below. The ***Audit Committee*** may consider any of the agenda items in open or executive session and may continue the meeting as necessary to accomplish the business at the time and place designated by the Chair to reconvene.

		PAGE	TIME (MIN)	PRESENTER(S)
I.	**Opening/Call to Order/Declare a Quorum Present/Mission Statement/Opening Remarks** ***Advance Wellness | Relieve Suffering | Develop and Educate*** **I CARE** **I**ntegrity **C**ompassion and Collaboration **A**ccountability **R**espect **E**quity			Chair
II.	**Public Comments Regarding Agenda Items** *See public comment registration information and rules at https://www.parklandhospital.com/board-of-managers*			Chair
III.	**Reports Requiring Deliberation(s) or Approval(s)**			
A.	Parkland Health FY23 Pre-Audit Report to the Board of Managers	*3*	15 mins	Chris Clark, Forvis
B.	PCHP 2022 Statutory Audit Report	*11*	10 mins	Chris Clark, Forvis
C.	Fiscal Year 2023 Audit Plan Update	*23*	10 mins	Vic Summers
D.	Fiscal Year 2024 Audit Plan Update	*25*	10 mins	Vic Summers

		PAGE	TIME (MIN)	PRESENTER(S)
E.	Open Session Audit Follow-up Reports	*32*	10 mins	Vic Summers
F.	Audit Report Summary	*37*	05 mins	Vic Summers
i.	Chargemaster Audit, Report No. 23-03	*38*	05 mins	Vic Summers
ii.	Remote Clocking Audit, Report No. 23-13	*47*	05 mins	Vic Summers
IV.	**Executive Session** Tex. Gov't Code §§551.071, 551.074; Tex. Health & Safety Code §§161.032			
A.	Executive Session Audit Follow-up Reports [§§161.032]	*56*	10 mins	Vic Summers
B.	Contract Labor Audit, Report No. 23-04 *Verbal* [§§551.071]		15 mins	Vic Summers
C.	Consultation with Attorney Regarding:		10 mins	Steven Roth
i.	Status of litigation, claims, and settlements [§§551.071]			
D.	Independent Briefing with Audit Committee *Verbal* (Compliance matters, personnel review, etc.) [§§161.032; §§551.074]		10 mins	Chair
V.	**Action Items**			
A.	Committee may take action on any agenda item(s) above			Chair
VI.	**Closing Remarks**			Chair
VII.	**Reference Documents**			
A.	Parkland Health FY23 Pre-Audit Report to the Board of Managers	*66*		
B.	PCHP 2022 Statutory Audit Report	*71*		
VIII.	**Executive Session Reference Documents**			
A.	List each item included in the information section			
IX.	**Adjourn**			Chair

FORVIS

Parkland Health

September 30, 2023

FORVIS is a trademark of FORVIS, LLP, registration of which is pending with the U.S. Patent and Trademark Office

Attest Services

- Parkland Health – Financial statement audit as of September 30, 2023
- Parkland Health – Uniform grant compliance audit as of September 30, 2023
- Parkland Community Health Plan, Inc. – Statutory audit as of December 31, 2023
- Parkland Center for Clinical Innovation – Financial statement audit as of September 30, 2023
- Retirement Income Plan – Financial statement audit as of December 31, 2022

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Risk Areas & Key Disclosures

Based on the risk assessment process, we have preliminary identified the following:

Patient accounts receivable

Estimate of net realizable value based on collection trends

Third-party payer settlements

Receivables associated with unpaid funding from Medicaid supplemental funding programs, exposure related to potential program overpayments and Medicare cost report settlements

Self-insured risks

Reserves for unpaid claims associated with professional & general liability, workers compensation, employee health and PHP claims

Net pension liability

Liability associated with earned but unpaid pension obligations and related estimates of deferred inflows and outflows

COVID Related Funding

Recognition of provider relief fund, FEMA and other COVID related revenue based on program terms

Revenue recognition

Process by which revenue from patient services is recognized

Medicaid supplemental funding

Program descriptions, risks and revenue recognition

Tax revenue

Source of revenue, portions associated with operations vs debt service and the support provided by tax revenue in relation to total revenue

Pension Plans

Description of employee benefit programs and key assumptions in the measurement of the net pension liability

COVID Related Funding

Program support, use of funds and recoupment risk

FORVIS

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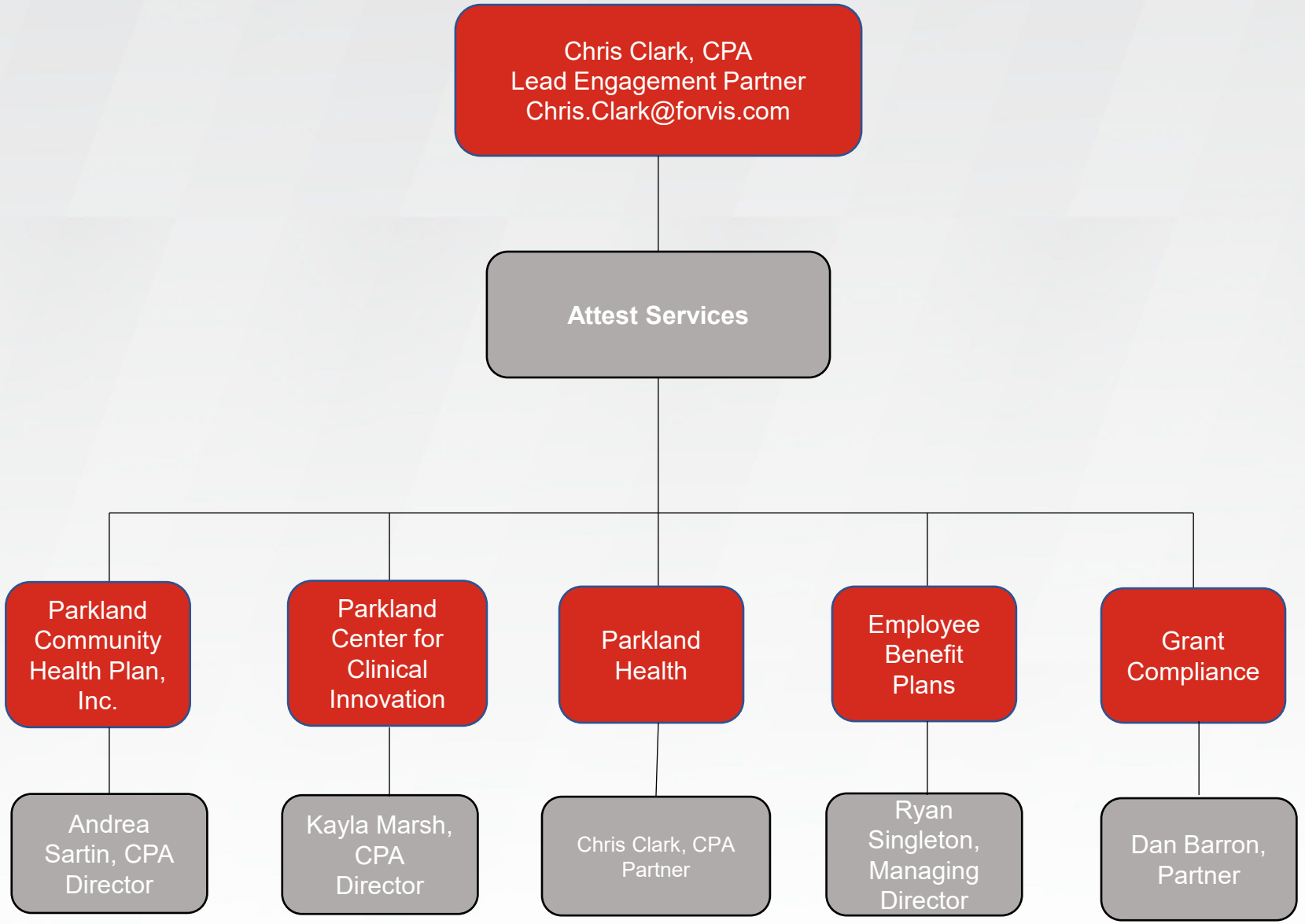
Engagement Team



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Timeline

Planning
Aug-Oct 2023

- ✓ Develop audit timeline with management team
- ✓ Compile list of needed schedules and provide to the finance team
- ✓ Perform preliminary risk assessment procedures

Risk Assessment
Aug-Sep 2023

- ✓ Complete review of internal control documentation & test key controls
- ✓ Perform interviews of key personnel
- ✓ Information technology controls review
- ✓ Perform interim procedures on certain financial statement elements

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Testing
Oct-Nov 2023

- ✓ Perform substantive procedures on material financial statement elements and key risk areas
- ✓ Evaluate significant unusual transactions
- ✓ Conclude that all identified risks of material misstatement have been addressed
- ✓ Provide draft deliverables to management for review

Finalize reviews & deliver draft materials
Dec 2023

- ✓ Work with third-parties to obtain final information needed to complete audit testing
- ✓ Draft audit report and related communications
- ✓ Engagement quality review of audit testing and deliverables
- ✓ Review draft deliverables with management

Audit Committee Meeting
Jan 2024

- ✓ Present post-audit communication to audit committee
- ✓ Discuss results of audit process and present finished audit report and related communications

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Q&A

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Assurance / Tax / Advisory

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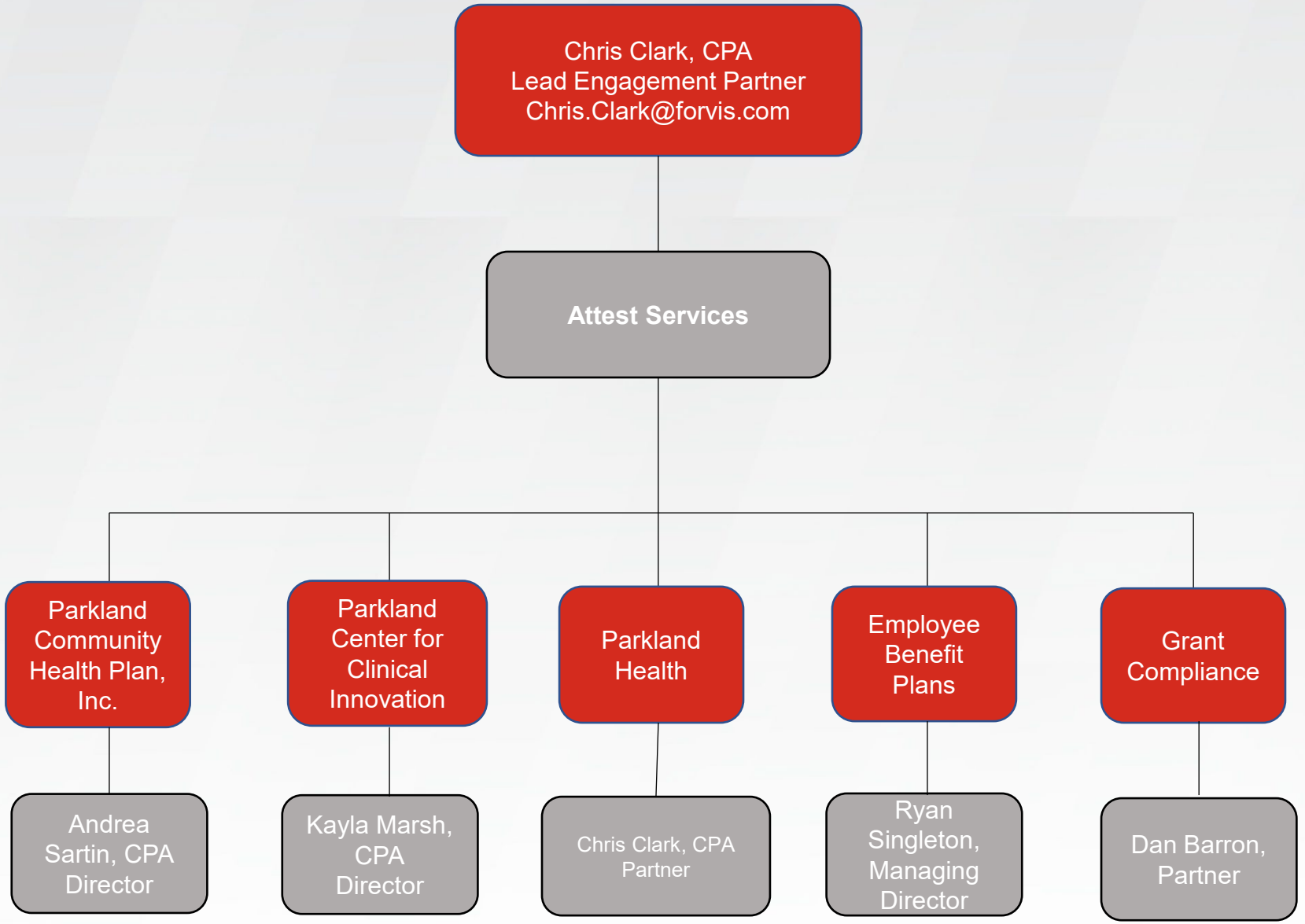

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FORVIS

Parkland Community Health Plan

December 31, 2022

17

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Qualitative Aspects of Significant Accounting Policies & Practices

The following matters are detailed in the following pages and included in our assessment:

Significant Accounting Policies

Significant accounting policies are described in *Note 1* of the audited statutory financial statements.

- Discussion of the difference in preparing statutory financial statements on a statutory basis of accounting rather than in accordance with accounting principles generally accepted in the United States of America (GAAP)

Unusual Policies or Methods

With respect to significant unusual accounting policies or accounting methods used for significant unusual transactions (significant transactions outside the normal course of business or that otherwise appear to be unusual due to their timing, size, or nature), we noted the following:

- No matters are reportable

Alternative Accounting Treatments

We had discussions with management regarding alternative accounting treatments for policies and practices for material items, including recognition, measurement, and disclosure considerations related to the accounting for specific transactions as well as general accounting policies, as follows:

- No matters are reportable other than those prescribed by the Texas Department of Insurance

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Management Judgments & Accounting Estimates

Accounting estimates are an integral part of financial statement preparation by management, based on its judgments. Significant areas of such estimates for which we are prepared to discuss management's estimation process and our procedures for testing the reasonableness of those estimates include:

- Valuation of investments
- Claims incurred and unpaid
- Premium deficiency reserve
- Comprehensive Hospital Increase Reimbursement Program (CHIRP) payable

Statutory Financial Statement Disclosures

The following areas involve particularly sensitive financial statement disclosures for which we are prepared to discuss the issues involved and related judgments made in formulating those disclosures:

- Investments
- Claims incurred and unpaid
- Related parties
- Fair value of financial instruments
- Reconciliation to annual statement

Our Judgment About the Quality of the Entity's Accounting Principles

During the course of the audit, we made the following observations regarding the Entity's application of accounting principles:

- No matters are reportable

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Adjustments Identified by Audit

During the course of any audit, an auditor may propose adjustments to financial statement amounts. Management evaluates our proposals and records those adjustments that, in its judgment, are required to prevent the financial statements from being materially misstated.

A misstatement is a difference between the amount, classification, presentation, or disclosure of a reported financial statement item and that which is required for the item to be presented fairly in accordance with the applicable financial reporting framework.

Proposed & Recorded Adjustments

Auditor-proposed and management-recorded entries include the following:

- Delivery Supplemental Program receivable
- Non-Risk Covid-19 receivable
- Non-Risk Drug receivable
- Reclassification between bonds and short-term investments

Uncorrected Misstatements

Some adjustments proposed were **not recorded** because their aggregate effect is not currently material; however, they involve areas in which adjustments in the future could be material, individually or in the aggregate.

Uncorrected audit misstatements pertaining to the latest period presented that were determined by management to be immaterial, both individually and in the aggregate, but more than trivial to the statutory financial statements as a whole are included as an attachment to this communication.

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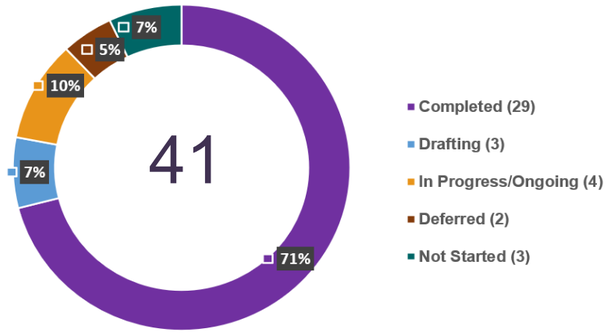
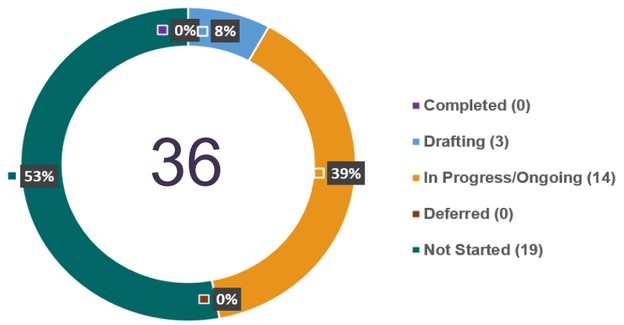
Internal Audit
Fiscal Year 2023 Audit Plan Update



	Count	Priority	Planned	Completed	Drafting	In Progress / Ongoing	Deferred	Not Started	Comments
2022 Carry Forward	**10**								
Foundation (IT Implementation)		High	Yes	X					
UT Contract - CVTS		High	Yes	X					
COVID-19 Post PHE		High	Yes	X					
Employee Health Plan		High	Yes	X					
UT Documentation Review		High	Yes	X					
UT RVU Payment		High	Yes		January				
Talent Acquisition		High	Yes	X					
Procurement/Contracting		High	Yes	X					
HIPAA Privacy		High	Yes	X					
Population Health		High	Yes	X					Risk Assessments completed for: GI & Liver Clinic, Internal Medicine Clinic, Neuro Clinic, Oak West Clinic, and Correctional Health.
Audits	**15**								
Chargemaster		High	Yes	X					
Contract Labor		High	Yes	X					
Lower Unit of Measure (LUM) Supplies		High	Yes	X					
Out of County		High	Yes	X					
UKG - Payroll		High	Yes	X					
Epic - Documenation Auto-fil		High	Yes	X					
Network		High	Yes			January			
Remote Clocking		High	Yes	X					
Vehicles		High	Yes		January				
Disaster Recovery		High	Yes			January			
Managed Care Payors Paying Correctly		High	Yes				X		Work is being done in this area by PFS, consider during future audit planning efforts beyond FY 2024
Patient Property		High	Yes	X					

	Count	Priority	Planned	Completed	Drafting	In Progress / Ongoing	Deferred	Not Started	Comments
Price Transparency Compliance		High	Yes	X					
Telehealth		High	Yes			X			Combining with FY 2024 Virtual Visit Project.
Population Health		High	Yes			January			Correctional Health Audit
Affiliates	**3**								
PCHP		High	Yes	X					Management Request - Review and periodic monitor the delegate entity agreement established between PCHP and Parkland.
Foundation		High	Yes					X	
PCCI		High	Yes					X	
Annuals	**11**								
Quality Assurance Review		Medium	Yes	X					Annual internal review as required by the Institute of Internal Auditor Standards.
RCA Validation		Medium	Yes				X		Validate prior RCA corrective actions have been sustained. Deferred to FY 2023 after consultation with Quality & Risk Management
HIPAA Privacy		High	Yes					X	Annual review that typically includes areas of high concern by the OCR. Collarboration project with Corporate Compliance.
External Audit (Interim & Final)		Medium	Yes	X					Assistance with external audit testing and following up on the prior year deficiencies.
Physical Inventory		Medium	Yes		January				Annual sampling of inventory counts to ensure accuracy. Physical counts begin in September.
HIPAA Self-Monitoring		Low	Yes	X					
Follow-up Monitoring		High	Yes	X					
Treatment Team (1st on call response)		Medium	Yes	X					
Annual Audit Plan		High	Yes	X					
Enterprise Risk Management (ERM)		High	Yes	X					
Audit /GRC Management System RFP & Implementation		High	Yes	X					
39				**27**	**3**	**4**	**2**	**3**	
				69%	**8%**	**10%**	**5%**	**8%**	
Management/BOM Requests	**2**								
COVID-19 Invoice Validation		Medium		X					Validation of invoice accuracy prior to presenting to Dallas County for payment.
Pharmacy Invistics Implementation		Medium		X					Participate in the implementation to enhance drug diversion and inventory understanding and ensure proper internal controls are implemented.
41				**29**	**3**	**4**	**2**	**3**	
				71%	**7%**	**10%**	**5%**	**7%**	

Internal Audit
Fiscal Year 2024 Audit Plan
Update



	Count	Priority	Planned	Completed	Drafting	In Progress / Ongoing	Deferred	Not Started	Comments
2023 Carry Forward	**8**								
UT RVU Payment		High	Yes		January				Validates the accuracy of Third-Pary Administrator (TPA) payments for UT MSA RVU claims.
Network		High	Yes			January			Review of network-layer processes and protections for non-IT controlled applications (i.e. cloud applications).
Vehicles		High	Yes		January				Evaluate whether all Parkland owned vehicles are physically identified and properly accounted for, acquired, maintained, and disposed. Review processes and controls to ensure Parkland policies and procedures and State requirements for ownership/insurance/registration are followed
Disaster Recovery		High	Yes			January			Review of Parkland's procedures designed to ensure disaster readiness - the ability to continue operations during a disaster and recover after the disaster ends.
UT Documentation Review		High	Yes			January			Evaluating the accuracy of UT billed RVU claiims compared to probvider documentation
Telehealth		High	Yes			January			Combine with Virtual Visits and include a review of processes, controls, and regulatory compliance. Ensure IT platform security controls are adequate, and review accuracy of patient charges.
Population Health		High	Yes			January			Evaluation of processes and controls relating to Correctional Health including pharmacy Pyxis medication overrides, completeness of intake medical appointments, evaluation of timely response to safety posts, review of processes for safeguarding assets, and patient requests for health appointments.
Physical Inventory		Medium	Yes		January				FY 2023 Annual sampling of pharmacy and supplies inventory counts to ensure accuracy. Physical counts begin in September.
Audits	**12**								
Assets		High	Yes					X	Review of the control environment to ensure accuracy and completeness of asset records, evaluate processes to ensure safeguarding of assets, and compliance with regulations regarding assets used in patient care.
Payroll		High	Yes					X	End to end review of the payroll process to ensure accuracy and completeness of employee pay,compliance with established procedures, and compliance with applicable regulations.

	Count	Priority	Planned	Completed	Drafting	In Progress / Ongoing	Deferred	Not Started	Comments
Out of State Workers		High	Yes					X	Review for compliance with applicable regulations including Payroll setup, Taxes, Federal & Respective State Law
Contract Labor		High	Yes					X	Review the newly established invoice and payment process to ensure accuracy.
Role Based Access		High	Yes					X	Review of processes for provisioning of badge and IT access rights according to job needs.
Cigna		High	Yes					X	Review to ensure compliance with the contract and accuracy of claim payments.
Patient Scheduling Process		High	Yes					X	Review of the patient scheduling control environment to ensure resources, wait times, and patient experience are optimized.
Patient Registration Process		High	Yes					X	Review the patient registration controls designed to ensure accuracy and completeness of the information recorded.
Virtual Visits		High	Yes			X			End to end review of process including regulatory compliance, IT controls, patient flow, and scope of practice. Determine how doesthe process work, who initiates service, how are vitals taken, who is eligible, established vs new, who staffs, scope of practice maintained, are there wait times, is this tracked, scheduling zip codes.
UTSW		High	Yes			X			MSA - 31 Denials, Third-Party Billing/Payment Analysis, Documentation Review
Parkland/PCHP Delegated Entity Agreement		High	Yes			X			Review of Parkland readiness for Delegated Entity (DE) Audit. Validation of prior action plans from the PCHP DE audit. Review of entity MSA to ensure contract compliance.
Construction Contract/Project Review		High	Yes					X	Review to ensure compliance with the contract and accuracy of invoice payments.
Affiliates	**4**								
PCHP		High	Yes					X	Review of the completeness and accuracy of claim payments.
Foundation		High	Yes					X	Review to be decided using a project-level risk assessment.
PCCI		High	Yes					X	Review to be decided using a project-level risk assessment.
Nursing Homes		High	Yes					X	Oversight, Corrective Action Validation
Annuals	**10**								
Quality Assurance Review		Medium	Yes					X	Annual internal review as required by the Institute of Internal Auditing Standards. Prepare for external review.
Cause Analysis Validation		Medium	Yes					X	Validate prior RCA corrective actions have been sustained. Deferred to FY 2023 after consultation with Quality & Risk Management.
HIPAA Privacy		High	Yes					X	Annual review that typically includes areas of high concern by the OCR. Collarboration project with Corporate Compliance.
External Audit (Interim & Final)		Medium	Yes					X	Assistance with external audit testing and following up on the prior year deficiencies.
Physical Inventory		Medium	Yes					X	FY 2024 Annual sampling of inventory counts to ensure accuracy. Physical counts begin in September.
HIPAA Self-Monitoring		Low	Yes					X	Random sampling of Epic patient record access was appropriate by Internal Audit Services, Corporate Compliance, and Legal Affairs personnel.

	Count	Priority	Planned	Completed	Drafting	In Progress / Ongoing	Deferred	Not Started	Comments
Follow-up Monitoring		High	Yes			X			Routine montoring of previously reported issues and management action plans.
Annual Audit Plan		High	Yes			X			Ongoing idenificationt of key issues and risks in the development of the annual audit plan.
Enterprise Risk Management (ERM)		High	Yes			X			Participation in conducting the annual risk assessment, monitoring of progress of identified risks, and reporting of key institutional risks.
Audit /GRC Management System (RFP & Implementation)		High	Yes			X			Continue evaluation of audit management software that will provide efficiencies in adhering to internal audit standards.
	34			0	3	12	0	19	
				0%	9%	35%	0%	56%	
Management/BOM Requests	**2**								
Pharmacy Invistics Implementation		Medium				X			Participate in the implementation to enhance drug diversion and inventory understanding and ensure proper internal controls are implemented.
Contract Labor		High				X			Attorney Work Product Privilege
	36			0	3	14	0	19	
				0%	8%	39%	0%	53%	

Internal Audit
Fiscal Year 2024 Audit Plan
Schedule

Reporting Months: *January, April, June, August, October*

	Priority	Project Start	Project End	Report Month	Comments
2023 Carry Forward					
UT RVU Payment	High		December 2023	**January**	Validates the accuracy of Third-Pary Administrator (TPA) payments for UT MSA RVU claims.
Network	High		December 2023	**January**	Review of network-layer processes and protections for non-IT controlled applications (i.e. cloud applications).
Vehicles	High		October 2023	**January**	Evaluate whether all Parkland owned vehicles are physically identified and properly accounted for, acquired, maintained, and disposed. Review processes and controls to ensure Parkland policies and procedures and State requirements for ownership/insurance/registration are followed
Disaster Recovery	High		December 2023	**January**	Review of Parkland's procedures designed to ensure disaster readiness - the ability to continue operations during a disaster and recover after the disaster ends.
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Physical Inventory	Medium		October 2023	**January**	FY 2023 Annual sampling of pharmacy and supplies inventory counts to ensure accuracy. Physical counts begin in September.
Audits					
Parkland/PCHP Delegated Entity Agreement	High	October 2023	December 2023	**January**	Review of Parkland readiness for Delegated Entity (DE) Audit. Validation of prior action plans from the PCHP DE audit. Review of entity MSA to ensure contract compliance.
UTSW	High	October 2023	February	**April**	MSA - 31 Denials

	Priority	Project Start	Project End	Report Month	Comments
Virtual Visits	High	October 2023	January	**April**	End to end review of process including regulatory compliance, IT controls, patient flow, and scope of practice. Determine how doesthe process work, who initiates service, how are vitals taken, who is eligible, established vs new, who staffs, scope of practice maintained, are there wait times, is this tracked, scheduling zip codes.
Contract Labor	High	January	May	**June**	Review the newly established invoice and payment process to ensure accuracy.
Out of State Workers	High	January	April	**June**	Review for compliance with applicable regulations including Payroll setup, Taxes, Federal & Respective State Law
Patient Scheduling Process	High	January	April	**June**	Review of the patient scheduling control environment to ensure resources, wait times, and patient experience are optimized.
Payroll	High	January	April	**June**	End to end review of the payroll process to ensure accuracy and completeness of employee pay,compliance with established procedures, and compliance with applicable regulations.
Role Based Access	High	January	April	**June**	Review of processes for provisioning of badge and IT access rights according to job needs.
Construction Contract/Project Review	High	May	July	**August**	Review to ensure compliance with the contract and accuracy of invoice payments.
Patient Registration Process	High	April	July	**August**	Review the patient registration controls designed to ensure accuracy and completeness of the information recorded.
Assets	High	April	August	**October**	Review of the control environment to ensure accuracy and completeness of asset records, evaluate processes to ensure safeguarding of assets, and compliance with regulations regarding assets used in patient care.
Cigna	High	April	September	**October**	Review to ensure compliance with the contract and accuracy of claim payments.
UTSW	High	October 2023	September	**October**	Third-Party Billing/Payment Analysis
UTSW	High	October 2023	September	**October**	Documentation Review
Affiliates					
Foundation	High	November	February	**April**	Review to be decided using a project-level risk assessment.
Nursing Homes	High	January	May	**June**	Oversight, Corrective Action Validation
PCHP	High	February	June	**August**	Review of the completeness and accuracy of claim payments.
PCCI	High	April	July	**August**	Review to be decided using a project-level risk assessment.

	Priority	Project Start	Project End	Report Month	Comments
Annuals					
HIPAA Privacy	High	February	May	**June**	Annual review that typically includes areas of high concern by the OCR. Collarboration project with Corporate Compliance.
Annual Audit Plan	High	October 2023	September	**August**	Ongoing idenificationt of key issues and risks in the development of the annual audit plan.
Quality Assurance Review	Medium	June	September	**October**	Annual internal review as required by the Institute of Internal Auditing Standards. Prepare for external review.
Cause Analysis Validation	Medium	June	September	**October**	Validate prior RCA corrective actions have been sustained. Deferred to FY 2023 after consultation with Quality & Risk Management.
Follow-up Monitoring	High	October 2023	September	**Bimonthly**	Routine montoring of previously reported issues and management action plans.
Enterprise Risk Management (ERM)	High	October 2023	September	**NA**	Participation in conducting the annual risk assessment, monitoring of progress of identified risks, and reporting of key institutional risks.
Audit /GRC Management System (RFP & Implementation)	High	October 2023	September	**NA**	Continue evaluation of audit management software that will provide efficiencies in adhering to internal audit standards.
External Audit (Final)	Medium	October 2023	November 2023	**NA**	Assistance with external audit testing and following up on the prior year deficiencies.
External Audit (Interim)	Medium	June	July	**NA**	Assistance with external audit testing and following up on the prior year deficiencies.
Physical Inventory	Medium	September	October	**January 2025**	FY 2024 Annual sampling of inventory counts to ensure accuracy. Physical counts begin in September.
HIPAA Self-Monitoring	Low	September	October	**January 2025**	Random sampling of Epic patient record access was appropriate by Internal Audit Services, Corporate Compliance, and Legal Affairs personnel.
Management/BOM Requests					
Pharmacy Invistics Implementation	Medium	October	September	**NA**	Participate in the implementation to enhance drug diversion and inventory understanding and ensure proper internal controls are implemented.
Contract Labor	High	October	TBD	**TBD**	Attorney Work Product Privilege

Internal Audit
Fiscal Year 2024 Audit Plan
Audit Cycle

	Count	Priority	Planned	Annually	Every 2 Years	Every 3 Years
Annuals	**19**					
Quality Assurance Review		Medium	Yes	X		
External Audit (Interim & Final)		Medium	Yes	X		
Physical Inventory		Medium	Yes	X		
HIPAA Self-Monitoring		Low	Yes	X		
Follow-up Monitoring		High	Yes	X		
Annual Audit Plan		High	Yes	X		
Enterprise Risk Management (ERM)		High	Yes	X		
Audit /GRC Management System (RFP & Implementation)		High	Yes	X		
Cause Analysis Validation		Medium	Yes		X	
HIPAA Privacy		High	Yes		X	
Drug Diversion		High	Yes		X	
Cash Monitoring		High	Yes		X	
Information Security (Cyber)		High	Yes		X	
Population Health		High	Yes		X	
Revenue Cycle		High	Yes		X	
Supply Chain		High	Yes		X	
UTSW Agreement		High	Yes		X	
Sanction Screening Process		High	Yes		X	
Treatment Team (Provider 1st on-call response)		Medium	Yes			X
	19			**8**	**10**	**1**
Affiliates	**4**					
PCHP		High	Yes	X		
Foundation		High	Yes		X	
PCCI		High	Yes		X	
Nursing Homes		High	Yes			X
	23			**9**	**12**	**2**

Internal Audit Services

Audit Follow-up Report Summary

September 01, 2023 – October 5, 2023

	Overall					Current Period Activity		
Session Type	Number of Audits	Number of Audits Greater than a Year Old	Number of Issues Reported	Number of Issues Addressed to Date	Number of Open Issues	Audits Closed During Period	Number of Issues Addressed	Number of Issues Where Management Accepted the Risk
Open Session	**8**	**3**	**39**	**16**	**23**	**0**	**0**	**0**
Executive Session	**7**	**3**	**46**	**19**	**27**	**0**	**1**	**0**

Parkland | *Care. Compassion. Community.*

Internal Audit
Follow-Up Report

AUDIT COMMITTEE OPEN SESSION
October 11, 2023

Progress Trend Legend

↑ ***Ascend*** – significant progress, closure likely and approaching

↪ ***Forward*** – moderate progress in the right direction

⇆ ***Divergent*** – progress limited, at risk of descending

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Audit	Issue	Action Detail	Status	Action Needed	Risk to Parkland if Corrective Actions are Not Implemented
19-08 COPC ↪	19-08 Compliance with Advance Beneficiary Notice (ABN) Procedures and Regulatory Requirements	Action: 19-08 ABN Denial Review Process Action Owner: Eboni Joseph-Wilson Executive: Edmundo Castaneda Action Due Date: 7/31/2023 **New Action Due Date: 9/30/2023** % Complete: 80	As of 10/5/2023, the new ABN process application is in production. IAS is monitoring progress.	Parkland needs to review all Parkland clinical charge codes prior to implementing the new EPIC ABN application.	Failure to implement corrective actions could result in non-compliance with federal/state billing regulations and could subject Parkland to regulatory sanctions, civil and/or criminal penalties and negative publicity. If under billing it would result in lost revenue.
19-12 Revenue Cycle ↑	19-12 Missing Charges	Action: 19-12 Supply Charges - Perioperative Services Action Owner: Vic Summers Executive: Richard Humphrey Action Due Date: 1/31/2024 % Complete: 90	IAS is currently retesting.	Peri-Operative Management needs to ensure that GI supply items that have crossed the Clinical Bridge are charged completely, accurately and timely.	Failure to implement corrective actions could result in non-compliance with federal/state billing regulations and could subject Parkland to regulatory sanctions, civil and/or criminal penalties and negative publicity. If under billing it would result in lost revenue.
20-11 Consignment Process ↪	20-11 Pricing Inconsistencies Were Identified	Action: 20-11 Pricing Inconsistencies - Perioperative Services Action Owner: Mary Alexander Executive: Pamela Bryant Action Due Date: 1/31/2024 **New Action Due Date: 2/28/2024** % Complete: 75	IAS retested and identified a control gap on how the latest contract price is not being pulled correctly from INFOR into EPIC. The go live date for Phase of the perpetual inventory is scheduled for completion for November 2023. Supply Chain will bring the Consignment inventory into the perpetual inventory in Phase II of this project.	Supply Chain - Needs to develop a system to ensure prices for consignment items are current and updated in INFOR, and to ensure current contract prices are reflected in INFOR. There is a flag in INFOR to ID consignment; however, Supply Chain is not currently using this flag. Supply Chain wants to implement a Perpetual Inventory System and work with INFOR to identify and separate Consignment from Parkland Owned supplies.	Failure to implement corrective actions could result in non-compliance with federal/state billing regulations and could subject Parkland to regulatory sanctions, civil and/or criminal penalties and negative publicity. If under billing it would result in lost revenue. Potential of co-mingling consignment with Parkland owned supplies. Potential of not being able to determine consignment expenditures if combined with Parkland owned inventory. Potential negative publicity associated with non-compliance with billing regulations.
	20-11 Tracking and Monitoring of Consignment Items Were Lacking	Action: 20-11 Tracking and Monitoring of Consignment Items were Lacking Action Owner: Mary Alexander Executive: Pamela Bryant Action Due Date: 1/31/2024 % Complete: 75	Supply Chain is working on building Parkland's Perpetual Inventory for Surgical Services. Supply Chain and Surgical Services team are developing new processes and making some physical changes to restrict access to protect the integrity of inventory counts. Currently, Supply Chain is monitoring and tracking consignment manually as reported previously.	Supply Chain needs to implement a Perpetual Inventory System and work with INFOR to identify and separate Consignment from Parkland Owned supplies.	Potential non-compliance with federal/state billing regulations could subject Parkland to regulatory sanctions, and civil and/or criminal penalties. Potential of over/under billing. Potential of co-mingling consignment with Parkland owned supplies. Potential of not being able to determine consignment expenditures if combined with Parkland owned inventory.
	20-11 The Recall Process Is Decentralized	Action: 20-11 The Recall Process Is Decentralized Action Owner: Michael Lane Executive: Roberto de la Cruz Action Due Date: 6/30/2023 % Complete: 40	A team representing Quality & Safety Operations, Safety & Clinical Risk Management and Supply Chain has: 1. Completed a cross walk of Parkland's current Recall process design and organizational reporting policies and have aligned them. 2. Identified a gap in the stated policies and that there is not a clinical assessment for timing of removing items from shelves, need for patient disclosure, etc. 3. Identified the need to add a position to support Parkland's Recall Process. This position will report to the Quality & Safety Operations department.	Quality & Safety Operations, Safety & Clinical Risk Management and Supply Chain need to centralize the recall process and finalize the recall policy.	Potential patient safety if the identification of recall products are not identified and communicated to the affected providers and patients. Potential for inconsistent oversight, management, documentation of issues and corrective response. Potential negative publicity associated with non-compliance with patient safety recall communication and processes.

Internal Audit
Follow-Up Report

AUDIT COMMITTEE OPEN SESSION
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Audit	Issue	Action Detail	Status	Action Needed	Risk to Parkland if Corrective Actions are Not Implemented
22-03 Procurement and Contracting ↪	22-03 Procurement and Contracting	Action: 22-03 Requisition Approvals Action Owner: James Floyd Executive: Pamela Bryant Action Due Date: 6/30/2023 % Complete: 50	IAS and Supply Chain Senior Management will be meeting to discuss corrective actions.	Supply Chain needs to ensure that administrative and system boundaries are reviewed and established between a requester and someone approving a requisition or a purchase order or implement additional controls to monitor the individual's activity.	Without adequate separation of duties, unauthorized purchases could occur
	22-03 Evaluation Forms were Incomplete	Action: 22-03 Evaluation Forms were Incomplete Action Owner: James Floyd Executive: Pamela Bryant Action Due Date: 8/31/2023 % Complete: 90	IAS and Supply Chain Senior Management will be meeting to discuss corrective actions.	Supply Chain needs to establish a process to revisit evaluation forms for accuracy of calculations and completion of evaluation forms as a precursor to award of contract.	Incomplete documentation may limit Parkland's ability to defend a legal challenge with an unselected vendor.
22-06 Talent Acquisition ↑	22-06 Inefficient Execution and Monitoring of Sign-On Agreement Process	22-06 Agreement Review, Execution and Monitoring Action Owner: Stacy Dorsey Executive: Felicia Miller Action Due Date: 7/31/2023 New Action Due Date: 8/31/2023 % Complete: 90	Ready for Retesting. TA Management is reviewing supporting documentation for completeness before sending the IAS.	The Office of Talent Management (OTM) needs to: Develop a process to ensure that agreements are adequately reviewed, timely executed, and monitored post execution; and The process should clearly define the responsible parties throughout the lifecycle and include training.	Inability to recover funds paid to attract and retain new hires who failed to meet the agreement.
		22-06 Implement processes and controls related to recovering funds from sign-on bonus breaches Action Owner: Stacy Dorsey Executive: Felicia Miller Action Due Date: 7/31/2023 % Complete: 90		The Office of Talent Management (OTM) needs to continue to work with Accounting and Legal Affairs to improve the processes and controls related to recovering funds from sign-on bonus breaches, possibly via automation. All processes should be reviewed and approved by the Legal Department prior to implementation.	
	22-06 Inconsistent Reporting and Monitoring of Talent Acquisition Service Level Agreements	22-06 Inconsistent Reporting and Monitoring of Talent Acquisition Service Level Agreements Action Owner: Stacy Dorsey Executive: Felicia Miller Action Due Date: 10/31/2023 % Complete: 85	TA leadership team is redesigning the SLAs and will complete this work by the end of FY23 to be rolled out in FY24.	OTM needs to: Evaluate the Service Level Agreements (SLA) to ensure they are measurable and develop a process to attain and retain appropriate documentation; and Ensure that the SLA and OTM Reporting definitions align.	Untimely hiring process, and poor working relationships with hiring leaders.
	22-06 Inefficient Identification of Internal Candidates	22-06 Inefficient Identification of Internal Candidates Action Owner: Stacy Dorsey Executive: Felicia Miller Action Due Date:10/31/2023 % Complete: 90	Ready for Retesting. TA Management is reviewing supporting documentation for completeness before sending the IAS.	OTM needs to: Ensure that the identification of internal candidates is addressed and documented during the intake meeting; Review the Interview process and develop documentation guidelines and responsibilities to share with hiring leaders; and Ensure that complete and proper documentation is maintained when moving candidates from one requisition to another.	Decreased employee retention leading to increased costs associated with external recruitment, and lack of employee engagement.

Internal Audit
Follow-Up Report

AUDIT COMMITTEE OPEN SESSION
October 11, 2023

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Audit	Issue	Action Detail	Status	Action Needed	Risk to Parkland if Corrective Actions are Not Implemented
	22-06 Deficiencies in the use and retention of documentation used in the Offer Process	22-06 Offer Process Documentation Retention Action Owner: Stacy Dorsey Executive: Felicia Miller Action Due Date: 7/31/2023 **New Action Due Date: 10/31/2023** % Complete: 85	The TA recruiting was trained on Retention of Salary Offer Tool (SOT) documents on 9/28/2023, will be ready for testing in October.	Compensation needs to improve the Salary Offer Tool and collaborate with Talent Acquisition leadership to implement a QA process to ensure the proper use of the tool, compensation review process and documentation of all necessary support involved process. Talent Acquisition should collaborate with Records Information Management in Legal Affairs to ensure Parkland's record retention is compliant with regulatory requirements.	Non-compliance with document retention requirements established by the Equal Employment Opportunity Commission, and internal policies and procedures.
	22-06 Inadequate retention and preservation of Signed Application Disclosure and Authorization Forms for Background Checks	22-06 Retention and Preservation of Signed Authorization Forms Action Owner: Stacy Dorsey Executive: Felicia Miller Action Due Date: 10/31/2023 % Complete: 75	TA leadership team confirming if there is an OTM specific retention policy and if Parkland's Contract Department has the appropriate contracts in place. In addition, the team is documenting the monitoring process that ensures that forms are completed every time before a background check is run.	OTM needs to address the storage and retention of data developed during the Group One contract post the agreed retention period.	Inability to produce required hiring process documentation to support hiring decisions and compliance with Equal Employment and Opportunity Commission and Department of Labor regulations.
	22-06 Consent and Release of Liability Forms for Health and Drug Screening are not adequately reviewed and maintained	22-06 Review and Maintenance of Consent and Release of Liability Forms Action Owner: Vic Summers Executive: Richard Humphrey Action Due Date: 7/31/2023 % Complete: 90	IAS is currently retesting. In order to complete retesting IAS is waiting on additional documentation from Occupational Health.	Occupational Health needs to review and modify the existing Consent and Release of Liability Form and Parkland's Office of Talent Management Drug Free Workplace Policy & Procedure to ensure they align with one another. Occupational Health also needs to develop a process to ensure adequate review and maintenance of all signed forms.	Increased risk for unfavorable position in an unemployment case or lawsuit arising from a drug test.
23-06 Out of County Process ⇆	23-06 County Notification Process is Inconsistent	23-06 County Notification Process is Inconsistent Action Owner: Gerry Baker Executive: Richard Humphrey Action Due Date: 7/31/2023 % Complete: 10	Revenue Cycle has been advised by Senior Management to continue with current practice of calling and faxing provider notification and send bills.	Revenue Cycle needs to ensure notification and billing criteria align with management expectations and the Indigent Health Care and Treatment Act (Act). Review the notification process with PFS staff to ensure notifications are sent to the counties on a timely basis; and Review the Act to ensure all requirements are being met. Implement a quality assurance process.	The lack of proper notification may prevent reimbursements from counties.
	23-06 Lack of Payments Received	23-06 Lack of Payments Received Action Owner: TBD Executive: TBE Action Due Date: TBD % Complete: 10	Revenue Cycle has been advised by Senior Management to continue with current practice of calling and faxing provider notification and send bills.	Revenue Cycle needs to ensure Parkland receives maximum reimbursement from counties and monitor outstanding balances to ensure timely collection of payments.	Parkland is missing out on potential reimbursement due to not following state regulations with notifications not being sent timely to counties

Internal Audit
Follow-Up Report

AUDIT COMMITTEE OPEN SESSION
October 11, 2023

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Audit	Issue	Action Detail	Status	Action Needed	Risk to Parkland if Corrective Actions are Not Implemented
23-11 EPIC-Intelligent Documentation Methods ↑	23-11 Monitoring Controls are Lacking Ensuring Note Integrity	23-11 Monitoring Controls are Lacking Ensuring Note Integrity Action Owner: Mandy Transou Executive: Gerry Baker Action Due Date: 10/31/2023 % Complete: 10	As of September 1, 2023, the Health Record Governance (HRG) committee, which includes clinicians, will reinstate monitoring. The HIM department will monitor for 100% cloning of H&P's, progress notes, and monthly data for individuals consistently above 99% copied, with any concerns escalated to the author's Chief of Service. In addition, the data/findings will be reported to the HRG committee, Executive Compliance Committee, and Medical Executive Committee.	Health Information Management (HIM) needs to monitor the use of medical software predictive text.	Potential complacency could lead to default documentation, impacting coding accuracy, diagnosis representation, and overall patient care quality.
23-21 Patient Property ↑	23-21 Ineffective Property Management	23-21 Organizational Project to Redesign Patient Property Workflow (Including Procedure Updates, Training, and Monitoring) Action Owner: TBD Executive: TBE Action Due Date: TBD % Complete: 10	Management is forming a workgroup to develop a process for the handling of patient property across the organization. This process involves the coordination with multiple departments including Nursing Services (all), the Police Department, and Patient Financial Services. An executive sponsor for the project will be determined.	With assistance from the Enterprise Project Management Office, departments involved in the patient property workflow need to work together to establish best practices for the collection, storage, retrieval and return of patient property. Procedures should be updated to incorporate these practices, employees should be educated on the updated procedures, and monitoring should be performed to ensure that the procedures are implemented. Action plans should ensure that the following areas are addressed: • Patient property is labeled. • Patient property is returned to patients/authorized representatives at discharge, and the return is documented. • Property locations are accurately documented. • The disposition of deceased patients' valuables is accurately documented. • Belongings flowsheet entries are complete and timely. • Correct amounts of unclaimed cash are remitted to the Comptroller. • Identities of individuals who withdraw valuables from the Cashier's Office are verified. • PFS supervisors' review of patient valuable envelopes' contents is documented.	Ineffective management of property could result in patient dissatisfaction.
	23-21 Inaccurate Property Documentation				Inaccurate property documentation could lead to delays in retrieving property, incomplete chain of custody records, and patient dissatisfaction.
	23-21 Exclusion of Soiled Cash from Unclaimed Property Payment to Comptroller				Remitting incorrect amounts to the Comptroller could result in non-compliance with the Texas Property Code.
	23-21 Incomplete Property Documentation				Incomplete documentation could result in property being left behind when patients transfer to different units or leave Parkland.
	23-21 Untimely Inventory of Patient Belongings				Untimely inventories could result in patient belongings not being identified and inaccurate records.
	23-21 No ID Provided When Picking Up Patient Valuables				Releasing valuables without verifying the requestor's identity could result in unauthorized individuals obtaining patient property.
	23-21 Illegible Signature on Patient Valuable Envelope				Not validating the contents of patient valuable envelopes could result in patients holding Parkland responsible for valuables that were not brought into the hospital.

Internal Audit
October 2023 Audit Committee
Reports Summary (Open Session)

Parkland

Audit Title	Objective	Significance	Results/Conclusion	Follow-up
Importance Rating – High				
23-03 Chargemaster	The review was conducted to determine if Parkland has a logical, structured, and authorized process for maintaining the Chargemaster	This area received a High-risk rating for importance due to the significant financial impact to both the District and to Parkland patients.	Overall, guiding principles are in place for directing accuracy and standardization of Parkland's Chargemaster; however, practices do not consistently reflect established processes. Validation of base rates used for pricing is needed to validate the source and effective date of the information so that the appropriate mark-up can be applied. Further, care should be given to thorough review of chargemaster processing prior to finalization to ensure processing reflects CDM policies and procedures. **Performance Rating: High**	**Committee** None **IAS** Routine Follow-up process
23-13 Remote Clocking	The objective of the audit was to review remote clocking functionality, ensure policies properly communicate remote work expectations, identify any controls in place to prevent abuse and ensure remote employees' productivity is being monitored.	The importance of this audit is listed as high because the abuse of remote clocking capabilities can lead to major workforce issues, such as poor productivity and overpayments.	Opportunities for improvement include revising Parkland's policies to detail the process for obtaining approval/access to remote clocking, and to provide further guidance on when remote clocking should or should not be allowed. Department managers should be given the tools they need to monitor employee use of remote clocking capabilities and to monitor the productivity of employees working offsite. **Performance Rating: Medium**	**Committee** None **IAS** Routine Follow-up process
Importance Rating – Medium				
Importance Rating – Low				

Parkland

Prepared By
Vic Summers

Prepared For
Audit Committee Meeting
October 2023

Audit Title	23-03 Chargemaster Audit
Performance Rating - Importance Rating	High – High
Audit Group	Internal Audit
Audit Start Date	03/20/2023
Audit End Date	10/11/2023
Auditors	D'Les Jones, Senior Compliance Auditor
Audit Type	Annual Audit Plan

Distribution List

Frederick Cerise, MD	President and Chief Executive Officer
Edmundo Castañeda, FACHE	Executive Vice President and Chief Operating Officer
Richard Humphrey	Executive Vice President and Chief Financial Officer
Pamela Bryant	Senior Vice President and Chief Supply Chain Officer
Joseph Longo	Senior Vice President and Chief Information Officer
Gerry Baker	Senior Vice President, Revenue Cycle
Vivian Johnson	Senior Vice President, Clinical Services
Carrie Berge	Vice President, Pharmacy Services
Tabitha Lee	Vice President and Controller, Finance
Paris Branch	Director, PFS Revenue Cycle-CDM

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Importance Risk Rating 4
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Background

Charge Description Master (Chargemaster/CDM) maintenance is an on ongoing process to ensure that procedures, drugs, and supplies are accurately charged and compliant with Medicare and/or payer regulations. Organizational processes should ensure a complete, maintained, and connected Chargemaster. To that end, responsibility for maintaining a current Chargemaster is shared by the CDM department, clinical service areas, and IT.

Vital ware software is used for housing the CDM database and processing of any needed changes. In addition to CDM staff, department specific users are granted security access for viewing their department's CDM and submitting requests for adds, changes and inactivations. Each department is assigned a specific Route (template/workflow) for CDM requests with each route containing multiple processing/approval steps. Requestors can log in to Vital ware to see the status of their requests and review notes associated with processing (questions submitted by the CDM Staff, requests for missing information and/or Denial of request). Note: Pharmacy Administrative Services is responsible for assignment of drug descriptions, numbering, coding, and pricing and submits the request to the CDM department for finalization into the Electronic Analysis of Procedures (EAP)

Each CDM request is accompanied by a Service Now request. IT uses the corresponding Service Now request for linking applicable CDM items in EPIC to aid in efficient charge capture or connectivity with the applicable EPIC charging module (i.e., back-end processes to add item to Pref Lists, Charge Router Screens, OpTime, Willow, etc.)

Audit Purpose/Rationale

Internal Audit Services (IAS) performed a review of Parkland's Chargemaster as part of the annual audit plan. The review was conducted to determine if Parkland has a logical, structured, and authorized process for maintaining the Chargemaster.

IAS performed a review of Vital ware requests for the period covering October 2022 through March 2023. A sample of 19 CDM requests covering all routes was selected to ensure Chargemaster items were processed in accordance with established Chargemaster processes. Additionally, IAS reviewed policies and procedures, CDM connectivity, Annual update of the Chargemaster and review for any instance of Fraud, Waste or Abuse.

IAS reviewed for the following attributes:

A. CDM Item Description
B. Current Procedural Terminology (CPT)/Healthcare Common Procedure Coding System (HCPCS)
C. Revenue Code
D. Pricing
E. Numbering Convention/Procedure Category
F. EPIC ID
G. Separation of Duties in processing request
H. Review of Like Items
I. Connectivity in EPIC

Performance Risk Rating: **High**

This audit received a High-risk rating due to weak safeguards to ensure all CDM items are processed in compliance with Parkland CDM policies and regulatory guidelines.

Importance Risk Rating: **High**

This area received a High-risk rating for importance due to the significant financial impact to both the District and to Parkland patients.

Risk Rating Legend

Top Performance	• Controls are functioning as intended • Corrective action plan, if any, is simple	99-100
Low Risk	• Zero or minor weaknesses identified • Controls are functioning with minor errors or gaps identified • Corrective action plan, if any, is straightforward	95-98
Medium Risk	• Controls are present, but not yet effective or sufficient and major issues noted that could jeopardize the accomplishment of business objectives • May include a pattern of multiple minor weaknesses or newly identified findings • Corrective action plan to remediate will be moderately complex	90-94
High Risk	• Controls not yet identified, not yet implemented, ineffective or insufficient; not functioning as intended and is a contributing factor to non-achievement of business objectives • May include a pattern of moderate or significant weakness such as “second generation” findings • Corrective action plan to remediate will be complex	Below 90

Audit Conclusion

Overall, guiding principles are in place for directing accuracy and standardization of Parkland's Chargemaster; however, practices do not consistently reflect established processes. Validation of base rates used for pricing is needed to validate the source and effective date of the information so that the appropriate mark-up can be applied. Further, care should be given to thorough review of chargemaster processing prior to finalization to ensure processing reflects CDM policies and procedures. Areas where controls function as intended include the following:

Top Performance

- Assignment of Current Procedure CPT/HCPCS Code
- Assignment of Revenue Code
- Assignment of EPIC ID
- Review of Like Items
- Annual Pricing Review and Update

Issues/Findings

Issue 1: CDM Pricing is not reflective of Parkland Pricing Policy
Risk Rating: High

Pricing of CDM items for 9 of 14, (64%) requests reviewed did not reconcile with Parkland’s 2022/2023 pricing policy. The following exceptions were noted:

The annual pricing update applicable to FY 2023, effective 10/1/22 through 9/30/23, is applied to bring existing CDM items up to FY 2023 pricing (proposed 4% increase). For new CDM items added to the Chargemaster between 10/1/22 and 12/31/22, the base rate (Ambulatory Payment Classification (APC), Medicare Physician Fee Schedule (MPFS), Acquisition Cost, Contract Rate, etc.) is reflective of 2022 cost and would need the annual rate increase applied to reflect current FY 2023 pricing. For CDM items added 1/1/23 and following, the base rate would reflect 2023 pricing and would not need the annual rate increase applied to reflect current FY 2023 pricing.

- Three requests utilizing 2022 or prior base rates were priced without application of the 10/1/22 Annual Pricing Update.
- Four requests utilizing 2023 base rates were priced with application of the 10/1/22 Annual Pricing Update.
- Base rates applied in pricing one request could not be validated.
- Acquisition Cost for two requests was unsupported and thus not validated in processing.
- IAS additionally reviewed pricing on a sample of 40 drugs billed out of the Willow Pharmacy Module. For 4 drugs reviewed, the AWP used in pricing, was unsupported.

  Note: Section FN 50.0/ Charge Schedules/Price Lists from Parkland's Records Retention policy directs records supporting cost reports with inclusive time periods (2008 - 2022) must be maintained until the cost reports have been settled.

Recommendation

Pricing of CDM request items should adhere to Parkland's pricing policy to ensure a structured and accurate process for maintaining the Chargemaster.

Management Response:

Gerry Baker, Senior Vice President, Revenue Cycle

Action Plan:

You are correct in that charges that are in our CDM prior to the rate change are subject to the annual rate change. However, charges that are not in EPIC prior to the rate change will not be evaluated for a rate change until our next rate change analysis for the upcoming fiscal year.

Applying a markup to items added to our CDM after our annual rate change is not in our procedure document 8213-3-5. Therefore, our Pricing Procedure document will be updated to establish clear expectations related to pricing new procedures added to the CDM after the implementation of a fiscal year rate change on October 1. Annual rate changes will be applied to items currently in the CDM prior to the October 1 rate change implementation date. Procedures that are not in EPIC prior to the rate change will not be evaluated for a rate change until our next rate change analysis for the upcoming fiscal year. Additionally, we will continue to use the First quarter's APC rates for the beginning of the calendar year (January) as the foundation for markup on our charges. The First Quarter's APC rate will be used the entire calendar year, January thru December. Again, this would mean that new items add to our CDM after our rate change on October 1, will not receive a rate change until the next evaluation period. The issue of applying a markup to items added after the rate change on October 1, was addressed with the CDM analysis months ago as this was an old practice that is not part the established procedure document.

The pricing policy will be updated to reflect our current practice as stated above.

Target Completion Date: October 31, 2023

Issue 2: CDM requests were are not processed timely and accurately.
Risk Rating: High

The CDM department does not have formal metrics for processing requests; however, the department goal is 30 days from receipt of a "clean" request to input into Production.
The total population of requests submitted during the audit scope period, October 2022 through March 2023, totaled 147. These requests represented Approved, Denied and Submitted *States* from both the Parkland CDM file and the Parkland Supply file. Twenty-six percent of requests submitted during the review period were processed in greater than 30 days.

- 74% were processed in 0-30 days (109 requests)
- 14% were processed in 31-60 days (21 requests)
- 12% were processed in greater than 60 days (17 requests processed from 63 to 159 days)

Delay in processing requested CDM items negatively impacts provision of patient care and risks expiration of contract rates affecting pricing for OPTIME supplies.

The following was noted during the review:

- **Descriptions incompatible with assigned CPT/HCPCS coding** – One request contained 2 lines items (CPT 13152 and 15004) in which Descriptions did not match the CPT code Description. Descriptions in error were copied from CPT 13151. Note: these descriptions were processed incorrectly in the 12/15/22 and 12/29/22 EAPs and subsequently corrected in the 1/12/23 EAP.

- **Incorrect Numbering Convention and assignment of Procedure Category** – One request included two Procedure line items assigned the wrong numbering convention and category for the item type. (i.e., assigned a prefix of 100xxx to the Procedure number (designated for supplies) and a category of Charge Material Services (designated for supplies).

- **Lack of Separation of Duties in processing CDM requests** – One request showed evidence of the Analyst Input and Analyst Review tasks performed by the same individual.

- **Education needed for completion of Service Now requests** – CDM items for 5 of 15, (33%) requests reviewed did not show evidence of the items linked in EPIC to facilitate timely and efficient charge capture. (i.e., linked to preference lists, charge screens, charging module, etc.). Note: OPTime supplies not linked to the OPTime tables effects pricing for supplies as amounts are based on real time costs for the item pulled from Infor. The Service Now requests did not adequately detail where the item should be linked in EPIC.

- **Insufficient support for recording Drug Replacement expense** -
Information submitted as support for monthly Drug Replacement expense is insufficient for validating drugs and quantity received for a given timeframe. The Provider Assistance Program (PAP) Receipts Log provided to Accounting for recording expense, identifies the drug, amount received and the dollar amount of cost avoidance. The log does not identify the related patient approved for the program. Further, support for each drug listed on the monthly report is not readily available for validation. i.e., support includes individual packing slips maintained manually in the Pharmacy department. Without drug information (name/quantity) provided at the patient level, the log cannot be validated for patient eligibility and entries to the general ledger are not fully supported.

Recommendation

CDM requests should be processed in a timely manner to ensure availability of charging for services rendered. Thorough review of chargemaster processing prior to final approval is recommended to ensure compliance with CDM policies and procedures.

Supporting documentation for Drug Replacement expense transactions should be available at the time the entry is submitted to substantiate accuracy and appropriateness of the transaction.

Management Response:

Gerry Baker, Senior Vice President, Revenue Cycle

Action Plan:

Descriptions incompatible with assigned CPT/HCPCS coding:
There are multiple factors applied when assigning a billing description. The use of AMA's CPT descriptions is used as a guideline/recommendation only for establishing a procedures' description. Our process is to default to AMA when possible, however our CDM analyst will also consider the needs of the requestor, charges already in our CDM with the same CPT/HPCPS and work collaboratively with the requestor to establish the best description for that procedure that will maintain the integrity of the procedure being charged.

Lack of Separation of Duties in processing CDM requests:
There are only two Analyst currently staffed for this position with multiple stages in processing a CDM request. However, the final reviewer in any CDM request will always be different than the person entering the data into the system.

Education needed for completion of Service Now requests:
The current Service Now process was developed as a tool to establish communication between Revenue Integrity, the requestor, and IT to ensure charges are linked/connected so that IT and the requestor can work together on how they would like to drop the charges created by the RICDM team. Each requestor went through this setup and training with the previous manager over the CDM about two years ago. Each requestor, understands and actively initiates the service now tickets that provides notification to the IT team that a request has been initiated by this requestor and that a CDM procedure number will be sent to them upon completion of the CDM review portion of this process.

Evidence of items linked should be contained in the Service now ticket as this was the rationale behind creating this workflow. However, I do agree that an enhancement to our process would be to validate that the connection has been made by IT and document this in our notes contained in Vitalware.

Ideally, the goal is to complete a clean CDM request within 30 days. However, this goal is only attainable with the assistance of the requestor, Supply Chain, Supply informatics, and EPIC IT processing their part of the CDM request timely. As this audit has determined there is a known issue related to the processing of CDM requests related to supplies. **What has not been called out and identified as an issue in this audit is the lack of policies and procedures from the Supply Chain/Supply informatics teams that's required to complete a CDM request in less than 30 days. Without ownership and turnaround time of their portion of a CDM request documented from this team, achieving the CDM's goal of processing supply requests in less than 30 days will be difficult to obtain.** Additionally, to achieve the goal of processing CDM request within 30 days, I believe a project manager is required to assist with creating a workflow to identify Supply Chain owners of the various parts related to a CDM request. As you have seen with this audit, no one from the supply chain team is willing to take ownership of this part.

Recently, the RICDM team was approved to hire additional staff to assist with the processing of CDM requests (September 20, 2023). Therefore, we are now in the beginning stages of the recruitment

process. This recruitment process is expected to have an extended timeline due to the specificity of skills required to fulfil this role. This increase in staff will augment our ability to process CDM requests timelier.

Target Completion Date: March 31, 2024

Management Response:

Carrie Berge, Vice President, Pharmacy Services

Action Plan:

The Patient Assistance Program (PAP) submits to accounting monthly an End of Month Report detailing the free drug cost avoidance for the pharmacy department for drugs received during the month. The supporting documentation contains the name of the medication, amount received, and the cost avoidance. This report is obtained from the Medication Assistant Web portal.
Going forward, in addition to the PAP receipts log provided to accounting for recording expenses to identify the drug, and the dollar amount of cost avoidance. Pharmacy will work with drug assistant vendor to optimize and validate the "Export Orders Received report" in the patient assistance software (drug assistant) which is a patient level report containing the name of the medications and quantity received per patient during a specified date range.
This report is available in the patient assistance software and can be retrieved on demand if it is requested by an auditor and will meet the ask in the internal audit recommendation.
This report will only be provided on demand as accounting has informed pharmacy, they do not need patient level data because the reports pharmacy provides to accounting can be viewed by all employees in the entire organization and will expose PHI.

In the longer term, Parkland Pharmacy has recently added a perpetual inventory system with Epic. We are exploring options for incorporating free drug receipts into inventory and changing to a recording on Parkland financials as revenue/drug expense when dispensed to a patient. This would be a new process and would require input from all stakeholders for project planning and approvals. We plan to review opportunity with Epic, Finance, Pharmacy and Internal Audit along with the Accounts Payable enhancement to Epic and Willow Inventory in FY24.

Target Completion Date:

March 8, 2024 (revision Drug Assistant reports)
End of FY24 for review and planning of possible alternative free drug inventory and reporting options.

Issue 3: Policies and procedures are not current and do not reflect all CDM processes.
Risk Rating: Medium

Policies have not been updated routinely and do not adequately address all elements of CDM processing.

- Procedure 8213-3-5 Chargemaster Description Master Pricing is not up-to-date. The published procedure is reflective of 2021 pricing (published 4/5/21) and does not include all categories for pricing.

- Documented procedures do not include a defined process for set up of OPTIME Supplies. Processing of OPTIME Supply items is a shared process between CDM, Supply Chain Infor and IT - EPIC. Lack of a formal process lined out for each group is negatively impacting length of time it takes to process charges for delivery of care.

- Documented processes do not detail all information needed to guide users in submission and processing of Service Now requests (i.e., specific information that should be included in the request and monitoring the request for accuracy and completion.)

Recommendation

Policies and procedures should be updated for directing all elements of CDM processing.

Management Response:

Gerry Baker, Senior Vice President, Revenue Cycle

Action Plan:

Categories are created and used by the CDM team to identify type of services. Categories do not influence any billing rules. Guidelines on how to assign categories will be updated and addressed in our updated Procedure document to reflect the Current CDM process.

Again, an assigned project manager is needed to help develop a workflow that will define the setup of OpTime and Departmental Inventory supplies and will ensure an accurate and timely workflow. Defining the project scope, objectives, deliverables, and creating a detailed project plan will be key factors in establishing a successful workflow for the OpTime and Departmental supply set up and will significantly reduce the days a CDM request remains open.

Target Completion Date: October 31, 2023

Prepared By
Vic Summers

Prepared For
Audit Committee Meeting
October 2023

Audit Title	23-13 Remote Clocking
Performance Rating - Importance Rating	Medium - High
Audit Group	Internal Audit
Audit Start Date	02/15/2023
Audit End Date	10/11/2023
Auditors	Bradford Holloway, Senior Information Systems Auditor
Audit Type	Annual Audit Plan

Distribution List

Frederick Cerise, MD	President and Chief Executive Officer
Edmundo Castañeda, FACHE	Executive Vice President and Chief Operating Officer
Richard Humphrey	Executive Vice President and Chief Financial Officer
Felicia Miller	Executive Vice President and Chief Talent Officer
Donna Richardson, DNP	Executive Vice President and Chief Nursing Executive
DeLancey Johnson, PhD	Senior Vice President and Associate Chief Talent Officer
Stephanie Speights	Senior Vice President, Talent Management Development
Tabitha Lee	Vice President Finance/Controller
Latoyia Goffney	Director, Accounts Payable and Payroll

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Background

Parkland Health employs more than 12,000 clinicians and support staff that work at various locations throughout Dallas County. Out of that employee population base, there are personnel who are authorized to work at an offsite location, outside of Parkland's network of physical facilities and satellite offices. Offsite work is typically performed by business support staff who have received approval to work full-time or part-time from home. There is also a small number of employees who work at mobile or temporary clinics or must travel between multiple locations within a daily shift. For the purposes of this audit, we will refer to this group of people as "remote workers". Some remote workers have hybrid work schedules, allowing them to work offsite some days while also requiring them to report to a Parkland facility on other days, as specified by management. Remote work is not an entitlement or Parkland-wide benefit and is limited to those who are able to perform the essential functions of their job from the approved non-Parkland location.

Whether workers are traveling between different Parkland facilities, working from home or staffing mobile clinics, some are hourly employees who must have the ability to clock in and out at the start and end of their shift. All Parkland facilities have a physical timeclock that allows employees to clock in and out using a biometric reader located in close proximity to their assigned job site. Each timeclock is capable of processing shift punches for up to 4,000 employees and there are 214 timeclocks installed throughout Parkland's facilities, ensuring capacity is not an issue. Hourly employees who are authorized for remote work at a location that does not have a physical timeclock available are given access to a website that allows these workers to clock in and out similar to using the time clocks. For the purposes of this audit, we will refer to the use of this website as "remote clocking". This website is currently provided and maintained by the workforce management system UKG, which Parkland transitioned to in March of 2023.

The ability to remote clock --punch using a web application on any device-- can be beneficial for the organization. The web-based punching eliminates the need for time and labor edits and provides a method to capture accurate time data for employees who work in more than one location.

Remote Clocking Access

Employees are given authorization for remote clocking by going to the self-service portal on the intranet and submitting an Electronic Parkland Access Request (ePAR), which must be approved by the immediate supervisor. After Parkland Information Technology (IT) receives the request, it is forwarded to Payroll for a second approval. If the correct manager has approved the ePAR and the employee requesting access is hourly, Payroll automatically approves it and routes it to Parkland Information Systems, who grants the employee access to the remote clocking site. Authorized hourly employees can access the remote clocking website from any personal mobile device that has an internet browser or laptops that are connected to the Parkland network via direct access or a virtual private network (VPN) connection.

Remote access requests peaked during the Public Health Emergency, as many workers were sent home to work. Since 2020, requests for access to the remote clocking website tend to spike during instances of force majeure, such as hazardous driving conditions due to weather events.

There has been an increasing amount of remote clocking employees over the last year:

- January/February 2023 – Per PeopleSoft extract, there were 1,272 hourly employees clocking remotely.
- September 2023 – Per UKG extract,the number of remote clocking employees has reached 2,325.

Policy for Remote Work

Unless remote work is required for an employee to complete their job duties and specified in the job description, a request for remote work must be approved by the immediate supervisor. If an employee does not meet the eligibility requirements for remote work, the area Vice President must approve the exception on a case-by-case basis. The Virtual Work policy states that the department manager must develop a process to measure and evaluate the remote worker's performance and productivity, since direct observation during the workday may not be an option. It is the responsibility of the employee to adhere to the set work schedule and the responsibility of the employee's manager to monitor the remote work schedule and actual hours worked. Non-exempt employees are required to obtain approval from their direct manager or supervisor prior to performing any work outside of their scheduled working hours that could lead to overtime or pay differentials. Remote workers must meet the productivity and regular work hour requirements established by their managers.

Policy for Remote Clocking

The guidance on remote clocking provided in Parkland's Time and Labor policy states that each employee must clock in and out using the remote clocking website or biometric timeclock, as assigned. Remote clocking employees who leave their off-campus worksite for a meal period or personal business, must use remote clocking to clock out, and clock back in upon returning to work.

Audit Purpose/Rationale

The objectives for the audit of Parkland's use of remote clocking for employees was to:

- Determine how the remote clocking functionality is being used and compare to organizational expectations
- Evaluate controls in place to establish and monitor remote worker productivity
- Determine if employees are using the remote clocking site as intended
- Understand the process for authorizing and accessing the remote clocking functionality
- Ensure Parkland policies on remote work and remote clocking adequately communicate the expectations regarding remote work

Performance Risk Rating: **Medium**

This audit received a medium risk rating for performance because there are some controls in place, but they are not always formalized and well communicated. The process to obtain access to remote clocking is not clearly stated in Parkland policies. There are patterns of abuse of the remote clocking privilege. There will be a moderately complex corrective action plan to address the multiple issues listed below.

Importance Risk Rating: **High**

The importance of this audit is listed as high because the abuse of remote clocking capabilities can lead to major workforce issues, such as poor productivity and overpayments.

Risk Rating Legend

Top Performance	• Controls are functioning as intended • Corrective action plan, if any, is simple	99-100
Low Risk	• Zero or minor weaknesses identified • Controls are functioning with minor errors or gaps identified • Corrective action plan, if any, is straightforward	95-98
Medium Risk	• Controls are present, but not yet effective or sufficient and major issues noted that could jeopardize the accomplishment of business objectives • May include a pattern of multiple minor weaknesses or newly identified findings • Corrective action plan to remediate will be moderately complex	90-94
High Risk	• Controls not yet identified, not yet implemented, ineffective or insufficient; not functioning as intended and is a contributing factor to non-achievement of business objectives • May include a pattern of moderate or significant weakness such as “second generation” findings • Corrective action plan to remediate will be complex	Below 90

Audit Conclusion

Top Performance

UKG provides approving managers the ability to audit hourly employees’ timecards to determine when they have clocked remotely and when they clocked onsite using a physical timeclock.

Opportunities for Improvement

Opportunities for improvement include revising Parkland’s “Time and Labor” and “Virtual Work” policies to detail the process for obtaining approval/access to remote clocking, and to provide further guidance on when remote clocking should or should not be allowed. Department managers should be given the tools they need to monitor employee use of remote clocking capabilities and to monitor the productivity of employees working offsite. The issues are outlined further below:

Issues/Findings

Issue 1: Parkland’s Policies do not Provide Sufficient Controls to Prevent Abuse of Remote Clocking
Risk Rating: Medium
Risk: If employees and managers do not have details for proper/improper use, remote clocking can be abused.

Parkland's current Virtual Work policies, dated 2018, do not define sufficient controls to prevent or detect abuse of the remote clocking functionality. The following was noted during the review.

- Eligibility Requirements/Authorization:
  The current policy does not state which positions are eligible for remote clocking. There are no guidelines for when or how Payroll should appeal a request that seems unfounded. The current policy lists eligibility requirements regarding years of service, performance ratings, disciplinary actions and the employee's state of residence. This policy does not state who is responsible for ensuring these eligibility requirements are met.

- The policy states that exceptions to the requirements can be approved by the area VP after they have consulted with OTM, but the ePAR requesting access to remote clocking does not route through the VP.

- To obtain access to the remote clocking site, an ePAR must be submitted. The ePAR is approved by the immediate supervisor before being routed to Payroll for a second approval and then to IT for access rights to be granted. However, the minimum level supervisor required to authorize remote work is not defined in the procedure.

- With the retired workforce management software, Peoplesoft, employees who transferred to another department lost access to remote clocking and would have to submit a new request to have it reinstated, but with UKG, access is retained after a transfer.

- There are employees who have gained access to the remote clocking site without an approved ePAR request. Using a sample of 30 employees who have clocked remotely this year, IAS found 3 (10%) employees that had access but no corresponding ePAR in ServiceNow, Parkland's system for submitting IT requests. During the COVID pandemic departmental requests were made via emails to Payroll: this access has not been revisited to remove access rights since employees have been brought back onsite.

- The Webpunch ePARs do not designate a timeframe or expiration date for access to the remote clocking site. Managers who intended to give temporary access to remote clocking (i.e. for a bad weather day) could easily forget to have access revoked.

- The Virtual Work policy does not state that managers must review their list of remote employees or provide instructions on how to do so.

- Organizational Expectations:

  The policies do not outline the expectations for the use of remote clocking: when it should be used, and what constitutes abuse. Departments are left to manage the process on their own. For example, of 33 departments included in a sample selection, only one (Nutrition Services) has a department-specific policy that includes guidance on clocking for hourly employees. The policy stated that all department employees should clock in and out using their assigned onsite timeclock. However, there were 23 employees within Nutrition Services that had clocked remotely during the selected timeframe.

- Monitoring Productivity:

  Parkland's current policy states that management must have a process in place to monitor the productivity of employees working remotely but there is no defined mechanism to verify that this is happening. IAS sent a survey question to 22 Directors across 33 departments. The survey question asked if management has a process in place to monitor the productivity of remote clocking employees. Of the 11 managers who answered the survey, 5 (45%) had no process in place to monitor the productivity of employees who are working remotely. However, managers may not have the tools needed to effectively monitor the productivity.

  - From the initial sample of 199 remote clocking employees across 33 departments, IAS took a sample of 28 employees and pulled Epic activity for one day that the employees clocked in and out remotely. Of the 28 employees in the sample, 8 (28.6%) were expected by their leaders to have some Epic usage while working from home but had none. An additional 5 of the 28 employees (17.8%) did have some activity in Epic, but their time in Epic was less than 2/3 (66.6%) of the time they were on the clock from home.

- Management of clinical employees emphasized that they do not have access to Epic usage reports, which would help them monitor productivity. Several managers requested that the reports be provided on a regular basis. Management of non-clinical employees do not have a standard tool that can be used as a metric for productivity, and monitor productivity based on completion of assigned projects.

Recommendation

Parkland's Time and Labor policy should be revised to include the following:

- The policy should state all of the eligibility requirements for remote work. The policy should define a process for ensuring that an employee meets the eligibility requirements for remote clocking.
- The policy should detail the formal access/approval process for remote clocking. The ePAR approval flow should be reviewed to ensure it aligns with expectations. Parkland leaders should validate, on a periodic basis, their list of employees with remote clocking ability.
- The policy should list typical scenarios for when remote clocking should and should not be allowed as well as consequences for abuse.
- If there are any departments that should have rules around remote clocking that differ from policies published by OTM, those departments should publish their own formal policy after the department Vice President negotiates with their OTM business partner for approval.
- The policy should define controls to prevent or detect abuse of the remote clocking functionality. The managersshould be trained on how to use the UKG timecard audit function to determine if an employee clocks remotely or using a timeclock.

Management Response:

Richard Humphrey, Executive Vice President and Chief Financial Officer
Felicia Miller, Executive Vice President and Chief Talent Officer

Action Plan:

With Payroll leadership as the primary owners of time clocking standards, OTM will support Payroll's efforts to create the following:

1) Time clock and web-punch guidelines that are easy for staff to follow, and supportive of ePar access processes established by IT and Payroll.
2) Communication plans, including intranet messaging, such as direct email, time-clock signage, leadership presentations at Leadership Forum and Town Halls.
3) Leader instructions, outlining process for reviewing time punch source on the time card, as well as an overview of Payroll audit processes and cadence.

OTM will lead and seek support from Payroll to provide guidance to leaders about addressing misuse or inappropriate staff behaviors.

Target Completion Date: December 31, 2023

Issue 2: Potential Employee Abuse of Remote Clocking by Onsite Employees
Risk Rating: High
Risk: Employees might clock in remotely if they are running late to the start of an onsite shift, and conversely, employees might clock out remotely if they leave an onsite shift prior to working their assigned hours.

IAS found that employees are utilizing remote clocking functionality while they are onsite and a physical timeclock is available. On the same day, some employees clocked both in and out remotely while working onsite, while other onsite workers clocked once remotely and once using a physical timeclock. Parkland's policies do not provide detailed guidance on clocking remotely while working onsite, making it difficult to hold employees and managers accountable.

- IAS sent remote clocking data for 199 employees to 22 Directors across 33 departments. Out of 199 employees in the sample, 7 (3.5%) of the employees stated that they clocked in/out using the remote clocking site even though they were onsite with a functioning physical timeclock. The employee timecards do not provide managers with a location for the clocking. It is possible that the employees who claimed to clock remotely while onsite actually clocked from a non-work location before/after they arrived/departed their Parkland location.

- There are employees who clock once remotely and once on a physical timeclock on the same day. IAS reviewed one day of clocking for hourly employees (September 1, 2023) and randomly selected 30 employees who only had one remote punch that day. All badging activity was pulled for the same employees on the same day. IAS found that 13 of the 30 employees in the sample had clocked in or out remotely and had also used a physical timeclock. Of the 13 employees in the sample, 11 employees had onsite badging activity throughout the day, which demonstrates that they could have used their assigned physical timeclock for both punches.

    - An employee in the sample clocked in remotely 47 minutes prior to their first badge swipe to enter the Maple parking garage.

    - 2 of the 30 employees had badging activity but clocked both in and out remotely rather than use their assigned timeclock. Punch times aligned with badging activity, but this demonstrates that some employees are utilizing the remote clocking functionality when they could have used a physical timeclock.

Recommendation:

The remote clocking functionality should only be used when the employee is working at a non-parkland site. Employees should not be on the clock while commuting between a personal location and a Parkland location.

Management Response:

Felicia Miller, Executive Vice President and Chief Talent Officer

Action Plan:

OTM will collaborate with Payroll, IT, and Legal to establish stronger controls for inappropriate usage of webpunch.

Response NOTES: While the risks with webpunch are noted effectively, there are important benefits that have not been articulated.The objective of this action plan will be to establish stronger process controls to mitigate *misuse* and organizational risk, while also allolwing the organization to benefit from

the technology as intended. In addressing examples of misuse, we will strive to maintain and promote the value associated with accurate and appropriate pay, employee engagement, development and educational compliance.

Details: The webpunch option for staff traditionally designated as “onsite” can, in fact, reduce the alternative risk of *not paying* for work completed by employees whose core functions are onsite (patient care staff). Currently, onsite employees are required to notify their supervisor to add punches for approved work completed remotely, including virtual staff meetings and Pathways training; however, there remains a risk of inaccuracy or omission when the employee is not personally responsible for clocking time.

Example: Since the start of 2023, Parkland has onboarded 330 RN residents and 100 RN fellows, in addition to direct-hire nursing staff. Clinical Education requested webpunch access to streamline the extensive amount of non-productive education time required, which these staff were approved to complete remotely. The remote option was important because of space and devise limitations onsite, and the benefits of centralized management of time reporting. When the request for webpunch was denied, the responsibility for *manual time entry* moved to the multiple, decentralized AUMs across the organization, creating problems for unit productivity and AUM satisfaction, as well as increasing the variability in T&A management.

A significant amount of the required education for residents and fellows takes place at the Moody Outpatient Center. Most residents have not been given access to use time clocks located at Moody; however, most fellows are not provided this option. As a result, fellows scheduled for training at Moody must clock in at the home clock, walk to Moody for training, and then return to the home clock to punch out. This is an example of control overreach, an impact we wish to avoid as we address the examples of misuse articulated in the audit.

As stated, COVID-19 encouraged all organization to find opportunities to complete important, non-productive activities virtually.Now on the other side, we need to embrace the benefits and not return to a time when all education or meeting attendance was required in-person. When appropriately applied, web-punch access increases accuracy and shared accountability; and with UKG, employees and supervisors are required to review and approve timecards, another valuable “control” that includes escalation notices when the process is not followed.

Target Completion Date: December 31, 2023

FORVIS Planning Communication to the Board of Managers

Parkland Health

Year ended September 30, 2023

Thank You for Selecting FORVIS

We are grateful for the opportunity to serve Parkland Health and gain insight into your operations. This communication provides useful information relevant to your role as those charged with governance of the entity, including summarized information required by professional standards, such as the planned scope and timing of the audit.

Our goal is to establish a foundation for effective two-way communication throughout the audit. We are available at your convenience to discuss this information and answer questions as we begin our audit.

Contacts During the Engagement

We understand the appropriate person in the governance structure with whom to communicate is:

- Todd Furniss, JD, Audit Committee Chair, and Marjorie Petty, JD, Board of Managers Chair

Your audit leader for any questions or communications is:

- Chris Clark, Partner | chris.clark@forvis.com | 469.341.0790

Overview & Responsibilities

Matter	Description of Audit Area
Scope of Our Audit	We have been engaged to audit the financial statements of Parkland Health and its component units for the year ended September 30, 2023. Please refer to our contract dated August 23, 2023, for additional information and the terms of our engagement.
Audit Standards & Materiality	We will conduct our audits in accordance with auditing standards generally accepted in the United States of America (GAAS), the standards applicable to financial statement audits contained in *Government Auditing Standards* (GAGAS) issued by the Comptroller General of the United States, Title 2 U.S. *Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and TxGMS. Those standards require that we plan and perform the audit of the financial statements to obtain reasonable rather than absolute assurance about whether the financial statements are free of material misstatement, whether caused by error or fraud, and the audit of compliance with the types of compliance requirements described in the U.S. Office of Management and Budget Compliance Supplement and TxGMS that are applicable to each major federal and state award program to obtain reasonable rather than absolute assurance about whether noncompliance having a direct and material effect on a major federal or state award program occurred.

FORVIS

FORVIS is a trademark of FORVIS, LLP, registration of which is pending with the U.S. Patent and Trademark Office

Matter	Description of Audit Area
	References to items that are material refer to misstatements, including omissions, that could, in our professional judgment, reasonably be expected to influence the economic decisions of users made on the basis of the financial statements.
Our Responsibilities	We are responsible for forming and expressing an opinion about whether the financial statements that have been prepared by management, with your oversight, are prepared, in all material respects, in accordance with the applicable financial reporting framework.
Your Responsibilities	Our audit of the financial statements does not relieve you or management of your responsibilities.
Distribution Restriction	This communication is intended solely for the information and use of the Board of Managers and, if appropriate, management of the entity and is not intended to be, and should not be, used by anyone other than these specified parties.

Planned Timing of the Engagement

We succeed in our engagements by collaborating with management through frequent communication. We require the assistance of management and staff to prepare supporting documents, schedules, and analysis and depend on those items to be ready no later than the dates that we mutually agree will meet your deadlines.

Phase	Timing	Key Activities
Planning	August – October 2023	• Meet with management to develop detailed timeline • Identification of documents and schedules to be obtained
Risk Assessment, Including Developing & Understanding of Internal Control	August – September 2023	• Document internal control design and evaluate implementation and operating effectiveness, including the financial information technology systems • Interview accounting, finance, and/or other personnel • Discuss within the engagement team risks specific to the engagement, including fraud • Assess risk of material misstatement for significant financial statement amounts and disclosures
Risk Response, Including Inquiries & Substantive Testing	October – November 2023	• Test material account balances and risk areas • Evaluate significant unusual transactions • Form conclusions on risks of material misstatement • Seek correction of any auditor identified misstatements • Perform exit conferences with management
Wrap Up & Reporting	December 2023	• Completion of engagement executive and quality control reviews • Delivery of draft reports and communications

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Phase	Timing	Key Activities
		• Conferences with management to review drafts and discuss results
Presentation to the Audit Committee	January 2024	• Make required communications to those charged with governance • Discuss audit results and present final deliverables • Share insights and suggestions for the future
Compliance Testing	January – March 2024	• Evaluate compliance with requirements that could have a direct and material effect on each major federal and state award program

Planned Audit Scope

We welcome any input you may have regarding the information discussed below. We also welcome any insight you have related to any other risk areas or other significant risk areas you believe warrant particular attention.

Extent of Testing

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

Establishing Our Understanding

An audit also includes obtaining an understanding of the entity and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, we will express no such opinion.

Communicating Deficiencies or Significant Matters

An audit is not designed to provide assurance on internal control or to identify deficiencies in internal control. However, during the audit, we will communicate internal control related matters that are required to be communicated under professional standards.

We will also communicate significant matters arising during the audit of the financial statements that are relevant to you in overseeing the financial reporting process as required by professional standards.

Significant Risks of Material Misstatement

We have preliminarily identified the following areas of significant risks of material misstatement due to error or fraud and propose to address these areas as described:

Risk Areas	Audit Approach
General Economic Risk	We will challenge estimates of allowances for contractual adjustments and doubtful accounts on patient accounts receivable, the fair value of investments and assumptions made on other key estimates. We will also challenge

	disclosures regarding Medicaid revenue concentrations and the impact of potential changes on future operating results.
Risk of Management Override of Controls	We will review accounting estimates for bias, review journal entries for support and propriety and evaluate the business rationale for any unusual or unexpected transactions.
Revenue Recognition	We will test revenue cut-off and review the status of open costs reports, review correspondence with Medicare administrative contractors and review management's estimates of the 2023 cost report settlement. We will also review estimates associated with Medicaid supplemental funding in conjunction with available external data and subsequent receipts.
Management Estimates – including – patient accounts receivable, third-party payer settlements, professional and general liability and workers' compensation reserves, reserves for incurred, but unpaid, health claims (employee and Health Plan), net pension obligation, and property tax receivable and tax revenue	We will review management's estimates and challenge methods and assumptions used. We will also review historical data and consider this data in light of new economic, regulatory and other developments that might impact the future collections received or payments made. In addition, we will perform a "lookback" analysis to evaluate the reasonableness of past estimates, looking for both bias and historical accuracy. We will also review actuarial valuations and assumptions, challenge the data used in those valuations through a review of open claims listings and assessment of actuaries' qualifications.
Compliance with Federal and State Funding Requirements	We will evaluate compliance with program requirements, which will include obtaining an understanding of the internal controls related to compliance and sampling of populations for compliance in relation to regulations set forth by Uniform Guidance and TxGMS.
Information Technology	We will use FORVIS IT specialists to review controls surrounding the implementation process, security and data integrity. We will also challenge access controls to identify segregation of duties conflicts.

Other Procedures to Be Performed

We may also request written representations from the entity's attorneys as part of the engagement, and they may bill the entity for responding to this inquiry.

At the conclusion of our audit, we will require certain written representations from management about the financial statements and related matters.

We may identify additional significant risks as we complete our procedures.

Use of Resources

We plan to use the following in our audit:

- The entity's internal audit function for vouching support obtained during audit procedures.
- FORVIS IT specialist to review controls surrounding the implementation process, security and data integrity. We will also challenge access controls to identify segregation of duties conflicts.

Work Performed on Components of the Entity

Each of Parkland Health's component units are audited separately. Parkland Community Health Plan, Inc. and Parkland Center for Clinical Innovation are audited by FORVIS. Parkland Foundation is audited by Lori K. Orta, P.C..

Adoption of New Accounting Standards

The entity must adopt GASB Statement No. 96, *Subscription-Based Information Technology Arrangements* for the year ended September 30, 2023. Implementation of this standard includes selection of a transition method for the entity, election of certain practical expedients, and adoption of new policies. In addition, implementation of this standard may affect internal controls over financial reporting. We encourage you to communicate with management regularly regarding the policy elections made, recognition of new financial statement amounts, and disclosures upon transition.

Consideration of Error or Fraud

One of the most common questions we receive from audit committees is, "How do you address fraud in a financial statement audit?" Our responsibility, as it relates to fraud, in an audit of financial statements is addressed in auditing standards generally accepted in the United States of America.

Our audit approach includes such procedures as:

- Engagement team brainstorming
- Inquiries of management and others
- Reviewing accounting estimates for bias

Confirmation of Independence

This communication is to provide you with information regarding our independence with respect to the entity and facilitate our discussion with you regarding independence matters.

We are communicating all relationships between our firm or any of its affiliates and the entity that may reasonably be thought to bear on independence as of the date of this communication. We are not aware of any such relationships.

We hereby confirm that, as of the date of this communication, we are independent with respect to the entity in compliance with the rules of the United States Securities and Exchange Commission and other applicable professional organizations and regulatory bodies.

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Report to Board of Directors and Management

Parkland Community Health Plan, Inc.

Results of the 2022 Statutory Financial Statement Audit, Including Required Communications

Dallas, Texas

December 31, 2022

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Required Communications Regarding Our Audit Strategy & Approach (AU-C 260)

The following matters are required communications we must make to you, including these responsibilities:

Overview & Responsibilities

Matter	Discussion
Scope of Our Audit	This report covers audit results related to your statutory financial statements and supplementary information: • As of and for the year ended December 31, 2022 • Conducted in accordance with our contract dated November 22, 2022
Our Responsibilities	FORVIS is responsible for forming and expressing an opinion about whether the statutory financial statements that have been prepared by management, with the oversight of those charged with governance, are prepared in accordance with the accounting prescribed by the Texas Department of Insurance (statutory).
Audit Scope & Inherent Limitations to *Reasonable Assurance*	An audit performed in accordance with auditing standards generally accepted in the United States of America (GAAS) is designed to obtain reasonable, rather than absolute, assurance about the statutory financial statements. The scope of our audit tests was established in relation to the statutory financial statements taken as a whole and did not include a detailed audit of all transactions.

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Matter	Discussion
Extent of Our Communication	In addition to areas of interest and noting prior communications made during other phases of the engagement, this report includes communications required in accordance with GAAS that are relevant to the responsibilities of those charged with governance in overseeing the financial reporting process, including audit approach, results, and internal control. The standards do not require the auditor to design procedures for the purpose of identifying other matters to be communicated with those charged with governance.
Independence	The engagement team, others in our firm, as appropriate, and our firm, have complied with all relevant ethical requirements regarding independence.
Your Responsibilities	Our audit does not relieve management or those charged with governance of your responsibilities. Your responsibilities and ours are further referenced in our contract.

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Qualitative Aspects of Significant Accounting Policies & Practices

The following matters are detailed in the following pages and included in our assessment:

Significant Accounting Policies

Significant accounting policies are described in *Note 1* of the audited statutory financial statements.

- Discussion of the difference in preparing statutory financial statements on a statutory basis of accounting rather than in accordance with accounting principles generally accepted in the United States of America (GAAP)

Unusual Policies or Methods

With respect to significant unusual accounting policies or accounting methods used for significant unusual transactions (significant transactions outside the normal course of business or that otherwise appear to be unusual due to their timing, size, or nature), we noted the following:

- No matters are reportable

Alternative Accounting Treatments

We had discussions with management regarding alternative accounting treatments for policies and practices for material items, including recognition, measurement, and disclosure considerations related to the accounting for specific transactions as well as general accounting policies, as follows:

- No matters are reportable other than those prescribed by the Texas Department of Insurance

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Management Judgments & Accounting Estimates

Accounting estimates are an integral part of financial statement preparation by management, based on its judgments. Significant areas of such estimates for which we are prepared to discuss management's estimation process and our procedures for testing the reasonableness of those estimates include:

- Valuation of investments
- Claims incurred and unpaid
- Premium deficiency reserve
- Comprehensive Hospital Increase Reimbursement Program (CHIRP) payable

Statutory Financial Statement Disclosures

The following areas involve particularly sensitive financial statement disclosures for which we are prepared to discuss the issues involved and related judgments made in formulating those disclosures:

- Investments
- Claims incurred and unpaid
- Related parties
- Fair value of financial instruments
- Reconciliation to annual statement

Our Judgment About the Quality of the Entity's Accounting Principles

During the course of the audit, we made the following observations regarding the Entity's application of accounting principles:

- No matters are reportable

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Adjustments Identified by Audit

During the course of any audit, an auditor may propose adjustments to financial statement amounts. Management evaluates our proposals and records those adjustments that, in its judgment, are required to prevent the financial statements from being materially misstated.

A misstatement is a difference between the amount, classification, presentation, or disclosure of a reported financial statement item and that which is required for the item to be presented fairly in accordance with the applicable financial reporting framework.

Proposed & Recorded Adjustments

Auditor-proposed and management-recorded entries include the following:

- Delivery Supplemental Program receivable
- Non-Risk Covid-19 receivable
- Non-Risk Drug receivable
- Reclassification between bonds and short-term investments

Uncorrected Misstatements

Some adjustments proposed were **not recorded** because their aggregate effect is not currently material; however, they involve areas in which adjustments in the future could be material, individually or in the aggregate.

Uncorrected audit misstatements pertaining to the latest period presented that were determined by management to be immaterial, both individually and in the aggregate, but more than trivial to the statutory financial statements as a whole are included as an attachment to this communication.

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While these uncorrected misstatements were deemed to be immaterial to the current-year statutory financial statements, it is possible that the impact of these uncorrected misstatements, or matters underlying these uncorrected misstatements, could potentially cause future-period statutory financial statements to be materially misstated.

Nature of Uncorrected Misstatements

- Retrospective premium receivable
- Premium tax accrual
- Investment income receivable

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Other Required Communications

Other Material Communications

Listed below are other material communications between management and us related to the audit:

- Management representation letter (see *Attachments*)

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Required Communications Regarding Internal Control (AU-C 265)

Consideration of Internal Control Over Financial Reporting

In planning and performing our audit of the statutory financial statements of Parkland Community Health Plan, Inc. as of and for the year ended December 31, 2022, in accordance with GAAS, we considered the Entity's internal control over financial reporting (internal control).

This consideration served as a basis for designing audit procedures that are appropriate in the circumstance for the purpose of expressing our opinion on the financial statements.

However, this consideration was **not** for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.

Accordingly, we do not express an opinion on the effectiveness of the Entity's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraphs and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified.

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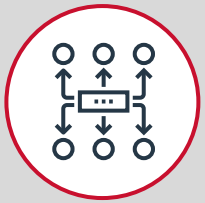
Categorizing Deficiencies by Severity

Deficiency

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis.



Significant Deficiency

A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Material Weakness

A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that material misstatements of the Entity's financial statements will not be prevented or detected and corrected on a timely basis.

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Identified Deficiencies

We identified certain deficiencies in internal control that we consider to be a material weakness.

Material Weakness

- We identified various errors that required adjusting entries and passed adjusting journal entries to properly state the Company's statutory statement of admitted assets, liabilities, and capital and surplus and statement of revenues and expenses. We recommend management evaluate the monthly and annual reconciliation processes to identify additional procedures to test the completeness, classification, and valuation of receivables within the claims process.

Deficiencies

- We orally communicated to management other deficiencies in internal control during out audit that are not considered material weaknesses or significant deficiencies.

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Management Representation Letter

As a material communication with management, included herein is a copy of the representation letter provided by management at the conclusion of our engagement.

Schedule of Uncorrected Misstatements

The detail of uncorrected misstatements identified as a result of our engagement are included herein.

Material Weakness Letter and Qualification Letter

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Parkland Community Health Plan, Inc.

Independent Auditor's Report and Statutory Financial Statements

December 31, 2022 and 2021

Parkland Community Health Plan, Inc.

December 31, 2022 and 2021

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Independent Auditor's Report

Board of Directors
Parkland Community Health Plan, Inc.
Dallas, Texas

Opinions

We have audited the statutory financial statements of Parkland Community Health Plan, Inc., which comprise the statutory statements of admitted assets, liabilities and capital and surplus as of December 31, 2022 and 2021, and the related statutory statements of revenue and expenses and changes in capital and surplus, and cash flows for the years then ended, and the related notes to the statutory financial statements.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the accompanying statutory financial statements present fairly, in all material respects, the statutory financial position of Parkland Community Health Plan, Inc. as of December 31, 2022 and 2021, and the statutory results of its operations and its cash flows for the years then ended in accordance with the basis of accounting described in *Note 1*.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles section of our report, the statutory financial statements do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the statutory financial position of Parkland Community Health Plan, Inc. as of December 31, 2022 and 2021, or the results of its statutory operations and its cash flows for the years then ended.

Basis for Opinions

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Statutory Financial Statements section of our report. We are required to be independent of Parkland Community Health Plan, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in *Note 1* to the statutory financial statements, the statutory financial statements are prepared by Parkland Community Health Plan, Inc. in accordance with the accounting practices prescribed or permitted by the Texas Department of Insurance, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the requirements of Texas' statutes. The effects on the statutory financial statements of the variances between the regulatory basis of accounting described in *Note 1* and accounting principles generally accepted in the United States of America are material and pervasive as discussed in *Note 10*.

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Responsibilities of Management for the Statutory Financial Statements

Management is responsible for the preparation and fair presentation of the statutory financial statements in accordance with the accounting practices prescribed or permitted by the Texas Department of Insurance. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of statutory financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the statutory financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Parkland Community Health Plan, Inc.'s ability to continue as a going concern within one year after the date that these statutory financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Statutory Financial Statements

Our objectives are to obtain reasonable assurance about whether the statutory financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the statutory financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the statutory financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the statutory financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Parkland Community Health Plan, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the statutory financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Parkland Community Health Plan, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

FORVIS, LLP

Dallas, Texas
June 29, 2023

Parkland Community Health Plan, Inc.

Statutory Statements of Admitted Assets, Liabilities and Capital and Surplus

December 31, 2022 and 2021

	2022	2021
Admitted Assets		
Cash and invested assets		
Bonds	$ 118,652,213	$ 68,727,185
Cash, cash equivalents and short-term investments	111,593,176	178,618,043
Total cash and invested assets	230,245,389	247,345,228
Premium income receivable	12,359,853	7,614,289
Other receivables	38,190,527	30,937,400
Total admitted assets	$ 280,795,769	$ 285,896,917
Liabilities		
Claims incurred and unpaid	$ 162,023,748	$ 121,742,460
Accrued expenses and other liabilities	18,783,672	18,029,229
Amounts due to affiliate	10,945,165	5,637,094
Total liabilities	191,752,585	145,408,783
Capital and Surplus		
Contributed surplus	1,576,000	1,576,000
Unassigned surplus	87,467,184	138,912,134
Total capital and surplus	89,043,184	140,488,134
Total liabilities and capital and surplus	$ 280,795,769	$ 285,896,917

Parkland Community Health Plan, Inc.

Statutory Statements of Revenues and Expenses

Years Ended December 31, 2022 and 2021

	2022	2021
Revenues		
Premiums earned, net	$ 1,083,912,418	$ 735,670,696
Total revenues	1,083,912,418	735,670,696
Expenses		
Medical and hospital claims expense	975,582,851	556,443,077
General administrative expenses	110,994,558	105,702,456
NAIP payments	36,666,423	39,055,132
Claims adjustment expense	10,329,232	8,464,751
Total expenses	1,133,573,064	709,665,416
Underwriting Gain (Loss)	(49,660,646)	26,005,280
Net Investment Income	3,628,242	884,021
Net Income (Loss)	$ (46,032,404)	$ 26,889,301

Parkland Community Health Plan, Inc.

Statutory Statements of Changes in Capital and Surplus

Years Ended December 31, 2022 and 2021

	Contributed Surplus	Unassigned Surplus	Total Surplus
Capital and Surplus, January 1, 2021	$ 1,576,000	$ 114,866,246	$ 116,442,246
Net income	-	26,889,301	26,889,301
Change in nonadmitted assets	-	(2,843,413)	(2,843,413)
Capital and Surplus, December 31, 2021	1,576,000	138,912,134	140,488,134
Net loss	-	(46,032,404)	(46,032,404)
Change in nonadmitted assets	-	(5,412,546)	(5,412,546)
Capital and Surplus, December 31, 2022	$ 1,576,000	$ 87,467,184	$ 89,043,184

Parkland Community Health Plan, Inc.

Statutory Statements of Cash Flows

Years Ended December 31, 2022 and 2021

	2022	2021
Operating Activities		
Premiums collected	$ 1,071,309,576	$ 739,610,147
Net investment income	3,490,753	1,102,734
Claims adjustment expense paid	(10,329,232)	(7,227,312)
General administrative paid	(109,145,960)	(142,423,924)
Benefit and loss payments	(978,190,965)	(560,167,516)
Net cash provided by (used in) operating activities	(22,865,828)	30,894,129
Investing Activities		
Proceeds from sales or maturities of investments	30,708,405	36,602,161
Purchases of investments	(80,495,946)	(30,226,945)
Net cash provided by (used in) investing activities	(49,787,541)	6,375,216
Financing and Other Activities		
Other cash provided	5,628,502	3,501,556
Net cash provided by financing and other activities	5,628,502	3,501,556
Change in Cash, Cash Equivalents and Short-term Investments	(67,024,867)	40,770,901
Cash, Cash Equivalents and Short-term Investments, Beginning of Year	178,618,043	137,847,142
Cash, Cash Equivalents and Short-term Investments, End of Year	$ 111,593,176	$ 178,618,043

Parkland Community Health Plan, Inc.

Notes to Statutory Financial Statements

December 31, 2022 and 2021

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

Parkland Community Health Plan, Inc. (Plan), is a not-for-profit corporation formed by the Dallas County Hospital District, d/b/a Parkland Health & Hospital System (Affiliate). The Plan was incorporated in 1995 and was licensed by the state of Texas on May 30, 1995, to operate as a health maintenance organization (HMO). The Plan provides health care services to enrolled subscriber groups through a network of health care organizations under both prepaid, fee-for-service, and capitated contracts.

Basis of Presentation

The accompanying statutory financial statements have been prepared on the basis of accounting practices prescribed or permitted by the Texas Department of Insurance (TDI), which comprise a comprehensive basis of accounting other than accounting principles generally accepted in the United States (GAAP). TDI recognizes only statutory accounting practices prescribed or permitted by the state of Texas for determining and reporting the financial condition and results of operations of an insurance plan and for determining its solvency under Texas insurance law. The *Accounting Practices and Procedures Manual* of the National Association of Insurance Commissioners (NAIC) has been adopted as a component of prescribed or permitted practices by the state of Texas. The Texas Commissioner of Insurance has the right to permit or prescribe specific practices that deviate from those set forth in the NAIC's *Accounting Practices and Procedures Manual*. The Plan has not followed any accounting policies that deviate from those set forth in NAIC's *Accounting Practices and Procedures Manual* in the preparation of the financial statements included herein.

Accounting practices and procedures of the NAIC as prescribed or permitted by TDI comprise a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The more significant differences are as follows and at *Note 10*:

- Investments in bonds are generally carried at amortized cost, while under GAAP, they are carried at fair value based on their classification according to the Plan's ability and intent related to those securities.
- Assets are reported under NAIC statement of statutory accounting practices (SSAP) at "admitted asset" value and "nonadmitted assets" are excluded through a charge against surplus, while under GAAP, "nonadmitted assets" are reflected in the balance sheet, net of any valuation allowance.
- Comprehensive income and its components are not required for statutory reporting.
- Claims incurred and unpaid and unpaid claims adjustment expenses are reported net of reinsurance under statutory reporting, whereas under GAAP, the balance sheet reports amounts gross as amounts due from reinsurers.

Parkland Community Health Plan, Inc.
Notes to Statutory Financial Statements
December 31, 2022 and 2021

- The statutory statement of cash flows follows a prescribed method included in the NAIC instructions to present changes in the amount in balance sheet accounts, which may not reflect actual cash flows from transactions or operations.

Use of Estimates

The preparation of the statutory financial statements in conformity with statutory accounting practices requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosures of contingent assets and liabilities at the date of the statutory financial statements, and the reported amounts of revenues and expenses during the reporting period. The most significant estimates relate to incurred but unreported claims for medical and hospital services, premium receivables and valuation of investments. Actual results could differ from those estimates.

Cash, Cash Equivalents and Short-Term Investments

The Plan considers all highly liquid investments purchased with maturities of one year or less from the acquisition date to be short-term investments and investments with maturities of three months or less to be cash equivalents. Cash and cash equivalents include negative cash balances of $17,721,897 and $47,267,622, respectively, and cash equivalents of $84,771,979 and $225,885,665, respectively, as of December 31, 2022 and 2021. Short-term investments include balances of $44,543,094 and $0, respectively, as of December 31, 2022 and 2021. At times, the Plan maintains deposits with financial institutions in excess of federally insured limits. However, management has evaluated these risks and believes the risk of loss is minimal.

At December 31, 2022, the Plan’s cash accounts did not exceed federally insured limits.

Nonadmitted Assets

Certain assets (primarily prepaids, deposits and receivables greater than 90 days) are designated as “nonadmitted” and are charged directly to unassigned surplus in the statutory financial statements, whereas under GAAP, such assets would be carried at cost, less any applicable allowances. Other receivables and prepaid assets of $8,255,960 and $2,843,413 were nonadmitted at December 31, 2022 and 2021, respectively.

Investments

Investment valuations are based upon valuations published by the NAIC. Bonds are generally carried at amortized cost. Money market mutual funds are carried at fair value. When an investment security is sold, the cost used to determine any realized gain or loss is based on the specific identification method.

Parkland Community Health Plan, Inc.
Notes to Statutory Financial Statements
December 31, 2022 and 2021

Management regularly reviews the value of the Plan's investments. If the value of any investment falls below its cost basis, the decline is analyzed to determine whether it is an other-than-temporary decline in value. To make this determination for each security, the following is considered:

- The length of time and the extent to which the fair value has been below cost
- The financial condition and near-term prospects of the issuer of the security, including any specific events that may affect its operations or earnings potential
- Management's intent and ability to hold the security long enough for it to recover its value

Based on that analysis, management makes a judgment as to whether the loss is other-than-temporary. If the loss is other-than-temporary, an impairment charge is recorded within investment income earned, net of expenses in the statutory statements of revenues and expenses in the period the determination is made.

Recognition of Premium Revenue and Related Benefits

Premiums are reported as revenue in the month in which enrollees are entitled to receive health care services. Revenue from the Medicaid State of Texas Access Reform (STAR) program, and the Children's Health Insurance Program (CHIP) comprised approximately 95% of premiums revenue for the years ended December 31, 2022 and 2021.

During 2015, the Plan entered into an agreement with its providers to develop and implement one or more Network Access Improvement Programs (NAIPs) for the STAR program. The purpose of the NAIP is to promote access to these providers, improve care coordination and improve client outcomes. Under the NAIP, the Plan will provide incentive payments to participating providers that achieve performance metrics or outcomes. The incentive payments are included in the Plan's capitation rates received from the Health and Human Services Commission (HHSC). In 2017, Centers for Medicare and Medicaid Services (CMS) and HHSC subsequently determined that the NAIP program was considered a pass-through program and performance metrics would no longer be considered. The full amount of capitation rates received from HHSC related to NAIP incentives are paid directly to the participating providers less a 2.75% administrative fee for premium taxes and administration of the program. During the fiscal years ended December 31, 2022 and 2021, the Plan received approximately $37,415,000 and $39,852,000 from HHSC, respectively, and paid to participating providers approximately $36,666,000 and $39,055,000, respectively. These amounts are recorded as net premiums earned and other program expenses, respectively, in the accompanying statutory statements of revenues and expenses.

Medical and Hospital Claims Expense and Claims Adjustment Expenses

Medical expenses represent claims presented for payment for medical providers, drugs and hospital costs for which services have been performed. Medical expenses also include estimates of claims incurred but not reported based on current membership statistics, current utilization and industry data. Revisions to estimates based on actual experience are included in the medical expenses in the period that the estimate is revised.

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The estimate for unpaid claims incurred and unpaid claims adjustment expenses is actuarially determined based on historical claims payment experience. The estimates are continually reviewed and adjusted as necessary as experience develops or new information becomes known, such adjustments are included in current operations.

Premium Receivables

Premium receivables consist of Delivery Supplemental Payments and retroactive premium receivables. Delivery Supplemental Payments are estimated based on the claims reported and include estimates for incurred, but not reported deliveries at year-end. Retroactive premium receivables are estimated based on retroactive premiums and premium differences. These amounts are estimated utilizing the subsequent payments of retroactive premiums, and the member eligibility file for difference estimates, respectively.

Other Receivables

Other receivables primarily consist of non-risk COVID-19 receivables of approximately $3,875,000 and $10,407,000, non-risk drug receivables of approximately $6,003,000 and $6,748,000, and receivables related to overpaid claims of approximately $26,322,000 and $11,107,000 as of December 31, 2022 and 2021, respectively. These amounts are estimated utilizing the subsequent payments of the receivables.

Claims Incurred and Unpaid

The claims incurred and unpaid liability represents management's best estimate of ultimate net cost of all reported and unreported claims incurred through December 31. This liability is estimated using individual-case basis valuations and statistical analysis. Incurred but not reported (IBNR) claims are actuarially based on experience and accumulated statistical data. This liability also includes estimated claims processing costs to be incurred in paying such claims. Those estimates are subject to the effects of trends in loss severity and frequency. Although considerable variability is inherent in such estimates, management believes the claims incurred and unpaid liability is adequate. The estimates are continually reviewed and adjusted as necessary as experience develops or new information becomes known. Such adjustments are included in current operations.

The claims incurred and unpaid liability is subject to considerable uncertainty due to the potential severity of the claims, the uncertain legal climate and the difficulty in estimating additional claims to be reported. These factors create a high degree of variability in this estimate.

Premium Deficiency Reserve

The Plan recognizes a premium deficiency reserve when it is probable that expected future claims, including maintenance costs, will exceed existing reserves plus anticipated future premiums, reinsurance recoveries and investment income. At December 31, 2022 and 2021, the Plan estimates no premium deficiency reserve is required.

Parkland Community Health Plan, Inc.
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Premium Experience Rebate

The Plan has contracts with the HHSC for the CHIP and Medicaid STAR programs. These contracts include a combined premium experience rebate provision, which allows the state of Texas to share in Plan profits that exceed a defined threshold.

The Plan has recorded a premium experience rebate liability of approximately $0 and $7,857,000 at December 31, 2022 and 2021, respectively, which is included in accrued expenses and other liabilities on the statutory statements of admitted assets, liabilities, and capital and surplus.

Provision for At-Risk Premiums

The Plan's HHSC Managed Care Contracts (Contracts), which are under the Texas Pay-for-Quality Program (P4Q), stipulate that up to 5% of its STAR and CHIP premium capitation can be withheld based on performance-based measures. The program is based on the concept of incremental improvement where each plan is incentivized to improve its own quality performance each year and is evaluated based on its success in achieving such improvement.

Key provisions modified from the prior program include the reduction of the amount of premium at risk from 5% to 3%, additional metrics to measure potentially preventable events and the potential for plans to earn up to 3% of the bonus pool measures based on the performance against benchmarks and performance against itself. The Plan did not record a liability for the year ended December 31, 2022. The program was temporarily suspended by HHSC for calendar years 2021 due to the impact of COVID-19 pandemic.

The Plan's contracts also stipulate premium capitation can be withheld or assessed penalties contingent on the Contract's Deliverables/Liquidated Damages Matrix (the Matrix). The Matrix has defined performance standards not related specifically to the delivery of care. The Plan did not record a liability at December 31, 2022 and 2021.

Taxes Based on Premiums

The State of Texas requires the remittance of premium and maintenance taxes based on a percentage of earned premiums, membership as of calendar year-end and new insurance contracts entered into during the year. The amounts are recorded in general administrative expenses and totaled approximately $19,446,000 and $13,996,000 for the years ended December 31, 2022 and 2021, respectively.

Pension Plan

The Plan's employees participate in the Affiliate's pension plan. The Plan has no legal obligation to the Affiliate's pension plan, as it is not the plan sponsor. Contributions are stipulated in an administrative services agreement with the Affiliate based on the Plan's average employee salary and projected number of employees for the year.

Parkland Community Health Plan, Inc.
Notes to Statutory Financial Statements
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Income Taxes

The Plan is a not-for-profit corporation exempt from federal income taxes under Internal Revenue Code Sections 115 and 501(c)(4). From its inception in 1995, the Plan has filed Form 990 Return for Organization Exempt from Income Tax with the Internal Revenue Service (IRS).

Note 2: Uniform Hospital Rate Increase Program and Comprehensive Hospital Increase Reimbursement Program

The Plan has entered into a Letter of Agreement (LOA) with its in-network hospitals to participate in the Uniform Hospital Rate Increase Program (UHRIP). Under UHRIP, the Plan agrees to utilize additional Managed Care Medicaid funding from HHSC for hospital Managed Care Medicaid uniform rate increases in the state of Texas. The LOA allows the Plan to increase its base contracted rate with its in-network hospitals by a percent determined based on the hospital type for certain covered outpatient and inpatient hospital services.

These rate increases are supported by increases in the capitation amounts from the HHSC to the Plan for the STAR program only. The increased capitation amounts from the HHSC also include amounts to cover the Plan's additional premium taxes and a 2.5% administrative fee.

Under the terms of the LOA, the Plan and the hospitals work toward improving member access, satisfaction and quality of care, maximizing program efficiency and effectiveness, and containing costs. In efforts to facilitate these goals being met, the Plan created a Quality Incentive Fund (QIF), which incentivizes hospitals in the service delivery area to collaboratively improve the quality of patient care and also contain costs.

These additional premiums are used to cover the hospital rate increase for eligible covered services. The Plan determines if any funds are available for the QIF 11 months after the end of the rate period to ensure proper claims run-off. If funds are available for the QIF, the Plan distributes these funds to hospitals that achieve the highest rankings in the hospital-level Potentially Preventable Readmissions (PPR) and Potentially Preventable Complications (PPC) reports as reported by the HHSC. If it is determined that there is a shortage because the rate increase payments to participating hospitals is more than the actual UHRIP funding, the Plan is allowed to recover this shortage from hospitals that had the lowest rankings in the PPR and PPC reports.

For the 2022 State Fiscal Year, HHSC implemented new Directed Payment Programs (DPPs). One of the DPPs is the Comprehensive Hospital Increase Reimbursement Program (CHIRP), replacing UHRIP, which ended on August 31, 2021. HHSC received formal approval from the Centers of Medicare & Medicaid Services (CMS) to proceed with the new Directed Payment Programs on March 31, 2022 with a retroactive effective date of September 1, 2021. CHIRP enhanced payments to qualifying hospitals will continue under the same terms originally outlined in UHRIP, with changes to enhanced rates solely calculated and provided by HHSC. The Plan amended the UHRIP LOAs in order to transition the terms and conditions from UHRIP to CHIRP.

Parkland Community Health Plan, Inc.
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Under UHRIP, as of December 31, 2021, the Plan has recorded a liability of approximately $54,248,000, which is included in claims incurred and unpaid on the statutory statements of admitted assets, liabilities, and capital and surplus. Under CHIRP, as of December 31, 2022, the Plan has recorded a liability of approximately $74,451,000, which is included in claims incurred and unpaid on the statutory statements of admitted assets, liabilities, and capital and surplus.

Note 3: Investments

The carrying value and approximate fair value of investments are as follows:

	2022				
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Carrying Value
Bonds					
U.S. treasury securities	$ 17,980,711	$ -	$ (1,022,970)	$ 16,957,741	$ 17,980,711
Mortgage backed securities	4,553,717	-	(411,435)	4,142,282	4,553,717
Municipal bonds	1,018,222	-	(17,752)	1,000,470	1,018,222
U.S. government agencies	95,099,563	-	(1,409,641)	93,689,922	95,099,563
Total bonds	$ 118,652,213	$ -	$ (2,861,798)	$ 115,790,415	$ 118,652,213

	2021				
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Carrying Value
Bonds					
U.S. treasury securities	$ 17,792,554	$ -	$ (44,558)	$ 17,747,996	$ 17,792,554
Mortgage backed securities	5,965,497	-	(15,864)	5,949,633	5,965,497
U.S. government agencies	44,969,134	-	(54,360)	44,914,774	44,969,134
Total bonds	$ 68,727,185	$ -	$ (114,782)	$ 68,612,403	$ 68,727,185

For the years ended December 31, 2022 and 2021, the Plan did not recognize any losses related to bonds that were other-than-temporarily-impaired.

Based on evaluation of available evidence, including recent changes in market interest rates, credit rating information and information obtained from regulatory filings, management believes the declines in fair value for these securities are temporary.

Should the impairment of any of these securities become other-than-temporary, the cost basis of the investment will be reduced and the resulting loss recognized in net income in the period the other-than-temporary impairment is identified.

Net investment income includes dividends, interest and other investment income and realized gains and losses on the Plan's investments, less external and direct internal investment expenses.

Parkland Community Health Plan, Inc.

Notes to Statutory Financial Statements

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The carrying value and estimated fair value of debt securities at December 31, 2022, by contractual maturity, are shown below. Actual maturities may differ from contractual maturities because borrowers have the right to call or prepay obligations without call or prepayment penalties.

	Amortized Cost	Approximate Fair Value
One to five years	$ 114,098,496	$ 111,648,133
	114,098,496	111,648,133
Mortgage backed securities	4,553,717	4,142,282
Totals	$ 118,652,213	$ 115,790,415

The following table shows gross unrealized losses and fair value aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position at December 31, 2022 and 2021.

	2022					
	Less Than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
U.S. Treasury Securities	$ -	$ -	$ 16,957,741	$ (1,022,970)	$ 16,957,741	$ (1,022,970)
Mortgage backed securities	-	-	4,142,282	(411,435)	4,142,282	(411,435)
Municipal securities	1,000,470	(17,752)	-	-	1,000,470	(17,752)
U.S. government agencies	71,783,030	(930,935)	21,906,892	(478,706)	93,689,922	(1,409,641)
	$ 72,783,500	$ (948,687)	$ 43,006,915	$ (1,913,111)	$ 115,790,415	$ (2,861,798)

	2021					
	Less Than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
U.S. Treasury securities	$ 17,747,996	$ (44,558)	$ -	$ -	$ 17,747,996	$ (44,558)
Mortgage backed securities	5,949,633	(15,864)	-	-	5,949,633	(15,864)
U.S. government agencies	44,914,774	(54,360)	-	-	44,914,774	(54,360)
	$ 68,612,403	$ (114,782)	$ -	$ -	$ 68,612,403	$ (114,782)

Proceeds from the sales or maturities of investments were $30,708,405 and $36,602,161 for the years ended December 31, 2022 and 2021, respectively. There was no resulting loss from the sales or maturities of investments in 2022 and 2021.

At December 31, 2022 and 2021, a U.S. Treasury note and a U.S. Agency note valued at $2,169,395 and $4,257,981, respectively, were pledged to satisfy regulatory requirements.

Parkland Community Health Plan, Inc.
Notes to Statutory Financial Statements
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Claims Incurred and Unpaid

The change in the Plan's claims incurred and unpaid liability is as follows:

	2022	2021
Balance, beginning of year	$ 121,742,460	$ 92,462,918
Incurred related to		
Current year	868,252,109	573,516,033
Prior years	107,330,742	(17,072,956)
Total incurred	975,582,851	556,443,077
Paid related to		
Current year	713,076,601	478,317,453
Prior years	222,224,962	48,846,082
Total paid	935,301,563	527,163,535
Balance, end of year	$ 162,023,748	$ 121,742,460

As a result of the change in the estimate of incurred claims in prior year, the provisions of claims increased by $107,330,742 and decreased by 17,072,956, respectively, during the years ended December 31, 2022 and 2021, respectively.

Note 4: Related Parties

The Plan paid claims to the Affiliate totaling approximately $69,503,000 and $46,214,000 during 2022 and 2021, respectively, which is recorded in medical and hospital claims expenses in the accompanying statutory statements of revenues and expenses.

The Plan entered into an administrative agreement with the Affiliate, which was approved by the TDI, to provide services for the management, supervision and administration of the business aspects of the Plan. These payables are included in due to affiliates in the accompanying statutory statements of admitted assets, liabilities and capital and surplus. At December 31, 2022 and 2021, the Plan had a payable of $10,945,165 and $5,637,094, respectively, in the accompanying statutory statements of admitted assets, liabilities and capital and surplus for these transactions. At December 31, 2022 and 2021, the Plan had expenses of $2,449,000 and $5,888,898, respectively, in the accompanying statutory statements of revenues and expenses, for these transactions.

The Plan maintains general liability insurance through the Affiliate.

Parkland Community Health Plan, Inc.

Notes to Statutory Financial Statements

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Note 5: Reinsurance Agreements

The Plan seeks to reduce the loss that may arise from catastrophe or other events that cause unfavorable underwriting results by reinsuring certain levels of risk with other insurance enterprises. Amounts paid or deemed to have been paid for claims covered under reinsurance contracts are recorded as reinsurance receivable. The reinsurance receivable is periodically reviewed for recoverability by management.

Effective September 1, 2022, the reinsurance contract covers 80% of certain medical costs in excess of $1,250,000 up to a per member maximum of $3,000,000.

Effective September 1, 2020 through August 31, 2022, the reinsurance contract covers 80% of certain medical costs in excess of $1,000,000 up to a per-member maximum of $3,000,000.

Reinsurance recoveries are reported as an offset to medical and hospital claims expense and reinsurance premiums are recorded as an offset to premium revenue in the statements of revenues and expenses. Reinsurance premium expense totaled approximately $2,538,000 and $2,573,000 for the years ended December 31, 2022 and 2021, respectively. Reinsurance recoveries for the year ended December 31, 2022 and 2021, were approximately $117,000 and $574,000, respectively.

The Plan remains obligated for amounts ceded in the event that the reinsurers do not meet their obligations. Reinsurance contracts do not relieve the Plan from obligations to its policyholders.

Note 6: Contingencies

The Plan's statutory financial statements are subject to examination by the TDI and HHSC. Such examinations could result in adjustments to the Plan's statutory financial statements; however, management does not believe the impact of these adjustments, if any, would have a material adverse effect on the overall surplus of the Plan. However, due to the nature of these examinations, the ultimate impact on the financial position of the Plan could vary materially.

In the normal course of business, the Plan is involved in matters with respect to claims arising from provider contracts and subscriber insurance coverages, which are not reflected in the accompanying statutory financial statements. While the ultimate outcome is uncertain, it is the opinion of management that the outcome, if any, will have no material adverse effect on the financial position of the Plan.

Note 7: Disclosures About Fair Value of Financial Instruments

Included in various investment-related line items in the statutory financial statements are certain financial instruments carried at fair value. Other financial instruments are periodically measured at fair value, such as when impaired, or, for certain bonds and preferred stock, when carried at the lower of cost or market.

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The fair value of an asset is the amount at which that asset could be bought or sold in a current transaction between willing parties, that is, other than in a forced or liquidation sale. The fair value of a liability is the amount at which that liability could be incurred or settled in a current transaction between willing parties, that is, other than in a forced or liquidation sale.

Fair values are based on quoted market prices when available. When market prices are not available, fair value is generally estimated using discounted cash flow analyses, incorporating current market inputs for similar financial instruments with comparable terms and credit quality (matrix pricing). In instances where there is little or no market activity for the same or similar instruments, the Plan estimates fair value using methods, models and assumptions that management believes market participants would use to determine a current transaction price. These valuation techniques involve some level of management estimation and judgment which becomes significant with increasingly complex instruments or pricing models. Where appropriate, adjustments are included to reflect the risk inherent in a particular methodology, model or input used.

The Plan's financial assets and liabilities carried at fair value have been classified, for disclosure purposes, based on a hierarchy defined by Statement of Statutory Accounting Principles SSAP No. 100R, *Fair Value*. The hierarchy gives the highest ranking to fair values determined using unadjusted quoted prices in active markets for identical assets and liabilities (Level 1) and the lowest ranking to fair values determined using methodologies and models with unobservable inputs (Level 3). An asset's or a liability's classification is based on the lowest level input that is significant to its measurement. For example, a Level 3 fair value measurement may include inputs that are both observable (Levels 1 and 2) and unobservable (Level 3). The levels of the fair value hierarchy are as follows:

Level 1 – Values are unadjusted quoted prices for identical assets and liabilities in active markets accessible at the measurement date.

Level 2 – Inputs include quoted prices for similar assets or liabilities in active markets, quoted prices from those willing to trade in markets that are not active or other inputs that are observable or can be corroborated by market data for the term of the instrument. Such inputs include market interest rates and volatilities, spreads and yield curves.

Level 3 – Certain inputs are unobservable (supported by little or no market activity) and significant to the fair value measurement. Unobservable inputs reflect the Plan's best estimate of what hypothetical market participants would use to determine a transaction price for the asset or liability at the reporting date.

Fair Value of Financial Instruments

The following methods were used to estimate the fair value of financial instruments recognized in the accompanying statutory statements of admitted assets, liabilities and capital and surplus at amounts other than fair value.

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Bonds and Money Market Mutual Funds

The fair value of bonds and money market mutual funds was determined from quotations received from nationally recognized pricing services and broker/dealers. For statutory reporting purposes, bonds are carried at amortized cost and money market mutual funds are carried at fair value.

Cash, Cash Equivalents, and Short-Term Investments

The carrying amounts for these instruments approximate fair value at December 31, 2022 and 2021.

	December 31, 2022				
	Admitted Value	Fair Value	Level 1	Level 2	Level 3
Bonds	$ 118,652,213	$ 115,790,415	$ -	$ 115,790,415	$ -
Cash, cash equivalents and short-term investments	111,593,176	111,593,176	62,051,101	49,542,075	-

	December 31, 2021				
	Admitted Value	Fair Value	Level 1	Level 2	Level 3
Bonds	$ 68,727,185	$ 68,612,403	$ -	$ 68,612,403	$ -
Cash, cash equivalents and short-term investments	178,618,043	178,618,043	178,618,043	-	-

Note 8: Capital and Surplus

The Texas Department of Insurance requires that the Plan maintain a minimum surplus of 200% of the calculated Authorized Control Level, as defined. At December 31, 2022 and 2021, the Plan exceeded the 200% requirement with a risk-based capital level of 313% and 645%, respectively. In addition, the Plan was also required to maintain deposits for insolvency and other reserves.

Note 9: Statutory Reporting

In the annual statement filed with TDI, the Plan must make certain adjustments that are not in accordance with GAAP. The differences between statutory accounting principles and GAAP consist mainly of certain assets (principally prepaids and receivables outstanding greater than 90 days) which are charged to surplus as nonadmitted assets and investments recorded at amortized costs, rather than fair value.

The following is a reconciliation of GAAP net income and equity to statutory net income (loss) and surplus at December 31, 2022 and 2021:

Parkland Community Health Plan, Inc.

Notes to Statutory Financial Statements

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	Net income (loss), year ended		Surplus at December 31,	
	2022	2021	2022	2021
Amounts as reported on statutory basis:	$ (46,032,404)	$ 26,889,301	$ 89,043,184	$ 140,488,134
Adjustments:				
Nonadmitted assets	-	-	8,255,960	2,843,414
Investments	(2,861,798)	(114,782)	(2,861,798)	(114,782)
Amounts on a GAAP basis	$ (48,894,202)	$ 26,774,519	$ 94,437,346	$ 143,216,766

Note 10: Reconciliation to Annual Statement

The following schedule reconciles the Plan's originally filed TDI annual statements to the audited statutory financial statements as of and for the year ended December 31, 2022 and 2021:

	December 31, 2022						
	Per Annual Statement	Adjustments 1	2	3	4	5	Per Audited Statement
Statement of Admitted Assets, Liabilities, Capital and Surplus							
Cash and invested assets							
Bonds	$ 135,701,757	$ (17,049,544)	$ -	$ -	$ -	$ -	$ 118,652,213
Cash, cash equivalents and short-term investments	94,543,632	17,049,544	-	-	-	-	111,593,176
Total cash and invested assets	230,245,389	-	-	-	-	-	230,245,389
Premium income receivable	10,016,824	-	2,343,029	-	-	-	12,359,853
Other receivable	36,085,195	-	-	2,105,332	-	-	38,190,527
Total admitted assets	276,347,408	-	2,343,029	2,105,332	-	-	280,795,769
Unassigned surplus	83,018,823	-	2,343,029	2,105,332	-	-	87,467,184
Total capital and surplus	84,594,823	-	2,343,029	2,105,332	-	-	89,043,184
Total liabilities, capital and surplus	$ 276,347,408	$ -	$ 2,343,029	$ 2,105,332	$ -	$ -	$ 280,795,769
Statement of Revenues and Expenses							
Premiums earned, net	$ 1,085,214,549		$ 2,343,029		$ (3,645,160)		$ 1,083,912,418
Total revenues	1,085,214,549	-	2,343,029	-	(3,645,160)	-	1,083,912,418
Medical and hospital claims expense	971,081,521	-	-	(2,105,332)	-	6,606,662	975,582,851
General administrative expense	114,639,718	-	-	-	(3,645,160)	-	110,994,558
Claims adjustment expense and	16,935,894	-	-	-	-	(6,606,662)	10,329,232
Total expense	1,139,323,556	-	-	(2,105,332)	(3,645,160)	-	1,133,573,064
Net loss	(50,480,765)	-	2,343,029	2,105,332	-	-	(46,032,404)

(1) Reclassification relates to short-term investments held for the year ended December 31, 2022.
(2) The Plan underaccrued the receivable related to delivery supplemental program based on cash collected.
(3) The Plan underaccrued the premium income receivable related to non-risk COVID-19 and drug claims.
(4) Reclassification of experience rebate expense incurred for the year ended December 31, 2022
(5) Reclassification relates to provider incentives incurred for the year ended December 31, 2022.

Parkland Community Health Plan, Inc.

Notes to Statutory Financial Statements

December 31, 2022 and 2021

	December 31, 2021					
	Per Annual Statement	Adjustments 1	2	3	4	Per Audited Statement
Statement of Admitted Assets, Liabilities, Capital and Surplus						
Other receivable	$ 4,888,542	$ 17,155,548	$ (2,213,956)	$ 11,107,266	$ -	$ 30,937,400
Total admitted assets	259,848,059	17,155,548	(2,213,956)	11,107,266	-	285,896,917
Accrued expenses and other liabilities	10,171,952	5,212,337	-	2,644,940	-	18,029,229
Total liabilities	137,551,506	5,212,337	-	2,644,940	-	145,408,783
Unassigned surplus	120,720,553	11,943,211	(2,213,956)	8,462,326	-	138,912,134
Total capital and surplus	122,296,533	11,943,211	(2,213,956)	8,462,326	-	140,488,134
Total liabilities, capital and surplus	$ 259,848,059	$ 17,155,548	$ (2,213,956)	$ 11,107,266	$ -	$ 285,896,917
Statement of Revenues and Expenses						
Premiums earned, net	$ 743,527,973	$ (5,212,337)	$ -	$ (2,644,940)	$ -	$ 735,670,696
Total revenues	743,527,973	(5,212,337)	-	(2,644,940)	-	735,670,696
Medical and hospital claims expense	583,807,600	(17,155,548)	-	(11,736,724)	1,527,749	556,443,077
Claims adjustment expense and NAIP payments	49,047,632	-	-	-	(1,527,749)	47,519,883
Total expenses	738,557,668	(17,155,548)	-	(11,736,724)	-	709,665,416
Net income	$ 5,854,306	$ 11,943,211	$ -	$ 9,091,784	$ -	$ 26,889,301

(1) The Plan originally recorded non-risk COVID-19 and drug payments on a cash basis. The adjustment reflects the amount of the receivable and contra-medical claims expense due to the Plan as of December 31, 2021 for eligible non-risk COVID-19 and drug claims and corresponding increase in accrued experience rebate liability and expense.

(2) The adjustment reflects the non-admission of other receivables that were greater than ninety days outstanding.

(3) The Plan identified an error in the processing of re-adjudicated claims that resulted in duplicate payments on certain claims. The adjustment reflects the amount of the receivable, less non-admission portion, and contra-medical claims expense due to the Plan as of December 31, 2021 for duplicate paid claims. The entry also includes the corresponding increase in accrued experience rebate liability and expense.

(4) Reclassification relates to provider incentives incurred for the year ended December 31, 2021.

Note 11: Subsequent Events

Subsequent events have been evaluated through June 29, 2023, which is the date the statutory financial statements were available to be issued.

Supplementary Information

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Independent Auditor's Report on Supplementary Information

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Parkland Community Health Plan, Inc.
Dallas, Texas

Our 2022 audit was conducted for the purpose of forming an opinion on the 2022 basic statutory financial statements as a whole. The statutory financial statements were prepared on the basis of accounting practices prescribed or permitted by the Texas Department of Insurance. The accompanying supplemental schedules as of and for the year ended December 31, 2022, listed in the table of contents are presented for the purpose of complying with the National Association of Insurance Commissioners' *Instructions to Annual Audited Financial Reports* and the National Association of Insurance Commissioners' *Accounting Practices and Procedures Manual* and are presented for purposes of additional analysis and are not a required part of the 2022 basic statutory financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2022 statutory financial statements. The information has been subjected to the auditing procedures applied in the audit of the 2022 statutory financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the statutory financial statements or to the statutory financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the 2022 statutory financial statements as a whole.

FORVIS, LLP

Dallas, Texas
June 29, 2023

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Parkland Community Health Plan, Inc.

Supplemental Schedule of Investment Risks Interrogatories

December 31, 2022

1. State the reporting entity's total admitted assets as reported on *page 3* of the annual statement: $280,795,769.

2. Ten largest exposures to a single issuer/borrower/investment.

	Investment Category/Issuer	Amount	Percentage of Total Admitted Assets
2.01	Bond- Houston, Texas Community College	$ 1,018,222	0.363%
2.02		-	-
2.03		-	-
2.04		-	-
2.05		-	-
2.06		-	-
2.07		-	-
2.08		-	-
2.09		-	-
2.10		-	-

3. Amounts and percentages of the reporting entity's total admitted assets held in bonds and preferred stocks by NAIC designation.

	NAIC Rating	Amount	Percentage of Total Admitted Assets
3.01	NAIC 1	$ 118,652,213	42.256%
3.02	NAIC 2	-	0.000%
3.03	NAIC 3	-	0.000%
3.04	NAIC 4	-	0.000%
3.05	NAIC 5	-	0.000%
3.06	NAIC 6	-	0.000%

4–23. Interrogatories are omitted due to the absence of conditions under which they are required.

Parkland Community Health Plan, Inc.

Summary Investment Schedule

December 31, 2022

	Gross Investment Holdings		Admitted Assets as Reported In the Annual Statement			
	1	2	3	4	5	6
Investment Categories	Amount	Percentage	Amount	Securities Lending Reinvested Collateral Amount	Total Amount	Percentage
1. Bonds						
1.1 U.S. treasury securities	$ 17,980,711	7.81%	$ 17,980,711	$ -	$ 17,980,711	7.81%
1.2 U.S. government agency and corporate obligations (excluding mortgage-backed securities)	95,099,563	41.30%	95,099,563	-	95,099,563	41.30%
1.21 Issued by U.S. government agencies	-	-	-	-	-	-
1.22 Issued by U.S. government-sponsored agencies	-	-	-	-	-	-
1.3 Non-U.S. government (including Canada, excluding mortgage-backed securities)	-	-	-	-	-	-
1.4 Securities issued by states, territories and possessions and political subdivisions in the U.S.	-	-	-	-	-	-
1.41 States, territories and possessions general obligations	-	-	-	-	-	-
1.42 Political subdivisions of states, territories and possessions and political subdivisions general obligations	1,018,222	0.44%	1,018,222	-	1,018,222	0.44%
1.43 Revenue and assessment obligations	-	-	-	-	-	-
1.44 Industrial development and similar obligations	-	-	-	-	-	-
1.5 Mortgage-backed securities (includes residential and commercial MBS)	4,553,717	1.98%	4,553,717	-	4,553,717	1.98%
1.51 Pass-through securities						
1.511 Issued or guaranteed by GNMA	-	-	-	-	-	-
1.512 Issued or guaranteed by FNMA and FHLMC	-	-	-	-	-	-
1.513 All other						
1.52 CMOs and REMICs						
1.521 Issued or guaranteed by GNMA, FNMA, FHLMC or VA	-	-	-	-	-	-
1.522 Issued by non-U.S. Government issuers and collateralized by mortgage-backed securities issued or guaranteed by agencies shown in Line 1.521	-	-	-	-	-	-
1.523 All other	-	-	-	-	-	-
2. Other debt and other fixed income securities (excluding short-term)						
2.1 Unaffiliated domestic securities (includes credit tenant loans and hybrid securities)	-	-	-	-	-	-
2.2 Unaffiliated non-U.S. securities (including Canada)	-	-	-	-	-	-
2.3 Affiliated securities	-	-	-	-	-	-

Parkland Community Health Plan, Inc.

Summary Investment Schedule (Continued)

December 31, 2022

	Gross Investment Holdings		Admitted Assets as Reported In the Annual Statement			
	1	2	3	4	5	6
Investment Categories	Amount	Percentage	Amount	Securities Lending Reinvested Collateral Amount	Total Amount	Percentage
3. Equity Interests						
3.1 Investments in mutual funds	$ -	-	$ -	$ -	$ -	-
3.2 Preferred stocks						
3.21 Affiliated	-	-	-	-	-	-
3.22 Unaffiliated	-	-	-	-	-	-
3.3 Publicly traded equity securities (excluding preferred stocks)						
3.31 Affiliated	-	-	-	-	-	-
3.32 Unaffiliated	-	-	-	-	-	-
3.4 Other equity securities						
3.41 Affiliated	-	-	-	-	-	-
3.42 Unaffiliated	-	-	-	-	-	-
3.5 Other equity interests including tangible personal property under lease						
3.51 Affiliated	-	-	-	-	-	-
3.52 Unaffiliated	-	-	-	-	-	-
4. Mortgage loans:						
4.1 Construction and land development	-	-	-	-	-	-
4.2 Agricultural	-	-	-	-	-	-
4.3 Single-family residential properties	-	-	-	-	-	-
4.4 Multifamily residential properties	-	-	-	-	-	-
4.5 Commercial loans	-	-	-	-	-	-
4.6 Mezzanine real estate loans	-	-	-	-	-	-
5. Real estate investments:						
5.1 Property occupied by company	-	-	-	-	-	-
5.2 Property held for production of income	-	-	-	-	-	-
($0 of property acquired in	-	-	-	-	-	-
satisfaction of debt)	-	-	-	-	-	-
5.3 Property held for sale ($0 including	-	-	-	-	-	-
property acquired in satisfaction of debt)	-	-	-	-	-	-
6. Contract loans	-	-	-	-	-	-
7. Derivatives						
8. Receivables for securities	-	-	-	-	-	-
9. Securities lending						
10. Cash, cash equivalents and short-term investments						
10.1 Cash	(17,721,897)	-7.70%	(17,721,897)	-	(17,721,897)	-7.70%
10.2 Cash equivalents	84,771,979	36.82%	84,771,979	-	84,771,979	36.82%
10.3 Short-term investments	44,543,094	19.35%	44,543,094	-	44,543,094	19.35%
11. Other invested assets	-	-	-	-	-	-
12. Total invested assets	$ 230,245,389	100%	$ 230,245,389	$ -	$ 230,245,389	100%

Parkland Community Health Plan, Inc.

Supplemental Schedule of Reinsurance Disclosures

December 31, 2022

The following information regarding reinsurance contracts is presented to satisfy the disclosure requirements in SSAP No. 61R, *Life, Deposit-Type and Accident and Health Reinsurance*, which apply to reinsurance contracts entered into, renewed or amended on or after January 1, 1996.

1. Has Parkland Community Health Plan, Inc. reinsured any risk with any other entity under a reinsurance contract (or multiple contracts with the same reinsurer or its affiliates) that is subject to Appendix A-791, *Life and Health Reinsurance Agreements*, and includes a provision that limits the reinsurer's assumption of significant risks identified in Appendix A-791?

   Examples of risk-limiting features include provisions such as a deductible, a loss ratio corridor, a loss cap, an aggregate limit or other provisions that result in similar effects.

   Yes ☐ No **X**

   If yes, indicate the number of reinsurance contracts to which such provisions apply: ***N/A***

   If yes, indicate if deposit accounting was applied for all contracts subject to Appendix A-791 that limit significant risks.

   Yes ☐ No ☐ N/A **X**

2. Has Parkland Community Health Plan, Inc. reinsured any risk with any other entity under a reinsurance contract (or multiple contracts with the same reinsurer or its affiliates) that is not subject to Appendix A-791, for which reinsurance accounting was applied and includes a provision that limits the reinsurer's assumption of risk?

   Examples of risk-limiting features include provisions such as a deductible, a loss ratio corridor, a loss cap, an aggregate limit or other provisions that result in similar effects.

   Yes ☐ No **X**

   If yes, indicate the number of reinsurance contracts to which such provisions apply: ***N/A***

   If yes, indicate whether the reinsurance credit was reduced for the risk-limiting features.

   Yes ☐ No ☐ N/A **X**

Parkland Community Health Plan, Inc.

Supplemental Schedule of Reinsurance Disclosures (Continued)

December 31, 2022

Does Parkland Community Health Plan, Inc. have any reinsurance contracts (other than reinsurance contracts with a federal or state facility) that contain one or more of the following features which may result in delays in payment in form or in fact:

(a) Provisions that permit the reporting of losses to be made less frequently than quarterly;
(b) Provisions that permit settlements to be made less frequently than quarterly;
(c) Provisions that permit payments due from the reinsurer to not be made in cash within ninety (90) days of the settlement date (unless there is no activity during the period); or
(d) The existence of payment schedules, accumulating retentions from multiple years, or any features inherently designed to delay timing of the reimbursement to the ceding entity.

Yes ☐ No **X**

3. Has Parkland Community Health Plan, Inc. reflected reinsurance accounting credit for any contracts that are not subject to Appendix A-791 and not yearly renewable term reinsurance, which meet the risk transfer requirements of SSAP No. 61R?

Type of contract:	Response:	Identify reinsurance contract(s):	Has the insured event(s) triggering contract coverage been recognized?
Assumption reinsurance – new for the reporting period	Yes ☐ No **X**		N/A
Non-proportional reinsurance, which does not result in significant surplus relief	Yes ☐ No **X**		Yes ☐ No ☐ N/A **X**

4. Has Parkland Community Health Plan, Inc. ceded any risk, which is not subject to Appendix A-791 and not yearly renewable term reinsurance, under any reinsurance contract (or multiple contracts with the same reinsurer or its affiliates) during the period covered by the financial statements, and either:

(a) Accounted for that contract as reinsurance under statutory accounting principles (SAP) and as a deposit under generally accepted accounting principles (GAAP); or

Yes ☐ No ☐ N/A **X**

(b) Accounted for that contract as reinsurance under GAAP and as a deposit under SAP?

Yes ☐ No ☐ N/A **X**

If the answer to item (a) or item (b) is yes, include relevant information regarding GAAP to SAP differences from the accounting policy footnote to the audited statutory-basis financial statements to explain why the contract(s) is treated differently for GAAP and SAP below:

Not applicable.

Parkland Health & Hospital System

ATTACHMENT

This analysis and the attached "Schedule of Uncorrected Misstatements (Adjustments Passed)" reflect the effects on the financial statements if the uncorrected misstatements identified were corrected.

QUANTITATIVE AND QUALITATIVE ANALYSIS

	Before Misstatements	Misstatements	Subsequent to Misstatements	% Change
Total Assets	280,795,769	(1,018,537)	279,777,232	-0.36%
Total Liabilities	(191,752,585)	(298,355)	(192,050,940)	0.16%
Surplus	(89,043,184)	1,316,892	(87,726,292)	-1.48%
Revenues & Income	(1,087,540,660)	(222,722)	(1,087,763,382)	0.02%
Costs & Expenses	1,133,573,064	50,964	1,133,624,028	0.00%
Net Loss	46,032,404	(171,758)	45,860,646	-0.37%

Client: Parkland Health & Hospital System
Period Ending: December 31, 2022

SCHEDULE OF UNCORRECTED MISSTATEMENTS (ADJUSTMENTS PASSED)

Description	Location or Business Unit	Financial Line Item	Factual (F), Judgmental (J) or Projected (P)	Assets DR (CR)	Liabilities DR (CR)	(X) Non Tax	Revenues & Income DR (CR)	Costs & Expenses DR (CR)	Surplus DR (CR)	Net Effect on Following Year: Net Loss DR (CR)	Net Effect on Following Year: Equity DR (CR)
Prior year turnaround impact of the 2021 audit passed adjusting journal entry to increase delivery supplemental premium receivable to collections	All		F	0	0		1,036,397	0	(1,036,397)	0	0
		Premiums earned, net					1,036,397			Not applicable - turnaround impact only	
		Unassigned surplus							(1,036,397)		
Prior year turnaround impact of the 2021 audit passed adjusting journal entry to increase premium tax accrual to amount paid	All			0	0		0	(247,391)	247,391	0	0
		Unassigned surplus							247,391	Not applicable - turnaround impact only	
		General administrative expenses						(247,391)			
Prior year turnaround impact of the 2021 audit passed adjusting journal entry to decrease retroactive premiums receivable to actual collections	All			0	0		(888,412)	0	888,412	0	0
		Unassigned surplus					(888,412)			Not applicable - turnaround impact only	
		Premiums earned, net							888,412		
To increase premium tax accrual to amount paid subsequent to year end	All		F	0	(298,355)		0	298,355	0	(298,355)	298,355
		Accrued expenses and other liabilities			(298,355)						298,355
		General administrative expenses						298,355		(298,355)	
To increase retroactive premium receivable based on actual collections	All		F	370,707	0		(370,707)	0	0	370,707	(370,707)
		Premium income receivable		370,707							(370,707)
		Premium earned, net					(370,707)			370,707	
To reduce interest receivable to agree with confirmed statement balance			F	(1,389,244)	0		0	0	1,389,244	0	0
		Other receivables		(1,389,244)						Not applicable	
		Unassigned surplus							1,389,244		
		Taxable passed adjustments					(222,722)	50,964	1,488,650	72,352	(72,352)
		Times (1 - effective tax rate of 00%)					100%	100%	100%		
		Taxable passed adjustments net of tax impact			0		(222,722)	50,964	1,488,650		
		Nontaxable passed adjustments		(1,018,537)	(298,355)		0	0	0		
		Total passed adjustments, net of tax impact (if any		(1,018,537)	(298,355)		(222,722)	50,964	1,488,650		
							Impact on Net Loss		**(171,758)**		
							Impact on Surplus		**1,316,892**		