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ASHLEY COUNTY MEDICAL CENTER
PERSONNEL POLICIES

TITLE/DESCRIPTION: Deficit Reduction Act of 2005 Compliance Policy

EFFECTIVE DATE:	APPLIES TO:	APPROVED BY:
	ALL EMPLOYEES	

PURPOSE: To satisfy the requirements of Section 6032 of the Deficit Reduction Act of 2005 by setting forth certain federal and state laws relating to liability for false claims and statements; protections against reprisal or retaliation for those who report wrongdoing; and Ashley County Medical Center policies and procedures to detect and prevent fraud, waste and abuse.

Scope: This policy applies to all directors, officers' administrators, managers, staff, employees, contractors and agents of Ashley County Medical Center.

POLICY: It is the policy of Ashley County Medical Center (ACMC) to obey all federal and state laws, to implement and enforce procedures to detect and prevent fraud, waste and abuse with respect to payments to ACMC from federal or state healthcare programs, and to provide protections for those who report actual or suspected wrongdoing.

Distribution: This Policy shall be distributed to all current and new Board members, officers, administrators, managers, staff, and employees of ACMC. This policy will be included in the employee handbook.

Explanation of Laws: Set forth below is summaries of certain statutes that provide liability for false claims and statements. These summaries are not intended to identify all applicable laws but rather to outline some of the major statutory provisions as required by the Deficit Reduction Act of 2005.

Federal False Claims Laws:

Civil False Claims Act; 31 U.S.C. §§ 3729-3733

The federal Civil False Claims Act imposes civil liability on any person or entity who:

- Knowingly files a false or fraudulent claim for payments to Medicare, Medicaid or other federally funded health care program;
- Knowingly uses a false record or statement to obtain payment on a false or fraudulent claim from Medicare, Medicaid, or other federally funded health care program; or
- Conspires to defraud Medicare, Medicaid or other federally funded health care program by attempting to have a false or fraudulent claim paid.

"Knowingly" means:

- Actual knowledge that the information on the claim is false;
- Acting in deliberate ignorance of whether the claim is true or false; or
- Acting in reckless disregard of whether the claim is true or false.

A person or entity found liable under the Civil False Claims Act is subject to a civil money penalty of between $5,500 and $11,000 plus three times the amount of damages that the government sustained because of the illegal act. The amount of damages in health care terms is the amount paid for each false claim that is filed.

Anyone may bring a qui tam action under the Civil False Claims Act in the name of the United States in federal court. The case is initiated by causing a copy of the complaint and all available relevant evidence to be served n the federal government. The complaint remains sealed for at least 60 days and will not be served on the defendant so that the government can investigate the complaint. The government may obtain additional investigation time by showing good cause. After expiration of the review and investigation period, the government may pursue the matter in its own name or decline to proceed. If the government declines to proceed, the person who filed the action has the right to continue with the case.

If the government proceeds with the case, the person bringing the action will receive between 15% and 25% of any recovery, depending upon the contribution of that person to the success of the case. If the government does not proceed with the case, the person bringing the action will be entitled to between 25% and 30% of any recovery, plus reasonable expenses and attorneys' fees and costs.

Program Fraud Civil Remedies Act; 31 U.S.C. §§ 3801 -3812

The Program Fraud and Civil Remedies Act ("PFCRA") creates administrative remedies for making false claims and false statements. These penalties are separate from and in addition to any liability that may be imposed under the Civil False Claims Act.

The PRCRA imposes liability on people or entities who file a claim that they know or have reason to know:

- Is false, fictitious, or fraudulent;
- Includes or is supported by any written statement that contains false, fictitious, or fraudulent information;
- Includes or is supported by a written statement that omits a material fact, which causes the statement to be false, fictitious, or fraudulent, and the person or entity submitting the statement has a duty to include the omitted fact; or
- Is for payment for property or services not provided as claimed.

A violation of this section of PFCRA is punishable by a $5,000 civil penalty for each wrongfully filed claim, plus an assessment of twice the amount of any unlawful claim that has been paid.

In addition, a person or entity violates the PFCRA if they submit a written statement which they know or should know:

- Asserts a material fact that is false, fictitious or fraudulent; or
- Omits a material fact that they had a duty to include, the omission causes the statement to be false, fictitious, or fraudulent, and the statement contained a certification of accuracy.

A violation of this section of the PFCRA carries a civil penalty of up to $5,000 in addition to any other remedy allowed under other laws.

State False Claims Laws:

Arkansas Medicaid Fraud Act; Ark. Code Ann. §§ 5-55-101 et seq.

The Arkansas Medicaid Fraud Act imposes criminal liability on people or business entities for certain fraudulent actions taken "purposely," which means with a conscious intent to take the action or cause the result. Criminal liability is imposed for purposely taking any of the following actions:

- Making a false statement or representation of material fact in any application for any benefit or payment under the Arkansas Medicaid Program;
- Making a false statement or representation of material fact for use in determining rights to a Medicaid benefit or payment.
- Concealing or failing to disclose an event that affects the right to any Medicaid benefit or payment of the person filing the claim or anyone on behalf of whom that person is filing, with an intent to fraudulently secure payment;
- Converting a Medicaid benefit or payment to another use after receiving it for the benefit of another person.
- Presenting a claim for a physician's services knowing that the individual who furnished the service was not licensed;
- Making or inducing the making of, any false statement or representation of a material fact with respect to the conditions or operation of any institution, facility, or entity in order for the institution, facility, or entity to qualify as a hospital, rural primary care hospital, skilled nursing facility, nursing facility, intermediate care facility for the mentally retarded, home health agency, or other entity, or with respect to information required pursuant to applicable federal and state law, rules, regulations, and provider agreements;
- Charging rates for services to a Medicaid patient that are in excess of the rates established by the state;
- Charging, soliciting, accepting or receiving, in addition to the Medicaid payment, any consideration (other than a charitable, religious, or philanthropic contribution) as a precondition of admitting a Medicaid patient to a facility or as a requirement for a Medicaid patient's continued stay in a facility;
- Making a false statement or representation of a material fact in any application for benefits or payment;
- Soliciting or receiving any remuneration in exchange for: (1) a referral of an individual for any item or service payable by Medicaid; or (2) the purchase, lease, order or recommendation to purchase, lease or order any good, facility, service, or item payable by Medicaid;
- Offering or paying any remuneration in order to induce; (1) a referral for any item or service payable by Medicaid; or (2) the purchase, lease, order or a recommendation to purchase, lease or order any good, facility, service, or item payable by Medicaid.

The anti-kickback provisions of the Medicaid Fraud Act do not apply to discounts that are properly disclosed and reflected in Medicaid charges or claims; payments under bona fide employment relationships; payments to purchasing agents pursuant to a written contract; or payments authorized under Arkansas Department of Health and Human Services ("DHHS") regulations.

Medicaid fraud is a Class B felony if the aggregate amount of illegal payments is $2,500 or more and a Class C felony if the aggregate amount is less that $2,500 but more that $200. Penalties for a Class B felony may include imprisonment of not less than five or more than 20 years and/or a fine of up to $15,000, and for a Class C felony, imprisonment for not less than three or more than 10 years and/or a fine of up to $10,000. for illegal payments of less than $2200, the offense is a Class A misdemeanor, which carries possible imprisonment of up to one year and/or a fine of up to $1,000.

The Medicaid Fraud Act also provides for additional criminal fines. Any person or entity found guilty of illegally receiving Medicaid funds is required to make full restitution to DHHS and pay a fine of three times the amount of the illegally received payments. A person or entity found guilty of fraudulently submitting Medicaid claims may be required to pay a fine of up to $3,000 for each fraudulent claim. Violators also may be suspended from participation in the Medicaid program.

The Arkansas Attorney General may pursue a civil action against a person or entity based upon Medicaid fraud. If a civil judgment is entered on an Attorney Genera complaint alleging the fraudulent receipt of Medicaid payments, the violating party is required to pay a civil penalty of two

times the amount of all payments judicially found to have been fraudulently received. For judgment on a complaint alleging fraudulent submission of Medicaid claims, a civil penalty of up to $2,000 for each fraudulently submitted claim may be imposed. In either case, the violator may be required to reimburse the state for the expenses of enforcement.

In Medicaid fraud cases, the court may award up to 10% of the aggregate penalty recovered, but not more than $100,000, to anyone who provided information that led to detecting and bringing to trial and punishment persons guilty of violating the Medicaid Fraud Act.

Arkansas Medicaid Fraud False Claims Act – Ark. Code Ann. §§ 20-77-901 et seq.

The Arkansas Medicaid Fraud Claims Act (the "Medicaid False Claims Act") provides for civil penalties for knowingly engaging in the same activities that are prohibited under the Medicaid Fraud Act. "Knowingly" means that the person has actual knowledge of the information or acts in deliberate ignorance or reckless disregard of the truth or falsity of the information. Unlike the Medicaid Fraud Act, there is no requirement of a specific intent to defraud in order to impose liability under the Medicaid False Claims Act.

Violators must make full restitution to the State of Arkansas, through the Attorney General, and pay a civil penalty of not less than $5,000 or more than $10,000 for each violation. They also must pay three times the amount of all payments fraudulently received, unless the party promptly disclosed the violation to the Attorney General's office before any criminal, civil or administrative action had commenced, at the time of the disclosure the party had no knowledge of the existence of an investigation into the violation, and the party fully cooperated with the investigation. In the case of a prompt disclosure that meets the statutory requirements, the assessment may be reduced to two times the amount of fraudulent payments or less. The violating party also may be required to reimburse the state for the expenses of enforcement.

As under the Medicaid Fraud Act, the Medicaid False Claim Act contains a provision that rewards those who report wrongdoing. Up to 10% of the aggregate penalty recovered, but not more than $100,000, may be awarded to anyone who provided information that led to detecting and bringing to trail and punishment those who violated the Medicaid False Claims Act.

Anti-Retaliation Protection: Individuals within an organization who observe activities or behavior that may violate the law in some manner and who report their observations either to management or to governmental agencies are provided protections under certain laws.

For example, protections are afforded to people who file qui tam lawsuits under the Civil False Claims Act, which is discussed above. The Civil False Claims Act states that any employee who is discharged, demoted, suspended, threatened, harassed, or in any other manner discriminated against in the terms and conditions of employment because of lawful actions taken in furtherance of a qui tam action is entitled to recover damages. He or she is entitled to "all relief necessary to make the employee whole," including reinstatement with the same seniority status, twice the amount of back pay (plus interest), and compensation for any other damages the employee suffered as a result of the discrimination. The employee also can be awarded litigation costs and reasonable attorneys' fees.

Role of False Claims Laws: The false claims laws discussed above are an important part of preventing and detecting fraud, waste, and abuse in federal and state health care programs because they provide governmental agencies the authority to seek out, investigate and prosecute fraudulent activities. Enforcement activities take place in the criminal, civil and administrative arenas. This provides a broad spectrum of remedies to battle these problems.

Anti-retaliation protections for individuals who make good faith reports of waste, fraud and abuse encourage reporting and provide broader opportunities to prosecute violators. Statutory provisions, such as the anti-retaliation provisions of the Civil False Claims Act, create reasonable incentives for this purpose. Employment protections create a level of security employees need in order to help in prosecuting these cases.

ACMC CORPORATE COMPLIANCE PLAN

I. GENERAL POLICY/CODE OF CONDUCT

Ashley County Medical Center (ACMC) is committed to integrity as the fundamental guiding principle for its employees, agents and others who act on its behalf. The Code of Conduct has been prepared to reaffirm this commitment. The guidelines contained in this Code are designed to assist you in making the appropriate choices when confronted with difficult situations. This Code dictates requirements that are often more exacting than those mandated by law, reflecting our goal of conducting ourselves with the highest level of integrity. The willingness of each of us to raise ethical and legal concerns is essential. Ultimately, the responsibility for ethical behavior rests with each of us in the exercise of our independent judgment.

ACMC also expects its Board, the Administration, Medical Staff, and each employee to recognize and avoid activities and relationships that involve or might appear to involve conflicts of interest and behavior that might put ACMC in a negative position, compromise patient care, or compromise ACMC's integrity.

The following Code of Conduct is intended to guide the Board, Administration, Medical Staff, and employees in recognizing these situations:

- ACMC will provide patients with quality care delivered in a considerate, respectful and cost effective manner.
- ACMC will abide by the letter and spirit of all applicable laws and regulations and will act in such a manner that the full disclosure of all facts related to any activity will reflect favorably upon ACMC.

- ACMC will adhere to the highest ethical standards of conduct in all business activities and will act in a manner that enhances ACMC's standards of conduct in all business activities and will act in a manner that enhances ACMC's standing as a vigorous and ethical contributor within the community.
- ACMC will deal fairly and honestly with those who are affected by our actions and treat them as we would expect them to treat us if the situation were reversed.
- ACMC will undertake only those activities that will withstand public scrutiny and not pursue any course of action which involves a violation of the law or these principles.
- ACMC will promote relationships based on mutual trust and respect and provide an environment in which individuals may question a practice without fear of adverse consequences.
- We expect outside colleagues, e.g., vendors, consultants and others whose actions could be attributed to ACMC, to adhere to the same standards in their dealing with ACMC and with others on our behalf, and we will inform each at the initiation of our dealing with them.
- ACMC will maintain honest and accurate records concerning the provision of healthcare services, and never to offer, pay or receive any money, gifts or services in return for the referral of patients or to induce the purchase of items or services.
- ACMC will not disclose confidential patient or business information to unauthorized persons.

- ACMC will maintain a working environment free from harassment, illegal drugs, alcohol, and unlawful discrimination.
- ACMC will enable patients or their health care proxies to exercise the right to make their own health care decisions after disclosure of all relevant information.
- ACMC will avoid activities that unlawfully reduce or eliminate competition, control prices, allocate markets or exclude competitors.
- ACMC will maintain a safe and healthy working environment.
- ACMC will not engage in any activity which threatens the tax-exempt status of ACMC.

An employee who has a question regarding the application or interpretation of the Code should use the procedure specified.

II. CONDUCTING ACMC'S BUSINESS

ACMC's activities involve thousands of transactions each day. Obviously, we must have strict rules to guard against fraud or dishonesty and guidelines for addressing possible problems that may arise.

Disclosure

If you detect or suspect any behavior which you believe is or may be improper or inconsistent with the guidelines contained in this regulation or the law on the part of any employee or agent of ACMC or any person with whom ACMC deals, you should report it immediately so that the appropriate investigation is initiated.

If evidence of a violation of this Code of Conduct is established, any involved employee or agent is subject to sanctions, up to and including termination. Any such

evidence will be reviewed by the Compliance Officer and where appropriate, ACMC's Legal Counsel.

Referral by ACMC for prosecution may be made after review by Legal Counsel.

Proper Use of ACMC's Assets

All managers should establish appropriate internal accounting controls over all areas of their responsibility to ensure the safeguarding of ACMC's assets and the accuracy of financial records and reports. These established accounting practices and procedures must be followed to insure the complete and accurate recording of all transactions. ACMC has adopted these controls in accordance with the Generally Accepted Accounting Principles (GAAP), the guidelines of the Financial Accounting Standards Board (FASB), internal needs, and the requirements of other applicable laws and regulations. All employees, within their areas of responsibility, are expected to adhere to these established controls.

If you become aware of any improper use of, or accounting practice inconsistent with, GAAP or FASB concerning ACMC's resources, you should report the matter immediately.

To be certain the Hospital's policies on proper use of resources are carried out, you are expected to observe the following longstanding accounting rules:

- Make outside payments only with a draft or check or through other properly documented sources. No payment on behalf of ACMC should be approved or made without adequate supporting documentation or with the intention or understanding that any part is to be used in any way other than described in the supporting documents.
- Do not establish any undisclosed or unrecorded corporate account, fund or asset for any purpose.
- Obtain proper authorization before opening any new account, either on ACMC's books or with an outside agency, such as a bank.

- Do not use any account for a misleading purpose or to conceal the existence or use of any corporate resource.
- Record every payment to and every transaction with an outside party on ACMC's books promptly, accurately and through normal financial reporting channels. If you are involved in or accountable for any such transaction, you are expected to make sure a prompt and accurate accounting is made.

Compliance With Anti-Kickback and Corrupt Influence Statutes

Both federal and state laws specifically prohibit any form of kickback, bribe or rebate made directly or indirectly, overtly or covertly, in cash or in kind to induce the purchase, recommendation to purchase or referral of any kind of health care goods, services or items paid for by Medicare or the Medicaid program. The term "kickback" as defined in these statutes means the giving of remuneration, which is interpreted under the law as anything of value. Under the federal law, the offense is classified as a felony and is punishable by fines and imprisonment for up to five years. Federal and state "anti-referral" laws impose substantial penalties relative to billing for services referred by physicians or other health care practitioners who have a contractual or business relationship with ACMC. You should become familiar with these statutes and assure your activities are conducted in such a manner that questions do not arise as to whether laws have been violated.

Any question concerning these statutes or any business arrangement subject to anti-kickback or anti-referral laws should be directed to the Compliance Officer.

To list everything which may constitute an improper inducement under anti-kickback laws would not be possible. One thing is clear: ACMC must scrupulously avoid being either the one who offers or receives an improper inducement. Care must be taken in structuring relationships with persons not employed by ACMC so as not to create a situation where

ACMC appears to be offering an improper inducement to those who may be in a position to refer or influence the referral of patients to ACMC. For example, the offering of free goods or services, or those priced below market value, to physicians for the purpose of influencing them to refer patient to, or utilize the professional services offered by ACMC, would be improper.

As a provider of patient care, ACMC also should not receive any improper inducement from its vendors to influence it in making decisions regarding the use of particular products or the referral or recommendation of patients to other providers of goods and service paid for by Medicare or Medicaid. For example, free, or at below-market value goods or services from vendors, awards, discounts, prizes or other forms of remuneration may be treated as a "kickback" even if given as part of a promotional program of a vendor or provider, e.g., pharmaceutical company, medical equipment supplier, etc. There are certain exceptions to these rules which permit discounts, rebates and allowances under appropriate circumstances, provided there is proper disclosure of the discount or other remuneration to third-party payors.

Before entering into any business or contractual relationship with any person or organization which may raise a question under anti-kickback laws, or with any physician or other health care practitioner who makes or may make referrals to ACMC, please consult with the Compliance Officer.

Likewise, it is a violation of ACMC's policy, and an offense for which dismissal will be considered, for any officer, employee or any other person acting on behalf of or in the name of ACMC to make or authorize the paying of any bribe, any payment for an illegal act or other use of an ACMC resource which, although arguably not illegal, could be interpreted as improper, unreasonable or unnecessary.

In general, any money, property or favor offered or given to induce someone to forgo normal business or professional considerations in making decisions that affect ACMC constitutes improper use of a resource. Equally improper is any payment of any kind to consultants, agents, brokers, attorneys, or individuals or firms if there is reason to suspect that some or all of the payment is to be used to do anything that is prohibited by this Code.

A useful test to apply in determining if a payment –or any other transaction—is proper is whether such transaction, if disclosed publicly, could adversely affect the reputation of ACMC. Another useful principle to follow is not to give anything to a vendor, client or other person doing business with ACMC which you could not yourself accept under ACMC's policies if it were offered to you under similar circumstances. If you have any doubts as to whether a payment is lawful, you should consult the Compliance Officer.

Tax Exempt Organizations

ACMC and its affiliates are charities, exempt from taxation by federal, state and local governments. In order to maintain this exemption, which is critical to ACMC's survival, ACMC must operate for the benefit of the community and must avoid what tax law Call "private inurement" and "private benefit". All nonexempt individuals or entities must pay fair market value for use of ACMC services or property. Violation of the tax law can give rise to criminal penalties as well. Questions on tax issues should be referred to the Compliance Officer.

Care must also be taken that ACMC's sales tax exemption is used only for legitimate ACMC activities. If personal items are purchased through ACMC for employees, a separate account will be set up, with the appropriate taxes paid by the employee.

Gifts and Entertainment

Gifts and entertainment represent an area of potential conflict in situations where a competitive, regulatory or adversarial relationship could exist. Giving or accepting gifts and

entertainment can sometimes be construed as an attempt to unduly influence the relationship. No personal gifts should be offered or received if done under circumstances that would raise a reasonable question concerning whether the gift was offered or received improperly to influence a person in the exercise of proper business judgment.

One should not provide or accept gifts valued at any more than nominal value. No gift that is valued at more than $50 should ever be accepted. Keeping in mind that any gift from a program-related vendor may raise anti-kickback issues and therefore ought to be declined, there are circumstances where the offer, receipt or exchange of gifts is appropriate when done without regard to an attempt to influence any professional or business activity. Gifts of money are never permissible. Your judgment should tell you when a gift is improper and should be refused to prevent embarrassment and to avoid what may be an unintentional violation of the law.

Federal and state law restricts the ability to give a gratuity to government employees, including politicians. These laws specifically prohibit giving a gratuity to a government employee in connection with a business transaction. Unlike a bribe or impermissible kickback, the giving of a gratuity is not permitted even if done without the intent to influence some official action.

Independent Contractors & Vendors

ACMC purchases goods and service from many consultants, independent contractors, and vendors. ACMC's policy is that all contractors and vendors who provide items or services to ACMC must comply with all applicable laws and ACMC policies. Each consultant, vendor, contractor, or other agent furnishing items or services worth at least $25,000 per year shall be given a copy of ACMC's Compliance Program Policy and shall provide a written certification that it is aware of and will comply with ACMC's Compliance

Program Policy Manual. Contractors should bring any questions or concerns about ACMC practice or their own operations to the Compliance Officer.

III. BUSINESS ETHICS AND CONFLICT OF INTEREST

As worded in the Code of Conduct above the Board members, Administration, Medical Staff, and employees of ACMC will abide by ACMC's Conflict of Interest Policy, will disclose any potential conflict of interest, and will deal with the conflict as required. ACMC's business partners will be selected solely on their merits, in the best interest of ACMC, and without regard to non-business related considerations.

Each of us will abide by ACMC's Conflict of Interest Policy, will disclose any potential conflict of interest we may have regarding our responsibilities to ACMC, and will deal with the conflict as required.

Anything that would constitute improper or questionable behavior on the part of a Board member, Administration, Medical Staff member, or an employee is also unacceptable if engaged in through a third party, such as a spouse, other family member, friend or any other person or entity with whom the employee is closely identified or in which he or she has any significant ownership or financial interest or position.

Employees of ACMC occupy positions of trust and confidence. Therefore, employees should be above reproach in discharging their duties and job responsibilities. Where personal interests conflict with institutional interests, it is imperative that employees be alert to those situations.

Employees are expected to adhere to the highest standards of business ethics and to conduct themselves in a manner that will avoid personal conflicts of interest. Recognizing that the avoidance of all conflicts between personal and institutional interests is not possible, ACMC expects employees to recognize conflicts of interest at time of employment and at any time of employment and at any time conflicting situations occur.

It is not possible to describe all of the situations which may cause or give the appearance of a conflict of interest. The examples indicated below represent conflicts of interest most likely to occur at ACMC:

- Personal Financial Involvement

  Personal financial involvement or ownership of a substantial interest that has not been disclosed and approved in accordance with ACMC's Conflict of Interest Policy in organizations with whom ACMC does business, such as vendors, suppliers, agents, customers, contractors, licensees or sponsors.

- Disclosure of Confidential Information

  Employees should not discuss confidential patient and business related information with anyone, except as needed to perform their duties at ACMC, or others providing services for patients.

- Improper Use of Position

  Employees should not use their position to obtain special advantage or privileges. Improper use of an employee's position can take many forms. For example, an employee may influence or coerce others to give a friend special consideration for preferential treatment.

- Other Employment

  Regular full-time and regular part-time employees who accept employment with ACMC owe their primary job responsibility to the hospital. Other employment is understood to be secondary and must not interfere with an employee's job responsibilities at ACMC. Since employees are expected to adhere to the highest standards of business ethics, whenever an employee is in doubt as to whether a conflict of interest exists or the propriety of any given situation, the employee should

discuss the matter with the ACMC's Compliance Officer. It is the policy of ACMC that if an employee fails to comply with this policy, it is grounds for disciplinary action including termination of employment.

IV. BILLING AND CLAIMS

When claiming payment for ACMC or professional services, ACMC has an obligation to its patients, third party payors, and the state and federal governments to exercise as much as possible diligence, care, and integrity. The right to bill the Medicare and Medicaid programs, conferred through the award of a provider or supplier number, carries a responsibility that may not be abused. The Hospital is committed to maintaining the accuracy of each claim it processes and submits. Many employees throughout the hospital have responsibility for entering charges and procedure codes. Each of these individuals is expected to monitor compliance with applicable billing rules. Each employee of ACMC must use his or her best efforts to learn about requirements and changes in the applicable billing rules, prevent and, where appropriate, report errors, improprieties or suspicious circumstances in billing that could violate applicable laws and regulations. Any false, inaccurate, or questionable claims should be reported immediately to the Compliance Officer.

False billing is a serious offense. Medicare and Medicaid rules prohibit knowingly and willfully making or causing to be made any false statement or representation of a material fact in an application for benefits or payment. It is also unlawful to conceal or fail to disclose the occurrence of an event affecting the right to payment with the intent to secure payment that is not due.

Examples of false claims include:

- Claiming reimbursement for services that have not been rendered
- Filing duplicate claims
- "Upcoding" to more complex procedures than were actually performed

- Including inappropriate or inaccurate costs on hospital cost reports
- Falsely indicating that a particular health care professional attended a procedure or that services were otherwise rendered in a manner they were not.
- Billing for a length of stay beyond what is medically necessary and reasonable
- Billing for services or items that are not medically necessary and reasonable
- Failing to provide medically necessary services or items
- Billing excessive charges
- Violating the 72 hour outpatient to inpatient window
- Failure to follow the proper procedure for refunding credit balances
- Failure to properly report Medicare bad Debts to Medicare at least annually
- Unlawfully unbundling charges

ACMC employees and agents who prepare or submit claims should be alert for these and other errors. In compliance with federal law, ACMC does not permit charging for any Medicare or Medicaid service at a rate higher than that approved by the state or federal government or accepting any payments as a precondition of admitting a Medicare or Medicaid patient to ACMC. ACMC shall follow the Medicare rules on assignment and reassignment of billing rights. If there is any question whether ACMC may bill for a particular service, either on behalf of a physician or on its own behalf, the question should be directed to the Compliance Officer for review.

A provider or supplier who violates false claims rules is guilty of a felony, and may be subject to fines of up to $25,000 per offense, imprisonment for up to five years, or both. Other persons guilty of false claims may face fines of up to $10,000 per offense, imprisonment for up to one year, or both. In addition to the criminal penalties, the Federal False Claims Act permits substantial civil monetary penalties

against any person who submits false claims. The Act provides a penalty of triple damages as well as fines up to $10,000 for each false claim submitted. The person (as well as ACMC) may be excluded from participating in the Medicare and Medicaid programs. Violations of the assignment and reassignment rules are misdemeanors carrying fines of up to $2,000 and imprisonment of up to six months, or both.

Numerous other laws prohibit false statements or inadequate disclosure to the government and mandate exclusion from the Medicare and Medicaid programs. For instance, neither the hospital nor its agents are permitted to make, or induce others to make, false statements in connection with the hospital's Medicare certification. Persons doing so are guilty of a felony and may be subject to fines of up to $25,000 and imprisonment for up to five years. The hospital or individual health care providers will be excluded from the Medicare and Medicaid programs for at least five years if convicted of a Medicare or Medicaid related crime or any crime relating to patient abuse. Medicare and Medicaid exclusion may result if the hospital or a provider is convicted of fraud, theft, embezzlement, or other financial misconduct in connection with any government financed program.

ACMC promotes full compliance with each of the relevant laws by maintaining a strict policy of ethics, integrity, and accuracy in all its financial dealing. Each employee and professional who is involved in submitting charges, preparing claims, billing and documenting services is expected to maintain the highest standards of personal, professional, and institutional responsibility.

V. MEDICAL RECORDS

The coders in the Medical Record Department will not practice the following code manipulations:

1. Unbundling or coding two or more codes to describe a procedure when a single, more comprehensive, code exists that accurately describes the procedure.
2. Fragmentation or coding several component codes instead of a more comprehensive code.
3. Mutually exclusive procedures, another form of unbundling, or coding multiple procedures that are either impossible to perform together or, by accepted clinical practice stewards, should not be performed at the same time. Performance of the services may be legitimate since, in some cases, a physician may try one approach and in mid-operation decide on another approach. The accepted payment practice in such circumstances is to pay for the more clinically intense procedure, not for both.
4. Duplicate Procedures or coding the same procedure twice although it was only provided once.
5. DGR Creep or the propensity of patient coding to creep toward higher-weight DRG's over time.
6. Upcoding or the practice of using a code that provides a higher payment rate than the code that actually reflects the service furnished to the patient.
7. Billing for tests performed within 72 hours of admission as an inpatient.

VI. PATIENT REFERRALS

Patient referrals are important to the delivery of appropriate health care services. Patients are admitted, or referred, to ACMC by their physicians. Patients leaving ACMC may be referred to other facilities, such as skilled nursing or rehabilitation facilities. Patients may also need durable medical equipment, home care, pharmaceuticals, oxygen, and may be referred to qualified suppliers of these items and services. ACMC's policy is that patients, or

their legal representatives, are free to select their health care providers and suppliers subject to the requirements of their health insurance plans. The choice of a hospital, a diagnostic facility, or a supplier should be made by the patient, with guidance from his or her physician as to which providers are qualified and medically appropriate.

Physicians and other health care providers may have financial relationships with ACMC or its affiliates. These relationships may include compensation for administrative or management services, income guarantees, loans of certain types, or free or subsidized administrative services. In some cases, a physician may have invested as a part-owner in a piece of diagnostic equipment or a health care facility. None of these factors may influence referrals. When a patient or his family asks for advice about a referral, the employee should supply a complete and updated list of providers in that category of provider.

A federal law known as the "Stark law" applies to any physician who has, or whose immediate family member has, a "financial relationship" with an entity such as ACMC and prohibits referrals by that physician to ACMC for the provision of certain designated health services reimbursed by Medicare and Medicaid. If a financial relationship exists, referrals are prohibited unless a specific exception is met. ACMC requires that each financial relationship with a referring physician or his or her family member fit within one of the exceptions to the Stark law. Although responsibility for evaluating financial relationships with physicians lays with the Compliance Officer, the chief of each department, the medical staff administration, and the payroll department are expected to monitor financial relationships and report any irregularities to the Compliance Officer.

The Stark law applies to the following types of services:

- Clinical laboratory
- Physical therapy
- Occupational therapy

- Radiology (including MRI, CT, ultrasound, and mammography)
- Durable medical equipment, parenteral and enteral nutrients
- Equipment and supplies
- Prosthetics and orthotics
- Home health services
- Outpatient prescription drugs
- Inpatient and outpatient hospital services
- Radiation therapy services and supplies

The exceptions under the Stark law are complex, and several general rules must be followed. Both leases for physician office space and personal services contracts with physicians must be in writing, and signed by the parties. Any premises leased must be specified and must not exceed the space reasonably needed for the physician's legitimate purposes. Rental charges must be set in advance, at fair market value without regard to the volume or value of referrals by the physician. A lease must be commercially reasonable even if no referrals were made between the parties. Similarly, a personal service contract must specify the services to be provided by the physician to ACMC, which must be reasonable and necessary for legitimate purposes, and must be for at least one year. Compensation paid to physicians must also be set in advance at fair market value, be unrelated to the volume or value of referrals, and be commercially reasonable. Contract services may not involve the counseling or promotion of an illegal business arrangement. Physician incentive plans, which may include volume-based compensation, will be acceptable is certain requirements are met.

Physicians purchasing clinical laboratory services or other items or services from ACMC must pay fair market value. An arrangement whereby ACMC bills for a group

practice may be acceptable if it was in place prior to December 19, 1989 and meets certain other requirement. A pathologist, radiologist, or radiation oncologist may provide ACMC laboratory, pathology, diagnostic radiology, or radiation oncology services on his own order or on a consultation request from another physician.

Penalties for violating the Stark law include (i) no Medicare or Medicaid payment for the service referred illegally; (ii) a refund to the beneficiary of any amounts collected; (iii) fines of up to $15,000 levied on both the physician and the entity for each service referred illegally, plus additional fines based on the amounts billed; (iv) civil monetary penalties of up to $100,000 plus other assessments; and (v) exclusion from the Medicare or Medicaid programs.

VII. PHYSICIAN RECRUITMENT

The recruitment and retention of physicians require special care to comply with ACMC policy and applicable law. Physician recruitment has implications under the anti-kickback laws, the Stark law, and the IRS rules governing ACMC's tax-exempt status. Each recruitment package or commitment should be in writing, consistent with guidelines established with ACMC. New or unique recruitment arrangements must be reviewed by the Compliance Officer, who may require legal counsel review and approval. In general, support provided to a new physician is most likely to be acceptable if it is provided in order to persuade the physician to relocate to ACMC geographic service area in order to become a member of the professional staff, or if it is provided to a new physician completing his or her training. Support should be of limited duration. The physician cannot be required to refer patients to ACMC, and the amount of compensation or support cannot be related to the volume or value of referrals. Income guarantees present special issues and should be reviewed by the Compliance Officer and counsel on a case-by-case basis. The incentive

provisions in a contract for a physician new to the area cannot be extended nor are they available to already established physicians according to the law.

VIII. PATIENT TRANSFERS

Operation of the emergency department is an integral part of ACMC's service to the community under its charitable mission. The emergency department is known as a place where any sick or injured person may come for care regardless of his or her ability to pay. The federal government has enacted an "anti-dumping" law to ensure that patients are not transferred from a hospital emergency room to another facility unless it is medically appropriate.

Prompt and effective delivery of emergency care may not be delayed in order to determine a patient's insurance or financial status. Each patient who presents at the emergency department must receive an appropriate medical screening examination. Patients with emergency medical conditions, and patients in active labor, must be cared for in ACMC's emergency department until their condition has stabilized. An emergency may include psychiatric disturbances, symptoms of substance abuse, or contractions experienced by pregnant women.

If necessary, the stabilized patient may be transferred to another hospital that is qualified to care for the patient, has space available, and has agreed to accept the transfer. Before transfer, ACMC staff shall provide the medical treatment which minimizes the risks to the patient's health and, in case of a woman in labor, the health of the unborn child. A physician must sign a certification that the medical benefits reasonably expected from treatment at another medical facility outweigh the increased risks to the patient (and, if appropriate, the unborn child). No physician will be penalized for refusing to authorize the transfer of an individual with an emergency condition that has not been stabilized. The transfer must be performed by qualified personnel and transportation equipment, including

life support during transfer if medically appropriate. A copy of the patient's record, including complete records of the emergency department encounter and any other records that are available, must be sent to the receiving hospital.

The "anti-dumping" law carries reporting obligations. Any employee who believes that an emergency patient has been transferred improperly must report the incident to the Compliance Officer. No employee will be penalized for reporting a suspected violation of the patient transfer law. If an employee or professional staff member believes that an emergency patient has been transferred to ACMC improperly, the suspected violation must be reported to the Compliance Officer and to proper authorities within 72 hours of its occurrence. The name and address of any on-call physician who refuses or fails to appear within a reasonable time to provide necessary stabilizing treatment of an emergency medical condition or active labor is to be reported immediately to the Compliance Officer.

In addition to ACMC's medical records, the emergency department will maintain an on-call duty roster and a log documenting each individual who comes to the emergency department seeking assistance. The log must document whether the patient refused treatment or was refused treatment, transferred, was admitted and treated, stabilized and transferred, or discharged. When a patient or a patient's legal representative requests a transfer or refuses a transfer, the informed consent or refusal must be documented in writing. If there are questions about the records required under the patient transfer law, the Compliance Officer will answer them or refer them to counsel.

The federal "anti-dumping" law is enforced through civil monetary penalties and through damages in private civil actions. If a hospital violates the statute, it can be fined up to $50,000 for each violation. A physician, including an on-call physician, who is responsible for the examination, treatment, or transfer of an emergency patient and who negligently violates the law may be fined up to $50,000 for each violation. If the violation is gross and

flagrant or repeated, the physician may be excluded from participation in the Medicare and Medicaid programs.

IX. MARKET COMPETITION/TRADE PRACTICES/ANTITRUST

ACMC is committed to complying with all state and federal antitrust laws. The antitrust laws are designed to preserve the competitive free enterprise system. It is believed by this institution that the public interest is best served by vigorous competition, free from collusive agreements among competitors on price or service terms. Antitrust laws apply fully to health care services provided by hospitals and physicians. ACMC is firmly committed to the philosophy underlying those laws.

The language of these laws is deliberately broad, prohibiting such activities as unfair methods of competition and agreements in restraint of trade. Such language gives enforcement agencies the right to examine many different business activities to judge the effect of ACMC's actions on competition.

ACMC's policy requires full compliance with all antitrust laws. Anyone who violates the law or knowingly permits a subordinate to do is subject to disciplinary action, including dismissal.

Penalties for antitrust violations are severe for ACMC and for the individual. They include the following:

- Imprisonment of individuals
- Substantial fines against ACMC and against the individual for each criminal offense.
- Payment of treble damages, plus attorney's fees and litigation costs, to firms or individuals injured by the violation.

- Injunctions or consent decrees prohibiting certain activities. Consent decrees can seriously limit ACMC's future freedom to engage in business activity and can be applied across a broader scope than was involved in the original alleged violation.

Antitrust laws clearly prohibit most agreements to fix prices, divide markets, and boycott competitors. They also prohibit conduct that is found to unreasonably restrain competition. This can include, depending on the facts and circumstances involved, certain attempts to tie or bundle services together, certain exclusionary activities, and certain agreements that have the effect of harming a competitor or unlawfully raising prices. Any questions that might arise should be addressed to the Compliance Officer.

Discussion With Competitors

Rates that the hospital charges for ACMC care and related items and services, and the terms of its third party payor contracts must be determined solely by ACMC. We may take into account all relevant factors, including (but not limited to) costs, market conditions, widely used reimbursements schedules, and prevailing competitive prices, to the extent these can be determined in the marketplace. There can be no oral or written understanding with any competitor concerning prices, pricing policies, pricing formulas, bids or bid formulas, or concerning discounts, credit arrangements, or related terms of sale or service. ACMC prohibits any consultation or discussion with competitors relating to prices or terms which ACMC or any competitor charges or intends to charge. Joint ventures and affiliations that may require pricing discussions must be individually reviewed for antitrust compliance and may necessitate consultation with legal counsel. Discussions with competitors concerning rationalization of markets, down-sizing, or elimination of duplication ordinarily implicate market division and must be avoided.

ACMC prohibits the sharing with competing hospitals of current information or future plans regarding individual salaries or salary levels. ACMC may participate in and receive the results of general surveys, but these must conform to the guidelines for participation surveys provided under Trade Associations below.

ACMC prohibits consultation or discussion with competitors (with respect to its services) selection of markets, territories, bids, or customers. Any agreement or understanding with a competitor to divide markets is prohibited. This includes an agreement allocating shares of a market among competitors, dividing territories, or dividing product lines or customers.

Trade Associations

ACMC and its health care providers are involved in a number of trade and professional associations. These organizations promote quality patient care by allowing ACMC and providers to learn new skills, develop policies and, where appropriate, speak with one voice on public issues. However, it is not always appropriate to share business information with trade associations and their members. Sharing information is appropriate if it is used to better inform consumers or to promote efficiency and competition.

ACMC may participate in surveys of price, cost, and wage information if the survey is conducted by a third party and involves at least five comparably sized hospitals. Any price, cost, or wage information released by ACMC must be at least three months old. If any employee is asked to provide a trade association with information about ACMC's charges, cost, salaries, or other business matters, he or she should consult the Compliance Officer. Joint purchasing through a trade association is probably acceptable, but any joint purchasing plan should be reviewed in advance by the Compliance Officer. If an employee or professional staff member has any question or concern about an activity of a trade association, he or she may ask the Compliance Officer to seek guidance from counsel.

Boycotts

Any agreement (written or otherwise) with competitors to boycott or refuse to deal with a particular person or persons, such as a vendor, payor, or other provider is prohibited. All negotiations by ACMC agents and employees must be conducted in good faith. Exclusive arrangements with payors, vendors, and providers must be approved by an ACMC officer or by the Compliance Officer based on an analysis of the relevant market.

Physicians Services

Hospital credentialing and peer review activities also may carry antitrust implications. Because of the special training and experience of physicians, it is appropriate for physicians to review the work of their peers. Because the physicians reviewing a particular physician may, by virtue of their medical specialties, be the physician's competitors, special care must be taken to ensure that free and open competition is maintained. As a result, credentialing, peer review and physician discipline at ACMC are conducted only through properly constituted committees. Physicians participating in these activities are expected to use objective medical judgment.

If any ACMC employee is involved in negotiating a contract of employment or a personal services contract with a physician or other health care provider, it is important to review with care any non-competition provisions incorporated in the agreement. Questions about the appropriateness of a non-competition provision should be directed to the Compliance Officer for review with legal counsel.

Unfair or Deceptive Practices

In addition to the antitrust laws, ACMC is committed to complying with other federal and state laws governing market competition. Federal law (particularly the Federal Trade Commission Act), and Arkansas state law (particularly the Unfair Practices Act, Arkansas Code Ann. §4-75-201 et seq.) prohibit the use of "unfair or deceptive acts and practices",

including the distribution of labeling, advertising, and marketing materials that are false or misleading. ACMC employees responsible for preparing and distributing such materials must be familiar with these laws. Questions about specific materials should be directed to the Compliance Officer before distribution.

X. CONTROLLED SUBSTANCES

ACMC, through its pharmacy, is registered to compound and dispense narcotics and other controlled substances. Improper use of these substances is illegal and extremely dangerous.

ACMC requires that its employees comply with the term of ACMC's controlled substances registration and with federal and state laws regulating controlled substances. Under ACMC policy, access to controlled substances is limited to persons who are properly licensed and who have express authority to handle them. No health care practitioner may dispense controlled substances except in conformity with state and federal laws and the terms of the practitioner's license. Employees should carefully follow record keeping procedures established by their departments and the pharmacy. Unauthorized manufacture, distribution, use, or possession of controlled substances by ACMC employees is strictly prohibited, and will be prosecuted to the full extent of the law. Any employee who knows of unauthorized handling of controlled substances is to provide the information immediately to his or her supervisor or the Compliance Officer.

Under Arkansas state law, criminal penalties will be applicable.

Federal law may impose sentences of up to twenty years in prison and fines of up to $1,000,000. If ACMC or its employees is convicted under federal or state law of unlawfully manufacturing, distributing, prescribing, or dispensing a controlled substance, ACMC can be excluded from the Medicare and Medicaid programs under certain circumstances.

XI. SUBSTANCE ABUSE POLICY STATEMENT

ACMC is committed to providing a safe work environment and to fostering the well-being and health of its employees. That commitment is jeopardized when any ACMC employee illegally uses drugs on or off the job, comes to work under their influence, possesses, distributes or sells drugs in the workplace, or abuses alcohol on the job. Therefore, ACMC has established the following policy, pursuant to Arkansas Workers' Compensation Rule 36.

It is a violation of ACMC policy for any employee to use, possess, sell, trade, offer for sale, or offer to buy illegal drugs or otherwise engage in the illegal use of drugs on or off the job.

It is a violation of ACMC policy for any employee to report to work under the influence of or while possessing in his or her body, blood or urine, illegal drugs in any detectable amount.

It is a violation of ACMC policy for any employee to report to work under the influence of or impaired by alcohol.

It is a violation of ACMC policy for any employee to use prescription drugs illegally, i.e., to use prescription drugs that have not been legally obtained or in a manner or for a purpose other than as prescribed. However, nothing in this policy precludes the appropriate use of legally prescribed medications.

The consumption or possession of alcoholic beverages on ACMC premises is prohibited. (ACMC sponsored activities which may include the serving of alcoholic beverages are not included in this provision). An employee whose normal faculties are impaired due to alcoholic beverages while on duty/ACMC business shall be guilty of misconduct, and shall be subject to discipline up to and including termination.

Violators of this policy are subject to disciplinary action up to and including termination.

The goal of this policy is to balance our respect for individuals with the need to maintain a safe, productive and drug free environment. The intent of this policy is to offer a helping hand to those who need it, while sending a clear message that the illegal use of drugs and the abuse of alcohol are incompatible with employment at ACMC.

As a condition of employment, employees must abide by the terms of this policy and must notify ACMC in writing of any conviction of a violation of a criminal drug statute occurring in any place of employment no later than five calendar days after such conviction.

ACMC offers resource information on various means of employee assistance in our community, including but not limited to drug and alcohol abuse programs. Employees are encouraged to use this resource file, which is located in the Human Resource Department. In addition, we will distribute this information to employees for their confidential use.

GENERAL PROCEDURES: Any employee reporting to work visibly impaired will be deemed unable to perform required duties and will not be allowed to work. If possible the employee's supervisor will first seek another supervisor's opinion to confirm the employee's status. Next, the supervisor will consult privately with the employee to determine the cause of the observation, including whether substance abuse has occurred. If, in the opinion of the supervisor, the employee is considered impaired, the employee will be sent home or to a medical facility by a safe transportation alternative, depending on the determination of the observed impairment, and accompanied by the supervisor or another employee if necessary. A drug or alcohol test may be in order. An impaired employee will not be allowed to drive. An employee may be denied Workers' Compensation benefits after an injury if he/she has a positive confirmed drug test result, or refuses to submit to drug testing.

OPPORTUNITY TO CONTEST OR EXPLAIN TEST RESULTS: Employees and job applicants who have a positive confirmed drug or alcohol test result may explain or contest the result to the medical review officer within five working days after receiving written

notification of the test result from the medical review officer. The medical review officer shall report a positive test result back to the HR Department of ACMC. If terminated, an employee may contest the drug test result pursuant to rules adopted by the Arkansas Department of Labor.

CONFIDENTIALITY: Any information received by the employer through a substance abuse testing program shall be kept confidential, except as otherwise provided by law.

JOB APPLICANT DRUG TESTING: All job applicants (post-offer, pre-placement) at ACMC will undergo testing for substance abuse as a condition of employment. Any applicant with a confirmed and verified positive test result will be denied employment. Once an offer of employment has been made and accepted, applicants will be required to submit voluntarily to a urinalysis test at the ACMC laboratory, and by signing a consent agreement will release ACMC from liability. If the physician, official, or lab personnel have reasonable suspicion to believe that the job applicant has tampered with the specimen, the applicant will not be considered for employment.

ACMC will not discriminate against applicants for employment because of a past history of drug or alcohol abuse. It is the current illegal use of drugs and/or abuse of alcohol, preventing employees from performing their jobs properly, that ACMC will not tolerate.

EMPLOYEE DRUG AND ALCOHOL TESTING: ACMC has adopted testing practices to identify employees who use illegal drugs on or off the job or who abuse alcohol on the job. It shall be a condition of employment for all employees to submit to substance abuse testing under the following circumstances.

1. When there is reasonable suspicion to believe that an employee is illegally using drugs or abusing alcohol. "Reasonable suspicion" is based on a belief that an employee is using or has used drugs or alcohol in violation of the employer's policy as concluded from specific objective facts and reasonable inferences drawn

from those facts in light of experience. Among other things, such facts and inferences may be based upon, but not limited to, the following:

- Observable phenomena while at work, such as direct observation of substance abuse or of the physical symptoms or manifestations of being impaired due to substance abuse;
- Abnormal conduct or erratic behavior while at work or a significant deterioration in work performance;
- A report of substance abuse provided by a reliable and credible source;
- Evidence that an individual has tampered with any substance abuse test during his or her employment with the current employer;
- Information that an employee has caused or contributed to an accident while at work; or
- Evidence than an employee has used, possessed, sold, solicited, or transferred drugs while working or while on the employer's premises or while operating the employer's vehicle, machinery, or equipment.
- When there is evidence that narcotics are missing

2. When employees have an on-the-job injury that requires more than first aid treatment as defined in AWCC Rule 36, an employer must send employees for a substance abuse test.
3. As part of a follow-up program for treatment for drug or alcohol abuse.
4. Routine fitness-for-duty drug or alcohol testing.
5. Random drug testing will be performed on ACMC employees at the discretion of Administration and Human Resource Department.

REFUSAL TO SUBMIT: Failure to submit to a required substance abuse test is misconduct, and shall be subject to discipline up to and including termination.

IMPORTANT INFORMATION FOR JOB APPLICANTS AND EMPLOYEES: When an employee or job applicant submits to a drug and/or alcohol test, they will be given a form for the specimen collector that contains a list of common medications and substances which may alter or affect the outcome of a drug or alcohol test. This form will also have a space for the donor to provide any information that he/she considers relevant to the test, including the identification of currently or recently used prescription or non-prescription medication or other relevant information.

The information form should be kept by the job applicant or employee for their personal use. If the job applicant or employee has a positive confirmed test result, a medical review officer will attempt to contact the individual in order to privately discuss the findings with that person. The job applicant or employee should keep the form as a "reminder" to discuss this information at that time.

The medical review officer will take this information into account when interpreting any positive confirmed test results. The information provided shall be treated as confidential and will not be given to the employer. Employees and job applicants have the right to consult with a medical review officer for technical information regarding prescription and nonprescription medicine.

It is the responsibility of every employee or job applicant to notify the testing laboratory of any administrative or civil action brought pursuant to Act 1552 of 1999 Section 5a. The provisions of this policy are subject to any applicable collective bargaining agreement or contract and include the right of appeal as described in AWCC Rule 36, Section XIV.

Substance abuse testing for job applicants and employees will include a urinalysis screen for the following drugs:

- Alcohol: (not required for job applicant testing) any "Alcoholic Beverage," all liquid medications containing ethyl alcohol (ethanol). Please read the label for content. For example: Vicks Nyquil TM is 25% (50 proof) ethyl alcohol, Comtrex TM is 20% (40 proof), Contac Severe Cold Formula Night Strength TM is 25% (50 proof) and Listerine TM is 26.9% (54 proof).
- Amphetamines: "speed," "uppers," etc.
- Cannabinoids: THC, marijuana, hashish, 11 pot, "1.grass," "hash", etc.
- Cocaine: "coke," "crack", etc.
- PCP: "angel dust"
- Opiates: Narcotics, Heroin, Codeine, Morphine, "smack," "dope," etc.

XI. REGULATION

ACMC operates in a highly regulated industry, and must monitor compliance with a great variety of highly complex regulatory schemes. ACMC needs the cooperation of employees and professional staff members in complying with these regulations and bringing lapses or violations to light. While the regulatory schemes may not carry criminal penalties, they control the licenses and certifications that allow ACMC to deliver care to its patients. ACMC's continued ability to operate and serve the community depends upon each employee's help in regulatory compliance. Responsible employees are expected to know the regulations applicable to their area of responsibility and to act in accordance with such regulations.

Some of the regulatory programs which employees may deal with in the course of their duties include the following:

- Arkansas State Licensure
- Arkansas Department of Health
- JCAHO accreditation standards
- Medicare and Medicaid certification and conditions of participation
- Controlled substance registration
- Department of Labor
- Pharmacy licensure and registration
- Equal Employment Opportunity Commission
- Clinical laboratory licensure and regulation
- Internal Revenue Service
- Occupational Safety and Health regulation
- Nuclear Regulatory Agency
- Building, safety, food service and fire codes
- Arkansas Department of Environmental Protection and US Environmental Protection Agency
- Arkansas State Health Department Rules and Regulations

If a Board member, Administrator, Medical Staff member, or employee becomes aware of a violation of any regulation he/she should report it to the Compliance Officer.

XII. RESPONSE TO INVESTIGATIONS

State and Federal agencies have broad legal authority to investigate ACMC and review its records. ACMC will comply with subpoenas and cooperate with governmental

investigations to the full extent required by law. The Compliance Officer is responsible for coordinating ACMC's response to investigations and the release of any information.

Once a report of wrongful conduct is made, it will be at the discretion of the Compliance Office to determine whether and to what extent to investigate and to seek others to conduct the investigation.

The Compliance Officer will maintain a written record of all compliance program activity, including:

- All reports of suspected wrongdoing
- All steps taken to investigate reports
- Determinations made as a result of the investigations

All employees of ACMC should be assured that any reports of suspected wrongdoing will be treated in a confidential manner. If the nature of the suspected wrongdoing makes it unlikely that the confidentiality of the person who made the report can be maintained, the Compliance Officer will discuss this act with him or her and reassure him or her that ACMC will not tolerate retaliation. No employee will be disciplined because he or she made a report in good faith.

If a department, an employee, or a professional staff member receives an investigative demand, subpoena, or search warrant involving ACMC, it should be brought to the immediate attention of the Compliance Officer. Do not release or copy any documents without authorization from the Compliance Officer or ACMC's counsel. If an investigator, agent, or government auditor comes to ACMC, contact the Compliance Officer immediately. In the Compliance Officer's absence, contact the Chief Executive Officer. Ask the investigator to wait, if possible, until the Compliance Officer or his designee arrives before reviewing any document or conducting any interviews. The Compliance Officer or his or her designee is responsible for assisting with any interviews.

ACMC will provide counsel to employees when appropriate. If ACMC employees are approached by government investigators and agents, the employee has to right to insist on being interviewed at ACMC during business hours or with counsel present.

If a professional staff member receives an investigative demand at his or her private office and the investigation may involve ACMC, the staff member is to notify the Compliance Officer immediately.

ACMC employees are not permitted to alter, remove, or destroy documents or records of ACMC. This includes paper, tape and computer records.

With coordination by the Compliance Officer, ACMC and its employees will disclose information required by government officials, supply payment information, provide information on subcontractors, and grant authorized federal and state authorities with immediate access to ACMC and its personnel. Failure to comply with these requirements could mean ACMC will be excluded from participating in the Medicare and Medicaid programs.

Subcontractors of ACMC who provide items or services to ACMC in connection with the Medicare and/or Medicaid programs are required to comply with ACMC policies on responding to investigations. Subcontractors must immediately furnish the Compliance Officer, ACMC counsel, or authorized government officials with information required in an investigation.

XIII. WASTE MANAGEMENT

ACMC is financially and legally responsible for the safe disposal of hazardous material and infectious wastes.

It is essential that employees who deal with hazardous materials and infectious wastes become familiar with and adhere to ACMC's waste disposal policies and environmental laws and regulations.

Employees are expected to help ACMC:

- Comply with all laws and regulations governing the handling, storage and use of hazardous materials, asbestos, other pollutants and infectious wastes as well as underground storage tanks; and
- Hire reputable licensed services to transport and dispose of hazardous materials and infectious wastes; and
- Accurately maintain records required by law and ACMC polices.

Waste management laws and regulations are designed to ensure a safe work environment. Environmental responsibility also is an important public obligation. Any employee suspecting violations or non-compliance of ACMC's environmental compliance policy should report his or her concern immediately to the Compliance Officer.

Failure to prevent, report, or correct environmental problems is a serious offence: criminal and civil penalties can be imposed as high as $50,000 per day per violation, imprisonment, or both. Even negligent violations can result in substantial fines and imprisonment if they pose serious threats to health.

XIV. POLITICAL PARTICIPATION

Participation in the political process is one of every American's most basic rights. For this reason, the ACMC encourages each employee to participate in civic and political activities.

ACMC's political activities are restricted by law. Contributing –Directly or indirectly—to political candidates and office holders is prohibited. ACMC cannot contribute money, allow the use of its vehicles and equipment, or permit the use of its facilities to candidates for political office.

Employees may participate in the political process by making personal political contributions and communicating their personal beliefs to elected officials. ACMC likewise cannot require any employee to make a political contribution.

It is important to distinguish between personal and ACMC political activities. ACMC may occasionally speak out on relevant legislation and regulatory issues. Unless an employee is specifically requested to represent ACMC before a legislative or governmental body, the employee should clearly label any personal communication with governmental officials as his or her own beliefs. ACMC letterhead should not be used for such personal communication. Should an employee be contacted by a government official regarding ACMC's position on a public issue, the employee should refer the individual to the Director of Public Relations.

The importance of distinguishing between corporate and personal political contributions is addressed in federal election laws. Violations carry potential criminal penalties of up to one year in prison and fines of $25,000.00 or three times the amount of the illegal contribution, whichever is greater.

XV. SEXUAL HARASSMENT

Sexual harassment in the workplace is unlawful and discriminatory. When it occurs, sexual harassment can create tension, stress, interpersonal conflicts, poor morale, and decreased job performance, any of which could compromise patient care.

The legal prohibition against sexual harassment derives from Title VII of the 1964 Civil Rights Act which prohibits discrimination on the basis of sex. The Equal Employment Opportunity Commission, charged with the responsibility of administering the Civil Rights Act, has defined sexual harassment:

Unwelcome sexual advances, requests for sexual favors and other verbal or physical conduct of a sexual nature constitutes sexual harassment when (1) submission to such conduct is made explicitly or implicitly a term or condition of an individual's employment, (2)

submission or rejection of such conduct by an individual is used as the basis for employment decisions affecting such individual, or (3) such conduct has the purpose and effect of unreasonably interfering with an individual's work performance or creating an intimidating, hostile or offensive working environment.

ACMC condemns sexual harassment in any form and commits to employees an environment free of sexual intimidation.

Any employee who believes that he or she has been a victim of sexual harassment, or has knowledge of that kind of behavior, is urged to report such conduct immediately to his or her supervisor, the Human Resources Director, ACMC's Compliance Officer, or any member of the Administrative team. Complaints will be promptly and thoroughly investigated. Information obtained during the investigation will be held in strictest confidence and disclosed only on a need-to-know basis.

All employees, including supervisors, will be subject to disciplinary action, including discharge, if the investigation results in a finding of sexual harassment.

XVI. EQUAL OPPORTUNTIY EMPLOYMENT

ACMC believes all persons are entitled to Equal Employment Opportunities and does not discriminate against its employees or applicants for employment because of race, color, religion, sex, national origin, veterans status, age or physical or mental handicap provided they are qualified and meet the requirements established for the job.

XVII. FUNDRAISING

ACMC sponsors fund-raising activities through the Ashley County Health Foundation, a chartered, not-for-profit, 501© (3) organization.

ACMC requires the solicitation of charitable contributions to be done through the Foundation. Employees and other individuals are not authorized to use ACMC's name for fundraising activities unless specifically approved by the Foundation.

XVIII. SCIENTIFIC MISCONDUCT AND INTEGRITY

"Scientific misconduct" is the fabrication, falsification, plagiarism, or other practices that deviate from accepted scientific standards for proposing, conducting, and reporting research. "Scientific misconduct" does not include honest errors or differences in interpreting and judging research data. Federal regulations—often referred to as "misconduct regulations"—are designed to prevent dishonesty, fraud, and fiscal improprieties, and to ensure the ethical treatment of human and animal subjects. Both must be avoided.

An employee or individual doing research under the auspices of ACMC must report any instances of scientific misconduct or any allegations of scientific misconduct which are brought to his or her attention. Special regulations apply to instances of research on human subjects. It is the investigator's responsibility to know and comply with them.

In addition to criminal sanctions, violations of federal "misconduct regulations" could result in ACMC and the principal investigator's exclusion from grants and contracts for up to three years.

ADDENDUM A

ASHLEY COUNTY MEDICAL CENTER

COMPLIANCE PLAN

FOR THE

CLINICAL LABORATORY

INTRODUCTION

The Office of Inspector General (OIG) of the Department of Health and Human Services (HHS) and other Federal agencies charged with responsibility for enforcement of Federal law have emphasized the importance of voluntarily developed and implemented compliance plans. The Ashley County Medical Center (ACMC) laboratory compliance plan is based upon OIG's experience in fraud investigations of clinical laboratories, the Centers for Medicare and Medicaid Services (CMS) regulations and guidelines, requirements imposed on clinical laboratories in corporate integrity agreements negotiated by the OIG, and input from the clinical laboratory industry.

The government, especially the OIG, has a zero tolerance policy towards fraud and abuse and will use its extensive statutory authorities to reduce fraud in Medicare and other federally funded health care programs. Compliance plans offer the health care provider an opportunity to participate in a nationwide effort to reduce fraud and abuse in our national health care programs. Compliance plans offer the health care provider an opportunity to participate in a nationwide effort to reduce fraud and abuse in our national health care programs. The OIG believes that through a partnership with the private sector, significant

reductions in fraud and abuse can be accomplished. Compliance plans offer a vehicle to achieve that goal.

This plan is based on the government's suggestions on how to correct and prevent fraudulent activity.

This compliance plan focuses on topic areas recently addressed in corporate integrity agreements with several players in the laboratory industry. Consequently, this laboratory compliance plan is not all inclusive as to subject matter. Laboratories are accountable for complying with far more laws, regulations and guidelines than are covered in this plan, and laboratories implementing compliance plans should address any and all areas where abuse may be prevalent in the industry. For example, the OIG suggests that compliance programs should include training on topics such as, the anti-kickback act, Stark self-referral issues, CLIA requirements, ESRD testing and billing (which is governed by rules and regulations and which has been subject to abuse by many companies). Many of these topics are covered at ACMC in our corporate compliance program, which should be read together with this plan for guidance for the clinical laboratory.

This compliance plan is a dynamic document, and therefore, one that may be modified or expanded as ACMC gathers more information and knowledge about best practices and successful compliance plans. Through this document, ACMC is attempting to comply with civil, criminal and health care laws. ACMC is aware that the development and implementation of compliance programs can raise a host of sensitive and complex legal issues. Nothing stated herein should substitute for or be used in lieu of legal advice from competent, experienced counsel. In addition, it should be noted that implementing a compliance program will not provide a laboratory with immunity from criminal, civil or administrative prosecution, but it may be a relevant factor in negotiations with the Office of Inspector General.

COMPLIANCE PLAN ELEMENTS

Every laboratory adopting a compliance plan should develop a program and policies that ensure that the plan is implemented and enforced. Compliance plans that are merely cosmetic are not effective and, in the long run, may harm the laboratory. ACMC's laboratory compliance includes the following elements: (1) written standards of conduct for employees as dictated in the corporate compliance plan; (2) the development and distribution of written policies that promote the laboratory's commitment to compliance and that address specific areas of potential fraud, such as billing, marketing and claims processing; (3) the designation of a compliance officer and compliance committee who is charged with the responsibility of operating the compliance program; (4) the development and offering of education and training programs to all employees; (5) the use of audits and/or other evaluation techniques to monitor compliance and ensure a reduction in identified problem areas; (6) the development of a code of improper/illegal activities and the use of disciplinary action against employees who have violated internal compliance policies or applicable laws or who have engaged in wrongdoing; (7) the investigation and remediation of identified systemic and personnel problems; (8) the promotion of and adherence to compliance as an element in evaluating supervisors and managers; (9) the development of policies addressing the non-employment or retention of sanctioned individuals; (10) the maintenance of a hotline to receive complaints and the adoption of procedures to protect the anonymity of complainants; and (11) the adoption of requirements applicable to record creation and retention. These compliance program elements are spelled out in greater detail below.

A. <u>WRITTEN PROCEDURES AND POLICIES</u>

This compliance plan requires the development and distribution of written compliance policies (see Corporate Compliance Plan). These policies will be developed under the supervision and direction of the compliance officer or the equivalent and will, at a minimum, be provided to all individuals who are affected by the specific policy at issue. As a convenient method of achieving this goal and maintaining policies ACMC will create a three-ring compliance policy notebook. This format permits the filing of new and amended or revised compliance policies and ensures that affected individuals have easy access to the laboratory's written policies.

1. Standards of Conduct

ACMC will develop standards of conduct for all employees who clearly delineate the policies of the laboratory with regard to fraud, waste and abuse and adherence to all guidelines and regulations governing federally funded health care programs. These standards will be made available to and understandable by all employees (e.g., translated into other languages, if necessary) and regularly updated as the policies and regulations of these programs are modified.

2. Medical Necessity

ACMC compliance plans are intended to ensure that claims are only submitted to federally funded health care programs for services that the laboratory has reason to believe are medically necessary. Upon request, ACMC will provide documentation, such as requisition forms or face sheets containing diagnosis/codes, supporting the medical necessity of a service the laboratory has provided and billed to a Federal program. The OIG recognizes that laboratories do not and cannot treat patients or make medical necessity determinations. However, there are steps that ACMC can and will take to help maximize the likelihood that we only bill federally funded health care programs for tests that meet the reimbursement rules for those programs.

As a preliminary matter, the OIG recognizes that physicians must be able to order any test, including screening tests, which they believe are appropriate for the treatment of their patients. However, they believe that physicians must be made aware that Medicare will only pay for tests that meet the Medicare definition of "medical necessity" and that Medicare may deny payment for a test that the physician believes is appropriate, such as a screening test, but which does not meet the Medicare definition of medical necessity. The OIG believes that the laboratory is in a unique position to deliver this information to our physician clients.

ACMC will advise physicians that when they instruct the laboratory to seek Medicare reimbursement for tests ordered, they should only order those tests that they believe are medically necessary for the diagnosis and treatment of their patients. The following steps will be implemented through ACMC compliance plans or some other appropriate mechanism to help ensure, as best we can, that the claims we submit to federally funded health care programs meet the appropriate program requirements:

a. Requisition Design: ACMC will standardize its non-customized test offerings and use common, uniform requisition forms that emphasize physician choice and encourage doctors to order, to the extent possible, only those tests that they believe are appropriate for each patient. In addition, the requisition forms will require physicians to document the need for each test ordered by inserting a diagnosis code for each such test. With respect to chemistry tests, requisition forms will be designed to require physicians to order such test individually (i.e., separately) unless; (1) test is specifically part of a CPT or HCPCS defined automated multichannel test series (e.g., 80002-80019, G0058-G0060 which will be amended to G0095-G0098); (2) the test is part of a CPT – defined "clinically relevant test grouping" such as an organ or disease panel or profile (e.g., 80050-80099); or (3) the test is part of a profile that has been

customized at the request of the physician. In addition, a printed statement should appear on every requisition form reiterating that when ordering tests for which Medicare reimbursement will be sought, physicians (or other individuals authorized by law to order tests) should only order tests that are medically necessary for the diagnosis or treatment of a patient, rather than for screening purposes.

b. Test Utilization Monitoring: ACMC will take steps help ensure that physicians will make a determination and document the medical necessity of test billed to the Medicare program. There are steps ACMC can take to determine whether physicians are being encouraged to order medically unnecessary tests. If ACMC has reason to believe that its Physicians are ordering medically unnecessary tests ACMC has a duty to determine why that behavior has occurred. More importantly, if ACMC discovers that it has in some way caused that behavior, ACMC will take steps to correct the cause.

3. **Billing:**

The intent of these Laboratory compliance policies is to ensure that all claims for testing services submitted to Medicare or Medicaid, or other federally funded health care programs are accurate and correctly identify the services ordered by the physician (or other individual authorized by law to order tests) and performed by the laboratory.

a. Selection of CPT or HCPCS Codes: ACMC will choose only the code that most accurately describes the ordered and performed test. To ensure code accuracy, ACMC requires that the codes be reviewed by individuals with technical expertise in laboratory testing before such codes are approved for claims submissions. The OIG view intentional

up coding (i.e., the selection of a code to maximize reimbursement when such code is not the most appropriate descriptor of the service) as raising false claims issues. If ACMC continues to have questions about code selection, even after review by technical experts, we will direct our questions to our Medicare carrier or intermediary.

b. Selection of ICD-9CM Codes: At the direction of the Centers for Medicare and Medicaid Services (CMS), Medicare carriers and intermediaries have established lists of tests that must be accompanied by diagnostic information to establish medical necessity before Medicare coverage will be assumed ("limited coverage policy"). Such diagnostic information may be submitted either through the use of ICD-9CM codes or a narrative description. ACMC will only submit diagnostic information obtained from the physician ordering the test. ACMC will not: (1) use diagnostic information provided by the physician from earlier dates of service (other than standing orders, as discussed below at paragraph 4); (2) use "cheat sheets" that provide diagnostic information that has triggered reimbursement in the past; (3) use computer programs that automatically insert diagnosis codes without receipt of diagnostic information from the physician; or (4) make up diagnostic information for claims submission purposes. ACMC shall: (1) contact the ordering physician to obtain diagnostic information in the event that the physician has failed to provide such information; (2) provide services and diagnostic information supplied pursuant to a standing order executed in connection with an extended course of treatment; and (3) accurately translate narrative diagnoses

obtained from the physician to ICD-9CM codes. Where diagnostic information is obtained from the physician to ICD-9CM codes. Where diagnostic information is obtained from a physician or the physician's staff after receipt of the specimen and the requisition form, documentation of the receipt of such information shall be created and maintained.

c. Tests Covered by Claims for Reimbursement: ACMC will only submit claims for tests that were both ordered and performed. If the laboratory receives a specimen without a test order or with an ambiguous test order that is subject to multiple interpretations, the laboratory will check with the doctor to determine what tests he or she wanted performed before submitting a claim for reimbursement to Medicare. Thus, if the laboratory performed a test that the doctor did not order, the laboratory will not erroneously bill for that test. Similarly, if the laboratory cannot perform an ordered test due to, for example, a laboratory accident or insufficient quantities of specimen, the laboratory shall not submit a claim to Medicare. The OIG considers the submission of a claim for tests that were either not ordered or were not performed to be a potential false claim.

d. Billing of Automated Multichannel Chemistry Tests: ACMC will bill Medicare appropriately for automated multichannel chemistry tests. All tests appearing on CMS's most recent list of automated multichannel chemistry tests shall be billed using the appropriate CPT (80002-80019) or HCPCS (G0058-G0060) codes. Tests appearing on

this list shall not be billed individually unless only one such analyte test is ordered and performed.

e. Billing of Calculations: ACMC will not bill for both calculations (e.g., calculated LDLs, T7s, indices, to name only a few) and tests that are performed to derive such calculations. In many situations, physicians are not offered a choice about whether to receive such calculations in addition to the underlying tests, as the physician themselves are only billed for the underlying tests. At the current time, the OIG views billing for both the calculations and the underlying tests to be double billing which may subject a laboratory to criminal or civil penalties.

4. **Reliance on Standing Orders**

Although standing orders are not prohibited in connection with an extended course of treatment, too often in the past they have led to fraudulent and abusive practices. ACMC must be vigilant about this and take appropriate steps to prevent abuse. Thus, while laboratory compliance plans can permit the use of standing orders executed in connection with an extended course of treatment, this compliance plan requires ACMC to monitor existing standing orders to ensure their continuing validity. ACMC will contact all nursing homes from which the laboratory has received such standing orders and request that they confirm in writing the validity of all current standing orders. In addition, in accordance with State law, ACMC will verify standing orders relied upon at draw stations with the physician, physician's office staff, or such other persons authorized by law to order tests who have provided the standing orders to the laboratory. With respect to End Stage Renal Disease

(ESRD) patients, at lease once annually, ACMC will contact each ESRD facility or unit to request confirmation in writing of the continued validity of all existing standing orders.

5. **Compliance with applicable HHS OIG Fraud Alerts**

The HHS OIG periodically issues fraud alerts setting forth activities believed to raise legal and enforcement issues. Any and all fraud alerts issued by the OIG will be carefully considered by the ACMC legal staff, chief compliance officer, or other appropriate personnel. Moreover, ACMC will cease and correct any conduct criticized in such a fraud alert, if applicable to ACMC, and will take reasonable action to prevent such conduct from recurring in the future. If appropriate, ACMC will take the steps described in section G regarding investigations, reporting and correction of identified problems.

6. **Marketing**

ACMC requires honest, straightforward, fully informative and non-deceptive marketing. It is in the best interests of patients, physicians, laboratories and Medicare alike that physicians fully understand the services offered by the laboratory, the services that will be provided when tests are ordered, and the financial consequences for Medicare, as well as other payers, for the tests ordered. Accordingly, ACMC will ensure that its marketing information is clear, correct, non-deceptive and fully informative.

7. **Prices Charged Physicians for Profiles**

ACMC is paid for services by a variety of payers in addition to Medicare and other federally funded health care programs. Such payers often include health insurers, other health care providers, and physicians. ACMC will ensure that as tests are included in or added to profiles, the price for the enhanced profile increased and

the overall price for the profile is never below cost. Laboratories that do not increase the price to a doctor for an enhanced profile or that charge below cost for an enhanced profile and then bill Medicare or another federally funded health care program the full third-party price for the profile components will be risking false claims and kickback enforcement actions.

8. **Retention of Records**

All records required either by federal or state law or by the compliance plan will be created and maintained. ACMC will confirm that this compliance plan is effective through reports that reflect results. The creation of such documents may also raise a variety of legal issues, such as patient privacy and confidentiality. These issues are best discussed with legal counsel.

9. **Compliance As An Element of a Performance Plan**

To ensure that corporate integrity rises to the level of importance required of laboratories participating in Medicare or other federally funded health care programs, this compliance program requires that the promotion of and adherence to compliance be an element in evaluating the performance of managers and supervisors. They, along with other employees, will be periodically trained in new compliance policies and procedures. In addition, all managers and supervisors involved in the sale, marketing, or billing of laboratory services, and those who oversee phlebotomists will: (1) discuss with all supervised employees the compliance policies and legal requirements applicable to their function; (2) inform all supervised personnel that strict compliance with these policies and requirements is a condition of employment; and (3) disclose to all supervised personnel that ACMC will take disciplinary action up to and including termination for violation of these policies or requirements. Managers and supervisors may be sanctioned for failure to adequately instruct their subordinates or for failing to detect non-compliance with applicable policies and legal

requirements, where reasonable diligence on the part of the manager or supervisor would have led to the discovery of any problems or violations and given the laboratory the opportunity to correct them earlier.

B. DESIGNATION OF A COMPLIANCE OFFICER AND COMPLIANCE COMMITTEE (OR EQUIVALENT)

ACMC requires the designation of a chief compliance officer and compliance committee for the entire facility and affiliates. These individuals will serve as the officer and committee for the laboratory so as to enforce consistent application of uniform policies. The individual will be responsible for developing compliance policies and standards, overseeing and monitoring ACMC's compliance activities, and achieving and maintaining compliance. These individuals have been delegated sufficient authority by the Board of Directors (or other governing body) to undertake and comply with these responsibilities and will have open access to senior management and the governing body. Further, the compliance officer will develop and distribute to appropriate individuals all written compliance policies and procedures. These policies and procedures will be readily understandable by all employees (e.g., translated into other languages, if necessary) and at a minimum, will address the issues discussed herein. The Compliance Officer will have the assistance of the Compliance Committee in fulfilling these functions.

C. EDUCATION AND TRAINING

ACMC requires compliance and ethics training for all employees, especially personnel involved in billing, sales, marketing and specimen collection and/or test ordering. Such training will emphasize ACMC's commitment to compliance with all laws, regulations and guidelines of Federal and State programs. Training will be conducted at least annually and repeated at regularly scheduled times, using a variety of teaching methods and, where

appropriate, languages to ensure that all employees fully comprehend the implications of failing to comply with the laboratory's compliance plan and all applicable health care program requirements. The training and education program will cover the laboratory's compliance policies and will reinforce the fact that strict compliance with the law and laboratory policies is a condition of employment. Employees will be informed that failure to comply may result in disciplinary action, including termination. Training of sales and marketing personnel will highlight the prohibition against offering remuneration in return for referrals, and the fact that ACMC will take appropriate disciplinary action up to and including termination for violations of the laws or failure to report a potential violation by another employee, supervisor, or outside contractor or provider.

In addition to compliance and ethics training, ACMC recognizes and supports the need for periodic continuing education, which may be required by law or regulation for certain laboratory personnel, such as phlebotomists and laboratory technicians. Continuing education programs of this type will help ensure a knowledgeable and more productive staff.

There should be no doubt in the minds of employees and others who are associated with ACMC about its commitment to compliance with all laws, regulations and guidelines governing federally funded health care programs. Compliance is one of ACMC's most important priorities. In addition to the compliance and ethics training and continuing education programs, ACMC will reemphasize this message by posting in common work areas and other prominent places accessible to all employees a notice clearly reminding employees of ACMC's commitment to compliance with all laws and regulations.

D. COMMUNICATION

1. Access to the Compliance Officer

An open line of communication between the compliance officer and his or her staff is critical to the successful implementation and operation of this compliance program. There is

to be an open door, complete anonymity, non-retribution policy available to all employees to encourage communication. Working with or through legal counsel can clarify the gray areas of interpretation of Medicare and Medicaid guidelines and regulations, but in all cases, ACMC encourages employees not to guess, but to ask, if there is confusion or a question. Where appropriate, awards for reporting violations will be available.

2. Hotline

There are many vehicles for developing a line of communication between the employee and the compliance officer. Hotlines, e-mails, and written memoranda are examples of just a few. The OIG suggests that laboratories make available to all employees a hotline telephone number which can be used to anonymously report suspected misconduct. If ACMC chooses to use a hotline, it will post in common work areas notices describing the hotline and providing the telephone number. Matters reported through the hotline which suggest violations of compliance policies or legal requirements will be investigated to determine their validity.

E. AUDITING AND MONITORING

The OIG will be critical of compliance plans and programs that exist on paper but are not earnestly implemented or enforced. In addition to education and training programs, policies, and notices, this compliance program requires the thorough monitoring of its implementation and regular reporting to senior executives and members of the board of Directors. Although many monitoring techniques are available, and effective tool to ensure enforcement is the performance of regular, periodic audits of the ACMC"s operations, with particular attention paid to billing, sales, marketing, notices and disclosures to physicians, requisition forms, pricing, and others involved in the ordering of services. Such audits shall be designed and implemented to ensure compliance with ACMC's compliance policies, ACMC's compliance plan, and all applicable Federal and State laws. In addition, auditing

shall address issues related to contracts, competitive practices, marketing materials, CPT/HCPCS coding and billing, test information, reporting and record keeping.

Quality assurance and zero tolerance of fraud and abuse is the goal of ACMC, and the OIG believes that auditing is a good tool to use to reach that goal. Compliance audits shall be conducted in accordance with pre-established comprehensive audit procedures and shall include, at a minimum: (1) on-site visits; (2) interviews with personnel involved in management, operations, billing, sales, marketing, and other related activities; (3) reviews of written materials and documentation used by the laboratory; and (4) trend analysis studies. Formal audit reports shall be prepared and submitted to the chief compliance officer, compliance committee and the board of Directors or other governing body to ensure that ACMC management is aware of the results and can take whatever steps necessary to correct past problems and deter them from recurring. The audit or other analytical reports will specifically identify areas where corrective actions are needed. In certain cases, subsequent audits or studies are advisable to ensure that the recommended corrective actions have been implemented and are successful.

F. DISCIPLINARY ACTIONS

ACMC will initiate corrective and/or disciplinary action against individuals who have failed to comply with the ACMC's compliance policies and/or Federal or State laws or who have otherwise engaged in wrongdoing that has the potential of impairing the ACMC's status as a reliable, honest, trustworthy provider. The degrees of disciplinary actions that can be imposed upon employees for failing to comply with ACMC's code of conduct, ACMC's policies, and the law shall include counseling (verbal and/or written), suspension and termination. Employees must be advised and convinced that disciplinary action will be taken, and punishment enforced, for this discipline policy to have the required deterrent effect.

G. CORRECTIVE ACTION

1. Investigating, Reporting and Correcting Identified Problems

a. Investigation: Violations of ACMC's compliance program, failures to comply with Federal and/or State law, and other types of misconduct threaten ACMC's status as a reliable, honest and trustworthy provider capable of participating in federally funded health care programs. Consequently, when the compliance officer or others involved in management of ACMC learn of potential violations or misconduct, they will promptly investigate the matter to determine whether a material violation has in fact occurred, so that if a violation has occurred, management can take steps to rectify it, report it to the government if necessary, and make any appropriate payments to the government. Depending on the nature of the allegations, the investigation into allegations of wrongdoing or misconduct will probably include interview and review of relevant documents, such as submitted claims, test requisition forms, and laboratory test reports. ACMC may wish to engage outside auditors or counsel to assist with the investigation.

If an investigation of an alleged violation is undertaken and the compliance officer believes the integrity of the investigation may be at stake because of the presence of employees under investigation, the employee(s) allegedly involved in the misconduct may be removed from his/her current work activity until the investigation is completed. In addition, the laboratory shall take steps to prevent the destruction of documents or other evidence relevant to the investigation.

If an investigation of an alleged violation is undertaken and the compliance officer believes the integrity of the investigation may be at stake because of the presence of employees under investigation, the employee(s) allegedly involved in the misconduct may be removed from his/her current work activity until the investigation is completed. In addition, the laboratory shall take steps to prevent the destruction of documents or other evidence relevant to the investigation. Once an investigation is completed, if disciplinary action is

warranted, it shall be immediate and imposed in accordance with ACMC's written standards of disciplinary action.

b. Reporting: If management receives credible evidence of misconduct from any source and, after appropriate investigative inquiry and consultation with counsel, has reasonable grounds to believe that the misconduct either: (a) violates criminal law, or (b) constitutes a material violation of the civil law, rules and regulations governing federally funded health care programs, then ACMC shall report the existence of the misconduct appropriately. The OIG recommends that ACMC give notice to the OIG of federal Medicare violations within sixty (60) days after receipt of the credible evidence of misconduct. Such prompt reporting will demonstrate ACMC's good faith and willingness to work with the government to correct and remedy the problem.

When reporting misconduct to the government after consultation with counsel, ACMC shall cooperate with the OIG as appropriate and required by law. ACMC shall continue to investigate the reported violation, and if a violation is verified, shall notify the Department of Justice and the OIG of the outcome of the investigation, including a description of the effect of the misconduct on the operation of federally funded health care programs or their beneficiaries if required by law. If the investigation ultimately reveals evidence that criminal activity may have occurred, the appropriate State or Federal authorities shall be notified immediately, with counsel's assistance. As discussed below, ACMC will also take appropriate corrective action, including prompt restitution of any damages to the government and the imposition of appropriate disciplinary action.

c. Corrective Action: If an investigation reveals that misconduct did occur, corrective actions shall be immediately initiated. For instance, if the investigation reveals that the laboratory has received overpayments, the laboratory shall make prompt restitution of such sums to the appropriate

federally funded health care program. Failure to repay the overpayment immediately could be interpreted as an intentional attempt to hide the overpayment from the government. For that reason, it is emphasized that monies to which ACMC had no legal entitlement in the first place may not be legally retained and must be returned immediately. In addition to making prompt restitution and taking corrective action, ACMC shall take whatever disciplinary action is necessary to cure the problems identified by the investigation and prevent it from happening again.

2. Non-Employment or Retention of Sanctioned Individuals

ACMC prohibits the employment of individuals who have been convicted of a criminal offense related to health care or who are listed by a Federal agency as debarred, excluded or otherwise ineligible for participation in federally funded health care programs. In addition, until resolution of such criminal charges or proposed debarment or exclusion, individuals who are charged with criminal offenses related to health care or proposed for exclusion or debarment shall be removed from direct responsibility for or involvement in any federally funded health care program. If resolution results in conviction, debarment or exclusion of the individual, ACMC shall terminate its employment of that individual or company.

CONCLUSION

The OIG believes that by implementing an effective compliance plan, ACMC will achieve better quality control of claims submission and reduce the risk of future criminal and civil liabilities. It is ACMC's intention to implement such an effective plan.

ADDENDUM B

ASHLEY COUNTY MEDICAL CENTER

HOME HEALTH COMPLIANCE PLAN FOR

FIGHTING FRAUD AND ABUSE IN HOME CARE

INTRODUCTION

I. INTRODUCTION

The OIG and HHS continue to promote voluntary development and implementation of the Compliance Program for the health care industry. ACMC Family Home Health Agency, in cooperation with the idea of the prevention of fraud and abuse in the Home Health Care Industry while maintaining the provision of quality care to the patient, submits the Compliance Program, specific to the home health agency and in agreement to the Ashley County Medical Center Corporate Compliance Plan.

Fundamentally, the Home Health Agency is committed to prevention, detection and resolution of instances of conduct that do not conform to federal and state law, private payor requirements as well as our own policy. ACMC Family Home Health is committed to exemplary ethical conduct regarding patient care, and also in the reimbursement and payment areas. Our goal is to strive to facilitate in each aspect of the home health care system, the highest standards of facilitating care, documentation, record keeping, and delivery of quality care and reduction of waste. Our plan includes constant evaluation of care plans to expedite the trend in regulatory changes in the home health system and are implementing a change of concept to problem solving, directing, and teaching of patient care to family and caregiver rather than to maintaining chronic situations with no hope of change. In the same regard, we

are morally and ethically held to the highest standard of patient safety and security enveloped within the patient's medical home health care plan, the development of goals and the patient's discharge planning.

II. MEDICARE/MEDICAID COMPLIANCE POLICY-PLAN FOR IMPROVEMENT

To improve compliance with Oasis, Medicare and Medicaid policies, we will monitor compliance by:

1. QI (quarterly) has been being mostly focused on documentation of nurses notes.
2. RN or DON supervisor will continue to check nurses notes daily, focusing on necessity of visit, observation/evaluation of patient, functional limitation, homebound status, V/S, intervention, treatment, teaching, patient's response, discharge plans, M.D. visits, family and environment.
3. In this quarterly QI report, ACMC Family Home Health plans to focus on wound care and documentation of wound care. ACMC Family Home Health will hold nurses meeting/case conference weekly for reporting of weekend patients to nurses scheduled on call and to update general information of patient changes in condition, or surfacing problems. ACMC Family Home Health will maintain compliance with the Medicare required homebound status of each patient. ACMC Family Home Health plans to have each nurse report on homebound status of every patient, and changes in patient conditions that affect need for continuing care. After each has had their report heard, then different and still more specific items in the care plans will be reviewed. This to be determined by evaluating of QI and nurses notes.
4. Referrals are completed with prior verification with private insurance companies, and taken with completed form including diagnosis, homebound

status, Dr.'s referrals, orders noted, dates and all pertinent data recorded on referral page for primary nurses to be able to assess the patient with necessary information available to them, enabling better focus on patient and patient's needs.

5. ACMC Family Home Health will individually reiterate to each nurse the policy and procedure of home health, and review and amend policies and procedures to bring them up to date, realizing that this is most urgently needed. ACMC Family Home Health will give individual instructions with each new development and change in Medicare/Medicaid regulations. We feel everyone has to display a clear understanding, if we are to achieve our goals of maintaining care according to policy.

WRITTEN POLICIES TO PROMOTE COMMITMENT TO COMPLIANCE AND ADDRESS AREAS OF POTENTIAL FRAUD

Policy Statement

All employees and administrative staff of ACMC Family Home Health must conduct business in compliance with all applicable Federal, State, and local laws and regulation. In addition, all are to comply with the agency's code of ethics and policies and procedures at all times.

Purpose

It is the intent of ACMC Family Home Health to comply with all the legal and regulatory requirements under which it must operate.

Procedure

1. In order to maintain the highest standards of ethical conduct and fair dealing, each supervisor and administrative staff will have the primary responsibility of ensuring

the employees he/she supervises conduct themselves in compliance with agency standards.

2. Each employee is to receive, and be inserviced with a copy of the agency's corporate compliance plan.
3. Patient signatures on all visit notes to ensure visits are made when documented. Notes are to be submitted on a daily basis by employees and weekly by contract employees.
4. Supervisors receive all Medicare and Medicaid updates for staff education.
5. All Medicare Advisories will be submitted to each agency to ensure appropriate compliance.
6. The Home Health Director or designee receives all referrals to ensure appropriate coordination of care; is responsible for ensuring that standards and coverage guidelines are adhered to prior to acceptance of the patient for admission.
7. The Home Health Director or designee orientates and initiates employee training on fraud and abuse issues; follows up on complaints received from the patient, caregiver, physician, and/or other sources; provides inservice training for home health and personal care aides, keeps personnel files up to date by ensuring all licenses and other vital information is submitted by the employee or contracts of the agency.
8. The Home Health Director is responsible for interpreting rules and regulations then promoting them in policy.
9. Medicare and Medicaid manuals are available on line for easy reference, should questions arise concerning coverage issues.
10. The Home Health Director ensures that compliance standards are met by reviewing records, then making a comparison with what is billed. She pays

special attention to M.D. orders/dates and billing dates. She keeps outsourced billing agency informed of any changes in the rules and regulations set forth by Medicare/Medicaid, and addressed any individual account problems.

11. Upon admission, the Registered Nurse informs the patient in writing and verbally of fraud and abuse issues. The RN instructs the patient on services covered and admission, discharge criteria.
12. The State Hotline number, Advanced Directive, Patient Rights and Responsibilities, and a copy of the consent for service are given to each patient verbally and in writing.
13. Each patient is informed of their rights as a patient, as well as their right to participate in their plan of care. This is to be documented in the admission notes.
14. All patients will be informed that ACMC Family Home Health is a division of Ashley County Medical Center.
15. Each employee is expected to report to the Compliance Officer any activity or action that he/she believes to be, or might be a violation of the laws or regulations in which ACMC Family Home Health and Ashley County Medical Center operate.
16. No retaliation of any kind will be taken against an employee who, in good faith, reports an actual or suspected violation.
17. Compliance information will be included in the agency's annual inservice programs in an ongoing effort to educate employees concerning the laws and regulations they must abide by.
18. The agency is committed to providing a safe work environment. Managers are expected to provide adequate inservice training in the use of potentially hazardous supplies or equipment, as well as in procedures used in the office or in the

patient's home. Attending to safe work practices and refraining from engaging in unsafe acts are the responsibility of all employees. The agency will not tolerate illegal drug use by its employee's. This is a critical safety factor for employees and the patients serviced by the agency.

19. Sexual harassment against another employee or patient will not be tolerated regardless of his/her position.

20. Discrimination will not be tolerated at ACMC Family Home Health. The Agency considers applicants for employment and makes employment decisions regarding promotion, termination and working conditions solely on the basis of the qualifications of the individual without regard to race, color, religion, sex, national origin, age, handicap, veteran status or any other basis not directly related to an applicant's abilities to perform his/her job duties.

Education and Training Programs for Employees

New employees will be educated in the area of compliance by online training and reading of the Compliance Manual. The Home Health office will have copies readily available for all employees. Ongoing education will be performed by annual online training.

Reporting Violations – Asking Questions – Investigations

Recognizing that it is always possible for violations to occur, the agency is committed to reporting and correcting such violations swiftly if they do occur whether intentionally or by accident.

Disciplinary Action

Management will take appropriate action to ensure compliance with these policies. The compliance committee will make recommendations for appropriate action for violations that come to its attention. Grounds for disciplinary action include, but are not limited to:

1. Violations of laws, regulations, or policies.

2. Actions that encourage assist or condone violation of laws, regulations, or policies.
3. Failure to detect violations of law, regulations or policy within the employee's area of responsibility.
4. Failure to report violations of which the employee is aware; and
5. Retaliation of any kind against an employee who, in good faith, reports a suspected violation of laws, regulations, or policies.