Dear Fellow Employee:

In the health care industry, change is something we always can count on. The same is true at HCSC, where, in recent years, we have experienced an unprecedented level of performance and growth, which has made us one of the largest and financially strongest health insurers in the nation. While change is expected, some things must stay the same, such as our commitment to serving our members and communities with the highest level of ethical behavior. That commitment has helped build our brand and the reputation we enjoy with our members, providers and other key stakeholders.

As you know, trust is key to the success of any business, and ethical conduct is the foundation upon which trust is built. Each one of us has the opportunity every day to promote and support an ethical culture by serving our customers with integrity, respecting co-workers, bringing forward concerns without fear of retaliation and using our Code of Business Ethics and Conduct (Code) to guide us in making good ethical decisions.

Any company's reputation is fragile, and HCSC is no different. By using our Code and core values of integrity, responsibility, mutual respect and corporate citizenship, we strengthen our corporate culture and our customers' confidence.

While each of us comes to HCSC with solid values, making some of our business decisions may be difficult. That is why many resources, such as annual compliance training, are available to us. Every employee, including the Senior Leadership Team, and our Board of Directors participate in this training. So, you can be assured that the Board and I fully support our Compliance Program and are personally committed to our Code and core values.

I'm excited about our future because HCSC is well positioned for continued success. The realization of that success begins with our daily commitment to maintaining high ethical standards.

Sincerely,

Patricia A. Hemingway Hall

Pat Hemingway Hall
President and Chief Executive Officer
Health Care Service Corporation

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the Mission of Health Care Service Corporation

To promote the health and wellness of our members and communities through accessible, cost-effective, quality health care.

the Vision of Health Care Service Corporation

To provide health and financial security that is simpler, more affordable and more accessible to as many members as possible.

the Guiding Principles of Health Care Service Corporation

We believe that the interests of our members are of primary importance to Health Care Service Corporation. The members provide the reasons for our existence and the rationale for the resources with which we operate.

We believe that we, as representatives of our members, have an obligation to provide leadership in the health care field. We further believe that leadership in this field carries with it the responsibility for honesty and integrity in all our dealings with our various publics.

We believe that the long-term success of our organization is directly dependent on people. We believe our employees are our most valuable asset and every effort should be made towards the continued enhancement of our work force.

We believe that it is essential to Health Care Service Corporation to have a strong local presence in the communities that we serve.

Core Values

INTEGRITY drives our commitment to provide quality services and our commitment to honest, forthright and respectful relations with our customers, providers, business partners, beneficiaries, vendors and fellow employees.

RESPONSIBILITY makes us accountable for, and accept the consequences of, our behavior. We strive for excellence in everything we do. We can be relied upon to perform our job duties honestly and efficiently. We are all responsible for adhering to the highest legal and ethical standards.

MUTUAL RESPECT creates a work environment based on teamwork, encouragement, trust, concern, and honest and responsive communication among all employees.

CORPORATE CITIZENSHIP mandates that we operate our business in a manner that respects and obeys all applicable laws and regulations governing our business and that we participate in activities intended to improve the quality of life in our community.

Ethical Responsibilities

The Company's Board of Directors has adopted this Code of Business Ethics and Conduct (the "Code"). The Code applies to all Directors and all employees of the Company and its subsidiaries starting from the top of the organization. Compliance with the Code and the Compliance Program is a condition of employment.

We must conduct Company business in accordance with all applicable laws, regulations and contractual obligations. We must behave ethically and with integrity and always follow the principles of the Compliance Program when making business decisions.

It is each employee's responsibility to be familiar with our Code of Business Ethics and Conduct and adhere to all Company policies, procedures and corporate standards. Claims of ignorance, good intentions, or using poor judgment will not be accepted as excuses for non-compliance. Violations of the Code, law or Company policies, procedures or corporate standards, or failure to report such violations, will result in disciplinary action up to and including termination. Maintaining ethical standards is in everyone's interest. If we know of a problem, we must report it to our Supervisors, another Corporate Resource or contact the Corporate Integrity HOTLINE.

It is the responsibility of each employee to be truthful and cooperate fully with any Company-related investigation or audit. We must furnish all related materials and facts concerning the suspected violation. We must ensure that the information we furnish is accurate, complete and not misleading.

All suspected violations of the Code or Company policies, procedures and corporate standards are taken seriously and investigated. The Compliance Department may enlist other areas of the Company to review the information supplied or conduct their own investigation.

Supervisors are responsible for the actions of their employees. Supervisors have a special responsibility to create and sustain a work environment in which employees know that ethical and legal behavior is expected of them. Supervisors are held accountable for making sure that their employees understand and apply the ethical standards set out in the Code. To do so, Supervisors must listen to their employees and act on their concerns. Leadership requires setting a personal example of high ethical standards in the performance of one's job.

The term "Supervisor" is used throughout the Code in the general sense, meaning to include any person who directly supervises a Company employee, regardless of his or her title.

In accordance with the Compliance Program or other Company policies, procedures and corporate standards, we may be asked to complete a certification form pertaining to training we attend, mandated requirements we fulfill, or the work we produce or are responsible to oversee. These certifications must always be completed within the time frame specified. If we are concerned regarding the certification process or any supporting documentation that may be required, we should consult with our Supervisor or another Corporate Resource.

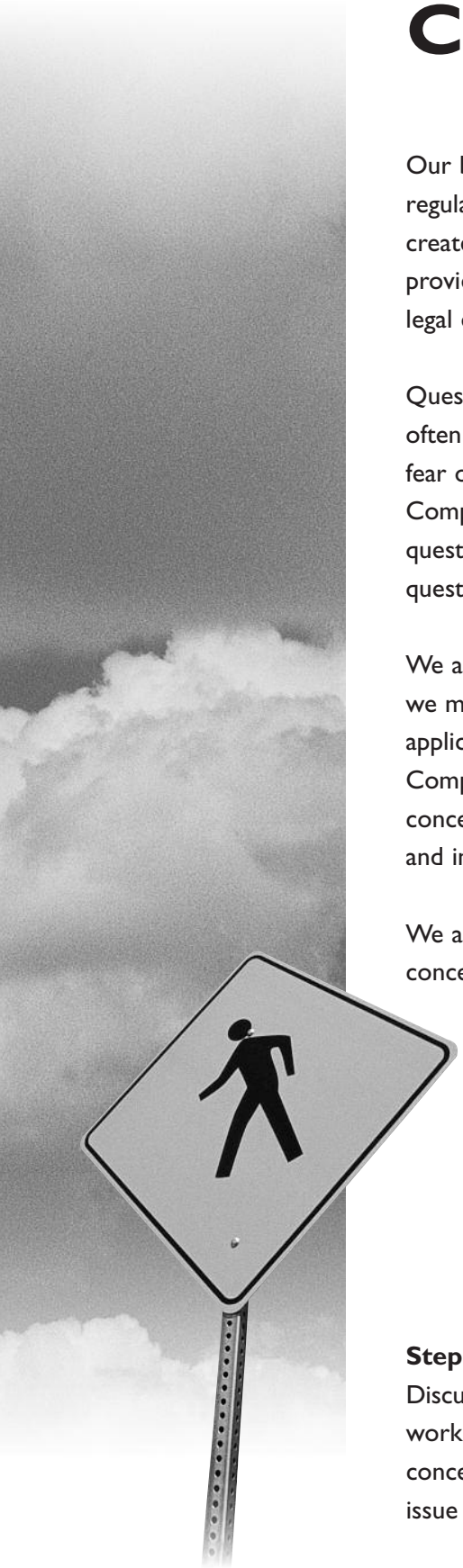
Addressing Integrity Concerns

Our business is governed by complex, demanding and ever-changing laws, rules and regulations. We recognize that the application of these laws, rules and regulations can create uncertainty for employees in some situations. Our Company is committed to providing each employee with the resources and training needed to make ethical and legal decisions while performing his or her job.

Questions and concerns about the proper way to handle different situations may, and often do, arise. Open discussions of issues and concerns by all employees without any fear of retaliation are essential to the success of the Compliance Program and our Company. The Compliance Program gives us the tools to help resolve concerns or questions an employee may have about business ethics and integrity. We must raise questions when we have doubts about whether an action or situation may be improper.

We all have the responsibility to engage in appropriate business conduct. In addition, we must report any activity which we, in good faith, believe may be a violation of any applicable laws, regulations, policies or the Code of Business Ethics and Conduct. The Company has an absolute policy against any retaliation for bringing forward a good faith concern. Any person who violates this policy will be subject to disciplinary action up to and including termination.

We are always encouraged to talk to our Supervisors first about any questions or concerns we may have. However, there are alternative resources available, including the Corporate Integrity HOTLINE, as outlined in the following steps.



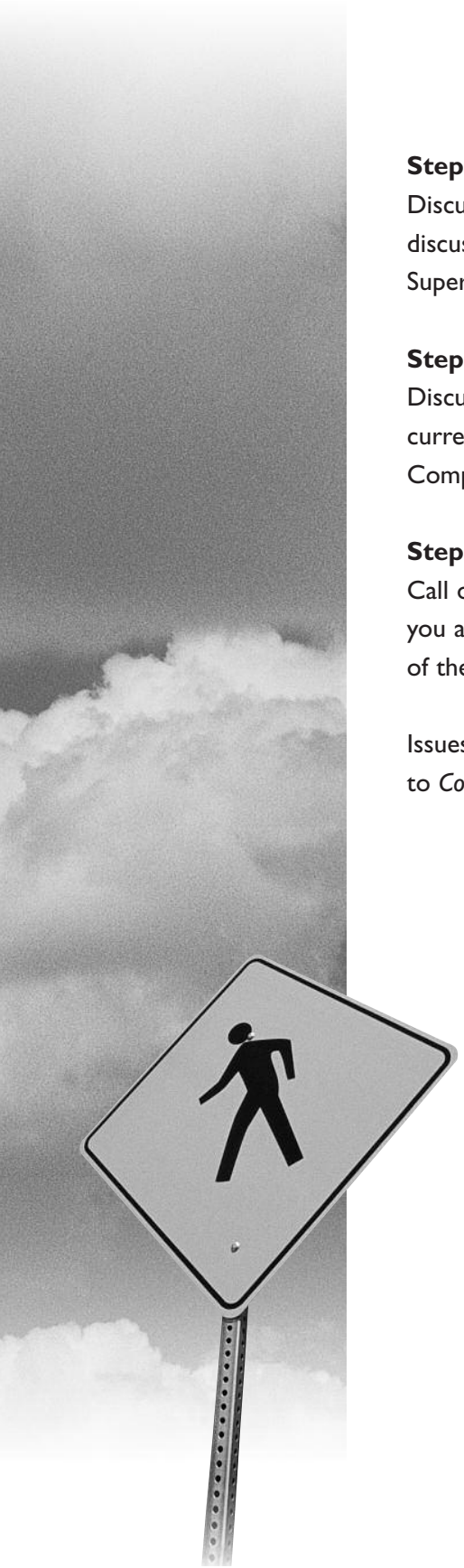
Step 1

When in doubt, ask and keep asking until you get an answer that makes sense.

- Is any law or regulation being violated?
- Is the action consistent with our Company values, our Code of Business Ethics and Conduct and our Company policies?
- If you know it is wrong, don't do it!

Step 2

Discuss the issue with your immediate Supervisor who knows you and the issues in your workplace. Give your Supervisor a chance to solve the problem. If you still have concerns after talking with your Supervisor or if you are not comfortable discussing the issue with your Supervisor, go to the next step.



Step 3

Discuss the issue with a higher level Supervisor. If you still have concerns after your discussion, or if you are not comfortable discussing this issue with a higher level Supervisor, go to the next step.

Step 4

Discuss the issue with another Corporate Resource or the Compliance Officer. The most current list of Corporate Resources can be found on the Compliance home page on the Company's intranet. If you are not comfortable taking this step, go to the next step.

Step 5

Call our Corporate Integrity HOTLINE at 1-800-838-2552. Your call can be anonymous; you are not required to provide your name. For more information, please see the section of the Code titled *Corporate Integrity Hotline*.

Issues may also be reported in writing and sent to the Compliance Department via e-mail to *CorporateCompliance@bcbsil.com* or faxed to (312)938-5431.

Corporate Integrity HOTLINE

1-800-838-2552

Our Company is committed to the policy that ***all employees have an obligation to report problems or concerns involving ethical or compliance violations.*** We have a Corporate Integrity HOTLINE that allows us to seek guidance or report a matter of concern. The toll-free number is 1-800-838-2552.

All calls to our Corporate Integrity HOTLINE can be made anonymously and without fear of retaliation. Employees are encouraged to provide adequate information in order to assist with further investigation. The calls are not traced and the information is treated in a confidential manner, subject to the limits imposed by law. Careful efforts will be made to ensure that investigations are handled confidentially. The Company has a policy of non-retaliation against any employee or other individual who makes a good faith call to the Corporate Integrity HOTLINE. The term "other individual" refers to consultants, agency temporary employees, customers, providers, vendors and producers, and other entities with whom the Company does business. Any employee who violates this non-retaliation policy will be subject to disciplinary action up to and including termination.

The Corporate Integrity HOTLINE is intended to supplement existing internal communication channels. It is not intended to replace our local management team, Senior Management, or other Corporate Resources. The Corporate Integrity HOTLINE is available when we believe that we have exhausted normal Company channels or feel uncomfortable about bringing an issue to our Supervisor or another Corporate Resource.

The Corporate Integrity HOTLINE is available Monday through Friday, 7:30 a.m. to 5 p.m., Central Time, excluding corporate holidays.

Questions and Answers

Q ***Do I need to identify myself if I call the Corporate Integrity HOTLINE?***

A It is not necessary to identify yourself when you call the Corporate Integrity HOTLINE. You should, however, be prepared to provide enough information about an incident or circumstance to allow the Company to initiate an investigation. It is our policy to preserve the anonymity of callers, subject to the limits imposed by law. You can be assured that all calls will be treated confidentially. However, if you tell others about a Corporate Integrity HOTLINE call, your anonymity may be lost.

Q ***Will I be informed if my concern was investigated and/or of the outcome of the investigation?***

A All Corporate Integrity HOTLINE calls are taken seriously. Where appropriate, formal investigations will be conducted discreetly and professionally. However, feedback is often limited by our obligation to protect the rights of all parties involved.

Q ***What information should I have to make a report?***

A Because each incident is different, there is no one correct way of documenting it. However, the following ground rules can provide general help in guiding you through the process. These questions should also be used in instances where an oral report is being submitted either by telephone or in person.

1. Describe the situation and the business area involved.

2. Do you know of the situation from your direct observance, or did someone tell you about the situation?

3. How did the situation occur? (Was a procedure followed or not followed? Was an instruction given from a Manager or a Supervisor? Did a fellow employee or group of employees decide on an action?)

4. When did the situation occur? (Include dates and an approximate time, period of time or series of times.)

Questions and Answers

5. Where did/does the situation occur? (Specify a department, unit, facility, or other location.)

6. Who was/is involved?

7. Has anyone else observed the situation?

8. Who or what might be affected by the situation? (Would it affect internal or external reports? Would another unit be affected? Would customers, members, or providers be affected?)

9. Are there any documents or other evidence to support your report?

10. Have you discussed this matter with anyone else? Have you ever attempted to report this situation before? If yes, to whom and when?

Remember, if you do not understand, or if you have any questions concerning, this Integrity Standard or any other part of the Code, contact your Supervisor, a higher level Supervisor, any of the Corporate Resources or call the Corporate Integrity HOTLINE (1 800 838-2552).

Integrity Standard

Compliance With the Law

POLICY

We will comply with all federal, state, and local laws and regulations. We are each responsible for ensuring our own compliance with laws, regulations and contractual obligations that are applicable to the Company. If we perform services for or work on a government contract, e.g., the Federal Employee Program, Indian Health Service and Medicare, it is our responsibility to know the terms of that contract and all related policies, procedures and corporate standards. Any questions or concerns regarding specific laws, regulations, or any legal issue should be promptly brought to the attention of the Legal Department.

If someone tells you to do something you think is wrong, you have an obligation to speak up. The Company has an absolute policy against any retaliation for bringing forward a good faith concern.

All contracts entered into on behalf of the Company must be executed in accordance with the Company's then-current Execution of Instruments Policy. Individuals executing such contracts are responsible for ensuring that such contracts are consistent with Company policies and are, in the individual's business judgment, in the best interest of the Company. In addition, the purchase of all goods and services must follow both the Procure-to-Pay and Execution of Instruments Policies which incorporate review and approval by internal stakeholders to ensure compliance with applicable laws and regulations.

Questions and Answers

Q ***My Supervisor has directed me to do something that I believe is against the law. I'm afraid that if I don't do what I am told, my job will be in jeopardy. What should I do?***

A Discuss the situation with your Supervisor to be certain that you both understand the facts of the situation and that he or she is fully aware of your concerns. If that conversation does not resolve the matter to your satisfaction, bring your concern to a higher level Supervisor or to the Legal Department. They will assist you in reaching the right answer. You may also call our Corporate Integrity HOTLINE to express your concern anonymously. Do not jeopardize your job, your co-workers' jobs or the Company's future by taking part in what you believe may be an illegal or unethical activity. There are no circumstances where breaking the law would be acceptable to the Company.

Q ***I have been working with an outside vendor to finalize a contract. Can I sign the contract on behalf of the Company?***

A All contracts must be in compliance with the law and regulations and executed in accordance with the Company's then-current Execution of Instruments Policy. Individuals executing such contracts are responsible for ensuring that such contracts are consistent with Company policies and are, in the individual's business judgment, in the best interest of the Company.

Remember, if you do not understand, or if you have any questions concerning, this Integrity Standard or any other part of the Code, contact your Supervisor, a higher level Supervisor, any of the Corporate Resources or call the Corporate Integrity HOTLINE (1 800 838-2552).

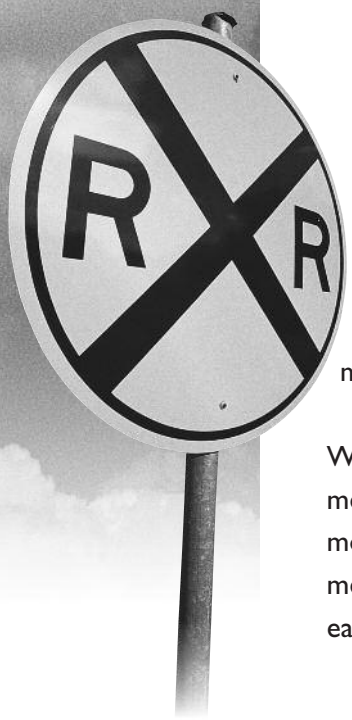
Integrity Standard

Conflict of Interest

POLICY

We must avoid situations where our personal interests could conflict, or reasonably appear to conflict, with the interests of the Company. We must be free of actual, apparent or potential conflicts of interest when dealing with persons or business entities on behalf of the Company. We must award business solely on merit, getting the best value for the Company, and wherever practical, on a competitive basis. A conflict of interest occurs whenever an employee permits the prospect of direct or indirect personal gain to influence his or her judgment or actions in making decisions regarding Company business.

We may not use information that comes to us in the course of employment for personal investment or gain, nor can we provide this type of information to members of our family or others.



Nepotism and other Forms of Favoritism

We may not conduct Company business with any entity in which we or our families have 5 percent or greater ownership or controlling interest. A family member, as defined by Company policy, generally includes an employee's:

- Current spouse or domestic partner
- Parent/Stepparent
- Children (includes biological, adopted, foster, or other legally placed children)
- Siblings (includes biological, step or half)
- Grandparent
- Grandchild
- In-laws
- Corresponding immediate family members of any employee's spouse or domestic partner

We may not use information that comes to us in the course of employment for personal investment or gain, nor can we provide this type of information to family members or others.

We must avoid direct or indirect responsibility for the hiring or supervision of a family member. Even the appearance of favoritism can have a degrading effect on employee morale and perception of the Company's fairness to all employees. Employment of family members is permitted so long as employees are not reporting directly or indirectly to each other.

Integrity Standard

We must also avoid romantic and other close personal relationships with another employee where one individual supervises, directly or indirectly, the other's performance, salary, schedule, or other working conditions.

Someone Close to You Working in the Industry

We may find ourselves in a situation where someone close to us, whether a family member or a close friend, works for a competitor, vendor, provider, customer or producer. In such cases, we must be especially sensitive to security, confidentiality and conflicts of interest. We should review our specific situation with our Supervisor to assess the nature and the extent of any potential conflict of interest and how it can be resolved.

Competing Against the Company

We may not, either directly or indirectly, compete against the Company in any of the products or lines of business that the Company currently sells or anticipates selling or developing. This includes, but is not limited to, taking for ourselves or others any opportunity that we discover because of our position or employment with the Company.

Outside Employment and other Activities

A conflict of interest may also exist if the demands of any outside activity hinder or distract us from the performance of our job or even appear to influence our judgment or performance for the Company. We may not engage in any outside activity that negatively impacts our job performance.

Generally, any outside employment with a competitor, provider or entity which does or seeks to do business with the Company is not permitted. If you have any doubts regarding an outside job or activity, contact your Supervisor.

It is not possible for the Code of Business Ethics and Conduct to list every type of potential conflict of interest. When in doubt, we should share the facts of the situation with our Supervisor or another Corporate Resource.

Questions and Answers

Q ***My spouse is employed by a company that believes it can supply higher quality and less expensive supplies to our Company than the current vendor. Can we deal with that company?***

A In this case, so long as you stay out of the purchasing decision, the Company will be able to reach an independent judgment. Always notify your Supervisor or another Corporate Resource of any close relationship you have with any of our vendors or other business partners.

Q ***I have an outside business selling fitness products. Can I use Company bulletin boards, E-mail or interoffice mail to advertise these products to other Company employees?***

A No. You are free to engage in an outside business (provided there is no actual or potential conflict of interest) on your own time and off Company premises. Products or services associated with your outside business should not be solicited or promoted during Company work hours or on Company property. Also, in accordance with Company policies, procedures and corporate standards, you should not use the Company's name, its facilities or resources (e.g., time, telephones, copy machines) to engage in any personal business activity.

Q ***I am a claims examiner and have an opportunity to moonlight in the billing department of a large physician group. Can I take the job?***

A Generally, Company employees may not have outside employment with any provider, competitor or any entity which does or seeks to do business with the Company. It would be inappropriate for you to work for any physician group that files claims with or otherwise does business with the Company. If you have questions on any type of outside employment, contact your Supervisor.

Remember, if you do not understand, or if you have any questions concerning, this Integrity Standard or any other part of the Code, contact your Supervisor, a higher level Supervisor, any of the Corporate Resources or call the Corporate Integrity HOTLINE (1 800 838-2552).

Integrity Standard

Gifts, Gratuities and Kickbacks

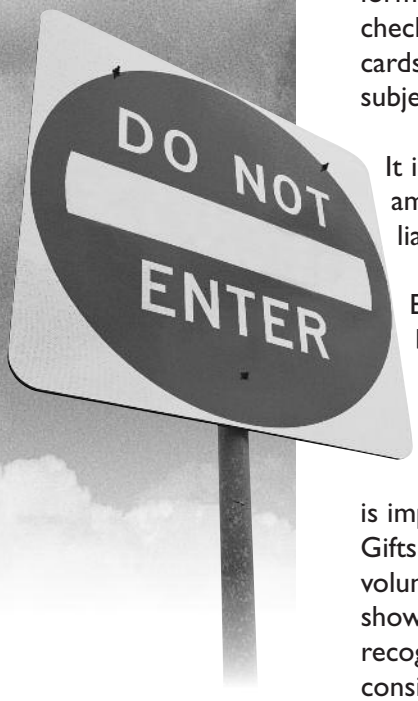
POLICY

We must maintain the highest standards of integrity and objectivity in dealing with vendors and service providers. We are prohibited from accepting or giving gifts or gratuities beyond common business courtesies of nominal value. Gifts or items of value must never be offered to or accepted from government employees. Under no circumstances will we accept or give kickbacks when obtaining or awarding contracts, services, referrals, goods, or business. A kickback means to willfully offer, receive, request or pay anything of value, even nominal value, in order to induce or reward referrals of business including goods or services.

We are prohibited from accepting or giving gifts or gratuities beyond common business courtesies of nominal value.

We will not accept or offer gifts, gratuities or favors except those associated with common business courtesies of a nominal value of $50 or less given to or received from one source. The value of all gifts received in one year from all business sources must not exceed $150. Gifts exceeding this policy may be made to customers or other persons subject to President, Executive Vice President or Senior Vice President approval.

We must not offer or accept gifts of cash or cash equivalents to or from any current, former or potential vendor, customer, broker, or provider. Cash equivalents include checks, honorariums, money orders, stocks and savings bonds. Gift certificates and gift cards are not considered cash equivalents for the purposes of this Standard but are subject to the limitation on common business courtesies stated above.



It is not permitted for any HCSC employee to offer or to give a gift or gratuity of any amount to a plan fiduciary as this is prohibited under ERISA and could give rise to civil liability and criminal penalties.

Entertainment and meals offered or received by employees as part of legitimate business activity are not included in the $50 gift limit, but must be within the boundaries of reason and moderation. Generally, raffles and prizes that are part of an outside business activity are not considered gifts.

Although the Company does not set a dollar limit on gift-giving among employees, it is important to always use reason and good judgment when giving or accepting a gift. Gifts of nominal value are always best and contributing to a gift should always be voluntary. A gift should never be given to another employee to influence, gain favor or show favoritism. In addition, Company-approved items provided to employees as recognition for a business achievement or as part of Company-sponsored events are not considered gifts for the purposes of this Standard but are subject to all applicable federal, state and local tax requirements.

Questions and Answers

Q ***A vendor has invited me to its corporate headquarters to evaluate some new equipment which the Company is thinking of purchasing. The headquarters is in another city and the vendor has offered to pay all of my expenses. Is this okay?***

A No. You must avoid even the appearance that your decision to buy might be improperly influenced. If there is a business need to evaluate this equipment, the Company should pay all expenses.

Q ***A vendor has offered me four tickets to the ball game. The face value of each ticket is $50. The vendor does not plan to attend the event. Is this entertainment or a gift? Can I accept the tickets?***

A No. The offer of these tickets would not be entertainment or an acceptable gift. Entertainment, such as sporting, arts, culture or charitable events must be part of a legitimate business activity and be within the bounds of reason and moderation. If the vendor will not be present then the event is not a legitimate business activity. Also, you may not accept the tickets as a gift since the value is $200, which exceeds the gift limit of $50 from one source.

Q ***A group of Company employees worked with a consulting firm on an important special project. After successfully completing the project, the consultant presented each member of the group with an engraved pen and pencil set, which is under $50 in value, as a memento of the project. Is it okay to accept this gift?***

A Yes. This is a customary business courtesy and does not give the appearance of improperly influencing your judgment.

Q ***Should Company employees accept compensation for participating in professional committees or panel discussions, or making presentations related to Company business?***

A No. Company employees may not receive compensation for such participation. Compensation for these types of activities is often referred to as an honorarium. If an honorarium is paid to an individual, it should be returned to the sender promptly with a declination letter explaining the Company's policy, and a copy of the letter declining the honorarium should also be sent to the Compliance Officer.

Q ***One of my co-workers is retiring and I would like to take up a collection in our department and buy her a gift. Is this okay?***

A Yes. You may take up a collection as long as your management approves and the contributions are voluntary. No one should feel pressured or coerced into contributing or contributing a specific amount toward the gift. Also, arrange to collect the money in a manner and/or during a time that is the least disruptive to the work area.

Remember, if you do not understand, or if you have any questions concerning, this Integrity Standard or any other part of the Code, contact your Supervisor, a higher level Supervisor, any of the Corporate Resources or call the Corporate Integrity HOTLINE (1 800 838-2552).

Integrity Standard

Confidentiality of Information

POLICY

We must protect the confidentiality of the information handled by the Company concerning our members and our clients both inside and outside of the Company. We will take precautions to avoid improper, inappropriate or inadvertent disclosures of sensitive, confidential or privileged information, records or documents. Within the Company, we will share this information only with those employees who have a legitimate business "need to know" the information. We will maintain and protect this information even after termination of employment with the Company.

We will disclose medical record and claim information outside the Company only to authorized persons or entities.

Confidential Company Information

Individual's Information

As with all confidential information, we have an obligation to protect the confidential information of our members, employees, providers and any other individual's information we have in our possession. These protections extend both inside and outside of the Company. This information will be shared both inside and outside of the Company with only authorized persons or entities according to applicable federal and state law. This includes following corporate and departmental policies, procedures and corporate standards for handling protected health information and sensitive personal information. These requirements continue to apply even after we leave the Company's employment.

Integrity Standard

Intellectual Property and Trade Secrets

We will not disclose information about the Company's intellectual property and trade secrets to unauthorized third parties or to employees except as may be required for those employees to perform their job duties. Please see the "Proper Use of Corporate Assets" Integrity Standard for more information about the Company's Intellectual Property and Trade Secrets.

Proprietary Business Information and "Insider" Information

We will not give confidential or proprietary Company information to unauthorized persons such as competitors, suppliers, or outside contractors without proper authorization. This includes financial information, customer lists, discounts, special prices, computer data and computer programs, as well as descriptions of Company processes or operations. We will not discuss potential business relationships, purchases, mergers or acquisitions or other organizational changes either internally or with unauthorized third parties except on a "need to know" basis.

Use of Social Media

Remember, when you are communicating through social media, such as Facebook, Twitter or similar electronic communication, you must be mindful of your responsibilities as an HCSC employee to protect confidential information, and to abide by all of HCSC's policies, procedures and corporate standards.

Passwords

We will protect and maintain the confidentiality and integrity of information used to access our systems, including but not limited to, passwords and other personal security codes. We will keep our passwords and other personal security codes confidential. We recognize that we are each responsible for the actions resulting from the use of our passwords. We will not share our passwords or let others use our computers while we are logged on.

Client Information

Although the Company is not publicly traded, many of the companies that we do business with are. During the course of our employment, we may become aware of "insider information." The law prohibits the use of this information for the Company's or our own financial gain. In addition, we may not "tip" others by sharing this information with them.

Questions and Answers

Q ***Why is protecting confidential medical information so important?***

A Improper uses and disclosures can invade someone's privacy, damage his or her reputation, cause embarrassment, violate federal and state privacy laws and invite lawsuits. Improper uses and disclosures may also be violations of the Company's agreement or contract with a government agency or another customer. Federal and state privacy laws carry significant penalties for violations. These penalties may apply both on a corporate and individual basis. Therefore, the privacy and confidentiality of each Covered Person's medical and claim information must be protected in accordance with Company and department policies, procedures and corporate standards.

Q ***Why shouldn't employees share their passwords and other personal security codes?***

A All of our information security mechanisms use user IDs and passwords to authenticate an individual's identity and establish approved access and rights. If multiple individuals have access to the same user IDs and passwords, it is impossible to tell who did what. Sharing of user IDs and passwords is strictly prohibited. Every employee is responsible for the confidentiality of his or her user ID, password and other personal security codes, and will be held accountable for anything done with his or her user ID and password.

Corporate documents and files must be stored and secured on corporate servers in order to ensure both their recoverability as well as access by the proper individuals. Whenever it is necessary for an Information Technology technician to work on a computer, the employee must be present to enter his or her password and provide oversight.

Remember, if you do not understand, or if you have any questions concerning, this Integrity Standard or any other part of the Code, contact your Supervisor, a higher level Supervisor, any of the Corporate Resources or call the Corporate Integrity HOTLINE (1 800 838-2552).

Integrity Standard

Accuracy of Records

POLICY

We will preserve and maintain Company records in accordance with the Company's document retention policies.

We will keep accurate, true and complete Company records. Accuracy and reliability in the preparation of all business records are mandated by law and are of critical importance to the Company's decision-making processes and to the proper discharge of our financial, legal and reporting obligations. We must never misrepresent facts or falsify or suppress records. In addition, all records should be stored for the period of time required by applicable laws or contracts or Company policy, whichever is longest.

Recordkeeping and Reporting

We must ensure that all Company records, business expense accounts, vouchers, bills, payrolls, service records, and reports, whether electronic or on paper, are reliable, accurate and complete. Transactions between the Company and outside individuals and organizations must be promptly and accurately entered in Company records in accordance with Company policies, procedures and corporate standards. We will not improperly alter or make false entries on, or willfully fail to make correct entries on, any Company record or document. False or misleading entries on records are unlawful and could subject the Company and, in some cases, individual employees to fines and other civil or even criminal penalties. In addition, we will not facilitate the creation of false or misleading records of any of our covered groups, vendors or any other business partner.

We will create and submit only true and accurate reports. We must not create or submit false or misleading reports of operating statistics or measurements, such as sales reports, performance data and utilization data. If we are not sure of the accuracy or reliability of information, we must take steps to verify it or immediately contact our Supervisor for advice.

Integrity Standard

We will establish, maintain, support and follow internal controls designed to provide reasonable assurance that transactions are authorized, and that transactions and other data are recorded and presented in a manner that is accurate, complete, current and not misleading. We will record all Company transactions in accordance with generally accepted accounting practices and principles or statutory accounting principles. We will charge all items to the appropriate account, regardless of the financial status of the line of business, contract or cost center. We will not maintain any secret or unrecorded funds. We will follow appropriate Company procedures to ensure that errors are corrected, as they become known, through credits, refunds or other mutually acceptable means.

We will never take any steps that would impede, obstruct, improperly influence the conclusions of, or affect the integrity or availability of any audit, review or investigation, regardless of whether that audit, review or investigation is performed by government, external or internal personnel.

Record Retention

We will preserve and maintain Company records in accordance with the Company's and department's document retention policies. We must not improperly destroy any corporate accounts, records or other official Company documents.

When litigation, a government audit or investigation is imminent or pending, our normal document destruction procedures will be suspended until all documents relevant to the litigation, audit or investigation can be identified and segregated.

Questions and Answers

Q ***I am concerned about the accuracy of the reports we are providing to some of our large groups that have performance guarantee requirements. What should I do?***

A Discuss your concerns with your Supervisor to make sure you understand the reporting requirements. If you are not comfortable doing that, or if you still have concerns after talking with your Supervisor, contact the Legal Department or one of the other Corporate Resources. The accuracy of information we provide to groups is a very important matter. Many of our larger groups routinely exercise their right to audit the performance guarantee results. A misstatement or misrepresentation of the results could damage our reputation and relationship with the group. False reporting to either government or private plans may subject the Company and individuals to civil and/or criminal liability.

Q ***How will I know if a document that is scheduled for destruction under Company policy is relevant to pending litigation, investigation or audit?***

A When the Company becomes aware that such a legal proceeding, audit, or investigation has commenced, or is imminent, the Legal Department or the Compliance Officer will circulate a memorandum identifying which records and documents are relevant to the pending legal proceeding, investigation, or audit and may not be destroyed. As more information becomes available, the Legal Department or the Compliance Officer will inform departments as to which, if any, of the previously identified documents may be destroyed. If you receive information regarding a potential government investigation or audit, or litigation to which the Company is a party, promptly notify your Supervisor or the Legal Department.

Q ***If I need a certain record for a point past the scheduled destruction time, should I retain a personal copy?***

A Most, though not all, records will be destroyed in accordance with a specific schedule; this schedule depends upon a number of factors, such as legal and business requirements, whether the document contains business information or patient medical data and the like. Ordinarily, you should not keep personal copies of documents scheduled for destruction. If you believe that a certain record or category of records should be kept for a longer time, notify your Supervisor.

Questions and Answers

Q ***We are in the process of closing with a large group account. Our contact with the group has indicated that it would "seal the deal" if we would delay the first months billing by 30 days so that they can show a large profit in the current month. The billing would be recorded appropriately on our books. Is this allowable?***

A While our financial records might be stated correctly, it is never permissible to knowingly assist a current or potential business partner to misstate their reporting. There have been a number of cases where regulators have targeted not only companies with inaccurate records, but also third parties who facilitated the misstatement. This situation should be discussed with your Supervisor or reported to the Corporate Integrity HOTLINE.

Q ***I have been asked to sign a certification that a financial report I generate is accurate. Is this important?***

A Yes, report certifications are very important. Certifications demonstrate HCSC's commitment to the integrity, accuracy and timeliness of its reporting and related disclosures.

Report certifications:

- Establish a written record to support the accuracy and completeness of reports.
- Document that data or information submitted has been reviewed and is accurate to the best knowledge of the certifier.
- Encourage disclosure of any issues via the "Exceptions" section of the certification.
- Provide a vehicle for feedback to management on identified exceptions.

Certifications are submitted to Audit Services, which acts as the administrator for Financial, Government and Performance Guarantee report certification programs. You may also be required to provide the Company with other types of certifications. If you have any questions about the report certification process, contact the Vice President of Audit Services or another Corporate Resource.

Questions and Answers

Q ***What should I do if I have questions or suspect problems with some aspect of our financial reporting or internal accounting controls?***

A Always remember that the accuracy of our financial statements and records and the proper functioning of our internal accounting controls is essential to the Company. Discuss your concerns with your Supervisor to make sure that you understand the applicable accounting or financial reporting requirements. If you are not comfortable doing that, or if you still have concerns after talking with your Supervisor, you should contact the Compliance Officer or another Corporate Resource. You may also use the Corporate Integrity HOTLINE to anonymously and confidentially report your concerns regarding financial reporting, internal accounting controls, or auditing matters.

Q ***What should I do if I have completed a financial report and someone wants to make some changes to that report which, in my opinion, will result in less than accurate information?***

A Discuss your concerns with your Supervisor to make sure you understand the reasons for the proposed changes. If you are not comfortable doing that, or if you still have concerns after talking with your Supervisor, you should contact the Compliance Officer or another Corporate Resource. You may also use the Corporate Integrity HOTLINE to anonymously and confidentially report your concerns regarding financial reporting, internal accounting controls, or auditing matters.

Remember, if you do not understand, or if you have any questions concerning, this Integrity Standard or any other part of the Code, contact your Supervisor, a higher level Supervisor, any of the Corporate Resources or call the Corporate Integrity HOTLINE (1 800 838-2552).

Integrity Standard

Fair Competition

POLICY

As partners in the overall delivery of health care, we will be fair and honest in all dealings with health care providers.

The Company is committed to a policy of vigorous, lawful, and ethical competition which is based on the merits of our products and services. We will maintain the trust of our customers and providers by developing and providing high-quality products and services in a fair, ethical, and legal manner.

We will maintain our customer's trust by striving to ensure that our sales materials, advertisements, and other communications accurately and fairly describe our products and services.

We will promote our products and services through fair and accurate comparisons with our competitors.

It is the policy of the Company to comply with all applicable antitrust and competition laws. These laws are very complex, but, in general, they prohibit agreements or conduct that may restrain trade or reduce competition. They are intended to provide a variety of products and services at competitive prices.

- We will avoid all contracts, agreements, and understandings which unlawfully reduce or eliminate competition or the production or sale of products or services.
- We will refuse any agreements with competitors to establish or fix prices or to divide or allocate markets either by market segment, geography, or by any other means.
- We will exercise special care to ensure that our discussions and activities with representatives of other companies are in compliance with antitrust laws.

Integrity Standard

- Employees who have questions about potential antitrust implications or antitrust practices should contact the Legal Department.

We will compete fairly. Information about competitors, customers, and providers is a valuable asset in a highly competitive market. However, no illegal or unethical means of obtaining this information will be tolerated. No information should be sought or used that would violate antitrust laws or laws and contracts protecting proprietary data.

Questions and Answers

Q ***A representative of one of our competitors proposes that we both freeze our prices for one of our products for a six-month period to show our mutual commitment to restraining health care costs. The other company's representative says this is legal because we are limiting the price we will charge consumers. Is it legal?***

A No. It may be illegal. Maximum price-fixing agreements may be just as illegal under the antitrust laws as minimum price-fixing agreements. You should avoid any discussion of prices with competitors and consult with the Legal Department anytime you receive a similar proposal.

Q ***Do I have to give a specific reason for refusing to do business with a particular producer, vendor or consultant?***

A We have broad discretion to decide with whom we will do business, as long as we have legitimate business reasons and are not engaged in anti-competitive practices. If you have any questions about whether a particular practice is anti-competitive, contact the Legal Department.

Remember, if you do not understand, or if you have any questions concerning, this Integrity Standard or any other part of the Code, contact your Supervisor, a higher level Supervisor, any of the Corporate Resources or call the Corporate Integrity HOTLINE (1 800 838-2552).

Integrity Standard

Work Environment

POLICY

We are committed to maintaining a work environment that is safe and secure and where we treat each other with honesty, dignity, and respect. The diversity of employees is a tremendous asset. Valuing all employees as unique individuals leads to a more productive and fulfilling work environment. We value the diverse contributions of all people, regardless of their position, sexual orientation, family status, age, race, sex, disability, religion, or national origin. All employment practices are based on ability and performance.

We are committed to maintaining a work environment where we treat each other with honesty, dignity and respect.

All employees have the right to work in, and the Company is committed to, an environment free from harassment and discrimination, where privacy and dignity are respected and all are protected from offensive, obscene, or threatening behavior. The Company will not tolerate sexual advances, actions, comments, inappropriate physical contact or any other conduct that is intimidating or otherwise creates an offensive or hostile work environment.

Employees are responsible for adhering to all Company policies, procedures and corporate standards related to workplace safety and security. While on Company premises, employees must wear a Company-issued identification badge at all times.

The Company often needs to acquire and retain personal information on individual employees for effective operation of our Company. It is the policy of the Company to maintain the confidentiality of this information and to limit access to authorized persons who need the information for business or legal purposes.

All employees have a right to, and the Company is committed to, a safe and healthy work environment which is also free from illegal drugs, violence, threats of violence, and the influence of alcohol. The Company prohibits the illegal use, possession or distribution of drugs and prohibits the *unauthorized* use of alcoholic beverages in the workplace or while conducting Company business.

Questions and Answers

Q ***If an employee is terminated or resigns from the Company and his or her potential employer calls for a reference, does our Company give information on job performance, attendance or compensation to the potential employer?***

A No. Regardless of whether an employee is terminated or resigns, Company policy does not allow for the disclosure of the contents of his or her personnel files to the prospective employer. The only information provided is verification that the person worked at the Company and dates of employment. Salary information will be released only with the employee's written consent.

Q ***One of my co-workers has a habit of telling questionable ethnic or "off-color" jokes. This offends me and others in my group. How can I get this to stop?***

A Company policy prohibits this type of behavior. You have the option of discussing your feelings with the person telling the joke. If you are uncomfortable doing so, you should consult with your Supervisor or the Human Resources Department. You may also call the Corporate Integrity HOTLINE.

Q ***What qualifies as sexual harassment and what can I do if I believe that it is happening to me?***

A Sexual harassment is defined as sexual advances, requests for sexual favors or other verbal or physical conduct of a sexual nature when:

(1) submission of such conduct is made a term or condition of an individual's employment;

(2) submission to or rejection of such conduct by an individual is used as the basis for an employment decision affecting such individual; or

(3) such conduct has the purpose or effect of substantially interfering with an individual's work performance or creating an intimidating, hostile, or offensive work environment.

If you believe that you have been the subject of sexual harassment, you should notify your Supervisor or the Human Resources Department. You may also call the Corporate Integrity HOTLINE.

Remember, if you do not understand, or if you have any questions concerning, this Integrity Standard or any other part of the Code, contact your Supervisor, a higher level Supervisor, any of the Corporate Resources or call the Corporate Integrity HOTLINE (1 800 838-2552).

Integrity Standard

Proper Use of Corporate Assets

POLICY

We will use and maintain Company assets with the utmost care and respect, guarding against waste, abuse, loss and theft.

Company assets are to be used for the benefit of the Company. Company assets include, but are not limited to, corporate data, business strategies and plans, financial data, and other proprietary or confidential information about the Company business or its employees, equipment, furniture, vehicles, office supplies, corporate funds, credit cards, employee time, and computer supplies and software. We have a responsibility to protect the Company's assets and to ensure that they are used for valid Company purposes.

We will use and maintain Company assets with the utmost care and respect, guarding against misuse, waste, abuse, loss and theft.

We will not give confidential or proprietary Company information to unauthorized persons such as competitors, suppliers, or outside contractors without proper authorization.

Intellectual Property and Trade Secrets

Intellectual property and trade secrets include all ideas, inventions, discoveries, improvements and innovations and include but are not limited to the following categories:

- New product design
- Marketing plans
- Detailed financial or pricing information
- Computer programs, models and databases (including source codes)
- Trademarks
- Copyrights
- Logos

Integrity Standard

The Company owns all intellectual property that we make, create, develop, write or conceive either on our own or with another person while employed by or contracted with the Company whether developed during working hours or not, *and:*

- is related in any way to actual or anticipated business, research or development of the Company;
- results from work assigned to or performed by us for the Company; and/or
- is conceived or made with the use of Company systems, equipment, materials, facilities, computer programs, or confidential or proprietary business information.

Use of the Internet and other Electronic Media

The Company's communication systems, e.g. phones, voicemail, fax, e-mail, Internet, and Company intranet are to be used for business purposes. They may never be used to access, store, download or distribute materials that are:

- unauthorized or personal, such as software, music, etc.
- offensive, threatening or malicious;
- criminal or promote criminal activity, or
- sexually explicit.

Company systems should not be used to send chain letters or personal broadcast messages.

Occasional personal use is allowed so long as such use does not interfere with the security or effectiveness of any system or interfere with our job performance.

The Company owns these communication systems; therefore, employees should have no expectations of rights to privacy. The Company reserves the right to access, monitor and disclose the contents of any communications, whether made for business or personal reasons in accordance with all applicable laws and regulations.

Integrity Standard

Unauthorized Software

We will not make unauthorized copies of computer software programs or use personal software on Company computer equipment. The creating or loading of unauthorized software onto Company-owned PCs, workstations or other computer systems is strictly prohibited. Such unauthorized actions could cause the destruction of information or computer systems, technical problems (for example, incompatible drivers or commands, or viruses) or other substantial harm, if not approved by and coordinated with appropriate Company personnel in advance. In addition, the unauthorized copying or use of unauthorized software could be a violation of federal copyright laws and could result in civil and/or criminal liability.

Respecting the Property Rights of Others

We will respect the property rights of others and not engage in the unauthorized use of their intellectual property or trade secrets including the copying or downloading of trademarks, copyrighted materials and logos.

Questions and Answers

Q ***If I see an employee intentionally misusing, damaging, or stealing Company property, what should I do?***

A We all have an obligation to treat Company property and equipment with care and respect. If you are aware of anyone intentionally or negligently damaging or stealing Company property or equipment, report your observations to your Supervisor, or another Corporate Resource, who will investigate the matter and take the appropriate action.

Q ***Can I supply a list of our clients to an outside source?***

A No. Client lists are a valuable asset and should never be disclosed to anyone outside of the Company without specific management approval.

Q ***Can I download documents, pictures, media clips or software from the Internet for distribution, printing or use on my computer?***

A Documents, pictures, media clips and music can be downloaded if they are related to a legitimate business need and if allowed by the Internet host site. However, copyright laws must be applied prior to any distribution or copying, even if there is a legitimate business need.

Under no circumstances should software be loaded on an HCSC computer at any time unless authorized and installed by the appropriate Information Technology resources. In many cases, software may be contaminated with viruses or conflict with the computer architecture, which could disrupt not only your computer but also your co-workers' computers.

Questions and Answers

Q ***What are the possible consequences of visiting an Internet site and viewing, downloading or sending sexually explicit materials?***

A In most cases, termination will result. The Company prohibits the use of its systems to view, download or send sexually explicit materials. This type of activity represents inappropriate use of Company assets and is considered a serious violation of Company policy. When discovered, disciplinary action will be taken up to and including termination.

Remember, if you do not understand, or if you have any questions concerning, this Integrity Standard or any other part of the Code, contact your Supervisor, a higher level Supervisor, any of the Corporate Resources or call the Corporate Integrity HOTLINE (1 800 838-2552).

Integrity Standard

Cooperating With the Government

POLICY

We cooperate with all reasonable requests for information from governmental agencies.

The Company is committed to comply with the laws and regulations that govern the state and federal programs we administer, e.g., the Federal Employee Program, Indian Health Service and Medicare.

We must always show respect for government and regulatory officials. We will cooperate with all reasonable requests for information from government and regulatory agencies. Requests for information other than routine forms must be forwarded to the Legal Department.

All information provided shall be truthful and accurate. We will never take any steps that would impede, obstruct, improperly influence the conclusions of, or affect the integrity or availability of any review or investigation performed by government personnel.

Requests for Information from Government Agencies

We must always provide accurate and complete information to government agencies. We must ensure that information we provide to government agencies includes all material facts necessary to ensure that the information submitted is not misleading.

We must never lie or make false or misleading statements, whether oral or written, to any government official or agency.

We must never attempt to persuade any Company employee, or any other person, to provide false or misleading information to a government official or agency.

We must never destroy or alter any Company document or record in anticipation of or following a request for the document or record by a government agency or court. When a government audit or investigation is imminent or pending, our normal document destruction procedures will be suspended until all documents relevant to the litigation, audit or investigation can be identified and segregated.

Integrity Standard

If we are approached by any person who identifies himself or herself as a government investigator, we should contact the Legal Department immediately. A representative of the Legal Department will then assist us in following proper procedures for cooperating with the investigation.

Do not feel pressured to talk to a government investigator without first contacting our Legal Department. It is our policy to provide consultation with our Legal Department to any employee who is contacted in connection with a government investigation of the Company.

Gifts to Government and Regulatory Officials

Federal laws prohibit government employees from accepting anything of value, except modest items of food and refreshments. Because of these restrictions, we must not offer or make a gift to a federal employee.

We will abide by all applicable laws, rules and regulations relating to gifts and entertainment of government officials and employees. For additional information, please see the Gifts, Gratuities and Kickbacks Integrity Standard.

Federal Procurement

The Company is subject to the Federal Procurement Integrity Act when bidding on federal contracts. This law dictates certain business conduct for companies seeking to obtain work from the Federal Government. During the bidding process, employees may not:

- offer to discuss employment or business opportunities with agency procurement officials at the Company;
- offer or give gratuities or anything of value to any agency procurement official; or
- seek to obtain any confidential information about the selection criteria before the contract is awarded. This includes information submitted by other companies.

Questions and Answers

Q ***What should I do if I am contacted by a law enforcement person who requests information about our Company?***

A You should notify our Legal Department of the request promptly and before providing any information. Explain to the law enforcement person that Company policy requires notification to the Legal Department before any information is provided. The Legal Department will evaluate the request, including whether a subpoena will be required for disclosure of the requested information.

Remember, if you do not understand, or if you have any questions concerning, this Integrity Standard or any other part of the Code, contact your Supervisor, a higher level Supervisor, any of the Corporate Resources or call the Corporate Integrity HOTLINE (1-800-838-2552).

Integrity Standard

Quality of Service

POLICY

We are committed to providing products and services of the highest quality and value to our customers. In providing our services, we will strive to provide prompt and accurate services consistent with contractual benefits, corporate policies, and regulatory requirements.

Our customers are the reason we are in business. We will serve them in a professional manner with integrity, honesty and respect.

We will pay all contractual benefits due Covered Persons and Providers promptly and accurately.

We will comply with all applicable statutes, regulations, and instructions that govern the administration of benefit programs.

We will continue to seek new approaches to increase the quality of service delivered to our customers while ensuring that it is delivered in a cost-effective manner.

We will continue to seek new approaches to increase the quality of service delivered to our customers while ensuring that it is delivered in a cost-effective manner.

Questions and Answers

Q ***I work in customer service as a customer service representative (CSR). The CSRs are measured on their average speed of answer (ASA), which means "how long does it take to answer a call." I have heard that a co-worker answers a call, and then hangs up on the caller in an attempt to lower her ASA. Though I know it is wrong to hang up on a caller, I can see why the CSR feels pressure to do so. I am torn – What should I do?***

A As Pat Hemingway Hall, our President and CEO, has stated, "Part of the challenge of meeting our goals is to do so without compromising our integrity. Taking short cuts that compromise our core values is never an option." Purposely hanging up on any caller violates every one of HCSC's Core Values and misrepresents numbers, which in turn can lead to misleading reporting. It is your duty as an HCSC employee to report such behavior. As with other concerns, report the issue to your Supervisor or another Corporate Resource.

Q ***I overheard one of my co-workers being rude to a customer. When asked for his name, the representative refused to give it and disconnected the caller. Should I report this to my Supervisor?***

A Yes. Our customers are very important to us. We always want to serve them courteously. Your Supervisor will want to contact the customer, apologize and address the customer's concerns appropriately. Your Supervisor will also counsel the employee to prevent similar situations in the future.

Questions and Answers

Q ***One of our large groups has a special benefit requirement that is difficult to understand. I continually hear customer service representatives give incorrect information concerning this benefit. I do not want to get anyone in trouble, but I am concerned that this may impact this group's satisfaction with our service. What should I do?***

A Discuss this with your Supervisor and let him or her know your concerns. Additional training or one-on-one coaching may be needed to ensure employees have the knowledge and information needed to provide quality service.

Remember, if you do not understand, or if you have any questions concerning, this Integrity Standard or any other part of the Code, contact your Supervisor, a higher level Supervisor, any of the Corporate Resources or call the Corporate Integrity HOTLINE (1 800 838-2552).

Integrity Standard

Political Activity and Community Involvement

POLICY

Employees are encouraged to vote and participate fully in the political process.

Federal laws restrict the use of corporate funds in connection with federal elections, and there are similar laws in many states. It therefore is the policy of the Company that neither Company name, the Company funds, nor Company facilities shall be used directly or indirectly for political purposes on behalf of candidates for political office, political parties or elected incumbent office holders at any level, federal, state or local, except as permitted by law and the Company's Political Activity Policy. The Company will not reimburse employees for contributions to political candidates or causes.

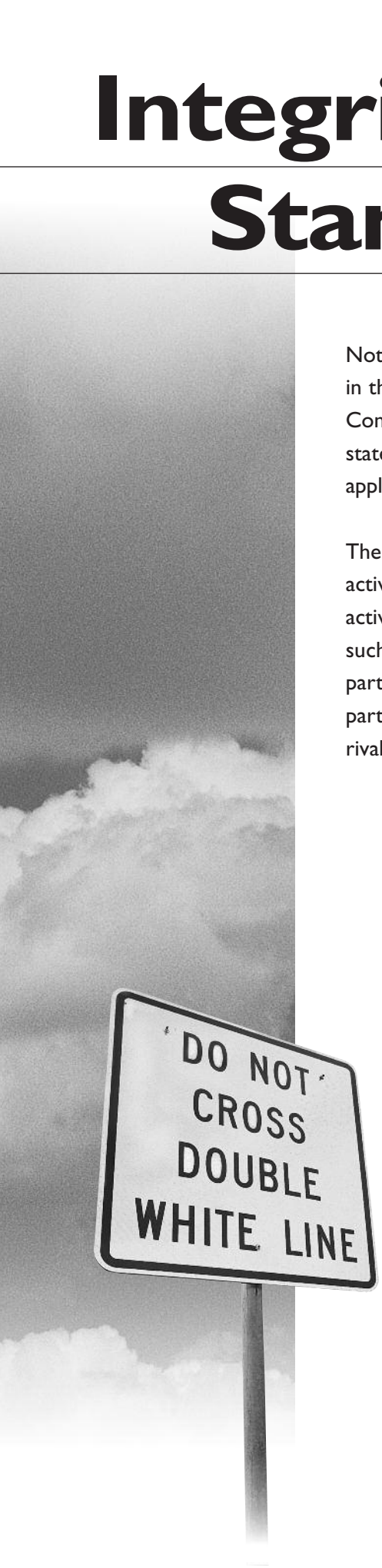
The Company is committed to playing a leadership role in fulfilling our social responsibility. Our efforts to meet our obligations will vary from location to location. The Company's local presence and commitment will be coordinated at the corporate level and shaped by local needs and opportunities. Employees are encouraged to participate in community programs.

Employees are encouraged to vote and participate fully in the political process. However, except as permitted by Company policy, we cannot use Company resources to vote and be active in political activities. Employee participation in non-corporate political activity is strongly encouraged, but must be done on our own time and at our own expense. The Company complies with the requirements of all applicable laws entitling employees to excused "time off" for voting.

Integrity Standard

Nothing in this Standard prohibits eligible salaried employees from voluntarily participating in the Company's Political Action Committee (PAC) activities nor does it prohibit the Company from bearing the administrative expense of establishing and operating federal or state Political Action Committees (PACs) in conformance with Company policy and with applicable federal and/or state legal requirements.

The Company's management may, from time to time, distribute memos or sponsor activities to bring political and public policy issues to the attention of employees. These activities may include participation by public officials or candidates for public office. Any such activities by the Company shall be for the purpose of encouraging employee participation in the public policy dialogue and shall not constitute endorsement of any particular candidate, officeholder or political party. Equal opportunity will be afforded all rival candidates and political parties.



Questions and Answers

Q ***Can I, on occasion, do some personal volunteer work monitoring election practices during various municipal, state and federal elections?***

A You may use PTO days to work as a volunteer in the election-related activities mentioned. However, no reimbursement will be made by the Company for any expenses which you incur.

Q ***Can I speak at a local club meeting on the issue of health care reform?***

A Yes, as long as you make it clear that you are speaking for yourself and not as an official spokesperson for our Company. If you are asked to represent our Company in a formal capacity, you should obtain approval from your EVP/SVP who will advise you whether you need to discuss the matter and review your proposed presentation with our Public Affairs Department.

Q ***Can our Company pay for the administrative expenses necessary to establish and operate either a federal Political Action Committee (PAC) or a state Political Action Committee (PAC)? May I voluntarily participate in the Company's PAC program?***

A Under federal and state laws, the Company is permitted to pay the costs necessary to establish and operate federal and state PACs. It is also legally permissible for Company employees both to voluntarily contribute to a federal or state PAC and to perform the administrative tasks necessary to establish and operate a federal or state PAC.

Q ***I just received an e-mail announcing that a candidate for office will be speaking in our building to employees. Doesn't that violate our Code by using the building for political purposes?***

A Provided all rival candidates or political parties are offered equal access, this does not constitute endorsement of a particular candidacy and is not a violation of our Code.

Questions and Answers

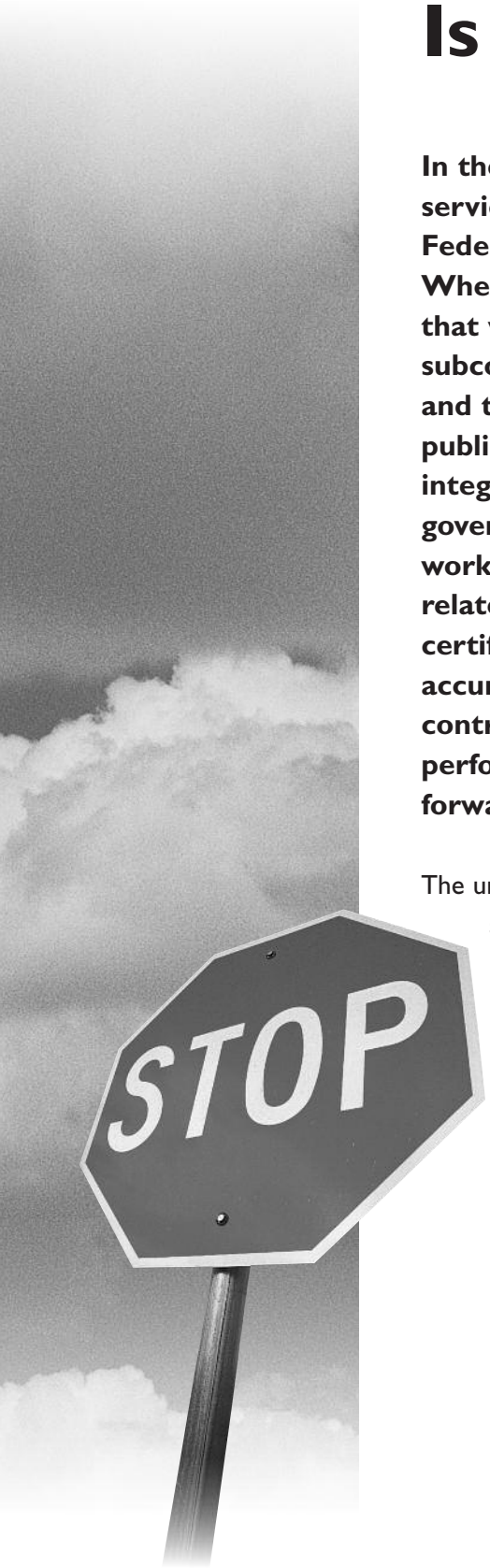
Q ***Our Public Affairs Department has sent out an e-mail urging employees to contact members of the Legislature in opposition to a specific piece of legislation. They say the bill would hurt our Company. Isn't that a violation of the Code?***

A No. Public policy issues differ from political endorsements. The Company's ability to operate effectively depends upon fair and equitable legislation and regulation at both the state and federal levels. It is important that the Company and its employees be heard on these issues. However, while the Company is entitled under the Code to encourage such employee participation, it is always voluntary on the part of the employee.

Remember, if you do not understand, or if you have any questions concerning, this Integrity Standard or any other part of the Code, contact your Supervisor, a higher level Supervisor, any of the Corporate Resources or call the Corporate Integrity HOTLINE (1-800-838-2552).

When the Government Is Our Client

In the course of our employment, we may directly or indirectly perform services or work related to one or more government contracts, e.g., Federal Employee Program, Indian Health Service and Medicare. When the government is our client, there are additional requirements that we must adhere to. When we act as a government contractor or subcontractor, we have a special obligation not only to the government and the beneficiaries of those government programs but also to the public at large to ensure that we perform with the highest degree of integrity. Specifically, it is our responsibility to know the terms of the government contract(s) that we are performing services for or are working on and all of the policies, procedures and corporate standards related to those contracts. We may also be required to sign certifications, either internal or to the government, regarding the accuracy of information or the Company's performance under the contracts. If we have any doubt regarding any aspect of the Company's performance under any government contract, it is our duty to come forward immediately.



The unique nature of doing business with the government implicates particular statutes and regulations that do not normally apply to commercial transactions. There are also a number of laws that apply to government agencies and who they do business with, so that the legal obligations of these agencies "flow down" to the Company as a contractor or subcontractor. Below is a brief general summary of what we must do and what we must not do under some of these statutes and flow-down provisions of our government contracts, e.g., Federal Employee Program, Indian

Health Service and Medicare.

When Bidding on a Government Contract

We Must

Submit pricing data that contains all the facts that a prudent buyer and seller would reasonably expect to affect price.

Truth In Negotiations Act

We Must Not

Offer or give gifts to any procurement official or make offers or promises of future employment to government employees that are involved in the bid.

Federal Procurement Integrity Act

Obtain non-public bid or proposal information such as cost or price data, proprietary information about techniques or indirect costs, etc., or agency source information prior to the award of the contract.

Federal Procurement Integrity Act

See also "kickbacks" below

In Performance of our Government Contracts

We Must

Obtain the necessary written approvals prior to information being used for any purpose other than as allowed under our government contracts and provide assurances that personal information about individuals collected and disclosed is limited to that which is legally authorized and necessary.

The Privacy Act of 1974

Protect the confidentiality and do not disclose beneficiary records regarding any assistance that such beneficiary may have received from the government related to the treatment, diagnosis, or prognosis of substance abuse.

The Alcohol, Drug Abuse & Mental Health Admin. Reorganization Act

Honor appropriate requests from the public for government records that we create and maintain.

Freedom of Information Act & Electronic Freedom of information Act Amendments of 1996

Provide required evaluations and reports regarding our internal accounting and administrative controls including compliance with the law, reasonable assurance and safeguards, etc.

Federal Managers Financial Integrity Act of 1982

We Must Not

Offer or accept any form of kickback, i.e., money, fee, commission, credit, gift, gratuity, thing of value or compensation for the purpose of improperly obtaining or rewarding favorable treatment including obtaining unwarranted waivers of deadlines and acceptance of non-conforming goods in connection with a prime contract or subcontract.

Anti-Kickback Act

With actual knowledge of falsity, reckless disregard for the truth or falsity, or deliberate ignorance of the truth or falsity, submit false or fraudulent claims for payment.

False Claims Act

Make any false statements or representations.

False Statements Accountability Act

Hire or do business with individuals or entities that have been debarred or excluded from participation in federal health care programs.

Social Security Act, HIPAA & Balanced Budget Act of 1997

In Regards to Our Workplace

We Must

Maintain a drug-free workplace by prohibiting the manufacture, distribution, dispensation, possession or use of narcotics, drugs or other controlled substances in the workplace or while conducting Company business.

Drug-Free Workplace Act of 1988

Take affirmative action to ensure that applicants are employed, and that employees are treated during employment, without regard to their race, color, religion, sex or national origin and identify and eliminate impediments to equal employment opportunities.

Executive Order 11246
41 CFR Part 60-2
Federal Acquisition Regulations Subpart 22.8

Take affirmative action to ensure that veterans and disabled veterans are provided equal employment opportunities.

We Must Not

Discriminate against individuals in the terms and conditions of employment based on race, color, religion, sex, national origin or age.

Civil Rights Act of 1964 (Title VII)
Age Discrimination Act of 1975

Discriminate against individuals in the terms and conditions of employment based on disability or perceived disability.

Americans with Disability Act and Rehabilitation Act of 1973

Offer to hire, hire or otherwise do business with certain current or former government employees.

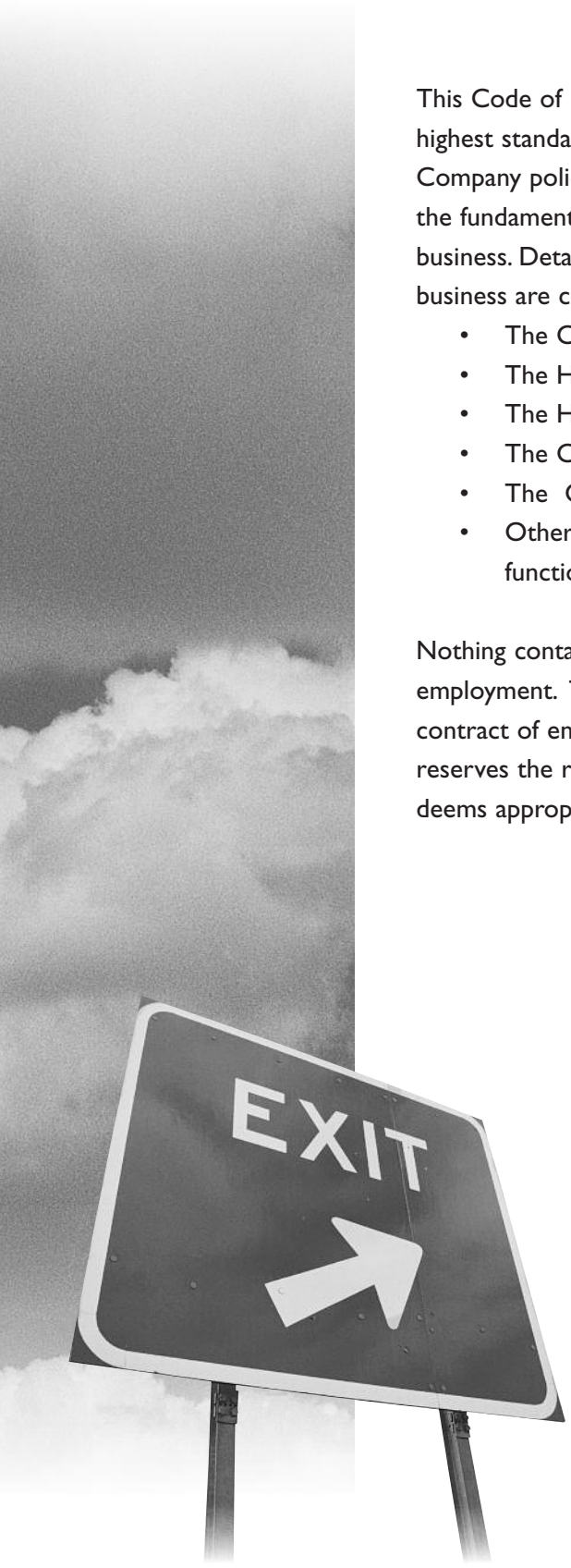
Failure to comply with these laws, the terms of our government contracts and Company policies, procedures and corporate standards can:

- Jeopardize the Company's ability to participate in any government programs;
- Result in the loss of a particular government contract;
- Require the Company to refer your actions to the appropriate law enforcement authorities, a government agency or others, which could lead to criminal or civil prosecution of both you and the Company; and/or
- Subject you to the full range of disciplinary actions, up to and including termination.

If an issue should arise, or if you have any doubts or questions regarding government contracts, you should contact your Supervisor, a higher level Supervisor, any of the Corporate Resources or call the Corporate Integrity Hotline (1-800-838-2552).

Conclusion

This Code of Business Ethics and Conduct reflects the Company's commitment to the highest standards of legal and ethical business conduct. The Code does not contain all Company policies or include all details regarding any policy. Rather, the Code sets forth the fundamental legal and ethical principles for conducting all aspects of Company business. Detailed policies, procedures and corporate standards for conducting Company business are contained in:

- The Corporate Policy Manual;
- The Human Resources Management Manual;
- The Human Resources Employee Handbook;
- The Corporate Integrity and Compliance Program Manual;
- The Corporate Security Policies and Procedures; and
- Other Company manuals, instructions and directions applicable to particular job functions, all of which are available to the Company's employees.

Nothing contained in the Code of Business Ethics and Conduct constitutes a contract of employment. The Code should not be construed as creating an express or implied contract of employment or continued employment by the Company. The Company reserves the right to modify the Code of Business Ethics and Conduct at any time as it deems appropriate.