

**HEALTH CARE SERVICE CORPORATION  
CORPORATE INTEGRITY  
AND COMPLIANCE PROGRAM**

**I. POLICY STATEMENT ON “CODE OF BUSINESS ETHICS AND CONDUCT”**

**A. General Policy**

Health Care Service Corporation, a Mutual Legal Reserve Company (“HCSC”) is founded on basic principles of good business behavior. Among these principles are a commitment to the highest standard of business ethics and integrity, and strict observance of and compliance with the laws and regulations governing the business operations of HCSC and its majority-owned (51% or more) subsidiaries (referred to herein collectively as the “Company”).

HCSC demands that all members of the HCSC’s Board of Directors (the “Directors”) and Company employees adhere to the highest legal and ethical standards to ensure and reinforce the Company’s status as a responsible corporate citizen and to maintain the utmost confidence of the Company’s customers, providers, employees and the public in its honesty and integrity.

In order to effect HCSC’s commitment to the highest legal and ethical standards and establish an environment that promotes legal and ethical behavior, HCSC has adopted this Corporate Integrity and Compliance Program which includes the “Code of Business Ethics and Conduct” attached as Appendix A (hereafter “the Code”). The Code incorporates the Company’s core values of integrity, responsibility, mutual respect, and corporate citizenship. These core values are the foundation of the requirements of the Code, all Company policies, procedures and corporate standards and the behavioral expectations for every employee of the Company. The Code is intended to reinforce, on a day-to-day basis, the Company’s commitment to a working environment which encourages and requires ethical behavior, maintains the Company’s high standards for integrity and honesty and demonstrates the Company’s strong commitment to ethical and lawful conduct. The policy of the Company is to deter the occurrence of unethical or unlawful behavior, to detect as early as possible such behavior whenever it occurs, to appropriately disclose such behavior to authorities and to actively and fully cooperate in any investigation or regulatory inquiry.

Under certain of its contracts, the Company and/or its subsidiaries provides services to various agencies of federal, state or local governments as either a prime contractor or a subcontractor. HCSC and its subsidiaries are committed to full and comprehensive compliance with all of its contractual obligations regarding these services, including but not limited to, adopting specific policies, procedures and corporate standards for all employees that work on such contracts, providing appropriate training and resources, and operating an effective compliance program in regards to such contracts.

As a resource to all aspects of our business, Appendix B hereto identifies many of the laws and regulations which affect the business of HCSC and with which the Company dictates compliance by its Directors, employees, consultants, contractors, producers and vendors.

## **B. Detailed Policies, Procedures and Corporate Standards**

*General.* The Code of Business Ethics and Conduct sets forth the fundamental legal and ethical principles for conducting all aspects of Company business. Detailed Company policies, procedures and corporate standards for conducting business are contained in the Corporate Policy Manual (“CPM”), Human Resources Management Manual (“HRMM”), Human Resources Employee Handbook, the Information Security Services Policies and Procedures (ISSP&P), and other Company manuals, memoranda, instructions and directions applicable to particular job functions. While each employee may not have a personal copy of each of these resources, the Compliance Officer shall coordinate with management to ensure that all employees have open access to the CPM, the HRMM, the ISSP&P and specific policies which bear on their duties and responsibilities and that all employees receive periodic notification as to the location of such resources. The Company policy assuring non-retaliation for bringing forward good faith issues of concern to the Company is incorporated in Appendix C, hereto.

*In Regard to Government Contracts.* As may be deemed appropriate by the Compliance Officer, in addition to the Company’s detailed policies, procedures and corporate standards, specific Compliance programs and policies, procedures and corporate standards governing individuals who perform services pursuant to one or more Government Contracts may also be adopted.

## **II. DESIGNATION AND ADMINISTRATION OF THE COMPLIANCE PROGRAM**

### **A. HCSC Board of Directors**

The HCSC Board of Directors has adopted and will support and monitor the implementation of this Corporate Integrity and Compliance Program, including the Code of Business Ethics and Conduct, (referred to herein collectively as the “Compliance Program”) to demonstrate the Company’s commitment to full and comprehensive compliance with all applicable laws and regulations, and contract terms and conditions, including, without limitation, the Company’s obligation under any and all Medicare, Medicaid, FEP, and IHS contracts (hereinafter referred to as “Government Contracts”). At least annually, the HCSC Board of Directors shall review the Corporate Integrity and Compliance Program and the Code of Business Ethics and Conduct and shall ratify or amend the Compliance Program and Code as appropriate.

### **B. Audit, Corporate Responsibility & Compliance Committee of the HCSC Board**

*General.* The Audit, Corporate Responsibility & Compliance Committee of HCSC’s Board of Directors (hereinafter the “Board Audit & Compliance Committee”) is comprised of at least three (3) Directors, none of whom are employed by the Company or its affiliates.

*Responsibilities.* The Board Audit & Compliance Committee is responsible for maintaining a strong Board of Directors’ involvement in ensuring that HCSC has fully

implemented the Corporate Integrity and Compliance Program and the Code and that the Program is operating in an effective manner. At least annually, the Committee shall review the Code and the Compliance Program and shall present the Code and the Compliance Program to the Board for approval, together with such changes and amendments to the Code and the Compliance Program as the Committee considers appropriate. The Committee and the Corporate Compliance Officer shall maintain close communications among themselves (see II.C, below) and with the HCSC Board of Directors as a whole, and shall address and review matters concerning or relating to the Compliance Program so that it can take appropriate action or make appropriate recommendations for Board action.

***Duties.*** In carrying out its responsibilities under the Compliance Program, the Board Audit & Compliance Committee shall:

1. Provide sufficient opportunity for the members of the HCSC Board of Directors to be briefed regularly in an appropriate manner on the Company's compliance with applicable laws, and regulations, terms and conditions of Government Contracts, and the Compliance Program and Code.

2. Provide oversight and support to the implementation, administration and continuing operations of the Compliance Program.

3. Review matters relating to education, training and communication in connection with the Code and the Compliance Program to ensure that Company policies, procedures and corporate standards on compliance are properly disseminated, understood and followed.

4. Present to the HCSC Board of Directors, at least annually, for ratification or approval, the Compliance Program and the Code together with such changes or amendments as the Committee considers appropriate.

5. Present to the HCSC Board of Directors such measures, and recommend to the HCSC Board of Directors such actions, as may be appropriate to assist the Company in conducting its business activities in full compliance with all applicable laws and regulations, terms and conditions of Government Contracts, and the Compliance Program and Code.

### **C. HCSC Compliance Officer**

***General.*** HCSC's Senior Vice President – Compliance, Audit, Security, Special Investigations and Privacy, shall serve as HCSC's Corporate Compliance Officer (the "Compliance Officer"). The Compliance Officer is responsible for administration of the Compliance Program for the Company. The Compliance Officer reports to HCSC's Board of Directors and the Executive Vice President of Corporate Services.

***Duties and Responsibilities.*** The duties and responsibilities of the Compliance Officer include the following:

1. Serve as Chair of the Corporate Compliance Committee (see Section II.D).

2. Design and direct the implementation, administration and operation of the Compliance Program to effectively detect and deter violations of applicable laws and regulations, terms and conditions of Government Contracts, or the Compliance Program and Code by the Company's Directors and employees.

3. Direct the development and participate in regular, multifaceted communication, educational, and training programs to ensure all Directors and employees are knowledgeable about and comply with the Code, the Compliance Program and all applicable laws and regulations, including, as applicable, the terms and conditions of the Company's Government Contracts.

4. Ensure by coordinating with management that consultants, contractors, vendors and producers are aware of the Company's Compliance Program and with the Company's expectation that they will comply with the Program's requirements when performing contractual functions. Further coordinate with management to determine whether and to what extent a consultant, contractor, vendor or producer is subject to the training requirements of the Compliance Program.

5. Report directly on a regular basis to the HCSC Chief Executive Officer, Executive Vice President of Corporate Services, HCSC Board, and the Board Audit & Compliance Committee regarding the operation of the Compliance Program and all significant issues relating to compliance with the Code, the Compliance Program, applicable laws and regulations, and Government Contracts. On no less than an annual basis, the Compliance Officer shall meet with the Board Audit & Compliance Committee in executive session to report on the operation and efficacy of the Program and to respond to any questions raised by the Committee.

6. Ensure that employees receive communications that emphasize HCSC's commitment to compliance with all applicable laws and regulations, that the Code is available to all employees, and that the Compliance Officer is available to all employees.

7. Establish and oversee readily accessible communication channels, including a HOTLINE, through which anyone can raise questions or concerns or report possible violations of the Compliance Program in confidence (subject to the limits imposed by law) and without fear of retribution or retaliation.

8. Maintain a log of all calls received by the HOTLINE, maintain a record of all allegations which may constitute a violation of the Code, the Compliance Program and applicable laws or regulations and the terms and conditions of Government Contracts and conduct a timely preliminary review and, if necessary, an internal investigation, of any credible allegation of misconduct received.

9. Evaluate, as appropriate, any calls received on a separate fraud and abuse HOTLINE established for vendors, providers, consultants, contractors, producers and beneficiaries to report suspected health care fraud and abuse or other misconduct to HCSC. The operation of this HOTLINE shall be the responsibility of the Vice President - Special Investigations and Security. Any calls received on this HOTLINE that credibly allege a material violation of criminal or civil law by HCSC shall be referred to the Compliance Officer, including, without limitation, those calls relating to its Government Contracts, dealing with health care fraud and abuse.

10. Work with the Divisional Senior Vice President – Audit and Performance Review and external auditors, as necessary, to ensure effective communication and

implementation of programs to audit, monitor and validate adherence with the Code and the Compliance Program.

11. Work with the Vice President –Special Investigations and Security to ensure effective coordination of programs and issues involving corporate security of HCSC personnel and assets and related investigations. Any reports received or information developed by Corporate Security that credibly alleges or may indicate a material violation of criminal or civil law by HCSC shall be referred to the Compliance Officer, including, without limitation, those matters related to its Government Contracts, dealing with health care fraud and abuse.

12. Work with the Senior Vice President – Chief Human Resources Officer to ensure:

- (i) the effective coordination of workforce related issues that are brought to the attention of the Compliance Officer;
- (ii) that discipline is enforced in a manner that is appropriate, consistent and equitable; and
- (iii) the implementation of an exit questionnaire program that includes questions regarding whether an exiting employee observed any violations of the Compliance Program including the Code, as well as violations of applicable laws and regulations, or terms and conditions of Government Contracts.

13. Work with the individual(s) designated as compliance officer(s) of any subsidiary or for any Government Contract (“Subsidiary Compliance Officer”) to ensure effective implementation and communication of the Compliance Program and any specific compliance program or detailed policies, procedures and corporate standards regarding performance under Government Contracts.

14. Ensure that the compliance risks to which the Company is exposed, both internal and external, are assessed on a regular basis with special attention paid to those areas identified by the Office of Inspector General as high risk in regards to the Company’s Government Contracts and direct the implementation of internal systems and controls to reinforce compliance and other activities, as appropriate, (the “compliance audit plan”) to ensure the Compliance Program is responsive to those risks.

15. Report all significant actions taken with respect to the implementation; administration and operation of the Compliance Program to the Corporate Compliance Committee (see Section II.D).

16. Prepare recommendations on compliance-related policies, procedures and corporate standards for review by the Audit & Corporate Compliance Committee (see Section II.D).

17. Represent the Company, or designate a representative as may be appropriate, before all governmental agencies in addressing compliance issues or requirements.

18. Represent the Company in outside organizations devoted to the furtherance of corporate ethics and compliance.

19. Annually review the Compliance Program to ensure its relevance and recommend to the HCSC Chief Executive Officer, the Executive Vice President of Corporate Services, and the Board Audit & Compliance Committee modifications to account for changes in applicable laws or regulations, changes in the nature of the Company's business, the Company's experience in the operation of the Program, and to incorporate and follow applicable industry practices and standards.

20. Be responsible for oversight of all certifications filed by Directors and employees relating to compliance and training.

The Compliance Officer has authority to communicate promptly and personally to the Board Audit and Compliance Committee on any matter involving criminal conduct or potential criminal conduct. If a serious issue reported by the Compliance Officer is not adequately addressed by Senior Management, or if a matter directly involves a senior officer of the Company, the Compliance Officer shall promptly notify the Chair of the Board Audit & Compliance Committee and shall promptly initiate an independent investigation. The Corporate Compliance Officer, in his or her sole discretion, may, upon notice to the Chair of the Board Audit & Compliance Committee but without prior approval of any other officer, retain independent outside counsel to assist him or her in the implementation, administration and operation of the Compliance Program, including but not limited to i) the internal investigation of allegations of misconduct; and ii) assessment and implementation of any modifications to the Program made in light of an instance of non-compliance. Notice of such retention shall be given to the HCSC Senior Vice President - Chief Legal Counsel. (Other aspects of the Compliance Officer's duties with respect to allegations of misconduct are set forth in Section V, below.)

The Compliance Officer shall also serve as the "designated privacy official" to ensure the design, development, implementation and administration of the requirements set forth in the Department of Health and Human Services Rule entitled Standards for Privacy of Individually Identifiable Health Information (45 CFR Parts 160 and 164), including, but not limited to requirements concerning privacy policies, procedures and corporate standards, workforce training and safeguards to protect the privacy of protected health information.

#### **D. Corporate Compliance Committee**

**General.** The Corporate Compliance Committee shall provide oversight, advice, support and general guidance, as appropriate, to the Corporate Compliance Officer in the discharge of his or her responsibilities. The Corporate Compliance Committee shall be comprised of the following HCSC officers; Chief Executive Officer, the Executive Vice President of Corporate Services, the Corporate Compliance Officer, the Chief Operating Officer, the Chief Financial Officer, the Senior Vice President - Chief Legal Officer, Senior Vice President – Human Resources, the Vice President – Compliance Operations and HISC Medicare Compliance Officer, the Divisional Senior Vice President – Audit and Performance Review and a member of HCSC's Board of Directors who is not an employee of the Company. Any subsidiary that is either a prime contractor or performs services pursuant to one or more Government Contracts or subcontracts shall appoint a Compliance Officer and that Subsidiary Compliance Officer shall report all significant compliance issues to the Vice President – Compliance Operations and HISC Medicare Compliance Officer who, in turn, shall report all

such issues to the Corporate Compliance Committee. The HCSC CEO shall appoint such other persons to the Corporate Compliance Committee as she deems appropriate. The Committee shall be chaired by the Corporate Compliance Officer who is also a member of the Committee.

The Corporate Compliance Officer shall keep the Corporate Compliance Committee informed of any significant actions taken with respect to the implementation, administration and operation of the Compliance Program and shall prepare recommendations on compliance-related policies, procedures and corporate standards for review by the Committee. The Vice President – Compliance Operations and HISC Medicare Compliance Officer shall keep the Corporate Compliance Committee informed regarding all significant compliance issues regarding performance under the Government Contracts and shall report all significant governmental communications, inquiries, investigations or other actions to the Corporate Compliance Officer and also to the Corporate Compliance Committee.

**Responsibilities.** The Corporate Compliance Committee has overall responsibility for overseeing the continual improvement in the performance of the Compliance Program, including, but not limited to:

1. Building an appropriate infrastructure for the administration of the Compliance Program, including mechanisms and systems for long-term support.
2. Ensuring that the Compliance Program effectively detects and deters violations of applicable laws and regulations, terms and conditions of Government Contracts, and the Compliance Program and Code by the Company's Directors and employees.
3. Conducting a periodic assessment of the Company's corporate values, culture and potential areas of compliance vulnerability as perceived by management and/or employees.
4. Ensuring proper evidence of the Compliance Program's effectiveness.
5. Establishing heightened awareness of compliance issues and improving management and employee skills in dealing with these issues.

**Duties.** In carrying out its responsibilities, the Corporate Compliance Committee shall undertake the following duties:

1. **Compliance Program Development.** Provide support and guidance to the Compliance Officer in the formulation of policies, procedures, corporate standards and mechanisms that are the basis of the Compliance Program. This includes, but is not limited to, providing support and guidance related to compliance training and education programs and establishing processes to "build-in" compliance quality at all levels of the Company.
2. **Compliance Oversight.** Monitor Company compliance activities, including serious issues raised in HOTLINE or other reports to the Compliance Officer, as well as compliance issues involving management, (a) to ensure Company compliance with all applicable laws and regulations, of applicable laws and regulations, terms and conditions of Government Contracts, and the Compliance Program and Code and (b) to assess and improve the effectiveness of the Compliance Program in detecting and deterring improper conduct and management-related problems.
3. **Compliance Communication Program.** Assist the Compliance Officer in (a) communicating to all employees the requirements set forth in the Compliance Program, (b) ensuring that procedures and programs are developed for informing employees of all applicable laws and regulations on a timely basis, (c) ensuring that Company policies, procedures and

corporate standards, including those regarding Government Contracts are developed, updated and communicated in a timely manner as necessary to provide appropriate guidance for employees.

4. ***Compliance Program Improvements.*** Review the activities of the Compliance Officer and any Subsidiary Compliance Officer and oversee the development of remedial actions and Compliance Program improvements to ensure that violations of applicable laws and regulations, terms and conditions of Government Contracts, or the Compliance Program and Code are not repeated.

5. ***Compliance Enforcement.*** Oversee the Compliance Officer's system for uniform response, enforcement and corrective action on matters relating to compliance so they are correctly and consistently handled and are reported in a timely fashion. Ensure that Company policy provides effective and accessible procedures so that individuals can report in confidence (to the extent permitted by law) and without fear of retaliation, any improper activities, misconduct, and violations of law, regulations or the Compliance Program. The decision to report violations to appropriate governmental agencies shall be vested in the Compliance Officer.

The Corporate Compliance Officer will report on a regular basis to HCSC's Chief Executive Officer, the Executive Vice President of Corporate Services and the Board Audit & Compliance Committee regarding the operation of the Compliance Program and on all significant issues relating to compliance with the Code of Business Ethics and Conduct. Any Subsidiary Compliance Officer will report to the Compliance Officer on a regular basis regarding issues related to Government Contracts and any specific Government Contracts compliance program.

#### **E. Management**

It is the responsibility of all management and supervisory personnel to ensure that all employees comply with all applicable laws and regulations, terms and conditions of Government Contracts, and the Compliance Program and Code including those related to health care fraud and abuse. This responsibility is of the highest priority, and Company management is required to take an active role in promoting and enforcing the Compliance Program. It will be the responsibility of management to assure that each employee attends all required compliance training and executes and returns to the Compliance Department all training-related certifications.

Management is responsible for actions of employees and must maintain an atmosphere conducive to compliance and disclosure and to be vigilant with respect to violations of applicable laws and regulations, terms and conditions of Government Contracts, or the Compliance Program and Code. Promotion and adherence to the Company's compliance initiatives shall be part of each member of management's performance standards and evaluation.

In order to ensure that the requirements of the Compliance Program are fully communicated to employees and that an atmosphere of compliance is fostered, all Company management shall set high ethical standards for themselves and demonstrate their commitment to the Compliance Program by exemplary behavior. They shall also make themselves available to discuss ethics concerns raised by employees or by third parties.

Each member of management is required to provide HCSC annually with a completed certification attesting that he or she has: (i) discussed with each subordinate under his or her direct supervision the content and application of the Code and the Compliance Program; (ii) informed each such subordinate that strict compliance with the Code and the Compliance Program is a condition of employment; and (iii) informed each such subordinate that HCSC shall take disciplinary action, up to and including termination of employment, for violation of any applicable law or regulation, terms and conditions of Government Contracts, the Code or the Compliance Program. These certifications will be retained in the Compliance Department.

#### **F. Legal Department**

The Legal Department is responsible for ensuring corporate compliance with applicable laws and regulations and assisting the Compliance Officer and the Company in interpreting applicable laws and regulations. When an issue arises as to whether proposed or existing conduct violates the law or regulations, the Legal Department shall be consulted.

#### **G. Human Resources**

The Human Resources Department is responsible for the review and appropriate resolution of Workforce Relations related issues and for ensuring that discipline is applied on a basis that is appropriate, consistent and equitable.

### **III. TRAINING AND EDUCATION**

The Compliance Officer shall develop a regular Company-wide training and education program on the Code, the Compliance Program, and applicable laws and regulations. The purpose of the program will be to ensure that all Directors and employees are familiar with the requirements of, the importance of compliance with, and their responsibilities pursuant to the Code, the Compliance Program, applicable laws and regulations, and terms and conditions of Government Contracts. The Compliance Officer shall ensure that mechanisms exist for testing the efficacy of the education program and for updating the training program to account for developments in laws and regulations and in the Company's business. The Corporate Compliance Committee shall ensure that the compliance communication and training program is implemented at each of the Company's operational areas and each subsidiary. The Compliance Officer shall work with the Subsidiary Compliance Officer(s) to determine whether additional or specialized training may be required for those employees that perform services under the Government Contracts.

#### **New Employee and Annual Training Requirements**

New Directors and employees will receive at least two hours of training on the Code, the Compliance Program, and applicable laws and regulations, including those dealing with health care fraud and abuse. At least twice annually, the Company will provide a Compliance orientation program for new Directors or employees which will include a presentation on, and the importance of complying with the Code, the Compliance Program and applicable laws and regulations, including those dealing with health care fraud and abuse. All Directors and

employees will receive at least one hour of training annually to refresh and update them on the requirements of, and the importance of complying with, the Code, the Compliance Program and applicable laws and regulations, including those dealing with health care fraud and abuse. Training may be conducted using instructor-led, computer-based or other alternate means of delivery.

The Compliance Officer shall interact with management at all levels on a regular basis to explain the significance of the Code and to determine if additional training is needed. The Compliance Officer will encourage management to engage their employees in group or individual discussions regarding the Code to determine what additional training may be needed.

### **Availability of the Code**

The Code will be made available to all Directors and employees upon election to the Board or upon employment (as the case may be), including updates and revisions thereafter whenever the Code is modified.

### **Certifications**

Through one or more certifications, all Directors and employees will certify that he or she:

- (i) has read and will comply with the Code;
- (ii) is unaware of any undisclosed violations of the Code; and
- (iii) has disclosed any exceptions of which he or she had knowledge.

The Compliance Officer may also utilize a certification or any other reasonable method for ascertaining information regarding Directors or employees that may be necessary to operate an effective compliance program, such as, whether they have been convicted of a crime regarding dishonesty or breach of trust. The completed certifications will be reviewed and retained by the Compliance Department. All certifications will be retained in accordance with the Policy on Record Retention (Appendix D).

## **IV. COMPANY COMPLIANCE HOTLINE -- OPEN COMMUNICATION AND REPORTING**

The Compliance Officer shall ensure that a Company-wide system exists that allows and encourages employees to raise questions about the application or meaning of the Code and the Compliance Program and to disclose possible violations. The Corporate Compliance Committee shall ensure that the system is implemented in each of the Company's operational areas and subsidiaries.

The Code shall provide information about the resources available to assist employees in resolving any questions or concerns. The list of available resources will be updated and made

available annually to all employees. Further, the Code shall contain a description of and the toll free telephone number for the Corporate Integrity HOTLINE which employees may call if they do not want to raise questions or disclosures with their supervisory management. The Code shall explain the extent to which reports of wrongdoing will be kept confidential.

The Company shall ensure that employees who raise these matters are treated with respect and are not subject to retaliation. A copy of the Company's Policy prohibiting retaliation is attached hereto as Appendix C.

A confidential, written record shall be maintained reflecting each communication concerning a possible violation of this Compliance Program. Whenever a possible material violation of the Code is disclosed, the Compliance Officer shall be notified. In each such instance, the Compliance Officer shall undertake a prompt and thorough investigation appropriate to the circumstances. If the possible violation materially affects the Company's books and records, or if it may expose the Company to criminal liability or substantial civil liability, the Compliance Officer shall consult with outside counsel with respect to the matter and shall notify the HCSC Chief Executive Officer and/or the Chair of the Board Audit & Compliance Committee.

When an investigation is initiated, steps shall be taken to ensure the retention of relevant documents. Routine document destruction procedures shall be suspended insofar as they may affect documents relevant to the potential violation. Employees who may possess relevant documents shall be instructed to retain them or to turn them over to the investigative team. A record shall be maintained of all employees to whom such a request is made and of all documents retained for purposes of the investigation. See Appendix D.

## **V. RESPONDING TO ALLEGATIONS**

If the Compliance Officer has reasonable grounds to believe that any misconduct may constitute a material violation of criminal or civil law or in regards to the Company's performance under any Government Contract, the Compliance Officer in cooperation with any Subsidiary Compliance Officer shall initiate an internal investigation, promptly notify the HCSC Chief Executive Officer, the Executive Vice President of Corporate Services, the Board and the Senior Vice President - Chief Legal Officer of such alleged misconduct, and shall timely report to the appropriate authorities. Other aspects of the Compliance Officer's duties with respect to allegations of misconduct are set forth in Section 11C, above.

## **VI. AUDITING TO MONITOR COMPLIANCE -- AUDIT AND PERFORMANCE REVIEW DEPARTMENT**

The Audit and Performance Review Department ("APR") shall provide the tools, skills and process design necessary to support line management implementation of controls into all the operational areas in the Company. APR is an independent appraisal function within the Company established to examine and evaluate Company activities as a service to management. APR is authorized to access all records, personnel and physical properties relevant to the performance of audits. The Divisional Senior Vice-President of APR directly reports to the Senior Vice President – Compliance, Audit, Security, Special Investigations and Privacy.

APR audits, reviews, verifies, monitors, tests and validates financial and operational controls as required for efficient management of the Company's system of internal controls and achievement of the organization's strategic goals. In executing these functions, APR uses all necessary techniques, including sampling, to ensure that reasonable internal control policies, procedures and corporate standards exist, that line management properly monitors such controls, and that a Company-wide network of internal controls properly operates to capture, monitor, summarize and report both internal control weaknesses and internal control strengths. APR reports all significant findings to the Board Audit & Compliance Committee. APR plans its functions based on an annual control risk assessment performed in conjunction with Corporate Compliance, recognizing independent auditors' concerns, legitimate compliance issues, findings from internal audits and reviews, control weaknesses identified by line management, changes in the regulatory, economic or market environment and any other sources APR and Corporate Compliance deem reasonable. The audit plan and the compliance audit plan are developed based on the results of this risk assessment. APR meets with the Board Audit & Compliance Committee annually to review the audit plan and reports progress and results to the Committee throughout the year.

APR executes its functions within all areas of the Company. The operational areas and other APR functions addressed in the audit plan include but are not limited to, the following:

1. Projects and audits of financial and accounting practices and related controls.
2. Projects and audits of operational processes and controls.
3. Projects and audits of information systems controls, information security, business continuation and disaster recovery.
4. Coordination of external audits performed by customers, states and federal agencies as well as the Blue Cross Blue Shield Association and other Blue Cross Plans.
5. Government program controls and government program and regulatory compliance activities.
6. Quality validation audits of internal measurements of key performance indicators.
7. Certification of reporting for HCSC's financial statements, performance under the Company's Government Contracts, and customer performance guarantees.

## **VII. EMPLOYMENT AND CONTRACTING DECISIONS**

### **A. Employees**

All job applications shall contain a statement that prospective employees understand that they are required, in the event of their employment, to abide by all rules and regulations of the Company including the Code. The commitment of each employee to abide by the Code and fulfilling his or her responsibilities under the Compliance Program will be a condition of employment at the Company.

Each job applicant shall be screened to determine, to the extent practicable, whether he or she (i) has a history of criminal conduct, (ii) is charged with a criminal offense involving government business, (iii) is listed by a federal agency as debarred, (iv) is proposed for debarment or suspension, or (v) is otherwise excluded from federal program participation. This inquiry shall include at least a review of the OIG's List of Excluded Individuals and Entities and

of the General Services Administration's List of Parties Excluded from Federal Procurement Programs and may from time to time, as determined by the Compliance Officer, include screening for other criteria or of other lists. Any applicant who demonstrates such a history may not be hired.

The Company shall not vest an employee with authority to act on behalf of the Company when that employee has demonstrated an inability to act in an honest and ethical manner nor shall the Company employ personnel in positions with substantial authority that the Company should have reasonably knew or known has engaged in illegal activities or other conduct inconsistent with an effective compliance program.

Should an employee be convicted of any criminal offense, debarred or excluded from Federal health care program participation, or have been found to have engaged in illegal activities or other conduct inconsistent with an effective compliance program, the Company shall, at its sole discretion, upon discovery of that fact, terminate that person's employment.

It is the policy of HCSC to prohibit the hiring or continued employment of individuals who have been convicted of a government program criminal offense or who are listed as debarred or excluded, from federal health care program participants. In addition, pending the resolution of any criminal charges or proposed debarment or exclusion, such individual will be removed from direct responsibility for or involvement with any federal health care program or other Government Contract. With regard to a current employee, if resolution of the matter results in conviction, debarment or exclusion, the Company shall, upon discovery of that fact, terminate that person's employment relationship.

#### **B. Vendors, Contractors, Consultants and Others**

The Company will not knowingly form a contract with, purchase from, or enter into any substantial business relationship with, for the purpose of fulfilling its obligations under any contract, any individual or entity charged with a criminal offense, listed by a federal agency as debarred, proposed for debarment or suspended, otherwise excluded from federal program participation, or who have engaged in illegal activities or other conduct inconsistent with an effective compliance program unless, in the judgement of the Compliance Officer in consultation with the Corporate Compliance Committee, there is a compelling reason to do so.

The Company will make reasonable inquiry into the status of any vendor, contractor, consultant, or other such third party. This inquiry will include at least a review of the OIG's List of Excluded Individuals and Entities and the General Services Administration's List of Parties Excluded from Federal Procurement Programs and may from time to time, as determined by the Compliance Officer, include screening for other criteria or of other lists.

Should any vendor, contractor, consultant or other third party be convicted of any offense, debarred or excluded from Federal health care program participation, or have been found to have engaged in illegal activities or other conduct inconsistent with an effective compliance program, the Company shall, at its sole discretion, upon discovery of that fact, terminate its relationship with such vendor, contractor, consultant or other third party. In addition, pending resolution of any criminal charges, proposed debarment, or exclusion, such vendor, contractor or other third party will be removed from direct responsibility from or

involvement with any federal health care program or other Government Contract. If resolution of the matter results in conviction, debarment, or exclusion, the Company shall, upon discovery of that fact, cease to do business with that party unless the Company has otherwise received a waiver or permission from the government to continue its business relationship with such vendor, contractor, or other third party.

## **VIII. DISCIPLINARY STANDARDS**

Disciplinary action will be taken on a fair and equitable basis. Such sanctions will range from oral warnings to suspension, termination, or financial penalties. While some disciplinary action can be handled by department managers, others may have to be resolved by a senior manager. Disciplinary action may be appropriate where a responsible employee's failure to detect a violation is attributable to his or her negligence, deliberate indifference, or reckless conduct.

It is a violation of the Code for any employee of the Company to:

- engage in any conduct prohibited by the Code;
- fail to report, through the channels identified in the Code misconduct of which the employee is aware;
- fail to cooperate with Company officials engaged in an investigation of possible misconduct; or
- fail to enforce the Code, if the employee has responsibility for enforcing the Code.

Any employee who violates the Code of Business Ethics and Conduct will be subject to appropriate disciplinary action, ranging from a warning to discharge and/or referral for criminal prosecution or civil action.