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 federal and state 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 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 affect 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 (“the Code”) and the Vendor Code of Business Ethics and Conduct attached as Appendix F (“the Vendor Code”). The Corporate Integrity and Compliance Program is designed to meet the requirements for an effective compliance and ethics program as set forth in chapter 8B2.1 of the Federal Sentencing Guidelines (Effective Compliance and Ethics Program). The Code incorporates the Company’s core values of integrity, respect, commitment and caring. 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 who 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

1. General. The Code 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”), Workforce and Employment Policies, 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 Chief Ethics and Compliance Officer shall coordinate with management to ensure that all employees have open access to the Corporate Policy Manual, the Workforce and Employment Policies, the Information Security Policies and specific policies which bear on their duties and responsibilities and that all employees receive periodic notification as to the location of such resources. In many instances the resources mentioned may be posted on the HCSC intranet site, FYIBlue. The Company policy assuring non-retaliation for bringing forward good faith issues of concern to the Company is incorporated in Appendix C, hereto.

2. In Regard to Government Programs. As may be deemed appropriate by the Chief Ethics and 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 Programs 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 and the Vendor Code (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 Advantage, Medicare Part D, or Medicaid contracts (hereinafter referred to as “Government Programs”). At least annually, the HCSC Board of Directors shall review the Compliance Program and shall ratify or amend the Compliance Program to account for changes in applicable laws, regulations, and otherwise as appropriate.
B. Audit & Compliance Committee of the HCSC Board

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

2. Responsibilities. The Board Audit & Compliance Committee is responsible for maintaining a strong Board of Directors’ involvement in ensuring that HCSC has fully implemented the Compliance Program and that the Compliance Program is operating in an effective manner. At least annually, the Board Audit & Compliance Committee shall review the Compliance Program and shall present the Compliance Program to the HCSC Board of Directors for approval, together with such changes and amendments to the Compliance Program as the Committee considers appropriate. The Committee and the Chief Ethics and 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.

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

   a. 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.

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

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

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

   e. 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.
f. Review and approve the termination from employment of the Chief Ethics and Compliance Officer, the Government Programs Compliance Officer or the Vice President, Compliance Operations, prior to the effective date of such termination.

C. HCSC Chief Ethics and Compliance Officer

1. **General.** HCSC’s Senior Vice President – Compliance, Audit, Security, Special Investigations and Privacy, shall serve as HCSC’s Chief Ethics and Compliance Officer. The Chief Ethics and Compliance Officer is responsible for administration of the Compliance Program for the Company. The Chief Ethics and Compliance Officer reports to HCSC’s Board of Directors and Chief Administrative Officer.

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

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

   b. 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 by the Company’s Directors and employees.

   c. 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 Compliance Program and all applicable laws and regulations, including, as applicable, the terms and conditions of the Company’s Government Contracts.

   d. 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.

   e. Report directly on a regular basis to the HCSC Chief Executive Officer and the Board Audit & Compliance Committee regarding the operation of the Compliance Program and all significant issues relating to compliance with the Compliance Program, applicable laws and regulations, and Government Contracts. On no less than an annual basis, the Chief Ethics and 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.

   f. 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 Chief Ethics and Compliance Officer is available to all employees.

g. 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.

h. Maintain a log of all calls received by the HOTLINE, maintain a record of all allegations which may constitute a violation of 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.

i. Evaluate, as appropriate, any calls received on a separate fraud 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 Chief Ethics and Compliance Officer, including, without limitation, those calls relating to its Government Programs, dealing with health care fraud and abuse.

j. Work with the Divisional Senior Vice President – Internal Audit and Enterprise Governance Department and external auditors, as necessary, to ensure effective communication and implementation of programs to audit, monitor and validate adherence with the Compliance Program.

k. Work with the Vice Presidents of Fraud 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 Chief Ethics and Compliance Officer, including, without limitation, those matters related to its Government Programs, dealing with health care fraud and abuse.

l. 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 Chief Ethics and 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.

m. Work with the individual(s) designated as compliance officer of any subsidiary or for any Government Program (“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 Programs.

n. 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 Programs 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.

o. 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).

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

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

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

s. Annually review the Compliance Program to ensure its relevance and recommend to the HCSC Chief Executive Officer, 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.

t. Triennially engage an external vendor to assess that HCSC’s Compliance Program is effective as it is implemented and enforced. Results from this assessment will be reported to the HCSC Corporate Compliance Committee and the Board Audit & Compliance Committee.

u. Be responsible for oversight of all certifications filed by Directors and employees relating to compliance and training.
The Chief Ethics and 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 Chief Ethics and Compliance Officer is not adequately addressed by Senior Management, or if a matter directly involves a senior officer of the Company, the Chief Ethics and Compliance Officer shall promptly notify the Chair of the Board Audit & Compliance Committee and shall promptly initiate an independent investigation. The Chief Ethics and Compliance Officer, at 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 Officer. (Other aspects of the Chief Ethics and Compliance Officer’s duties with respect to allegations of misconduct are set forth in Section V, below.)

The Chief Ethics and 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

1. General. The Corporate Compliance Committee shall provide oversight, advice, support and general guidance, as appropriate, to the Chief Ethics and 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 Chief Ethics and Compliance Officer, the Executive Vice President and Chief Operating Officer, the Executive Vice President and Chief Administrative Officer, the President Retail Markets, the Senior Vice President Chief Financial Officer, the Senior Vice President - Chief Legal Officer and Corporate Secretary, the Senior Vice President – Chief Human Resources Officer, the Vice President – Compliance Operations, the President Government Programs, the Vice President Government Programs Compliance Officer, the Divisional Senior Vice President – Internal Audit and Enterprise Governance Department 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/or Government Programs 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 Chief Ethics and Compliance Officer who is also a member of the Committee.

The Chief Ethics and 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 – Government Programs Compliance Officer shall keep the Corporate Compliance Committee informed regarding all significant compliance issues regarding performance under the Government Programs and shall report all significant governmental communications, inquiries, investigations or other actions to the Chief Ethics and Compliance Officer and also to the Corporate Compliance Committee.

2. **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:

   a. Building an appropriate infrastructure for the administration of the Compliance Program, including mechanisms and systems for long-term support.

   b. 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 by the Company’s Directors, employees and third parties.

   c. Conducting a periodic formal risk assessment and assessment of the Company’s corporate values, culture and potential areas of compliance vulnerability as perceived by management and/or employees.

   d. Ensuring proper evidence of the Compliance Program’s effectiveness.

   e. Establishing heightened awareness of compliance issues and improving management and employee skills in dealing with these issues.

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

   a. **Compliance Program Development.** Provide support and guidance to the Chief Ethics and 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.

   b. **Compliance Oversight.** Monitor Company compliance activities, including serious issues raised in HOTLINE or other reports to the Chief Ethics and
Compliance Officer, as well as compliance issues involving management, (a) to ensure Company compliance with all applicable laws and regulations, terms and conditions of Government Contracts, and the Compliance Program and (b) to assess and improve the effectiveness of the Compliance Program in detecting and deterring improper conduct and management-related problems.

c. **Compliance Communication Program.** Assist the Chief Ethics and 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 Programs are developed, updated and communicated in a timely manner as necessary to provide appropriate guidance for employees.

d. **Compliance Program Improvements.** Review the activities of the Chief Ethics and 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 are not repeated. The Committee should assure that those employees who are assigned operational responsibilities relating to the Program are given sufficient resources, authority, and support to carry out such responsibilities.

e. **Compliance Enforcement and Promotion.** Oversee the Chief Ethics and 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 (1) 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, (2) there is effective auditing and monitoring of compliance risk and any gaps are properly addressed and corrective action is implemented; and (3) there are strategies to promote employee’s compliance and reporting of 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 Chief Ethics and Compliance Officer.

The Chief Ethics and Compliance Officer will report on a regular basis to HCSC’s Chief Executive Officer and the Board Audit & Compliance Committee regarding the operation of the Compliance Program and on all significant issues relating to compliance with the Code. Any Subsidiary Compliance Officer will report to the Vice President, Government Programs Compliance Officer on a regular basis regarding issues related to Government Programs and any specific Government Programs 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 including those related to health care fraud and abuse, terms and conditions of Government Contracts, and the Compliance Program. 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 Ethics and 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. 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, the Compliance Program and the Non-Retaliation Policy; (ii) informed each such subordinate that strict compliance with the Code and the Compliance Program is a condition of employment; (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 or the Compliance Program; and (iv) shared with each subordinate his or her personal commitment and support of the Compliance Program along with his or her personal availability to address issues and concerns. These certifications will be retained in the Learning Management System (LMS).

F. Legal Department

The Legal Department is responsible for ensuring corporate compliance with applicable laws and regulations and assisting the Chief Ethics and 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 Chief Ethics and Compliance Officer shall direct the development of new employee and annual Company-wide training and education programs on 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 Compliance Program, applicable laws and regulations, and terms and conditions of Government Contracts. The Chief Ethics and 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 Chief Ethics and Compliance Officer shall work with the Subsidiary Compliance Officer(s) to determine whether additional or specialized training may be required for those employees who perform services under the Government Programs.

A. New Employee and Annual Training Requirements

New Directors and employees will receive at least two hours of training on 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 who will include a presentation on, and the importance of complying with 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 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 Chief Ethics and 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 Chief Ethics and 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.
B. **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.

C. **Certifications**

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

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

The Chief Ethics and 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 Ethics and 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 Chief Ethics and 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 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 and information on any other tools which employees may use 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 Chief Ethics and Compliance Officer shall be notified. In each such instance, the Chief Ethics and 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 Chief Ethics and 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 Chief Ethics and 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 Program, the Chief Ethics and Compliance Officer in cooperation with any Subsidiary Compliance Officer shall initiate an internal investigation, promptly notify the HCSC Chief Executive Officer, the Board and the Senior Vice President - Chief Legal Officer and Corporate Secretary of such alleged misconduct, and shall timely report to the appropriate authorities. Other aspects of the Chief Ethics and Compliance Officer’s duties with respect to allegations of misconduct are set forth in Section II C, above.

VI. AUDITING TO MONITOR COMPLIANCE -- AUDIT AND 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, Chief Ethics and Compliance Officer.

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 the Ethics and Compliance Department, 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 the Ethics and Compliance Department 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:

- Projects and audits of financial and accounting practices and related controls.
- Projects and audits of operational processes and controls.
- Projects and audits of information systems controls, information security, business continuation and disaster recovery.
- 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.
- Government program controls and government program and regulatory compliance activities.
- Quality validation audits of internal measurements of key performance indicators.
- Certification of reporting for HCSC’s financial statements, performance under the Company’s Government Programs, 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 fulfill 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

- has a history of criminal conduct,
- is charged with a criminal offense involving government business,
- is listed by a federal or state agency as debarred,
- is proposed for debarment or suspension, or
- is otherwise excluded from federal or state program participation.

This inquiry shall include at least a review of the OIG’s List of Excluded Individuals and Entities and of the System for Award Management’s (“SAM”) Excluded Parties List System and may from time to time, as determined by the Chief Ethics and 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 knew or should have reasonably 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 or state 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 or state health care program participators. 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 Program. 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 as debarred or excluded, from federal or state agency as debarred, proposed for debarment or suspended, otherwise excluded from federal or state program participation, or who have engaged in illegal activities or other conduct inconsistent with an effective compliance program unless, in the judgment of the Chief Ethics and 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 SAM’s Excluded Parties List System and may from time to time, as determined by the Chief Ethics and Compliance Officer, include screening for other criteria or other lists.

Should any vendor, contractor, consultant or other third party be convicted of any offense, debarred or excluded from federal or state 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 or state health care program or other Government Program. 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 will be subject to appropriate disciplinary action, ranging from a warning to discharge and/or referral for criminal prosecution or civil action.
IX. WRITTEN POLICIES, PROCEDURES, STANDARDS OF CONDUCT OF THE GOVERNMENT PROGRAMS SECTION TO THE COMPLIANCE PROGRAM

A. Standards of Conduct

This Government Programs section of the Compliance Program (Sections IX – XV) applies specifically to the operations of any Medicare Advantage, Medicare Part D, or Medicaid contracts (collectively, “Government Programs”) held by Health Care Service Corporation, a Mutual Legal Reserve Company (“HCSC”) and the following entities: HCSC Insurance Services Company, a wholly-owned subsidiary of HCSC (“HISC”); GHS Health Maintenance Organization, Inc. d/b/a BlueLincs HMO a wholly-owned subsidiary of HCSC (“BlueLincs HMO”); GHS Managed Health Care Plans, Inc. (formerly known as AHS-Tulsa Oklahoma Health Plan, Inc. d/b/a Lovelace Medicare Plan), a wholly owned subsidiary of BlueLincs HMO (“GHS-MHC”); GHS Insurance Company (formerly known as GHS Property and Casualty Insurance Company), a wholly-owned subsidiary of HCSC (“GHS”); or any other HCSC subsidiary or affiliate that holds a Government Programs contract. HCSC, HISC, BlueLincs HMO, GHS-MHC and GHS are each referred to herein as a “Government Contract Holder” and collectively as “Government Contract Holders.”

This Government Programs section of the Compliance Program does not supersede any previous portion of the Compliance Program, including the Code, but instead places additional obligations and responsibilities on Government Contract Holder officers, Board members, managers, employees, First Tier, Downstream and Related Entities (collectively referred to as “FDRs”), and other individuals working under a Government Programs contract. Government Contract Holder officers, Board members, managers, employees, FDRs, and other individuals working under a Government Program contract shall perform such work by complying with all applicable Federal and State standards, and by reporting issues of noncompliance and potential fraud, waste and abuse (“FWA”) through appropriate mechanisms. Further, Government Contract Holders will address and correct any issues of noncompliance and potential FWA identified and/or reported.

All members of the Government Contract Holders’ Governing Bodies (Board(s) of Directors, or in the case of HCSC, the Board Audit and Compliance Committee) shall adhere to the highest legal and ethical standards to ensure that they comply with all federal and state laws, regulations, program rules, all terms and conditions of their Government Contracts, and this Government Programs section of the Compliance Program. The members of the Governing Bodies of Government Contract Holders shall be familiar with, review, and approve this Government Programs section of the Compliance Program, and shall review and approve any subsequent changes to this Government Programs section of the Compliance Program.
B. Policies and Procedures

1. **General.** Government Contract Holders and their FDRs, as defined in the Compliance Program Guidelines of the Medicare Prescription Drug Benefit Manual and the Medicare Managed Care Manual are committed to comply with all applicable federal and state statutory, regulatory and contractual requirements. Government Contract Holders shall adopt and adhere to detailed policies, procedures and corporate standards regarding the operations and the services performed under their respective Government Program contracts. The policies and corporate standards related to the Government Contract Holders’ Medicare compliance responsibilities and requirements (“Government Programs Policies”) are incorporated herein as **Appendix E.**

This Compliance Program, including the Code and the HCSC Government Programs Compliance Policies will be posted on the company’s intranet site, FYIBlue, which is available and accessible to all employees.

Also, a web site has been developed and designed to allow Government Contract Holders’ external partners and FDRs who have contracted to perform delegated activities direct access to the Compliance Program, including this Government Programs section, and other compliance related programs and information. This site can be found at [www.hisccompliance.com](http://www.hisccompliance.com).

2. **Retention of Records and Information Systems.** Government Contract Holders and their FDRs will adopt detailed policies, procedures and corporate standards regarding the retention of documents that at a minimum will: (i) document the creation, distribution, retention, storage, retrieval and destruction of documents required by applicable Federal or State law and the program requirements of applicable Federal or State health plans; ii) and maintain all records necessary to protect the integrity of the compliance process and confirm the effectiveness of the Government Programs Section of the Compliance Program. Government Contract Holders and their FDRs shall also establish detailed policies, procedures and corporate standards for complying with the integrity of the data collections systems used in the performance of their Government Programs contracts to assure compliance with all applicable authorities.

3. **Privacy.** The Chief Ethics and Compliance Officer shall serve as the “designated privacy official” for Government Programs 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 160-164, as finalized), 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.
B. **Distribution of Compliance Policies & Procedures, Standards of Conduct and Compliance Program**

Copies of the Compliance Program including this Government Programs section, compliance policies and the Standards of Conduct are distributed to employees upon hire and annually thereafter as part of employee training.

These policies shall include, at a minimum, the following seven components:

1. Articulate Government Contract Holders’ commitment to comply with all applicable Federal and State standards;

2. Describe compliance expectations as embodied in the Standards of Conduct;

3. Implement the operation of the Compliance Program, including this Government Programs section;

4. Provide guidance in dealing with potential compliance issues;

5. Identify how to communicate compliance issues to appropriate compliance personnel;

6. Describe how potential compliance issues are investigated and resolved by Government Contract Holders; and

7. Prohibit intimidation and retaliation for good faith participation in the Compliance Program, including but not limited to reporting potential issues, investigating issues, conducting self-evaluations, audits and remedial actions and reporting to appropriate officials.

The Compliance Program has policies (See Appendix E) that address:

- Measures to prevent, detect, and correct noncompliance with CMS’ program requirements, and
- Measures to prevent, detect, and correct FWA.

The Compliance Program, including this Government Programs section, Standards of Conduct, and the Government Programs Compliance Policies, shall be posted on the company’s intranet site, FYIBlue, which is available and accessible to all Government Contract Holder employees.

In addition to contractual obligations requiring FDRs to adhere to the Compliance Program including this Government Programs section, and Government Programs Compliance Policies, a web site has been developed that is designed to allow FDRs direct access to the Compliance Program including this Government Programs section, Standards of Conduct, Government Programs Compliance Policies, and any other compliance related information. This site can be found at www.hisccompliance.com.
X. DESIGNATION OF A COMPLIANCE OFFICER, COMPLIANCE COMMITTEE AND ADMINISTRATION OF THE GOVERNMENT PROGRAMS SECTION OF THE COMPLIANCE PROGRAM

A. Government Programs Compliance Officer

2. **General.** A senior member of management with significant government programs experience shall be appointed to be the Government Programs Compliance Officer. The Government Programs Compliance Officer is responsible for administration of this Government Programs Section of the Compliance Program. The Government Programs Compliance Officer shall report directly to the Chief Ethics and Compliance Officer, and shall periodically report to the Presidents/CEOs and the Governing Bodies of the Government Contract Holders and, the HCSC Corporate Compliance Committee on the activities and status of the Government Programs section of the Compliance Program, including issues identified, investigated and resolved. The Government Programs Compliance Officer shall be an employee of HCSC and this position will not be delegated to any other entity.

3. **Authority.** The Government Programs Compliance Officer shall have the authority to review all documents and other information that the Government Programs Compliance Officer deems to be relevant to Government Contract Holder’s compliance activities and Government Programs. The Government Programs Compliance Officer reports periodically to the Boards of Directors of Government Contract Holders on activities and status of the Compliance Program, including this Government Programs section, any potential FWA, and to suggest modifications to the Compliance Program, including this Government Programs section, in light of any instance of non-compliance or potential FWA. The Government Programs Compliance Officer, in her/his discretion, need not await approval of the sponsor’s Governing Body to implement needed compliance actions and activities, provided that those actions and activities, as appropriate, are reported to the Governing Bodies at their next scheduled meetings. Further, the Government Programs Compliance Officer shall have full authority to stop the submission of data that he or she believes may violate any applicable authority until such time as the issue in question has been resolved.

4. **Responsibilities and Duties.** The responsibilities and duties of the Government Programs Compliance Officer shall include, but are not limited to, the following:

**Implementation and Administration of this Government Programs section of the Compliance Program.** The Government Programs Compliance Officer shall:

a. Design and direct the implementation, administration and operation of this Government Programs section of the Compliance Program to ensure compliance with the laws and regulations, terms and conditions of Government Programs contracts;

b. Ensure that all FDRs, including agents, brokers, consultants, independent contractors, vendors and producers are aware of the Compliance Program,
including this Government Programs section, and the Vendor Code. It is each Government Contract Holder’s expectation that all FDRs comply with the Program’s requirements and the Vendor Code when performing contractual functions on behalf of the Government Contract Holders. Further, the Government Programs Compliance Officer shall 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, including this Government Programs section;

c. Periodically review the Compliance Program, including this Government Programs section, to ensure its relevance and recommend to the Chief Ethics and Compliance Officer, Corporate Compliance Committee, to the Presidents/CEOs and the Governing Bodies of the Government Contract Holders modifications necessary to account for changes in applicable laws or regulations, changes in the nature of HCSC’s or a Subsidiary’s business, HCSC’s or a Subsidiary’s experience in the operation of the Program, and to incorporate and follow applicable industry practices and standards;

d. Report directly on a regular basis to the Chief Ethics and Compliance Officer, HCSC Corporate Compliance Committee, to the Presidents/CEOs and Governing Bodies of the Government Contract Holders and to the Government Programs Compliance Committee. The Government Programs Compliance Officer shall report regarding the operation of this Government Programs section of the Compliance Program, and all significant issues relating to compliance with applicable laws and regulations, terms and conditions of Government Contracts.

e. Implement an effective training and education program regarding the Government Program contracts for Government Contract Holder officers, Board members, managers, employees, FDRs, and other individuals working under a Government Program which also addresses FWA and ethical concerns and meets the compliance program requirements applicable to each Government Program. Such training and education will occur annually at a minimum and will be made a part of the orientation for new officers, Board members, managers, employees, FDRs, and other individuals working under a Government Program. FDRs who have met the FWA certification requirements through enrollment into the Medicare program are deemed to have met the training and educational requirements for FWA. Completion of such training will be required in order for such individuals to continue to perform services under any Government Program.

f. Ensure that mechanisms exist for testing the efficacy of the training program and for updating it to account for developments in laws and regulations and the terms and conditions of the Government Program contracts.

g. Ensure that every officer, Board member, manager, employee, FDR, and other individuals working under a Government Program receives a copy, electronically or otherwise, of the Compliance Program, including this Government Programs section, and the Code at time of hire and annually thereafter. Employees who perform services under any of the Government Programs must complete a
certification acknowledging that he or she will comply with and is unaware of any violations of the Compliance Program, including this Government Programs section.

h. Work with the HCSC Divisional Senior Vice President – Internal Audit and Enterprise Governance to ensure the design, development, implementation and ongoing compliance requirements for the Standards for Privacy and Security of Individually Identifiable Health Information, and other federal and state regulations and legislation, as appropriate, including, but not limited to requirements concerning policies, procedures and corporate standards, training, and safeguards to protect and secure protected health information.

i. Receive results of all internal audit reports and work closely with key individuals to identify aberrant trends in all areas that require certification.

j. Be responsible for oversight of all certifications filed by any member of a Government Contract Holder’s Governing Body and others relating to this Government Programs section of the Compliance Program, Compliance Policies and training thereunder.

k. Report on Government Programs Compliance activities at all meetings of the HCSC Corporate Compliance Committee.

l. Ensure that the OIG and SAM exclusion lists and any other federal or state exclusion lists that may be required, have been checked with respect to all employees, governing body members, and FDRs monthly and coordinating any resulting personnel issues with Human Resources, Security, Legal or other departments as appropriate.

m. Maintain the Medicare Hotline and other methods of reporting as appropriate. Maintain documentation for each report of potential noncompliance or potential FWA received from any source, through any reporting method (e.g., hotline, mail, or in-person).

n. Oversee the development and monitoring of the implementation of corrective action plans.

o. Coordinate potential fraud investigations/referrals with the Special Investigations Department, where applicable, and the appropriate NBI MEDIC. This includes facilitating any documentation or procedural requests that the NBI MEDIC makes of the sponsor. Similarly, the Government Programs Compliance Officer will collaborate with other sponsors, State Medicaid programs, Medicaid Fraud Control Units (MCFUs), commercial payers, and other organizations, where appropriate, when a potential FWA issue is discovered that involves multiple parties.
The Government Programs Compliance Officer shall have the authority to:

i. Interview or delegate the responsibility to interview employees and other relevant individuals regarding compliance issues;

ii. Review contracts and other documents pertinent to Government Programs;

iii. Review or delegate the responsibility to review the submission of data to regulatory agencies to ensure that it is accurate and in compliance with reporting requirements;

iv. Independently seek advice from legal counsel;

v. Report potential FWA to CMS, State Medicaid Agencies, their designees or law enforcement;

vi. Conduct and/or direct audits and investigations of any FDRs;

vii. Conduct and/or direct audits of any area or function involved with Medicare Parts C or D plans; and

viii. Recommend policy, procedure, and process changes.

B. Government Programs Compliance Committee

1. General. The Government Programs Compliance Committee is accountable to, and shall regularly report to, the HCSC Corporate Compliance Committee and the Governing Bodies of the Government Contract Holders, and shall provide oversight, advice, support and general guidance to the Government Programs Compliance Officer in the discharge of his or her responsibilities. The Government Programs Compliance Officer shall chair this Committee and keep the Government Programs 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 and approval by the Committee.

2. Responsibilities and Duties. The Government Programs Compliance Committee shall:

a. Meet at least on a quarterly basis, or more frequently as necessary to enable reasonable oversight of the Government Programs Compliance Program.

b. Build an appropriate infrastructure for the administration of this Government Programs section of the Compliance Program, including mechanisms and systems for long-term support;

c. Ensure that the committee members will include staff from various backgrounds and functions;
d. Analyze the regulatory environment and the legal requirements with which Government Contract Holders must comply, and the specific risk areas and make recommendations regarding the Compliance Program regarding such environment, requirements and risks;

e. Monitor internal and external audits for the purpose of identifying issues and deficient areas and implementing corrective and preventive action;

f. Reviewing and approving compliance and FWA training, and ensuring that training and education are effective and appropriately completed;

g. Assisting with the creation and implementation of the Government Programs Compliance risk assessment and of the Government Programs Compliance monitoring and auditing work plan;

h. Assisting in the creation, implementation and monitoring of effective corrective actions;

i. Developing innovative ways to implement appropriate corrective and preventative action;

j. Reviewing effectiveness of the system of internal controls designed to ensure compliance with Medicare and Medicaid regulations in daily operations;

k. Supporting the compliance officer’s needs for sufficient staff and resources to carry out his/her duties;

l. Ensuring that Government Contract Holders have appropriate, up-to-date compliance policies and procedures;

m. Ensuring that the sponsor has a system for employees and FDRs to ask compliance questions and report potential instances of Government Program noncompliance and potential FWA confidentially or anonymously (if desired) without fear of retaliation;

n. Ensuring that Government Contract Holders have a method for enrollees to report potential FWA;

o. Reviewing and addressing reports of monitoring and auditing of areas in which the sponsor is at risk for program noncompliance or potential FWA and ensuring that corrective action plans are implemented and monitored for effectiveness;

p. Providing regular and ad hoc reports on the status of compliance with recommendations to the sponsor’s governing body; and

C. Governing Bodies

1. **General.** The Government Contract Holders’ Boards of Directors have adopted and will support and monitor the implementation of the Compliance Program, including this Government Programs section, to demonstrate each entity’s commitment to full and comprehensive compliance with all applicable laws and regulations, and contract terms and conditions, including, without limitation, obligations under any and all Government Programs contracts. The HCSC Board of Directors has designated the Board Audit & Compliance Committee as responsible for ensuring that HCSC has fully implemented the Compliance Program, including this Government Programs section and that the Program is operating in an effective manner. The HISC, BlueLincs HMO, GHS-MHC and GHS Boards of Directors shall each retain responsibility for ensuring that their respective companies have fully implemented the Compliance Program, including this Government Programs section, and that the Program is operating in an effective manner. Therefore the “Governing Bodies” of the Government Contract Holders, for the purposes of the Compliance Program, are the Board Audit & Compliance Committee for HCSC, and the Boards of Directors of HISC, BlueLincs HMO, GHS-MHC and GHS. At least annually, the Governing Bodies of the Government Contract Holders shall review the Compliance Program, including this Government Programs section, and recommend any changes and amendments they consider appropriate. The Board Audit & Compliance Committee, the Chief Ethics and Compliance Officer and the Government Programs Compliance Officer shall maintain regular communications with the Government Contract Holders’ Boards of Directors, and shall address and review matters concerning or relating to the Compliance Program, including this Government Programs section, so the Committee can take appropriate action or make appropriate recommendations.

2. **Responsibilities and Duties.** In carrying out their responsibilities under the Compliance Program and specifically this Government Programs section of the Compliance Program, the Governing Bodies of the Government Contract Holders shall:

   a. Provide oversight and support for the implementation and administration of the Compliance Program, including the Government Programs section of the Compliance Program;

   b. Review matters relating to education, training and communication in connection with this Government Programs section of the Compliance Program to ensure that all related Government Programs policies and corporate standards on compliance are properly disseminated, understood and followed; and

   c. Review and approve the Government Programs Standards of Conduct, including the Government Programs section of the Compliance Program;

   d. Provide prior approval of any request to appoint or terminate the Government Programs Compliance Officer;

   e. Understand the Government Programs Compliance Program structure;
f. Remain informed about Government Programs outcomes, including results of internal and external audits;

g. Remain informed about governmental compliance enforcement activity such as Notices of Non-Compliance, Warning Letters and/or more formal sanctions;

h. Receive regularly scheduled, periodic updates from the Government Programs Compliance Officer and Government Programs Compliance Committee which includes data that shows the effectiveness of the program;

i. Review the results of performance and effectiveness assessments of this Government Programs Section of the Compliance Program;

j. Develop, approve, implement, and conduct annual review of compliance policies and procedures;

k. Review internal and external audit work plans and audit results;

l. Evaluate the senior management team’s commitment to ethics and the compliance program;

m. Review of dashboards, scorecards, self-assessment tools, etc. that reveal compliance issues; and

n. Be actively engaged in oversight of efforts to detect and correct Medicare non-compliance and FWA.

In addition to the responsibilities and duties listed above, the Board Audit and Compliance Committee shall recommend to the Government Contract Holders’ Governing Bodies any measures and actions that may be appropriate in conducting their business activities in full compliance with all applicable laws and regulations, terms and conditions of their Government Programs contracts.

XI. TRAINING AND EDUCATION

A. Compliance Training

Government Contract Holders shall provide a general training and education program regarding the Government Programs which also addresses FWA and ethical concerns and meets the requirements of the Compliance Program Guidelines applicable to each Government Program. Such training and education will occur upon hire and annually at a minimum and will be made a part of the orientation for a new employee and new appointment to a chief executive, senior administrator manager, or governing body member. Completion of such training will be required in order for such individuals to continue to perform services under the Government Programs.
B. **FDR Training**

1. Each FDR shall attest that any of their employees involved in administering or delivering Medicare Part D and/or Medicare Advantage benefits within its organization as well as employees of their subsidiaries and applicable vendors receive adequate training on compliance standards and Medicare/Medicaid FWA. All employees of FDRs that are involved in administering or delivering Medicare Part D and/or Medicare Advantage benefits within its organization shall receive general Compliance and Medicare/Medicaid FWA training in one of three ways in accordance with CMS guidance applicable at the time: (1) Directly from Government Contract Holder personnel/training mechanisms; (2) Training designed and given by the FDR that is substantially the same as Government Contract Holder training and meets all CMS and State Medicaid requirements, as applicable; or (3) Directly from CMS.

   FDRs who have met the FWA certification requirements through enrollment into the Medicare program or accreditation as a Durable Medical Equipment, Prosthetics, Orthotics, and supplies (DMEPOS) are deemed to have met the training and educational requirements for FWA.

XII. **EFFECTIVE LINES OF COMMUNICATION**

A. **Communication and Reporting Mechanisms**

   The Government Programs Compliance Officer shall report directly on a regular basis to the Chief Ethics and Compliance Officer, the HCSC Corporate Compliance Committee, the Government Programs Compliance Committee, to the Presidents/CEOs and the Governing Bodies of the Government Contract Holders regarding the operation of the Government Programs Compliance Program, and all significant issues relating to compliance with applicable laws and regulations, terms and conditions of Government Contracts, and this Government Programs section of the Compliance Program;

B. **Enrollee Communications and Education**

   The HCSC Government Markets Marketing Department and applicable staff from the Government Programs Division, Government Programs Compliance Office and Legal Department design, review and approve marketing materials and communications sent to enrollees and potential enrollees, including but not limited to AEP marketing materials, general marketing materials, educational materials and presentation scripts, telephone contact scripts, form letters and Annual Notice Of Change communications.

C. **Communication of Compliance Issues**

   All employees, members of the governing body, and FDRs are required to report compliance concerns and suspected or actual violations related to Government Programs through appropriate avenues as set forth in the Code. Government Contract Holders shall have a system in place to receive, record, respond to and track compliance questions or
reports of suspected or detected noncompliance or potential FWA from employees, members of the governing body, enrollees and FDRs and their employees. Reporting systems must maintain confidentiality (to the greatest extent possible), allow anonymity if desired (e.g., through telephone hotlines or mail drops), and emphasize the sponsor’s / FDR’s policy of non-intimidation and non-retaliation for good faith reporting of compliance concerns and participation in the compliance program.

D. FDR Communications

Government Contract Holders shall regularly communicate with all FDR’s in order to ensure they are aware and comply with the Compliance Program, including this Government Programs sections, Standards of Conduct, Policies, Training and Medicare regulations.

XIII. WELL-PUBLICIZED DISCIPLINARY STANDARDS

A. Disciplinary Standards

Management and supervisory personnel shall ensure that all persons or entities performing services related to Government Programs, including FDRs, comply with the provisions of applicable laws and regulations, terms and conditions of Government Contracts, and the Compliance Program including this Government Programs section. Individuals will be appropriately disciplined up to and including termination of employment or contractual relationship for failure to instruct others or for failure to detect non-compliance with applicable policies and legal requirements, where reasonable due diligence on the part of the individual should have led to the discovery of any problems or violations. Promotion and adherence to these compliance initiatives shall be part of the performance standards and evaluation for each individual or entity that performs services under a Government Program, including FDRs.

As clearly noted in the Code, all employees, managers, directors and FDRs must promptly report known or suspected compliance issues to the Ethics and Compliance Department.

It is a violation of the Code for any employee, manager, director or FDR to:

1. Engage in any conduct prohibited by the Code;

2. Fail to report, through the channels identified in the Code misconduct of which they are aware;

3. Fail to cooperate with Company officials engaged in an investigation of possible misconduct; or

4. Fail to enforce the Code, if they have responsibility for enforcing the Code.
Any employee, manager, director or FDR who violates the Code will be subject to appropriate disciplinary action, ranging from a warning to discharge and/or referral for criminal prosecution or civil action.

B. Methods to Publicize Disciplinary Standards

In addition to employee annual and new-hire training, the Code and expectations are highlighted in applications completed by prospective employees, internal blogs, newsletters, on-line publications, monitor messages and events throughout the year.

HCSC also makes its Government Programs Policies, including its Policy on Disciplinary Standards, available to FDRs through its Internet web site. It is the responsibility of the Government Programs Compliance Officer to assure the effective communication of the Compliance Program, including this Government Programs section, policies, procedures and corporate standards regarding performance under Government Programs to all subsidiaries and FDRs.

C. Enforcing Disciplinary Standards

The Government Programs Compliance Officer will work with the appropriate management to ensure that discipline is enforced in a manner that is timely, consistent, and effective when noncompliance or unethical behavior is determined.

D. Disciplinary Action

Disciplinary action will be taken on a consistent, fair and equitable basis. Such actions 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 senior management. 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.

XIV. MONITORING AND IDENTIFICATION OF COMPLIANCE RISKS

A. The Government Programs Compliance Officer shall:

1. Ensure that the Government Programs-related compliance risks to which Government Contract Holders are exposed, both internal and external, are assessed on a regular basis and direct the implementation of internal systems and controls to mitigate risk and reinforce compliance with applicable laws, regulations and contract terms.

2. Identify the universe of risks and develop methods to score the various risk areas. Review the highest risks and determine the most appropriate mitigation strategy.

3. Establish monitoring and reporting processes.

4. Develop a mechanism to assure FDRs conduct oversight activities.
5. Develop a mechanism for monitoring fraud.

6. Monitor conflict of interest and debarment sanctions for internal individuals/entities as well as FDRs.

7. Work with the HCSC Vice President, Internal Audit, external auditors and other parties as necessary, to ensure effective communication and implementation of programs to audit, monitor and validate adherence with all applicable laws and regulations, terms and conditions of Government Programs contracts and this Government Programs section of the Compliance Program.

B. Monitoring of FDRs

1. Government Contract Holders shall monitor and audit their first tier entities to ensure that they are in compliance with all applicable laws and regulations, and to ensure that the FDRs are monitoring the compliance of the entities with which they contract (the sponsors’ “downstream” entities). They shall also monitor any related entities to ensure those entities are compliant with all applicable laws and regulations.

2. Government Contract Holders shall include in the audit work plan the number of first tier entities that will be audited each year and how the entities will be identified for auditing, including on-site audits.

3. Government Contract Holders shall conduct specific monitoring of first tier entities to ensure they fulfill the compliance program requirements. Monitoring of first tier entities for compliance program requirements must include an evaluation to confirm that the first tier entities are applying appropriate compliance program requirements to downstream entities with which the first tier contracts.

4. Government Contract Holders shall develop mechanisms for monitoring fraud, conflict of interest and debarment. When corrective action is needed, the Government Contract Holder shall ensure that corrective actions are taken.

XV. RESPONDING TO COMPLIANCE ISSUES

A. Medicare Hotline.

Government Contract Holders are committed that all employees or other individuals have an obligation to report problems or concerns involving ethical or compliance violations related to our Medicare business. A toll free Medicare Hotline (877-211-2290) allows employees to seek guidance or report a matter of concern. The term “other individual” refers to FDRs, agents and directors who are involved in the Part D benefit. There is a toll free Fraud Hotline (877-272-9741) for our FDRs (Producers, Vendors and Providers) and a toll free Fraud Hotline (800-543-0867) for our Employees and members to seek guidance or report a matter of concern.
All calls to the Medicare Hotline can be made anonymously and without fear of intimidation or retaliation. Callers 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. All investigations will be handled confidentially. Government Contract Holders have a policy of non-retaliation against any employee or other individual who makes a good faith call to this Medicare Hotline.

The Medicare Hotline is available 24 hours a day, 7 days a week and is not staffed by employees of either HCSC or its subsidiaries.

B. **Hotline & Investigations.**

The Government Programs Compliance Officer shall:

1. Work closely with the HCSC Vice Presidents of Fraud and Security to ensure effective coordination of programs and issues involving corporate security of HCSC personnel and assets and related investigations.\(^1\) Any reports received or information developed by HCSC’s Special Investigations and/or Security departments that credibly alleges or may indicate a material violation of criminal or civil law related to Government Programs by a Government Contract Holder shall be referred to the Government Programs Compliance Officer, including, without limitation, those matters dealing with health care FWA.

2. Coordinate with HCSC’s Senior Vice President – Chief Human Resources Officer so that any employee disciplinary actions taken as a result of non-compliance related to any Government Programs are implemented in a manner that is appropriate and consistent.

3. Utilize existing systems to allow and encourage individuals to raise questions, whether anonymously or otherwise, about the application or meaning of this Government Programs section of the Compliance Program and to disclose possible violations. A separate hotline has been established to allow individuals to raise questions or issues specifically related to the Medicare products. In order to ensure anonymity and access, this hotline is maintained by an independent contractor, and is available 24 hours a day, seven days a week. Government Contract Holders shall ensure that employees who raise these matters are treated with respect and are not subject to retaliation or intimidation.

4. Maintain a log of all calls received by the hotline relating to Government Programs and maintain a record of all allegations which may constitute a violation of applicable federal or state laws or regulations, terms and conditions of Government Programs contracts, and this Government Programs section of the Compliance Program.

---

\(^1\) The HCSC Special Investigations and Security Department supports the Government Programs Compliance Officer in handling investigations, corrective actions, and communications that involve potential fraud, waste and abuse related to participation in Government Programs.
5. Maintain a confidential, written record reflecting each communication concerning all possible violations of this Government Programs section of the Compliance Program.

6. Ensure a prompt and thorough investigation appropriate to the circumstances. 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. Individuals who may possess relevant documents shall be instructed to retain them or to turn them over to the investigative team. The Government Programs Compliance Officer shall maintain a record of all employees to whom such a request is made and of all documents retained for purposes of the investigation.

7. Implement appropriate corrective actions (for example, recoupment of overpayments, disciplinary actions, terminations of contracts) in situations where investigations have confirmed instances of non-compliance, fraud or misconduct.

8. Maintain procedures to self-report potential non-compliance, fraud or misconduct related to Government Programs to CMS or other appropriate regulatory authority.

9. Evaluate, as appropriate, any calls received related to Government Programs on a separate Special Investigations FWA hotline established for vendors, providers, consultants, contractors, producers and beneficiaries to report suspected health care fraud and abuse or other misconduct to Government Contract Holders. Any calls received on this hotline that credibly allege a material violation of criminal or civil law specific to Government Programs shall be addressed by the Government Programs Compliance Officer, including, without limitation, those calls relating to its Government Programs, dealing with health care FWA.

Final documentation to support this Government Programs section of the Compliance Program includes:

- Appendix E – HCSC Government Programs Compliance Policies
APPENDICES

Appendix A. Code of Business Ethics and Conduct

Appendix B. Health Care Criminal and Civil Penalties

Appendix C. Non-Retaliation Policy

Appendix D. Corporate Records & Information Management Policy

Appendix E. Government Programs Policies

1. Government Programs Compliance Program Overview
2. Written Policies, Procedures and Standards of Conduct
3. Effective Training & Education
4. Communication and Reporting Mechanisms
5. Medicare Disciplinary Standards
6. System to Identify Medicare Compliance Risks
7. Routine Monitoring and Auditing of Government Programs
8. Accountability and Oversight of First Tier, Downstream & Related Entities
9. Identifying Excluded Individuals and Entities
10. Government Programs Fraud, Waste & Abuse
11. Auditing by Government Entities
12. Prompt Responses to Compliance Issues and Corrective Actions
13. Government Programs Compliance Record Retention Policy

Appendix F. Vendor Code of Business Ethics and Conduct

Additional Resources:

- HCSC Workforce and Employment Practices Procedure Manual – Specifically:
  - HCSC HR Non-Retaliation Policy
  - HCSC HR Policy - Compliance with the Law
  - HCSC HR Policy Cooperating with the Government
  - HCSC HR Confidential Information Policy
  - HCSC HR Conflict of Interest Policy
- HCSC Corporate Policy Manual