

COMPLIANCE PLAN

LORETTO HOSPITAL

I. PURPOSE AND INTRODUCTION

Loretto Hospital is committed conducting its business with integrity and in accordance with all federal, state and local laws. The Corporate Compliance Program provides guidance and rules that protects and support this commitment. In conjunction with the Corporate Compliance Program, Loretto Hospital has also instituted a Code of Conduct Policy to specifically address the conduct expected from all employees and for conduct of all aspects of its business and affairs in accordance with the law and with high ethical standards.

The Corporate Compliance Program includes the following key elements:

1. Loretto Hospital will designate a Corporate Compliance Officer with direct reporting authority to the Board of Directors and the CEO and with substantial authority to implement and monitor the program.
2. Loretto Hospital will establish compliance standards and procedures that are reasonably capable of eliminating the potential for criminal and inappropriate conduct.
3. Loretto Hospital will use due care in hiring or delegating substantial authority to individuals who may have the propensity or potential to engage in suspect activities. Monitoring will take place to assure greater awareness and compliance.
4. Loretto Hospital will take reasonable steps to communicate its standards and procedures to all employees, medical staff; vendors and contractors and will establish needed training programs.
5. Loretto Hospital will take reasonable steps to achieve compliance with its standards by utilizing monitoring and auditing systems, and by having in place a reporting system allowing employees to report matters not in compliance with the Corporate Compliance Program.
6. Loretto Hospital will consistently enforce its standards through appropriate disciplinary guidelines and procedures.
7. Loretto Hospital will take reasonable steps to respond appropriately, if an offense is detected, and to prevent further similar offenses from occurring.
8. Loretto Hospital will have a "Compliance Hotline" for employees to report instances of possible non-compliance and a procedure for follow-up, review, and resolution of such reported conduct.

II. MISSION

Loretto Hospital is a not-for-profit community based organization which partners with its physicians, employees and the communities it serves, to provide quality patient centered care and promotes wellness and education. The Corporate Compliance program upholds the mission

and vision of Loretto Hospital by establishing and supporting a hospital-wide culture of honesty and respect to guide everyone's actions by developing standards, increasing awareness and promoting honest behavior and professional responsibility through education, awareness and shared accountability that promotes compliance with applicable laws, regulations and hospital policies.

Vision: Loretto Hospital strives to be the healthcare provider of choice for the community it serves. To ensure that safeguards are in place for our patients, our staff and the public, Loretto's Compliance Program will be a resource to everyone affiliated with Loretto Hospital.

III. VALUES

- Patient First: Caring for our patients and their families is always the most important thing we do.
- Teamwork: We believe that staff must always work towards a common goal with a positive attitude.
- Excellence: We continuously strive for excellence by always working to improve our skills, programs and services.
- Respect: We believe that each person we encounter should always be valued and treated with dignity, courtesy and respect.
- Integrity: We will always hold ourselves and others accountable for our actions and be honest, ethical and open in all that we do.
- Community Involvement: We are dedicated to always improving the health and well-being of the communities we serve.

IV. COMPLIANCE OVERSIGHT

The Loretto Hospital Governing Board shall maintain ultimate responsibility for the effectiveness of the Compliance Program. The Board delegates operational authority and responsibility to the Corporate Compliance Officer.

The Governing Board will:

1. Receive periodic reports of findings, follow-up and resolutions of any Compliance Complaint or Activity
2. Evaluate the effectiveness of the Compliance Program
3. Support the Compliance Program through allocation of sufficient resources

The Corporate Compliance Officer will have ultimate administrative authority for implementation, monitoring and enforcement of the Plan.

The Corporate Compliance Officer will also perform an annual review and, as needed, update the Code of Conduct Policy and Corporate Compliance Program.

The operational authority of the compliance officer shall be as follows:

- Review, revise, formulate policies and procedures for targeted areas;
- Coordinate departmental efforts to implement compliance objectives;
- Assist with development of relevant education and training processes;
- Review and approve education and training materials;
- Initiate and supervise internal and external audits to evaluate compliance;
- Establish and administer a "Compliance Hotline" for reporting instances of possible noncompliance;
- Assist in addressing compliance issues that arise from audits or reporting mechanisms;
- Receive and investigate reports of possible illegal conduct or other conduct that violates the Code of Conduct or any departmental compliance policies;
- Assist in developing corrective action plans and sanctions to address compliance issues;
- Prepare reports, as directed by the Board, to evaluate compliance and to recommend improvements to the overall effort;
- Provide leadership for the organization's compliance efforts; and
- Provide periodic updates regarding compliance activities to the Compliance Committee.
- Conduct Risk Assessments

A Corporate Compliance Committee shall be established. The oversight responsibility of this committee shall be:

- Supervision of the Corporate Compliance Officer in carrying out his or her duties;
- Periodic review of audit reports and reports of the Corporate Compliance Officer concerning investigations, disciplinary actions, etc.
- Approval of various Plan-related activities such as initiating an investigation, disclosing information to government agencies or law enforcement officials, or imposing disciplinary measures.

V. KEY ELEMENTS OF THE PLAN (CODE OF CONDUCT)

For a successful program to be in place, Loretto Hospital expects its medical staff, senior management, department directors, managers and supervisors to understand the Corporate Compliance Program and to comply with the Code of Conduct. These individuals are also expected to set an example for all other employees by following the Code of Conduct and ensuring that their employees understand and follow the Code of Conduct. Additionally, vendors and contractors are expected to comply with the Code of Conduct.

The Code of Conduct applies to all employees of Loretto Hospital. In addition to policies concerning general employee conduct, the Code of Conduct focuses on employee conduct with respect to the laws that most frequently and directly impact the business conduct of an organization.

1. Commitment to Compliance

All employees, vendors and contractors are expected to conduct themselves in a manner that adheres to and promotes both the letter and spirit of the code of Conduct Policy. Adherence to that commitment shall be an element of each employee's annual evaluation.

2. Financial Accounting and Billing

Periodic audits may be performed to evaluate compliance with policies regarding proper billing and financial accounting. The following are key matters concerning billing:

- Only reasonable and necessary services are billed,
- Coding of services and items are appropriate,
- Billing is to appropriate payer source, and
- Documentation of services is sufficient.

3. Conflicts of Interest

All employees are expected to abide with Loretto Hospital's current Conflict of Interest Policy.

4. Fraud and Abuse/Physician Relations

Loretto Hospital has established procedures to monitor compliance with these types of matters. Such procedures will ensure that all employees understand Loretto Hospital's policies with respect to the offer, payment or receipt of any money or gifts or services in return for the referral of patients or to induce the purchase of items or services.

The following transactions shall be monitored on a continuous basis to detect violations of state and federal fraud and abuse laws:

- Oral and written agreements with physicians or their immediate family members.
- Loans, leases or other financial or investment relationships/arrangements with physicians or their immediate family members.
- All payments and gifts to physicians and their immediate family members

5. Confidentiality/Business Information

The Corporate Compliance Officer will direct Department Directors to ensure that employees in their departments understand policies with respect to the disclosure to unauthorized persons of confidential business information including trade secrets, commercially sensitive information and financial information about Loretto Hospital.

6. Employee Rights

Loretto Hospital's policies on employees' rights and obligations require a working environment free from harassment, illegal drugs, alcohol and unlawful discrimination. Accordingly Loretto Hospital shall have

procedures in place to ensure compliance with certain federal laws governing employment and the workplace as issued by the Human Resource Department.

7. Patient/Resident's Rights

Department Directors/Managers shall ensure that each employee in their department is aware of state and federal laws and facility licensing requirements concerning patient/resident rights.

8. Antitrust and Trade Regulations

Loretto Hospital shall implement policies to prevent employees from intentional or inadvertent violations of the antitrust laws.

9. Non-profit/Tax-exempt Status

Loretto Hospital is a tax-exempt organization, and must act in an ethical manner and engage in activities in furtherance of its charitable purpose. Loretto Hospital, its employees, Board members, medical staff and agents cannot engage in activities that benefit the personal interests of any individual. Such activities are not only ethical violations, they could result in the loss of Loretto Hospital's tax-exempt status.

10. HIPAA

Loretto Hospital shall implement policies pertaining to the Privacy and Security Regulations of the Health Insurance Portability and Accountability Act (HIPAA).

In addition to the general Code of Conduct, standards and policies will address Loretto Hospital's standards for, and guide the conduct of, employees with respect to certain issues and certain departmental activities that are especially complex or have been otherwise identified as areas of potential non-compliance. The Standards of Conduct shall include policies addressing at least the following:

- Billing
- Physician Contracting
- Discrimination (in provision of services and/or employment)
- Substance Abuse
- Confidentiality
- Occupational Safety and Health
- Sexual Harassment
- Conflicts of Interest
- Business Gifts and Gratuities
- Antitrust
- Fraud and Abuse
- Tax-Exempt Status
- Environmental Safety

- Human Resource Issues (hiring, firing, ADA, FMLA, ERISA, etc.)
- Medical Staff Issues (Quality Improvement, Peer Review, Antitrust, etc.)
- EMTALA

VI. EDUCATION AND TRAINING

For the Compliance Program to work effectively there will be education and training of the Compliance Plan and Program for all employees so that each has a clear understanding of his or her responsibilities and rights under the Plan. Each employee will receive education and training on an annual basis.

The Compliance Committee will determine what topics to be done on an annual basis for education and training. Also, the Compliance Committee in conjunction with the Compliance Officer will determine if individual departments will need additional training on specific topics.

The Compliance Officer shall also establish a mechanism for employees to raise questions and receive prompt, appropriate guidance on compliance issues.

As part of education and training for the Compliance Plan and Program, communication or any changes in the Plan, Goals, Policies or other relevant information will be disseminated throughout the hospital in a timely manner by memo, in-services or announcements at department meetings. Any changes will be based on the hospital's Mission, Vision and Core Values.

VII. MONITORING COMPLIANCE

The Compliance Officer shall conduct or direct periodic audits of all departments to assess compliance with the standards and policies established within the Compliance Plan. Such audits shall be conducted and the results reported to Board not less than annually.

As part of the ongoing monitoring and auditing of the Plan, the Compliance Officer in conjunction with the Compliance Committee will ensure that policies and procedures are updated to reflect current regulatory issues and additional training is provided as necessary to assure continued compliance.

VIII. STEPS TAKEN FOR POTENTIAL VIOLATIONS

1. REPORTING NONCOMPLIANCE

Any employee, vendor or contractor who is or should be aware of a potential violation of the law occurring with Loretto Hospital or involving Loretto Hospital's assets on any violations of the Compliance Plan or Code of Conduct must report that information immediately to their supervisor, the Compliance Officer or the Chief Executive Officer.

As part of its commitment to the success of the Plan, Loretto Hospital shall fully support any employee in his or her efforts to fulfill these duties and shall protect the employee from any potentially adverse consequences including retaliation.

The Corporate Compliance Officer shall develop and oversee a mechanism for employees, vendors and contractors to report instances of possible non-compliant conduct without fear of retaliation. This reporting mechanism shall consist of the implementation of a "Compliance Hotline." All reports of possible non-compliant conduct shall be immediately forwarded to the Compliance Officer for investigation and resolution.

2. INVESTIGATIONS OF VIOLATIONS

All employees are expected to assist, as needed, in the investigation of an alleged violation of the Code of Conduct. It is essential, however, that even preliminary investigation be conducted with assistance and direction from the Corporate Compliance Officer.

The investigation process consists of the following activities:

- Interview of the complainant and others
- Review of relevant documents
- Review of applicable law/regulations
- Report to the Compliance Committee and the Board of Directors (including nature of the problem, investigation procedure, persons who acted inappropriately and their degree of culpability, estimate of nature and extent of liability or overpayment due, if any).

A written report describing the facts and circumstances surrounding the alleged problem shall be completed by the investigator and submitted to the Compliance Officer and the Compliance Committee.

If the identity of the complainant is known, the Compliance Officer shall report to the complainant that an investigation has been completed and, if appropriate, corrective action will be taken.

3. NOTICE TO EMPLOYEES

If the need arises, it may be appropriate to inform Loretto Hospital personnel that the government is conducting an investigation of certain matters. In this instance, Loretto Hospital will inform employees of their rights and obligations with respect to requests for interviews from governmental investigators. In addition, employees are requested to refer any contact from a government official regarding an investigation to the Corporate Compliance Officer.

4. PRESERVATION OF DOCUMENTS

Loretto Hospital has instituted a document retention policy that needs to be complied with by all employees. Each department director shall ensure compliance with this policy within his or her department.

5. CORRECTIVE ACTION

If, upon conclusion of the investigation, it appears that there are genuine compliance concerns, the Corporate Compliance Officer shall immediately formulate and implement a corrective action plan. The Corporate Compliance Officer shall obtain the advice and guidance of legal counsel, if applicable, in

formulating and implementing the corrective action plan. The corrective action plan shall be designed to ensure that the specific issue is addressed and, to the extent possible, that similar problems do not occur in other departments or areas.

Any issue for which a corrective action plan is implemented shall be specifically targeted for monitoring and review in all future audits of the department or area.

6. SANCTIONS

Any employee who violates the Code of Conduct or policies and procedures authorized by this Plan (including failure to report known violations) will be appropriately disciplined. The Associate Vice President of Human Resources shall establish procedures for discipline of employees for such violations.

Any discipline shall be appropriately documented in the employee's personnel file, along with a statement of reasons for imposing such discipline. In addition, the Corporate Compliance Officer shall be informed of compliance related disciplinary actions and periodically review those records to ensure that discipline is being administered to a consistent manner. The Corporate Compliance Officer shall report annually to the Board concerning the conduct of the disciplinary aspect of the Plan.

IX. CONCLUSION

Loretto Hospital believes that by implementing an effective compliance plan it will achieve better quality control and reduce the risk of future criminal and civil liabilities. Loretto Hospital recognizes that the implementation of a compliance program may not entirely eliminate fraud, abuse and waste. However, a sincere effort by Loretto Hospital to comply with applicable federal and state standards through the establishment of an effective compliance program significantly reduces the risk of unlawful or improper conduct.

X. REAPPRAISAL OF PLAN

This plan will be reviewed on an ongoing basis and annually. The review process occurs in order to evaluate the effectiveness of the Corporate Compliance Plan and Program, to reflect current practices and changes, to ensure that appropriate services are monitored, delivered, and evaluated in accordance with the Compliance Program.