Carolina Health Centers, Inc.
Corporate Compliance Plan

1. Policy

Carolina Health Centers, Inc. ("CHC") is dedicated to maintaining excellence and integrity in all aspects of its operations and its professional and business conduct. Accordingly, CHC is committed to conformance with high ethical standards and compliance with all applicable laws, rules, and regulations. CHC has established this Corporate Compliance Plan ("Plan") and related Corporate Compliance policies and procedures (including CHC's Standards of Conduct) to assist in developing a proactive and effective Corporate Compliance Program.

2. Purpose

CHC's Plan provides an overview of the components of the Corporate Compliance Program and an overview of applicable compliance related laws, rules, and regulations. It is CHC's intent to comply with all federal, state, and local laws, rules, and regulations, as well as to use general good business practices to protect its reputation and to avoid or prevent non-compliance.

3. Scope

This Plan is intended to apply to all CHC's activities and to all "individuals affiliated with CHC" which includes Board members, employees, agents, and volunteers. This Plan is distributed to all individuals newly affiliated with CHC during orientation, and it is distributed annually thereafter.

4. Corporate Compliance Plan

CHC recognizes the importance of complying with applicable federal, state, and local laws, rules, and regulations and developing a proactive and effective Corporate Compliance Program. To support these goals, CHC has developed this Plan which is divided into two main sections:

1. An overview of the components of CHC's Corporate Compliance Program and
2. An overview of applicable compliance-related laws, rules, and regulations.

Every individual affiliated with CHC is responsible for ensuring that his or her conduct is consistent with CHC's Corporate Compliance Program, including: this Plan, policies and procedures (including the Standards of Conduct), and generally accepted standards of professionalism, courtesy, and respect. Supervisors and managers are responsible for ensuring that the conduct of those they supervise complies with this Plan. All individuals affiliated with CHC are required to review this Plan and then sign and return the acknowledgement attached to this document as Exhibit A.

5. Overview of the Components of CHC's Corporate Compliance Program:

CHC's Corporate Compliance Program consists of the following elements:

A. Compliance Program Structure. It is CHC's policy to have a Compliance Officer to oversee the development and implementation of its Corporate Compliance Program and to ensure appropriate handling of instances of suspected or known illegal or unethical conduct. The Compliance Officer's duties include:

- Receiving reports of problems or violations, investigating such reports, and coordinating any required corrective action;
- Suggesting policies related to compliance to the Board and developing procedures implementing policies approved by the Board;
- Overseeing periodic compliance audits and regular compliance monitoring by department managers;
- Training individuals affiliated with CHC in compliance matters;
- Reporting incidents of non-compliant conduct to the CEO and Board, as appropriate; and
- Ensuring that appropriate disciplinary actions or sanctions are applied.

CHC's Compliance Officer reports to the Chief Executive Officer and is assured direct access to CHC's Board for the purpose of making reports and recommendations on compliance matters. The Compliance Officer provides at least quarterly reports to the full Board. At least once each year the Compliance Officer's report is made in an executive session between the Board and the Compliance Officer (excluding senior managers). The Board Chair may request more frequent reports from the Compliance Officer, as necessary.

The Compliance Officer reports quarterly to the Compliance Committee of the Board. The Chair of the Compliance Committee may request more frequent reports from the Compliance Officer, as necessary.

CHC's Compliance Officer works closely with managers and members of CHC's Staff Compliance Committee in implementing CHC's Corporate Compliance Program. The Compliance Officer serves as chair of the Staff Compliance Committee. As a member of CHC's Leadership Team, the Compliance Officer reports on the Compliance Program and provides compliance support and perspective to the organization's decision-making process.

B. Written Standards of Conduct and Policies and Procedures for Promoting Compliance. CHC has established compliance standards, policies and procedures to assist individuals affiliated with CHC in recognizing compliance issues and to guide them to do the right thing. These include organizational policies and procedures that direct the operations of CHC's Compliance function, including the Standards of Conduct, and this

Plan document. Copies of these items are available through CHC's online HR and Payroll management platform or by requesting a copy from the Compliance Officer.

CHC develops and/or revises and implements policies and procedures consistent with the requirements and standards established by the Board; federal, state, and local laws, rules, and regulations; relevant reviewing and accrediting organizations (such as the Bureau of Primary Health Care); and, as applicable, commercial health plans. It is CHC's policy to address identified areas of risk and to promote compliance by developing written policies and procedures that establish guiding principles or courses of action for affected personnel.

C. Education and Training. CHC develops and/or offers ongoing and regular educational and training programs so that all individuals affiliated with CHC are familiar with the Corporate Compliance Program, including the Corporate Compliance policies and procedures, including the Standards of Conduct. It is CHC's policy to ensure that individuals affiliated with CHC understand the fraud and abuse laws and, if applicable to their position, the coding and billing requirements imposed by Medicare, Medicaid, and other applicable government health care programs and commercial health plans. CHC communicates this information, along with information regarding its standards, policies and procedures, to all individuals affiliated with CHC through its Onboarding for newly hired individuals and through on-going training for current employees and Board members. Education and training programs remind employees and Board members that failure to comply may result in disciplinary action and/or termination.

D. Reporting Compliance Issues. CHC is committed to establishing and maintaining meaningful and open lines of communication between the Compliance Officer, the CEO, and the Board. CHC also recognizes the importance and necessity of open lines of communication between individuals affiliated with CHC and the Compliance Officer.

Any individual affiliated with CHC who is aware of or suspects a violation of an applicable law, rule, regulation, or CHC's policies and procedures, including the Standards of Conduct, has an affirmative duty to report this information. All reports of alleged, known, or suspected non-compliance may be reported through the regular chain of command. Such reports should be reported to the Compliance Officer by the manager or supervisor. Any individual who, for any reason, is uncomfortable with reporting through the normal chain of command should report the information directly to the Compliance Officer.

CHC has a formalized system of communication to report potential non-compliance to the Compliance Officer. An individual may communicate information to the Compliance Officer directly by calling the Compliance Officer.

CHC takes all necessary steps to maintain the confidentiality of the identity of the individual who has reported the information to the Compliance Officer. However, at some point the identity of such individual may need to be revealed in order to appropriately address the reported matter.

Failure to report instances of suspected unethical or non-compliant conduct is considered a violation of this Plan and CHC's Compliance Program policies requiring such reporting. In addition, managers and supervisors may be subject to disciplinary action for failing to detect noncompliance with applicable law or policies and procedures where reasonable diligence on the part of the manager or supervisor would have led to the discovery of a problem or violation.

No retaliatory action will be taken against any individual who, in good faith, reports suspected or known instances of non-compliance. Anyone who is involved in an act of retaliation, intimidation or harassment of an individual who reports a compliance concern in good faith will be subject to disciplinary action.

E. Responding to Allegations of Improper and Illegal Activity. CHC takes appropriate steps to respond to every report of suspected unethical or non-compliant conduct, as well as to address unreported incidents of suspected unethical or non-compliant conduct. These steps may include conducting investigations, reviewing documents, implementing or revising policies and procedures, offering training, conducting audits, and imposing disciplinary action. As required, CHC reports violations or misconduct to the government and makes any necessary payments to the government.

F. Monitoring and Auditing. CHC strives to conduct regular internal monitoring and self-audits of its operations to ascertain problems and weaknesses in its operations and to measure the effectiveness of its Corporate Compliance Program.

G. Corrective Action and Disciplinary Standards. CHC is committed to ensuring that the Plan and related Corporate Compliance policies and procedures, including the Standards of Conduct, are adhered to by all individuals affiliated with CHC through the consistent enforcement of these standards. Enforcement will be accomplished by imposing appropriate disciplinary action. It is CHC's goal that every individual affiliated with CHC understands the consequences of improper or non-compliant activities and that all violators will be treated equally.

6. Overview of Applicable Compliance-Related Laws, Rules, and Regulations

The healthcare industry is subject to many federal, state, and local laws, rules, and regulations that govern all aspects of the delivery of and payment for health care services. Violations, whether intentional or unintentional, may result in significant civil or criminal sanctions, or both, for institutions and individuals that do not comply with the laws, rules, and regulations.

CHC's Corporate Compliance Program is a comprehensive organizational program that identifies applicable federal, state, and local laws, rules, and regulations governing the organization and ensures compliance with these mandates. The following list represents the laws and regulations that CHC incorporates into its Corporate Compliance Program. It is not an exhaustive list of all the requirements with which CHC will comply, but rather describes

those laws most relevant to the following compliance topics: false claims, whistleblower protection, anti-kickback, physician self-referral, and confidentiality. The list will be updated as the laws change and CHC's Compliance Officer will update its policies and procedures to reflect these changes.

7. False Claims

A. Federal Laws

Civil False Claims Act (31 U.S.C. §§ 3729-3733): The Federal Civil False Claims Act is a set of federal statutes that, among other things, forbids "knowingly:"

- Presenting or causing the presentation of a false claim for reimbursement by a federal health care program, including Medicare or Medicaid;
- Making, using, or causing to be made or used, a false record or statement material to a false or fraudulent claim;
- Repaying less than what is owed to the government;
- Making, using, or causing to be made or used, a false record or statement material to reducing or avoiding repayment to the government;
- Avoiding or decreasing an obligation to pay or transmit money or property to the government; and/or
- Conspiring to defraud the federal government through one of the actions listed above.

To take one of these prohibited actions "knowingly" means to have actual knowledge of the falsity of the information or to act in deliberate ignorance or in reckless disregard of such falsity.

The U.S. Attorney General may bring an action under this law. In addition, the law provides that any "whistleblower" may bring an action under this act on his/her own behalf and for the United States Government.

False Claims Act fines range from $10,781 to $21,563 per false claim, payment of treble damages (i.e., three times the amount of damages sustained by the government due to the violation), and exclusion from participation in federal health care programs such as Medicare or Medicaid.

Civil Monetary Penalties Law (42 U.S.C. § 1320a-7a): Provides for civil fines for knowingly presenting or causing to be presented to the federal or a state government a claim that the person knows or should know the claim is false or fraudulent. Penalties include up to triple damages in addition to $5,500-$11,000 per claim or up to $50,000 for a false statement or misrepresentation.

Criminal Penalties Law (42 U.S.C. § 1320a-7b): Provides for up to 5 years imprisonment and fines up to $25,000 for knowingly and willfully making or causing to be made any false statement or representation of a material fact in any application for any benefit or payment under a federal health care program.

Criminal False Claims Act (18 U.S.C. § 287): Provides for up to 5 years imprisonment and fines for making or presenting a claim to the federal government, knowing such claim to be false, fictitious, or fraudulent.

Conspiracy to Defraud the Government with Respect to Claims (18 U.S.C. § 286): Whoever enters into any agreement, combination, conspiracy to defraud the federal government by obtaining or aiding to obtain the payment or allowance of any false, fictitious, or fraudulent claim, is subject to a separate criminal penalty.

Statements or Entries Generally; False Statements Relating to Health Care Matters (18 U.S.C. §§ 1001, 1035): Provide for criminal liability to anyone who "knowingly and willfully falsifies, conceals or covers up by any trick, scheme, or device a material fact; makes any materially false, fictitious, or fraudulent statement or representation; or makes or uses any false writing or document knowing the same to contain any false, fictitious or fraudulent statement or entry ..."

General Health Care Fraud Statute (18 U.S.C. § 1347): The Government can prosecute an individual or entity who knowingly and willfully executes or attempts to execute a scheme or artifice to: defraud any health care benefit program, or obtain by means of false or fraudulent pretenses, representations, or promises, any of the money or property owned by, or under the custody or control of, any health care benefit program, in connection with the delivery of or payment for health care benefits, items, or services. Health care benefit program means "any public or private plan or contract, affecting commerce, under which any medical benefit, item, or service is provided to any individual." Penalties include a fine and/or imprisonment for not more than ten years. If serious bodily injury results, the prison sentence may increase up to 20 years and/or a fine.

Federal Program Fraud Civil Remedies Act (31 U.S.C. §§ 3801-3812): Provides federal administrative remedies for false claims and statements, including those made to federally-funded health care programs. Current civil penalties are $10,781 for each false claim or statement, and up to double damages for each false claim for which the government makes a payment.

State-Specific False Claims laws may also apply.

8. Whistleblower Protections

The "qui tam" or whistleblower provisions of the False Claims Act allow any person with actual knowledge of allegedly false claims to the government to file a lawsuit on behalf of the United States. Such persons are referred to as "relators."

The whistleblower/relator must file his or her lawsuit on behalf of the government in Federal District Court for a False Claims Act. The lawsuit will be filed "under seal," meaning that

the lawsuit is kept confidential while the government reviews and investigates the allegations contained in the lawsuit and decides how to proceed.

If the government determines that the lawsuit has merit and decides to intervene, the prosecution of the lawsuit will be directed by the United States Department of Justice under the False Claims Act.

If the government decides not to intervene, the whistleblower/relator can continue with the lawsuit on his or her own. If the lawsuit is successful, and provided certain legal requirements are met, the qui tam relator or whistleblower may receive a percentage of the amount recovered. The whistleblower may also be entitled to reasonable expenses including attorneys' fees and costs for bringing the lawsuit.

The False Claims Act provides that any employee who is subject to retaliation or discrimination by an employer in the terms and conditions of employment because the employee lawfully sought to take action or assist in taking action shall be entitled to all relief necessary to make the employee whole. Whistleblowers may not be discharged, demoted, suspended, threatened, harassed, or discriminated against in the terms and conditions of employment because of lawful actions taken by the employee in connection with an action under the False Claims Act. This includes reinstatement with seniority restored to what it would have been without the retaliation or discrimination, double the amount of back pay, interest on back pay, and compensation for any special damages sustained as a result of the employer's actions, including litigation costs and reasonable attorney's fees.

In addition, under the Pilot Program for Enhancement of Contractor Employee Whistleblower Protections (41 USC § 4712) employees may not be discharged, demoted, or otherwise discriminated against as a reprisal for making a report that he or she reasonably believes is evidence of any of the following:

- Gross mismanagement of a federal grant or contract;
- A gross waste of federal funds;
- An abuse of authority relating to a federal grant or contract;
- A substantial and specific danger to public health or safety; or
- A violation of law, rule, or regulation related to a federal grant or contract (including the competition for, or negotiation of, a grant or contract).

State-Specific False Claims laws may also apply.

9. Anti-Kickback

Anti-Kickback Statute and Regulations (42 U.S.C. § 1320a-7b(b); 42 C.F.R. § 1001.952): The Anti-Kickback Statute prohibits the knowing and willful solicitation, receipt, offer, or payment of "any remuneration (including any kickback, bribe or rebate), directly or indirectly, overtly or covertly, in cash or in kind" in return for or to induce the referral, arrangement, or recommendation of Medicare or Medicaid business. Violation of the Anti-

Kickback Statute is a felony and may result in a fine of up to $25,000, imprisonment of up to 5 years, or both. In addition, the Office of the Inspector General ("OIG") of the United States Department of Health and Human Services ("DHHS") is empowered to suspend or exclude providers or suppliers from participation in the Medicare or Medicaid Programs if it determines, in its discretion, that a provider or supplier has violated the Anti-Kickback Statute.

Arrangements that satisfy all the requirements of a regulatory "safe harbor" are immune from both criminal prosecution and administrative enforcement by the OIG. Arrangements that do not qualify under a safe harbor are scrutinized under the Anti-Kickback Statute to determine whether, through the particular arrangement, remuneration was given or offered as an inducement for referrals.

State-specific Anti-Kickback laws may also apply.

10. Physician Self-Referral

Stark Act (42 U.S.C. § 1395nn): The Stark Act prohibits, with certain statutory exceptions, a physician who has an ownership interest in, or a compensation arrangement with, an entity from referring patients to that entity for the provision of "Designated Health Services" if payment for those services may be made by Medicare or Medicaid.

The Stark Act prohibits physicians from referring a patient for "Designated Health Services" to an entity with which the physician has a financial relationship and for which payment may be made by Medicare or Medicaid. "Designated Health Services" include clinical laboratory services; physical therapy services; occupational therapy services; radiology; radiation therapy services and supplies; durable medical equipment and supplies; parenteral and enteral nutrients, equipment and supplies; outpatient prescription drugs; prosthetics, orthotics, and prosthetic devises and supplies; home health services; and inpatient and outpatient hospital services.

Physicians may only own interests in or have relationships with providers or entities that provide Stark services if the relationships or operations are structured to qualify for at least one of the statutory exceptions to the Stark law.

Violations of the Stark Law may result in the denial of payment for the services provided in violation of the prohibition, refunds of amounts collected in violation, a civil penalty of up to $15,000 for each service arising out of the prohibited referral, exclusion from participation in the federal healthcare programs, and a civil penalty of up to $100,000 against parties that enter into a scheme to circumvent the Stark Law's prohibition.

State-Specific Physician Self-Referral laws may also apply.

11. Confidentiality

<u>Federal Laws</u>

HIPAA Privacy Rule (45 CFR Part 160 and Subparts A and E of Part 164): HIPAA established standards and requirements for healthcare providers and health plans to protect confidential patient information. The HIPAA Privacy Rule includes administrative and training requirements; requirements for policies, procedures, and forms regarding how patient information is used and disclosed; requirements regarding patient access to their own information; and agreements and policies regarding how business associates keep information confidential.

The Department of Health and Human Services' Office of Civil Rights enforces the HIPAA privacy regulations. For unintentional violations, penalties are no less than $100 per violation and no more than $50,000 per violation, with an annual cap of $1,500,000 for identical violations. The penalties per violation increase if the violation is due to reasonable cause ($1,000 to $50,000 per violation); willful neglect corrected within 30 days ($10,000 to $50,000 per violation); and willful neglect not corrected within 30 days ($50,000 per violation).

HIPAA Security Rule (45 CFR Part 160 and Subparts A and C of Part 164): The HIPAA Security Rule requires covered entities use appropriate administrative, physical, and technical safeguards to ensure the confidentiality, integrity, and security of electronic protected health information.

State-Specific Confidentiality laws may also apply.

EXHIBIT A: ACKNOWLEDGEMENT

RECEIPT, REVIEW, AND UNDERSTANDING OF CORPORATE COMPLIANCE PLAN AND AGREEMENT WITH COMPLIANCE REQUIREMENT

I hereby acknowledge and certify that I have received and reviewed a copy of Carolina Health Centers' Corporate Compliance Plan. I understand that it represents a mandatory policy of Carolina Health Centers.

By signing this form below, I agree to abide by Carolina Health Centers' Corporate Compliance Program, including the Corporate Compliance Plan, policies and procedures during the term of my Board membership, employment, contract, or agency, or while otherwise authorized to serve on Carolina Health Centers' behalf.

In addition, I acknowledge that I have a duty to report any suspected or known violation of the Corporate Compliance Program or any Carolina Health Centers policy or procedure to my supervisor or through the normal chain of command (or in the case of Board members, to the Board Chair). I acknowledge that I may also report the information directly to the Compliance Officer or any other member of senior management.

_____ _____

Date Signature

_____

Printed Name

_____

Title/Position with *Health Center*

Please return this completed, signed Certification to the Compliance Officer.