

THE COMPLIANCE PLAN

OF

THE READING HOSPITAL AND

ITS SUBSIDIARY ENTITIES, INCLUDING:

THE READING HOSPITAL AND MEDICAL CENTER
(which operates The Reading Hospital and Medical Center and
The Reading Hospital for Post-Acute Rehabilitation)

THE READING HOSPITAL MEDICAL GROUP

READING PROFESSIONAL SERVICES

THE HIGHLANDS AT WYOMISSING

Approved by the Board of Directors of The Reading Hospital,

the sole corporate member of the above named entities,

on September 22, 2011

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A. POLICY STATEMENT/OBJECTIVES

The Reading Hospital serves as the parent organization of a nonprofit, tax-exempt, health care system located in West Reading, Pennsylvania, that includes The Reading Hospital and Medical Center (which operates The Reading Hospital and Medical Center and The Reading Hospital for Post-Acute Rehabilitation), The Reading Hospital Medical Group, Reading Professional Services, and The Highlands at Wyomissing. For purposes of this Compliance Plan, these provider entities are collectively and individually referred to as “TRH.”

Each of the TRH entities has a long tradition of integrity and responsible conduct and of service to the communities they serve. The TRH entities are committed to ethical and legal practices as providers of health care services to further their mission of providing quality care to their patients. Pursuant to this ongoing commitment, and in order to enhance their compliance efforts and ensure adherence to these principles, TRH directs the establishment and maintenance of this enterprise-wide Compliance Plan (the “Plan”).¹ This Plan was designed with a focus on regulatory and compliance issues that are applicable to all of the TRH entities. This Plan does not preclude the TRH entities from having their own compliance program, policies and/or procedures that are not inconsistent with this Plan and that specifically address the mechanisms by which that provider identifies, prevents and detects regulatory and compliance issues that are unique to that type of provider. Rather, this Plan is structured to encourage collaborative participation and coordination among all levels of each of the TRH entities and operates under the authority of the TRH Board of Directors.

This Plan applies to all officers, directors and employees of TRH, and all independent contractors and agents of TRH, including physicians and non-physician practitioners on TRH’s medical staff, performing services on behalf of TRH who are involved directly or indirectly in the delivery of patient care and/or in the preparation, coding or submission of claims for reimbursement of such care to any federal healthcare program. Such persons shall be collectively referred to in this Plan as “TRH Staff.”

The Plan addresses the detection and prevention of violations of federal, state and local laws and regulations and fosters an environment in which TRH Staff are encouraged to report issues and concerns about TRH’s business practices without fear of retribution.

B. PURPOSE OF THE COMPLIANCE PLAN

This Compliance Plan has been developed to help TRH Staff understand and meet the legal and ethical standards that govern our business of providing patient care. This Plan has been carefully designed to help assure that everyone associated with TRH acts in accordance with known legal duties and to detect and prevent violations of the law. In particular, the purposes of the Plan are:

- To support TRH’s strong commitment to legal and ethical behavior;

¹ This Plan supersedes and replaces The Reading Hospital and Medical Center’s Compliance Program, revised March, 2010.

- To improve the quality, efficiency, and consistency of providing services;
- To educate and train TRH Staff concerning sound business practices, TRH's standards of conduct and compliance policies and procedures;
- To create a centralized source for distributing information on applicable laws and regulations applicable to TRH;
- To create a mechanism to improve internal communications;
- To encourage TRH Staff to seek appropriate advice on business activities and to conduct those activities within the requirements of the law and ethical standards of conduct for TRH;
- To create a mechanism to encourage TRH Staff to report potential problems and allow for appropriate internal inquiry and corrective action;
- To enable TRH to quickly react to operational compliance concerns and effectively target resources to address those concerns;
- To create procedures that allow prompt and thorough investigation of alleged misconduct;
- Through early detection and reporting, to reduce TRH's exposure to civil damages and penalties, criminal sanctions, and administrative remedies; and
- To make certain that TRH continues to be innovative and responsive to community needs and the demands of patients and their families without inadvertently violating the law.

C. ADMINISTRATION OF THE PLAN

1. Board of Directors

The TRH Board of Directors is responsible for the oversight of the Plan on behalf of itself and its subsidiary corporations. Notwithstanding this responsibility, each of the TRH subsidiary Boards must have knowledge of this Plan and should be kept apprised of compliance concerns of TRH as a whole. Each member of TRH's Board of Directors, as well as each member of the Boards of Directors of TRH's subsidiaries, must be knowledgeable about the content and operation of the Plan and exercise reasonable oversight with respect to the implementation and effectiveness of the Plan. Directors have a duty to assure that (a) a corporate information and reporting system exists and (b) this reporting system is adequate to assure the Board that appropriate information as to compliance with applicable laws will come to its attention in a timely manner as a matter of ordinary operations. Generally, members of the TRH Board are obligated to exercise general supervision and control with respect to TRH. However, Board members are expected to make reasonable further inquiry when specific compliance concerns are aroused or should be aroused.

The TRH Board will make every effort to assure its complete support and appropriate funding for the policies, procedures, and personnel described in this Compliance Plan in order to achieve effective implementation and maintenance of the Compliance Plan and will carry out those responsibilities set forth elsewhere in the Plan.

2. Audit and Compliance Committee of the TRH Board. Subject to the ultimate responsibility of the TRH Board, the TRH Board has delegated primary responsibility for its oversight of the Plan and TRH's compliance efforts to the Audit and Compliance Committee of the TRH Board.

3. The President and Chief Executive Officer ("CEO"). The CEO shall be responsible to ensure that the Plan is implemented on an enterprise-wide basis.

4. Senior Director of Compliance and Legal Services/Chief Compliance Officer and Compliance Coordinators.

a. Appointment and Access.

(1) Senior Director of Compliance and Legal Services/Chief Compliance Officer. The CEO shall appoint a Senior Director of Compliance and Legal Services/Chief Compliance Officer ("CCO") who will be assigned overall responsibility for the implementation, administration and enforcement of the Plan. The CCO shall be a high-level employee of TRH who will report directly to the TRH Board, through the Audit and Compliance Committee of the TRH Board, and indirectly to the CEO. The CCO shall have direct access to the TRH Board of Directors through the Audit and Compliance Committee of TRH's Board, TRH's CEO and all other senior management, as well as legal counsel, as needed. The CCO shall be available as not only the contact person for reporting problems, but as someone whom all TRH Staff can approach to obtain clarification on TRH's policies and procedures.

(2) Compliance Coordinators. The CEO shall also appoint Compliance Coordinators to assist the CCO in ensuring coordination of compliance activities in each of the TRH entities and departments. The Compliance Coordinators shall be available as additional contact persons to whom TRH Staff of the TRH entity and/or TRH department in which such TRH Staff member provides services can report problems and/or approach to obtain clarification on TRH's policies and procedures.² The Compliance Coordinators shall report to the CCO and shall have direct access to their respective Boards of Directors.

b. CCO Duties and Authority. The CCO, in collaboration with the Compliance Coordinators, will promote and protect the interests and mission of the TRH entities by implementing and overseeing this Plan; by facilitating compliance with federal, state and local laws and regulations; by managing the involvement of outside legal counsel on matters regarding decisions, contracts and transactions; by managing contract review and approval processes; and by promoting legal, ethical and compliant conduct throughout the TRH health system. To accomplish these duties, the CCO shall have the authority to review all documents and other information that are relevant to such compliance activities. The CCO shall have the authority to delegate investigation of compliance issues to the Compliance Coordinators and will work

² The Chief Financial Officer shall be prohibited from serving as the CCO or a Compliance Coordinator.

collaboratively with the Compliance Coordinators to develop policies and procedures to implement this Plan and to ensure uniformity of the application of this Plan for all the TRH entities and service locations. The specific duties of the CCO and the Compliance Coordinators are listed in their respective job descriptions.

5. Compliance Committee.

a. Purpose. An internal Compliance Committee (the “Committee”) shall be established for the purpose of advising and assisting the CCO with the implementation, administration and enforcement of the TRH enterprise-wide Compliance Plan. The Committee is designed to coordinate the Plan by creating a mechanism for regular communication among the TRH entities and departments regarding compliance matters. This routine communication will assist the CCO in evaluating the performance of the Plan including the systems in place to identify, evaluate and respond to identified risk areas and compliance concerns. The Committee shall recommend, develop and help to implement policies, procedures and controls that reflect preferred practices to address identified risk areas and mitigate identified compliance risks. The Committee shall also oversee internal and external audits and investigations for the purpose of identifying deficiencies and implementing corrective action and undertake such other functions as may be necessary to maintain an effective Compliance Plan.

b. Members. The Committee will be chaired and overseen by the CCO who will be a member of the Committee. The other members of the Committee will include the Compliance Coordinators and other executives and directors who are designated to serve on the Committee by the CCO.

c. Committee Meetings. The Committee shall meet upon the call of the CCO.

D. STANDARDS OF CONDUCT

TRH strives to ensure that all activity by or on behalf of TRH is in compliance with applicable laws and appropriate ethical standards of behavior. The following standards are intended to provide overall guidance to TRH Staff to assist them in their obligation to comply with applicable laws. These standards are neither exclusive nor complete. TRH Staff are required to comply with all applicable laws, whether or not specifically addressed in these standards. Written compliance policies identifying specific risk areas will be provided to all individuals who are affected by the particular policy at issue. TRH Staff members whose employment/engagement with TRH may impact TRH’s compliance with the following standards are expected to attend specific educational programs offered by TRH and to certify their intention to comply with the legal requirements and ethical standards of business behavior as required by this Compliance Plan. TRH Staff are expected to seek advice from the CCO or the Compliance Coordinators of the TRH entity in which such TRH Staff Member provides services when confronted with business decisions involving a risk of violations of these standards or the underlying laws.

1. Compliance with General Laws

All TRH Staff must comply with all applicable laws regulating the business practices of TRH and the delivery of health care services, including inpatient and outpatient hospital services,

physician services, long term care services, and rehabilitation services. These laws include, but are not limited to: quality of care; patients' and residents' rights; compliance with Medicare/Medicaid Conditions of Participation; laws affecting the regulation of the delivery of health care, including licensing and accreditation; laws affecting the creation and retention of records; antitrust and employment laws; and laws affecting tax-exempt corporations, including laws regarding excess benefit transactions.

2. Billing and Cost Reporting.

All TRH Staff must comply with applicable reimbursement policies and procedures for the submission of claims. The goal of the TRH Staff shall be to provide sufficient and timely documentation for all services provided. All services provided should be properly documented; all bills should accurately reflect the documented services provided; and only accurate and properly documented services should be billed. Any late entries or marginal notes in the medical record should be noted and explained. Bills should be submitted only when appropriate documentation has been maintained and is available for audit and review. Diagnosis and procedure codes reported on the reimbursement claim should be based on the medical record and other documentation as well as comply with all applicable official coding rules and guidelines.

It is fundamental that no TRH Staff Member intentionally falsify a claim. Negligently prepared bills cause significant administrative problems as well as tarnish TRH's reputation for professionalism. Billing errors, as well as billing improprieties of any kind, may expose TRH to civil or criminal liability. Medicare, Medicaid and other payers may only be billed for medically necessary services that are properly documented. All financial information will be recorded in accordance with generally accepted accounting principles and established finance procedures and internal controls.

3. Workplace Conduct/Employment Practices

a. Employment Laws.

TRH is committed to compliance with federal and state laws governing non-discrimination. No member of TRH Staff shall discriminate against any employee or other person because of sex, age, race, color, creed, national origin, handicap or any other class protected by law. All TRH staff must comply with applicable labor and related laws which regulate employment, including wage and hour requirements, employment laws, state and federal civil rights laws, including laws protecting employees and independent contractors from sexual harassment, workplace violence, as well as laws protecting employees from arbitrary termination of employment.

b. Contracting with Ineligible Persons.

TRH will not employ, or contract for services on its behalf, an individual or entity whom it knows or reasonably should know has been convicted of a criminal offense or other adverse proceeding related to a government program or the delivery of health care (e.g., suspension or revocation of license or certification), or listed by a federal agency as debarred, excluded, sanctioned or otherwise ineligible for participation in a governmental program. TRH will make reasonable inquiry into the status of every TRH Staff member, and will perform a monthly

review of the status of all TRH Staff members, including a check of the OIG's List of Excluded Individuals and Entities, the General Services Administration's List of Parties Debarred from Federal Programs and the Pennsylvania Medichex List maintained by the Pennsylvania Department of Public Welfare. TRH Staff are required to immediately notify TRH if any of these actions are taken against them. In addition, TRH Staff are required to immediately notify TRH of their involvement in: (a) any criminal offenses occurring on TRH business premises or where TRH provides services;³ and (b) offenses that would adversely affect an employee's ability to perform his/her assigned duties (e.g., the compromising of a health care provider's professional license or controlled substance or substance abuse violations that call into question the employee's ability to perform his/her tasks). Pending resolution of any criminal charges or proposed exclusion/debarment, TRH Staff will be removed from direct responsibility for or involvement in any federal health care program. Any TRH Staff member who is debarred or excluded under Medicare, Medicaid, or other governmental health care programs will be terminated. Failure of TRH Staff members to comply with the standards set forth in this Plan will constitute grounds for termination of such relationships.

4. Conflict of Interest.

TRH relies on its TRH Staff to exercise their responsibilities in the best interests of TRH, the provider entity where they work, and the patients TRH serves. Each should avoid any conflict of interest. Although it is impractical to attempt to define every situation that might create a conflict of interest, generally speaking, a conflict exists when an individual's personal interests or activities may influence his/her judgment in the performance of his/her duty to TRH and our patients. Because it is not possible to list all situations or relationships which might create conflicts of interest problems and because each situation must be evaluated on the facts, TRH Staff members should disclose promptly any circumstances which might constitute a violation of these guidelines in accordance with TRH's Conflict of Interest Policy.

5. Record Retention.

TRH strives for the development and implementation of a records system that ensures complete and accurate medical record documentation, taking into consideration privacy concerns and regulatory requirements. TRH should secure all records in a safe place, maintain hard copies of all electronic or database documentation; limit access to such documentation to avoid accidental or intentional fabrication or destruction of records; and conform document retention and destruction policies to applicable laws. All TRH Staff are expected to comply with TRH's Policy for Retention/Disposition and Maintenance of Records.

6. Kick-Backs, Inducements and Self-Referrals.

All TRH Staff must comply with applicable laws affecting the qualification of TRH's participation in the Medicare/Medicaid programs. Both federal and state laws specifically prohibit any form of kickback, bribe or rebate made directly or indirectly, overtly or covertly, in cash or in kind to induce the purchase, recommendation to purchase or referral of any kind of health care goods, services or items paid for by Medicare or the Medicaid Program. The term

³ Additionally, offenses that may adversely impact TRH's business or reputation will be reportable whether they occur on or off TRH business premises or where TRH provides services.

“kickback,” as defined in these statutes, means the giving of remuneration, which is interpreted under the law as anything of value. Under the federal law, the offense is classified as a felony and is punishable by fines and imprisonment for up to five years. Federal and state “anti-referral” laws impose substantial penalties relative to billing for services referred by physicians or other health care practitioners who have a contractual or business relationship with a provider. TRH Staff should be familiar with these statutes and assure that all of their activities are conducted in such a manner that no question may arise as to whether any of these laws have been violated.

To list everything that may constitute an improper inducement under the anti-kickback laws would not be possible. TRH, however, must scrupulously avoid being either the offeror or the recipient of an improper inducement. Care must be taken in structuring relationships with persons not employed by TRH so as not to create a situation where TRH appears to be offering an improper inducement to those who may be in a position to refer or influence the referral of patients to TRH. As a provider of health care services, TRH also should not receive any improper inducement from its vendors to influence it in making decisions regarding the use of particular products or the referral or recommendation of patients to the other providers of goods and services paid for by Medicare or Medicaid. Questions about potential violations of the Anti-Kickback Statute should be directed to the CCO or a Compliance Coordinator. All contracts with vendors, suppliers and third party payors offering discounts shall be reviewed by the CCO, CEO or independent legal counsel, when appropriate. Following normal billing department procedures, efforts will be made to collect client deductibles and co-payments and they may not be waived until after these efforts have been exhausted and only with authorization from the CEO/CFO.

Rentals of space and equipment to or from potential referral sources must be for fair-market value as determined by an independent third party appraisal without taking into account the value or volume of referrals.

Agreements for professional, management and consulting services must be in writing and payment must be set in advance. Any arrangements that base payment for services upon a percentage of revenue must be reviewed by legal counsel.

TRH shall establish written policies for all employees of TRH (including management), and for any contractor or agent involved in the preparation and filing of public health program claims on behalf of TRH, that provide detailed information about the False Claims Act, any state laws pertaining to civil or criminal penalties for false claims and statements and whistleblower protections under such laws, with respect to the role of such laws in preventing and detecting fraud, waste, and abuse in federal health care programs.

7. Competition/Marketing

a. Antitrust and Unfair Competition

All TRH Staff must comply with applicable antitrust and related laws which regulate competition. Antitrust laws make illegal any agreement or understanding, express or implied, written or oral, which restricts competition or interferes with the ability of the free market system

to function properly. In the eyes of the law, good intentions, patient benefits or consumer benefits do not justify or excuse violations. TRH Staff should not have any discussions, conversations or other communications with known competitors about the division of either clients, geographic areas, services or the circumstances under which business will be conducted with suppliers, insurance companies, clients, or customers (including boycotts).

b. Relationship With Potential Non-Patient Customers & Referral Sources

All contacts with vendors, nonpatient customers, and potential referral sources must be maintained as arms'-length business relationships, must comply with applicable statutes and regulations, and should avoid even the appearance of impropriety. TRH prohibits the TRH Staff from making any direct or indirect payments to nonpatient customers, potential referral sources, and supplier or contractor personnel. Indirect payments would include the use of any TRH property, services, or personnel, as well as expensive gifts or exorbitant entertainment.

TRH also prohibits the TRH Staff from entertaining nonpatient customers and potential referral sources, or being entertained by vendors, in any way that might be viewed as an attempt to influence referrals or purchases. Ordinary and simple hospitality that is within the bounds of good taste and in keeping with TRH policy and applicable law is always appropriate. However, because government officials are subject to more restrictive rules, TRH Staff should obtain approval before entertaining or giving gifts to a government official (including providing transportation or meals at business meetings) or otherwise participating in related activities without first seeking guidance from the CCO, with advice from legal counsel as appropriate.

8. Tax-Exempt Status.

a. Generally. TRH and each of its subsidiaries are recognized by the Internal Revenue Service as charitable organizations under Section 501(c)(3) of the Internal Revenue Code ("Code"). Charitable organizations are prohibited from engaging in certain activities, namely private inurement and political campaigning. Engaging in such behaviors may result in the imposition of "intermediate sanctions" penalty taxes and the loss of tax-exempt status.

b. Private Inurement. No part of TRH's net earnings shall inure to the benefit of any private shareholder or individual. Violation of this principle may result in revocation of TRH's tax-exempt status or result in possible excise taxes, discussed in the following section.

c. Excess Benefit Transactions. Section 4958 of the Code imposes excise taxes on the parties involved in "excess benefit transactions" with tax-exempt organizations. "Excess benefit transactions" are transactions with disqualified persons, persons with control or influence over the organization, where the value given by the organization exceeds the fair market value of the goods or services received in return. More egregious excess benefit transactions, or a repeated pattern of such behavior, may result in revocation of TRH's tax-exempt status. Neither the private benefit nor excess benefit transaction rules prevent TRH from paying fair market value compensation to its employees or fair value for other goods and services, rather the rules seek to prevent insiders from taking advantage of their influence over TRH.

d. Legislative/Political Activities Restriction. Under Section 501(c)(3) of the Code, tax-exempt organizations can not substantially engage in influencing legislation (lobbying) or

participate at all in political campaigns (campaigning). If TRH engages in excessive lobbying or any political campaigning, TRH could be subject to excise taxes, under Sections 4912 and 4955 of the Code respectively, or even revocation of its Section 501(c)(3) status.

9. Confidentiality - HIPAA.

TRH and TRH Staff possess sensitive, protected health information about TRH patients and their care. TRH takes very seriously the privacy and security protections mandated by state and federal laws, namely the Health Insurance Portability and Accountability Act of 1996 and its implementing privacy and security regulations (“HIPAA”). All TRH Staff are to comply with TRH’s confidentiality policies and procedures including any HIPAA compliance plans currently in effect.

E. TRAINING AND EDUCATION

1. Current TRH Staff.

Current TRH Staff will receive general compliance training and education regarding TRH’s Compliance Plan within six (6) months of the adoption of the Plan. Such general training and education will include:

- Dissemination of the Plan to such TRH Staff for their personal use and reference;
- The purpose, scope, and importance of adherence to the Compliance Plan;
- The content and application of the Plan and the internal reporting and investigation procedures;
- The disciplinary consequences of failing to adhere to Plan requirements;
- The standards and procedures relevant to the trainees’ duties;
- Training and ethics and relevant fraud and abuse laws; and
- Each individual’s duty to report misconduct and to adhere to the Plan.

Anyone whose activities may affect the accuracy of claims for reimbursement (e.g., individuals who are involved in billing or individuals who furnish medical services to TRH patients) will receive targeted training regarding:

- Government and private payer reimbursement principles;
- Claim development and submission processes;
- Applicable documentation guidelines; and
- Additional topics relating to TRH operations that could put TRH at risk of noncompliance with governmental health care program requirements.

Upon completion of the initial training and education session regarding the Plan, each employee of TRH will either (1) sign a certification, in the form attached hereto at Exhibit A acknowledging that they have received, read and understand the Plan, have attended a training and education session regarding the Plan, understand that compliance with the Plan is a condition of employment/engagement, adherence to which is a factor in the individual's ongoing evaluation, and understand that TRH will take appropriate disciplinary action including termination for violation of the principles and practices set forth in the Plan, or applicable laws and appropriate ethical standards of behavior; or (2) include covenants in their agreement with TRH to this effect. Certifications will be forwarded to the CCO and will be retained by TRH for six years.

2. New TRH Physicians and Employees

Within thirty (30) days of hiring a new physician or staff employee, each will receive a copy of the Plan and receive general compliance education as well as department-specific training and education regarding the Plan, as described above. After discussing the plan with their immediate supervisor, the CCO or another designated individual, and upon completion of this initial training and education, each new employee will sign a certification as described above. Appropriate compliance training for temporary employees will be provided before they are assigned responsibilities.

3. Independent Contractors.

TRH will offer all persons and entities with which it has, may or will enter into a relationship whereby such person or entity is or will be an independent contractor of TRH (including members of TRH's medical staff and other credentialed practitioners), with general compliance education, including TRH's established standards for legal compliance and of the existence and content of the Plan, and will strongly encourage their attendance. TRH will at all times require that its independent contractors and other parties with whom it has a similar relationship comply with the Plan. Each independent contractor engaged by TRH will either (1) sign a certification, in the form attached hereto at Exhibit A acknowledging that they have received, read and understand the Plan, have been offered general education regarding the Plan, understand that compliance with the Plan is a condition of their engagement, and understand that TRH will take appropriate disciplinary action including termination for violation of the principles and practices set forth in the Plan, or applicable laws and appropriate ethical standards of behavior; or (2) include covenants in their agreement with TRH to this effect. Certifications will be forwarded to the CCO and will be retained by TRH for six years.

4. Continuing Training and Education.

Pursuant to a schedule prepared by the CCO, each TRH Staff member will participate in a continuing training and education session regarding the Plan as well as updated information regarding the Plan, and targeted training in specified risk areas. This continuing education will also be offered to TRH Staff that are independent contractors and contractors will be encouraged to attend. In addition, each TRH Staff member will sign a certificate attesting that they attended and understand the continuing training and education program and the additional information provided. Such additional training and education will focus upon issues raised or identified by

the TRH CCO during the previous year as well as recent results of audits, changes in laws, regulations, enforcement or interpretations thereto. Continuing education is a condition of continued employment and failure to comply with training requirements will result in disciplinary action, when such failure is serious. Adherence to the training requirements as well as other provisions of the Plan is a factor in the ongoing evaluation of each employee. The CCO shall retain adequate records of its training of TRH Staff members, including attendance logs and material distributed at training sessions.

5. Documentation.

All training and continuing education sessions will be documented by the person(s) conducting the training session. Documentation will include the topic and date of the session as well as the names of the persons attending. The records of persons attending will be forwarded to the CCO and retained for six years by TRH.

F. LINES OF COMMUNICATION

1. Mechanisms to Solicit Communications

A variety of means will be established throughout TRH to solicit communications from TRH Staff members and the public to encourage, without fear of retribution: 1) questions on TRH's policies and procedures, federal, state and local policies, statutes, regulations, and rules covered by the Compliance Plan; and (2) the reporting of actual or suspected violations of law or applicable TRH policies. To encourage communications, confidentiality and non-retaliation policies have been developed and distributed to all TRH Staff.

Reporting mechanisms will include:

- Making contact information of the CCO and the Compliance Coordinators available so that TRH Staff and the public may seek clarification and report suspected violations to the CCO or Compliance Coordinator in person, by email, or by telephone.
- Establishment of a Compliance Hotline administered by a third party. The Hotline may be used anonymously, although anonymity cannot be guaranteed. The identity of individuals who utilize the Hotline and disclose their identity (or whose identity is obvious) will be maintained with strict confidentiality.
- The establishment of an employee exit and post employment interview program through the human resources department with written reports made to the CCO raising possible compliance issues.
- Additionally, TRH Staff may seek clarification and report suspected violations to their supervisor in person, by email, or by telephone.

With regard to questions on policies and procedures, the CCO will work closely with legal counsel as necessary who can provide clarification and interpretation of, but not limited to federal and state health care regulations. When a TRH Staff member obtains advice or

clarification about the meaning of a law, regulation, Medicare manual provision, or other rule from anyone outside TRH, the advice must be documented and approved before being implemented, to ensure that it is reliable and consistent with this Plan. Such advice or clarification will be documented and presented to the Compliance Committee in order that it may be disseminated as appropriate. This requirement applies to any advice, opinions, or clarification from any government agency, insurance carrier, intermediary, or consultant concerning interpretations of statutes, regulations, Medicare manual provisions, or any other directive affecting:

- Documentation, billing procedures, coding, or other activities related to billing and claims for Medicare, Medicaid, or other third-party payer, or
- Coverage determinations, guidance, or other directives about items and services that may be reimbursable under Medicare, Medicaid, or other third party payer.

This requirement does not apply to communication between a billing office and insurance carriers or payers as needed for the routine processing of claims, provided the procedures comply with this Plan.

All questions and responses reported through the Hotline or other communications will be dated and documented and, if appropriate, shared with other TRH Staff so that standards, policies and procedures can be updated to reflect changes and clarifications. In some cases, the CCO may determine that it is appropriate to share the results of a particular inquiry with some or all TRH Staff members in order to educate them on such issues and to assure consistency within TRH.

2. Duty to Report Suspicious Activity and Protection of TRH Staff

Each TRH Staff member has an individual responsibility to report any activity that a reasonable person would, in good faith, believe to violate applicable laws, regulations, TRH's policies, or this Plan. Failure to report such activity will itself constitute a violation of this Plan and subject the individual to disciplinary action.

No TRH Staff Member will be disciplined solely on the basis that he/she reported what he/she reasonably believed to be misconduct or a violation of this Plan. However, if TRH learns that an employee knowingly fabricated, distorted, exaggerated, or minimized a report of misconduct, either to injure someone else or to protect himself/herself, the individual will be subject to disciplinary action. Sometimes a TRH Staff member who makes a report may also admit to noncompliance on his/her part. Making a report, in itself, does not guarantee protection from disciplinary action. However, volunteering information about one's own errors, misconduct, or noncompliance will be taken into account, as long as the admission is complete and truthful, and was not already known to TRH (or about to be discovered).

G. AUDITING, MONITORING, ASSESSMENT OF THE COMPLIANCE PLAN, AND INTERNAL REPORTING OF COMPLIANCE ACTIVITIES

1. Auditing/Monitoring

a. Ongoing Auditing/Monitoring

TRH will develop an annual compliance audit workplan focusing on areas in which issues have been raised since the previous review, and areas that have been the focus of particular attention on the part of Highmark Medicare Services, and law enforcement, as evidenced by OIG Work Plan and Special Fraud Alerts, OIG audits and evaluations, OIG and CMS issued advisory opinions concerning the Anti-Kickback Statute, Civil Monetary Penalties Law, Stark and other updates related to applicable laws addressed in the Plan, and law enforcement's initiatives. In addition to its annual review, TRH may conduct periodic, more informal monitoring of identified risk areas, including patient charts and records through probe samples to determine if the medical records contain adequate documentation to support the claim and to help assure TRH's policies and standards of the Plan are being followed. The audits/monitoring will be conducted by the CCO and those who may be designated by the CCO including an individual with medical training and outside auditors as appropriate.

If problems are identified, a focused review will be conducted on a more frequent basis and additional information or training will be provided to TRH Staff, as appropriate. The CCO will also periodically review TRH's policies and procedures to ensure that they are current and complete, and will update the policies and procedures to reflect any changes.

A log of reviewed records will be kept and a record of such review activity will be submitted to the Audit and Compliance Committee and the full Board.

b. Exit Interviews

As a means of detecting potential violations of the Plan, and as part of the monitoring and audit process, all departing TRH employees must participate in an exit interview. The exit interview is TRH's final opportunity to determine whether the departing individual has knowledge of any wrongdoing, unethical behavior, or criminal conduct within TRH, or has information about unsafe or unsound business practices within TRH. The interview should be conducted while the individual is still on the payroll. It should be conducted by someone other than the departing individual's immediate supervisor – preferably the CCO, HR Director or outside counsel. The interview questions should be designed to determine whether the departing individual has violated any laws or requirements of the Plan and whether he/she is aware of violations committed by anyone else associated with TRH. The interviewer should prepare a written report of the exit interview, to be made a part of the individual's personnel file. If any responses indicate possible violations or information about violations, or if the interviewer is otherwise concerned about the individual's honesty, legal counsel should be notified immediately. An individual's refusal to conduct an exit interview (and the reasons for such refusal, if known) should be reflected in the individual's personnel file.

2. Annual Assessment of the Effectiveness of the Compliance Plan

An essential part of the Plan is the ongoing evaluation process to ensure that the Plan is followed and that it serves as an effective tool in addressing TRH's compliance with laws and detecting and preventing unlawful or unethical conduct by TRH Staff. The CCO shall periodically (at least annually) review whether the elements of this Plan and its compliance goals have been met (*e.g.*, whether there has been appropriate dissemination of the Plan's standards, training, ongoing educational programs and disciplinary actions). The CCO shall (a) perform his/her review on an objective basis, (b) have access to existing audit and health care resources, relevant personnel and all relevant areas of operation, and (c) specifically identify areas where corrective actions may be needed. The CCO, or his/her designee, will document this ongoing monitoring, including reports of suspected non-compliance, and share these assessments with the Audit and Compliance Committee and the full Board in accordance with the internal reporting obligations described below.

3. Internal Reporting of Compliance Activities

a. Reports to the Audit and Compliance Committee.

(1) The Audit and Compliance Committee of the Board of Directors of TRH will meet to discuss compliance issues on the call of the CCO as needed, but at least quarterly, at which time the CCO will report to the Audit and Compliance Committee on: (1) the status of TRH's compliance efforts, including any current investigations, (2) the status of compliance education and training, and (3) any specific compliance concerns.

(2) The CCO shall also report to the Audit and Compliance Committee of the TRH Board, as needed, issues with respect to regulatory and industry developments affecting TRH's risk areas as well as any compliance concerns that require a report to the government.

b. Reports to the full Board of Directors of TRH. On at least an annual basis, the CCO shall report to the full Board of Directors of TRH on the status of TRH's compliance efforts, including: (1) what TRH has done in the past with respect to the Plan; (2) what steps are planned for the future and why such steps are being taken; and (3) the results of the annual assessment of the effectiveness of the Plan.

H. RESPONSE TO POTENTIAL DEFICIENCIES - INVESTIGATING, ENFORCING AND REPORTING

1. Investigation Process

a. Reports of Potential Violations

All reports of potential violations, including reports made during exit interviews, will be taken seriously. The CCO will assure that the following steps are taken in response to each such report whenever possible:

1. A written record of the report will be made.

2. No promises will be made to the party making the disclosure regarding his/her liability or the steps TRH will take in response to the allegation.

3. The CCO's periodic reports to the Audit and Compliance Committee of the Board will include a report summarizing all allegations of violations of the Plan, including the results of investigations and any subsequent punishments or remedial actions taken.

4. All records related to reports of suspected violations will be preserved in accordance with TRH's document management program.

b. Investigating Allegations

The CCO and, depending on the nature of the alleged violation, outside counsel, auditors or health care experts, will endeavor to promptly investigate any alleged violation of the Plan or of any policy or procedure issued in accordance with the Plan to determine its veracity in an efficient and thorough manner. Personnel must cooperate fully with the CCO in any such investigation. The CCO, working with the Compliance Committee, the Audit and Compliance Committee, and, where appropriate, legal counsel, can then take appropriate steps to rectify the problem, including the implementation of a corrective action plan, a report to the government, and the submission of any overpayments, if applicable.

Where potential fraud is not involved, TRH will use normal repayment channels, as described in Section H.6 below, to return overpayments as they are discovered. The CCO will be aware, however, of overpayments that may reveal trends or patterns indicative of a systemic problem. In addition, the CCO will review the circumstances that formed the basis for the investigation to determine whether similar problems have been uncovered or modifications of the Plan are necessary to prevent and detect other inappropriate conduct or violations.

If an investigation of an alleged violation is undertaken and the CCO believes the integrity of the investigation may be at stake because of the presence of employees/independent contractors under investigation, those subjects will be removed from their current work activity until the investigation is completed (unless an internal or Government-led undercover operation is in effect). In addition, the CCO will take appropriate steps to secure or prevent the destruction of documents or other evidence relevant to the investigation.

2. Corrective Measures

If a compliance violation occurred due to honest error, whether detected by report or through standard audit procedures, the CCO, with the assistance of the Compliance Committee and possibly the Audit and Compliance Committee, will develop a plan of corrective action that addresses, as appropriate:

1. Immediate correction of any harm resulting from the violation;
2. Revisions to and/or development of systems to safeguard against future noncompliance of a similar nature;
3. Necessary training or retraining regarding related standards;

4. Monitoring systems and auditing tools to assure compliance going forward; and
5. Documentation of the corrective actions taken.

3. Documentation

The alleged violation, a description of the investigative process (including the objectivity of the investigators and methodologies utilized), copies of interview notes and key documents, a log of the witnesses interviewed and the documents reviewed, the results of the investigation (e.g. any disciplinary action taken) and the corrective action taken must be carefully documented at every step. A file will be opened for each report made regarding a possible violation of the Plan. The file will contain the date, a statement of the reported incident(s), a description of the internal investigation and the results thereof, including the response of the individual(s) involved, the conclusion reached and, as appropriate, the corrective measures implemented, the disciplinary measures imposed and any identified overpayments returned. Such information will be included in reports to the Audit and Compliance Committee and the full Board.

4. Enforcement of Disciplinary Standards.

Adherence to the Plan is a condition of employment/engagement by TRH. TRH Staff members who fail to comply with Plan requirements will be subject to disciplinary action based upon a variety of factors, including the individual's prior record, attitude, length of service, and gravity of the conduct. These factors may or may not be considered if the infraction warrants immediate termination. Disciplinary measures for violating TRH's policies and procedures include, without limitation, counseling, oral or written reprimand (informal or formal), warning, censure, demotion, probation or suspension without pay, salary reduction (temporary or permanent), denial of a salary increase, denial of a bonus or incentive compensation, termination and restitution. To the extent possible, disciplinary measures will be appropriately and consistently applied so that like offenders receive like punishment. Individuals who fail to detect or report violations of the Plan may also be subject to disciplinary measures. Any disciplinary measures taken will be determined by the CCO in conjunction with the VP of Human Resources or the CEO, as appropriate, in accordance with applicable laws, rules and regulations, and will be reported to the Audit and Compliance Committee.

5. Reporting Suspected Misconduct

If the CCO discovers credible evidence of misconduct and, after reasonable investigative inquiry, has reason to believe that the misconduct either (1) violates criminal laws or (2) constitutes a violation of civil or administrative law, then TRH should report the existence of the misconduct to the appropriate state and federal authorities within a reasonable time period, but no more than sixty (60) days after completing its internal investigation and determining that the conduct should be reported. When reporting to the Government, TRH will provide all evidence relevant to the alleged violation of applicable federal or state laws and potential cost impact. If continued investigation is suggested with guidance from governmental authorities, the CCO will notify the governmental authorities of the outcome of the investigation, including a description of the impact of the alleged violation on the operation of the applicable health care programs or their beneficiaries. If the investigation ultimately reveals that criminal, civil or

administrative violations have occurred, TRH will immediately notify appropriate federal and state authorities and will take appropriate corrective action, including prompt identification and restitution of any overpayment to the affected payor and the imposition of proper disciplinary action. If potential fraud is involved, TRH should return any overpayment during the course of its disclosure to the Government. Otherwise, TRH will use normal repayment channels, as described in Section H.6. below, for reimbursing identified overpayments.

The CCO will consult with outside counsel, as appropriate, in order to comply with this policy and determine what additional actions are required by law. The CCO, whenever practicable, will consult in advance with the CEO or the Audit and Compliance Committee, as appropriate, before reporting suspected violations of the law to third parties.

6. Reporting Billing Errors and Overpayments to Authorities

If an investigation or audit reveals that an overpayment has occurred, the overpayment must be reported and repaid to the appropriate governmental health care program within sixty (60) days of when the overpayment is “identified.” Once billing errors have been reported and payments returned (including any applicable deductibles and co-payments), no further reporting to enforcement authorities is required unless there is evidence of a pattern of overpayments that may be indicative of a systemic problem, or an attempt to conceal intentional wrongdoing.

EXHIBIT A

**CERTIFICATION OF COMPLIANCE WITH
THE READING HOSPITAL'S
COMPLIANCE PLAN**

I certify that I have received, read and understand The Reading Hospital's ("TRH") Compliance Plan ("Plan") and have been offered/attended general training and education regarding the Plan. I understand that compliance with the Plan is a condition of my employment/engagement, adherence to which is a factor in my ongoing evaluation, and understand that TRH will take appropriate disciplinary action including termination for violation of the principles and practices set forth in the Plan or applicable laws and appropriate ethical standards of behavior.

In addition, I certify my intention to act in complete compliance with the Plan, including reporting any observed misconduct or potential misconduct, and, where necessary, to seek advice from the Chief Compliance Officer or the Compliance Coordinator for the location where I work/provide services concerning appropriate actions that I may need to take in order to comply with the Plan.

I further certify that I am not under investigation or suspended or excluded from participating in the Medicare/Medicaid or other state and federal health care programs, and that I will inform TRH in writing if at any time in the future I come under investigation for alleged fraud and abuse or if I am suspended or excluded from participation in the Medicare/Medicaid Programs or other state or federal programs.

Print Name

Signature

Date