

**ASHLAND HOSPITAL CORPORATION D/B/A  
KING'S DAUGHTERS MEDICAL CENTER**

**Code of Conduct**

KDMC's Board of Directors has established this Code of Conduct as a statement of principles by which all Board members, directors, officers and employees of KDMC ("team members"), medical staff members and allied health practitioners of KDMC ("medical staff members"), as well as KDMC contractors, suppliers and vendors ("affiliates"), are expected to abide in carrying out their daily activities. To ensure that KDMC carries forth its charitable mission in an ethical and legal manner, the Board of Directors has adopted this Code of Conduct as a component of its Compliance Program. The Board of Directors is committed to both the standards set forth in the Code of Conduct and to KDMC's actions consistently reflecting these standards. Accordingly, the Board of Directors expects all team members, medical staff members and affiliates to adhere to both the spirit of the Code of Conduct as well as its specific provisions.

The Code of Conduct establishes general policies and procedures with which all team members, medical staff members and affiliates must comply as a condition of continuing their relationships with KDMC. The Code is drafted to ensure that team members, medical staff members and affiliates conduct themselves in accordance with applicable laws, rules and regulations and meet KDMC's ethical standards, as set out in its policies and procedures. These policies and procedures are not meant to cover all situations. Team members, medical staff members and affiliates are required to comply with all applicable laws regardless of whether they are specifically addressed in this Code of Conduct. Any doubts whatsoever as to the propriety of a particular matter, regardless of whether the matter is described within this Code of Conduct, should be submitted to, as applicable, the team member's supervisor, the affiliate's primary KDMC point of contact, or the Compliance Officer.

Every team member, medical staff member and affiliate is required to understand and comply fully with both the rules and approval procedures established by this Code of Conduct. Any conduct which violates the Code of Conduct constitutes an activity beyond the scope of the team member's or affiliate's legitimate relationship with KDMC. KDMC intends to enforce the provisions of this Code of Conduct in a consistent manner. Any team member, medical staff member or affiliate violating any provision of this Code of Conduct will be subject to disciplinary or corrective action, including, when appropriate, termination of the employment or relationship with KDMC.

**PRINCIPLE 1: COMPLIANCE WITH ALL LAWS AND REGULATIONS.**

**Each team member, medical staff member and affiliate of KDMC shall comply with applicable federal, state and local laws and regulations. Each team member, medical staff member and affiliate shall immediately report any suspected or known violations of KDMC's Code of Conduct, Compliance Program, or any applicable laws or regulations to, as applicable, his or her supervisor, his or her primary KDMC point of contact or the Compliance Officer.**

Each team member, medical staff member and affiliate is charged with knowing and complying

with applicable federal, state and local laws and regulations that affect his/her relationship with KDMC. Further, each team member, medical staff member and affiliate is responsible for complying with this Code of Conduct and all applicable Compliance Standards. Each team member, medical staff member and affiliate shall immediately report to, as applicable, his or her supervisor, his or her primary KDMC point of contact or the Compliance Officer any suspected or known violations of this Code of Conduct or the Compliance Program. The Code of Conduct, as well as the Compliance Program, represents KDMC's efforts not only to meet, but also to exceed, the requirements of law and industry practice in a manner consistent with its tradition of moral and ethical leadership.

## **PRINCIPLE 2: COMPLIANCE WITH ALL KDMC POLICIES AND PROCEDURES.**

**Each team member and medical staff member, and as appropriate, each affiliate, shall comply with KDMC's existing policies and procedures. Any discrepancies between existing policies and procedures and this Code of Conduct shall be resolved in favor of the Code of Conduct.**

All team members, medical staff members and affiliates working on the premises of KDMC must comply with all KDMC policies and procedures including, but not limited to, the policies contained in this Code of Conduct, specific Compliance Standards, including KDMC's Ethical Coding and Billing Standards, KDMC's Personnel Policies, Medical Staff and Administrative Policies, Administrative Policies, and Medical Record Department Policies. The Code of Conduct shall supplement existing operational policies and procedures. All team members, medical staff members or affiliates with drafting responsibilities with regard to any policies or procedures shall ensure that future drafts of such policies are consistent with the Compliance Program. To the extent that the Compliance Program and existing policies and procedures are inconsistent, such policies and procedures are expressly superseded by the terms of the Compliance Program. Likewise, affiliates are expected to comply with all applicable policies and procedures to the extent such policies and procedures affect the nature of their relationship with KDMC.

## **PRINCIPLE 3: NON-DISCRIMINATION.**

**Team members, medical staff members and affiliates are strictly prohibited from illegally discriminating on the grounds of race, religion, color, ethnic origin, sex, age, disability or source of payment in the admission and treatment of patients, the accommodations and services provided, the use of equipment and other facilities, and the assignment of personnel to provide services or items.**

KDMC believes that the fair and equitable treatment of team members, medical staff members and affiliates, patients and other persons is critical to fulfilling its mission. It is a policy of KDMC to treat patients without regard to the race, color, religion, sex, ethnic origin, age, disability or source of payment of such person, or any other classification prohibited by law. Furthermore, it is a policy of KDMC to recruit, hire, train, promote, assign, transfer, layoff, recall, credential, contract with, discipline and terminate team members, medical staff members

and affiliates based on individual ability, achievement, experience and conduct without regard to race, color, religion, sex, ethnic origin, age or disability, or any other classification prohibited by law.

No form of harassment or discrimination because of sex, race, color, disability, age, religion or ethnic origin or any other classification prohibited by law will be permitted. Each allegation of harassment or discrimination will be investigated promptly in accordance with this Code and applicable Personnel Policies. For more information, see KDMC's Employee Guidebook, Administrative Policies and Procedures and Human Resource Guidelines.

#### **PRINCIPLE 4: PATIENTS' RIGHTS STATEMENT.**

**Each team member, medical staff member and affiliate shall strive to provide considerate care that safeguards patients' personal dignity and respects their cultural, psychosocial and spiritual values.**

All patients are entitled to be treated in an ethical manner that assures personal dignity, autonomy, and personal involvement in their care and treatment. KDMC believes that understanding and safeguarding patient rights is an essential component of meeting patients' care needs and personal preferences. KDMC is committed to respecting the rights of every patient, including the rights to personal dignity, and access to health care services and treatment. These rights touch all areas of patient care, including the patient's participation in his/her care, advance directives, withholding resuscitative services, foregoing or withdrawing life-sustaining treatment, confidentiality, privacy, security, pastoral counseling, marketing, admission, consent to treatment, patient transfer and discharge, organ procurement and donation, research, billing, and, ultimately, the fulfillment of KDMC's charitable mission. Accordingly, policies and procedures affecting these areas have been drafted to assure that each patient is treated with dignity and respect. For further guidance, team members, medical staff members and affiliates should refer to KDMC's Administrative Policy on Patient Rights and Responsibilities.

#### **PRINCIPLE 5: CORPORATE HONESTY AND INTEGRITY.**

**KDMC's reputation for honesty and integrity is a valuable asset. Each team member, medical staff member and affiliate shall protect this asset by dealing honestly with KDMC, its patients, payers, customers, suppliers, and consultants in all matters.**

- 5.1. **Marketing and Advertising Activities.** In conducting its operations, KDMC may engage in marketing and advertising activities. In conducting marketing and advertising activities, team members, medical staff members and affiliates shall not distort the truth, make false claims or attack or disparage another provider.
- 5.2. **Anti-Competitive Behavior.** Antitrust laws are designed to encourage free and fair competition by preventing anti-competitive behavior by competitors and monopolistic practices by a single competitor. Failure to abide by the antitrust laws can result in significant financial and/or criminal liability for both individuals and organizations. By adopting this policy, KDMC seeks to sensitize team members, medical staff members and affiliates to potential antitrust issues that may arise in the course of their daily activities. As this is a highly complex area and this policy cannot cover all situations in which

antitrust laws may apply, team members, medical staff members and affiliates should take special care, and promptly refer any questions in this area to the Compliance Officer, who will consult legal counsel as necessary. Team members and medical staff members should be concerned with antitrust compliance whenever discussing KDMC's business with a competitor. For example, discussing with a competitor how KDMC's prices are set, disclosing terms of supplier relationships, allocating markets among competitors, or agreeing with a competitor to refuse to deal with a supplier could potentially violate the antitrust laws. Team members, medical staff members and affiliates should also avoid discussing any aspect of pricing, KDMC's services offered within a particular market, key costs such as labor costs, and marketing plans with competitors or suppliers. In general, such sensitive topics should only be discussed after advice is sought from the Compliance Officer.

- 5.3. **Anti-Kickback Issues.** Federal and state laws prohibit KDMC from offering or providing any payment to any entity or person to induce a customer or potential customer to purchase services from or to refer a patient to KDMC. Moreover, the laws prohibit soliciting or accepting such payments. As this is a highly complex area of the law, this policy cannot list all situations in which anti-kickback laws may apply. Therefore, team members, medical staff members and affiliates must take special care in this area, and promptly refer any questions to the Compliance Officer, who may refer the question to legal counsel, if appropriate.

Team members, medical staff members and affiliates should be aware that the following types of activities could violate the federal Medicare/Medicaid anti-kickback statute or similar state laws:

- 5.3.1. Offering or paying anything of value to induce someone to refer a patient to KDMC;
- 5.3.2. Soliciting or receiving anything of value for the referral of KDMC's patients to others;
- 5.3.3. Paying more than fair market value for goods or services purchased from a potential referral source;
- 5.3.4. Providing goods or services to a potential referral source for less than fair market value;
- 5.3.5. Waiving co-payments and deductibles without establishing the patient's indigence or making reasonable efforts to collect the bill;
- 5.3.6. Offering certain investment opportunities or discounts to persons or entities in a position to make referrals to KDMC;
- 5.3.7. Receiving kickbacks from vendors; and
- 5.3.8. Joint venture arrangements with potential referral sources.

Before any team member enters a financial arrangement with a potential referral source, the proposed financial arrangement must be reduced to writing and reviewed by the Legal Department for compliance with the law.

- 5.4. **Physician Self-Referral Issues.** Federal and state laws prohibit physicians from referring Medicare or Medicaid patients to hospitals or other entities with which the physicians (or their immediate family members) have financial relationships, unless certain specific conditions are satisfied. Unless these conditions are satisfied, hospitals may not submit, and Medicare and Medicaid may not pay, claims for health services provided to patients referred by such physicians. This is true even if the financial

relationship between the physician and the hospital is the unintended result of inadvertence or error. Importantly, a financial relationship can be almost any kind of direct or indirect ownership or investment relationship (e.g., stock ownership, a partnership interest, or secured debt) or direct or indirect compensation arrangement, whether in cash or in-kind (e.g., a rental contract, personal services contract, salary, gift, or gratuity), between a referring physician (or immediate family member) and a hospital. This is a highly complex area of the law. Therefore, before any team member or medical staff member acting on behalf of KDMC enters into a financial arrangement with a potential physician referral source or a member of his or her immediate family (including the giving of gifts or gratuities to such physicians, no matter how *de minimis*), the team member or medical staff member should contact the Compliance Officer for further guidance.

KDMC shall have a process for making and documenting reasonable, consistent and objective determinations of fair market value and for assuring that the items and/or services are actually provided. In addition, KDMC shall monitor and compare the total monetary compensation provided annually to each referring physician against fair market value. KDMC shall document the compliance review of any fair market value determinations.

5.5. **Charging of Costs/Time Card Reporting.** Team members and medical staff members who submit time sheets must be careful to do so in a complete, accurate and timely manner. Team members and medical staff members must be particularly careful to ensure that hours worked and costs incurred are applied to the account for which the effort was expended. Certain independent contractors, e.g., medical directors, will also be required to allocate the number of hours that they spend on administrative services, which KDMC may submit on its cost reports. Such contractors should make such reports in a complete, accurate and timely manner.

5.6. **False Claims and Statements.** Team members, medical staff members and affiliates shall not make, or cause to be made any false, fraudulent or misleading statement or representation of material fact in any claim application, or report under any health care program or health benefit plan.

Examples of prohibited conduct include, but are not limited to, misrepresenting services which were rendered, falsely certifying that services were medically necessary, “up-coding,” “unbundling,” double billing, billing for non-covered services, billing for services or items not actually rendered, making false statements to governmental agencies about KDMC’s compliance with any state or federal statutes or regulations, making false statements concerning the condition or operation of KDMC’s services or departments for which certification is required, charging rates in excess of applicable federal health programs established rates, repeatedly violating the terms of any applicable federal participation agreements, and failing to refund overpayments made by a federal health care program. “Upcoding” refers to utilizing a code to bill for a higher level of service or procedure, causing an increase in the reimbursement rate, when the medical record reflects that a lower level of service or procedure was actually provided to the patient. “Unbundling” refers to billing separately for each component of a group of procedures that are commonly used together and for which Medicare and/or Medicaid provide a special “bundled” reimbursement rate. These are but a few of the risks in coding and billing for healthcare providers. For additional information about KDMC’s expectations

- regarding ethical and legal coding and billing practices, see KDMC's Compliance Standard titled "Ethical Coding and Billing Standards".
- 5.7. **Billing and Reimbursement.** KDMC is committed to ensuring that its charging, coding, billing and reimbursement practices comply with all federal and state laws, regulations, guidelines and policies and that all claims for payment are accurate and reflect current payment methodologies. KDMC is committed further to ensuring that all patients and customers receive timely bills and that all questions regarding billing are answered. KDMC has adopted specific Compliance Standards for ethical coding and billing, titled "Ethical Coding and Billing Standards", to assist team members, medical staff members and affiliates with coding and billing responsibilities. KDMC's Ethical Coding and Billing Standards include guidance on the provision and documentation of clinical services, and in complying with applicable laws, regulations and standards.
  - 5.8. **Emergency Care.** KDMC is obligated to provide appropriate medical screening and stabilizing treatment to all individuals who present to the emergency department potentially in need of emergency medical treatment. Team members and medical staff members may not delay appropriate treatment or the provision of an appropriate medical screening in order to inquire about the individual's method of payment or insurance coverage. Individuals may only be transferred from KDMC to another facility in limited circumstances after the individual has been stabilized. All transfers require the authorization of a physician. All emergency room personnel, including on-call physicians, are expected to comply with the Emergency Medical Treatment and Active Labor Act (42 U.S.C. § 1395dd) and corresponding regulations (42.C.F.R. § 489.24).
  - 5.9. **Advance Directives and Right to Die.** Pursuant to the Patient Self-Determination Act, KDMC has adopted policies and procedures to inform all patients about their rights under federal and state laws to make health care decisions, including the right to accept or refuse treatment and the right to execute advance directives. All team members, medical staff members and affiliates shall comply with KDMC's policies and procedures on advance directives as set forth in the Medical Staff and Administrative Policy on Advance Directives. Further, all Medicare and Medicaid patients shall receive written information about KDMC's policy on advance directives upon admission as an inpatient. No employee shall discriminate against a patient based on whether he/she has executed an advance directive.
  - 5.10. **Contract Negotiation.** KDMC has an affirmative duty to disclose current, accurate and complete cost and pricing data where such data are required under appropriate federal or state law. Team members, or medical staff member acting on KDMC's behalf, involved in the pricing of contract proposals or the negotiation of a contract must ensure the accuracy and completeness of all data generated and given to supervisors and other team members and all representations made to customers and suppliers, both government and commercial. The submission of a representation, quotation, statement or certification that is false, incomplete or misleading can result in civil and/or criminal liability for KDMC, the involved employee and any supervisors who condone or fail to report such a practice to the Compliance Officer.

**PRINCIPLE 6: USING KDMC'S RESOURCES PROPERLY.**

**Team members, medical staff members and affiliates shall strive to preserve and protect KDMC's assets by making prudent and effective use of KDMC's resources and properly and accurately reporting its financial condition.**

- 6.1. **Making Political Contributions.** Team members, medical staff members and affiliates may not contribute or donate KDMC's funds, products, services or other resources to any political cause, organization, candidate or party without the advance approval of the Compliance Officer. No team member, medical staff member or affiliate shall engage in lobbying activities on behalf of, or use the resources of KDMC, including appeals to the public in support of, or opposition to, proposed legislation, without the prior advance written approval of the Compliance Officer. The Compliance Officer shall seek the advice of legal counsel as appropriate before giving such approval. This principle does not prohibit team members, medical staff members and affiliates from making voluntary personal contributions to any lawful political causes, parties or candidates on their individual behalf and from their own personal resources. For further guidance, refer to KDMC's Human Resource Guidelines (accessible on KDMC's intranet or available from the Human Resource Department).
- 6.2. **Providing Business Courtesies to Customers or Sources of Customers.** As a general rule, business courtesies such as entertainment, meals, transportation or lodging should not be provided to customers, referral sources or purchasers of KDMC's services. Team members and medical staff members should not offer any type of business courtesy to a referral source or a purchaser for the purpose of obtaining favorable treatment or an advantage. To avoid the appearance of impropriety, team members and medical staff members must not provide, except as set forth below, any referral source or purchaser with gifts or promotional items of more than nominal value. In the case of physician referral sources, employees must not provide any gifts or promotional items without first obtaining the approval of the Compliance Officer. Where Federal and state law allows, team members can use KDMC's funds to pay for reasonable meals, refreshments and/or entertainment expenses for non-physician referral sources and purchasers of KDMC's services which are incurred only occasionally, are not requested or solicited by the recipient, and are not intended to or likely to affect the recipient's business decisions with respect to KDMC. KDMC may provide meals and refreshments, up to a maximum value of \$25.00 per day, at on-site locations that are for the convenience of physicians who are treating patients or performing services on behalf of KDMC at such locations. In any event, the maximum aggregate value of any KDMC sponsored CME, meals, refreshments, gifts and any other incidental benefits from KDMC to physician referral sources shall not exceed \$300 per year per physician. This \$300 limit may not be aggregated to a group of physicians. For example, spending \$900 on a single gift to give to a physician practice with three physicians in it would be prohibited under this rule.
- 6.3. **Grants and Charitable Contributions.** All team members, medical staff members and affiliates are expected to use grants and contributions solely for the purposes for which such funds were provided. In addition, all grants and contributions shall comply with applicable provisions of the KDMC's policy on Abuses of Trust set forth below.
  - 6.3.1. **Educational Activities Grants.** Medical Directors or those medical staff members otherwise in a position to represent KDMC shall not accept any

educational activities grants that create a conflict with the “Gifts to Physicians from Industry Guidelines” adopted by the American Medical Association’s Council on Ethical and Judicial Affairs and the Pharmaceutical Manufacturers Association (now Pharmaceutical Manufacturers and Research Association) in December 1990 and as amended by clarifying addendums in December 2000 and June 2002. Affected team members, medical staff members and affiliates may obtain a copy of these Guidelines from the Compliance Officer.

6.3.2. **Research Grants.** KDMC shall ensure that any funds provided to support health care research or consulting agreements are provided for bona fide purposes and put to an appropriate use. All research grants received by KDMC from any third party who also is a vendor or supplier of goods and services to health care providers must be approved by a corporate officer and must be for legitimate, bona fide research.

6.3.3. **Charitable Contributions.** All charitable contributions received from vendors or suppliers must further KDMC’s charitable mission. Under no circumstances may a check be made payable to an individual at KDMC. The acceptance of any donations that are in conjunction with a marketing effort or sales promotion must be approved by the Compliance Officer.

6.4. **Government Customers.** KDMC, on a regular basis, is a party to numerous government contracts or subcontracts with various governmental agencies. For example, KDMC supplies services to or on behalf of the Medicare and Medicaid programs, either directly or as a subcontractor to a Medicare contractor by way of its provider contracts. It is essential that all team members, medical staff members and affiliates are knowledgeable of, and comply with, all applicable laws, rules and regulations of all such governmental agencies. All team members, medical staff members and affiliates involved in documentation, coding, billing or reimbursement of services for recipients of any federal health care program also must comply with KDMC’s Ethical Coding and Billing Standards. Any team members, medical staff members or affiliates with concerns or questions concerning compliance with any governmental contract or subcontract should contact, as applicable, their supervisor, their KDMC point of contact or the Compliance Officer.

All team members, medical staff members and affiliates who come into contact with government officials and accrediting bodies’ representatives must maintain the highest professional standings. Never offer anything of value to such officials to obtain a particular result for KDMC. Further, team members, medical staff members and affiliates may not provide or pay for any meal, refreshment, entertainment, travel or lodging expenses for government employees without the prior approval of the Compliance Officer. State, local and foreign governmental bodies may have additional restrictions on the provision of business courtesies, including meals and refreshments. Team members, medical staff members and affiliates doing business on behalf of KDMC with such governmental bodies are expected to know and comply with all such restrictions.

6.5. **Accurate Books and Accounts.** All of KDMC’s payments and other transactions must be properly authorized by management and be accurately recorded on KDMC’s books and records in accordance with generally accepted accounting principles and established corporate accounting policies. No false, incomplete or unrecorded corporate accounting

entries shall be made intentionally. No undisclosed or unrecorded corporate funds shall be established for any purpose, nor shall KDMC's funds be placed in any personal or non-corporate account. No circumstances justify the maintenance of "off-the-book" accounts to facilitate any payments or other funding. KDMC shall conduct, on at least an annual basis, a certified audit of its books and records.

- 6.6. **Safeguarding Charitable Assets.** As a tax-exempt, nonprofit entity, KDMC has a legal and ethical obligation to act in compliance with applicable laws, to engage in activities in furtherance of its charitable purpose, and to ensure that its resources are used in a manner that furthers the public good rather than the private or personal interests of any individual. Accordingly, KDMC and its team members will avoid compensation arrangements in excess of fair market value, will accurately report payments to appropriate taxing authorities, and will file all required tax and informational returns in a manner consistent with applicable laws.

## **PRINCIPLE 7: AVOIDING ABUSES OF TRUST.**

**Each team member, medical staff member and affiliate should avoid engaging in activities that might interfere with the independent exercise of their judgment such that the individual's personal interests might detract from or conflict with KDMC's interests. Team members of KDMC owe a duty of loyalty to KDMC. Persons holding such positions may not use their positions to profit personally or to assist others in profiting in any way at the expense of KDMC.**

- 7.1. **Conflicts of Interest.** Each team member owes a duty of loyalty to KDMC. For that reason, team members must exercise care any time their personal interests may potentially conflict with those of KDMC. All team members shall comply with the Administrative Policy on Conflict of Interest and Confidentiality. Team members shall make an affirmative and timely disclosure of any potential conflict of interest to their immediate supervisors and to the Compliance Officer through the submission of a "Potential Conflict of Interest Disclosure" form.

Any team member or medical staff member who regularly influences or directly makes decisions involving the expenditure of KDMC funds shall annually disclose any financial interests and potential financial interests with any entity or organization that has entered, or is contemplating entering into a transaction or arrangement with KDMC pursuant to KDMC's Administrative Policy on Conflicts of Interest. Such persons shall also annually execute KDMC's Non-Conflict of Interest Agreement.

Indirect arrangements, *i.e.*, arrangements through entities or immediate family members, that would, if engaged in directly by a team member, conflict with these rules, should generally be disclosed to the Compliance Officer, who may evaluate the potential conflict at his or her discretion.

- 7.2. **Acceptance of Business Courtesies from Existing or Potential Vendors.** Team members, medical staff members and affiliates acting on behalf of KDMC shall not solicit or accept business courtesies from any person or entity doing business with or seeking to do business with KDMC except as provided below. KDMC's team members and medical staff members as well as affiliates acting on behalf of KDMC may accept but may not solicit meals, refreshments or entertainment from such sources if such

courtesies are unsolicited, infrequently provided, and reasonable in amount. No such courtesies shall be in the form of cash. A courtesy offered to a team member that has a value in excess of fifty dollars (\$50) shall be approved by the Compliance Officer prior to acceptance. In no event, should a business courtesy alter or affect the business judgment of the recipient. Should any person or entity doing business or seeking to do business with KDMC offer a business courtesy expressly or implicitly in exchange for favorable treatment, the team member or medical staff member receiving such offer shall immediately report it to the Compliance Officer.

7.3. **Acceptance of Gifts from Patients.** Team members, medical staff members and affiliates are prohibited from soliciting tips, personal gratuities or gifts from patients or members of patients' families and from accepting monetary tips or gratuities. Team members, medical staff members and affiliates may accept non-monetary gratuities and gifts of a nominal value (*i.e.*, a value of less than \$100) from patients and members of patients' families.

7.4. **Safeguarding KDMC's Proprietary Information.** It is KDMC's policy to control the dissemination of KDMC's proprietary information closely. Except as specifically authorized by management pursuant to established policy and procedure or mandated by law, team members, medical staff members and affiliates should not, either during or after employment or other association, disclose to any outside party any patient information or non-public strategic business, financial, personnel (including employee medical records), commercial or technological information, plans or data acquired during employment at, or in the course of association with, KDMC. Team members, medical staff members and affiliates should disseminate these types of information only to individuals having a "need to know" and should protect these types of information from access by unauthorized personnel. Team members, medical staff members and affiliates may not copy, take or retain any documents containing KDMC's proprietary information for any purpose other than the information's intended purpose. The prohibition against disclosing KDMC's restricted information extends beyond the period of employment or other association as long as the information is not in the public domain. An individual's agreement to continue to protect the confidentiality of such information after the term of employment or other association ends is considered an important part of that person's obligations to KDMC.

For purposes of this policy, salary, benefit and other personal information relating to team members and medical staff members shall be treated as confidential. Personnel files (including team member and medical staff member medical records), payroll information, disciplinary matters and similar information shall be maintained in a manner designed to ensure confidentiality in accordance with applicable laws. Team members, medical staff members and affiliates will exercise due care to prevent the release or sharing of information beyond those persons who may need such information to fulfill their job functions.

7.5. **Misappropriation of Another's Proprietary Information.** Team members, medical staff members and affiliates shall not misappropriate confidential or proprietary information belonging to another person or entity or utilize any publication, document, computer program, information or product in violation of a third party's interest in such product. All team members, medical staff members and affiliates are responsible to ensure they do not improperly copy for their own use documents or computer programs

in violation of applicable copyright laws or licensing agreements. Team members, medical staff members and affiliates shall not utilize confidential business information obtained from competitors, including customer lists, price lists, contracts or other information in violation of a covenant not to compete, prior employment agreements, or in any other manner likely to provide an unfair competitive advantage to KDMC.

7.6. **Confidential Patient Information.** Team members, medical staff members and affiliates must strictly safeguard all confidential information with which they are entrusted and must never discuss such information outside the normal and necessary course of KDMC's business. In particular, team members, medical staff members and affiliates must protect the confidentiality of all patient records and the information contained in such records and otherwise abide by any Compliance Standards related to the Health Insurance Portability and Accountability Act ("HIPAA"). In addition, team members, medical staff members and affiliates have an obligation to respect and protect the confidential nature of records regarding drug abuse, alcoholism or alcohol abuse or other personal information of other team members, medical staff members and affiliates. If questions arise regarding an obligation to maintain the confidentiality of information or the appropriateness of releasing information, guidance should be sought from either the employee's immediate supervisor, Privacy Officer or the Compliance Officer. For further guidance, team members, medical staff members and affiliates should refer to KDMC's Administrative Policy on the Release of Medical Information as well as KDMC's Privacy Manual.

7.7. **Refraining from Substance Abuse.** Drug and alcohol abuse have no place in KDMC. KDMC has zero tolerance for these abuses and intends to maintain a safe environment for its team members, medical staff member, affiliates, patients and their families. Accordingly, the use, sale, trafficking, distribution, purchase, transfer, theft or possession of any drug or the unauthorized use of alcohol on KDMC's premises is strictly prohibited. This policy shall not apply to any over-the-counter medication or prescription drugs that have been legally obtained by the individual using or possessing the drug and are being used for the purposes for which the drug was prescribed or manufactured. This provision shall be interpreted consistently with KDMC's Substance Abuse Policy as set forth in its Employee Guidebook.

7.8. **Electronic Media.** All KDMC's communications systems, including but not limited to electronic mail, intranet, Internet access, or voice mail, are the property of KDMC and are to be used for business purposes. Highly limited reasonable personal use of KDMC's communications systems is permitted; however, team members, medical staff members and affiliates should assume that these communications are not private. Patient or confidential information should not be sent through the intranet or the Internet until such time that its confidentiality can be assured.

KDMC reserves the right to periodically access, monitor and disclose the contents of e-mail and voice mail messages. Access and disclosure of individual employee messages may only be done with the approval of the Compliance Officer.

Team members, medical staff members and affiliates may not use internal communication channels or access to the Internet at KDMC to post, store, transmit, download or distribute threatening, or knowingly, recklessly, or maliciously false, or obscene materials, or anything constituting or encouraging a criminal offense, giving rise to civil liability, or otherwise violating any laws. Additionally, these channels of

communication may not be used to send chain letters, personal broadcast messages, or copyrighted documents that are not authorized for reproduction; nor are they to be used for conducting a job search or to open misaddressed e-mail. For further guidance, team members and medical staff members should refer to KDMC's Administrative Policies on Internet and Email Access Policy and Email Policy.

**PRINCIPLE 8: ENVIRONMENTAL COMPLIANCE.**

**Team members, medical staff members and affiliates shall manage and operate KDMC-related business in a manner which respects the environment and conserves natural resources to the extent possible. Further, it is KDMC policy to comply with all applicable environmental laws and regulations that relate to KDMC's operations.**

All team members, medical staff members and affiliates are expected to comply with all environmental laws and regulations and operate KDMC's facilities with the necessary permits, approvals and controls. Such compliance includes diligently employing the proper procedures with respect to handling and disposal of hazardous and biohazardous waste, including but not limited to medical waste. Team members, medical staff members and affiliates shall adhere to all requirements for the proper handling of hazardous and biohazardous materials and shall immediately alert their supervisor, their KDMC point of contact or the Corporate Compliance Officer to any situation regarding the discharge of a hazardous substance, improper disposal of medical waste, or any situation which may be potentially damaging to the environment.

**PRINCIPLE 9: HANDLING GOVERNMENT INQUIRIES, LITIGATION AND OTHER LEGAL MATTERS.**

**The Compliance Officer is responsible for supervising and handling of all inquiries and investigations by any federal, state, local or other governmental or regulatory authority. While team members and medical staff members are expected to treat all government or regulatory representatives courteously, team members and medical staff members shall refer government or regulatory representatives to the Compliance Officer and shall immediately inform the Compliance Officer of the receipt of any government inquiry concerning KDMC.**

9.1. **Governmental Inquiries and Investigations.** The Compliance Officer is responsible for supervising and handling of all inquiries and investigations by any federal, state, local or other governmental or regulatory authority. If a team member, medical staff member or affiliate working on KDMC's premises receives an inquiry for information or documents pertaining to KDMC or its activities from a governmental or regulatory representative, whether formal or informal, whether in writing, over the telephone or by the way of a personal visit to a hospital facility, the team member, medical staff member or affiliate should (i) inform the governmental or regulatory representative that the matter must be referred to the Compliance Officer, who has responsibility for handling such inquiries, and (ii) immediately thereafter advise the Compliance Officer of the receipt of such inquiry. While governmental regulatory representatives should be treated in a courteous and straightforward manner, no team member or medical staff member should

provide (or agree to provide) documents, testimony or other information or assistance in response to a request by a governmental or regulatory representative without the prior approval of the Compliance Officer. (Regularly scheduled JCAHO/state surveys, OSHA visits, audits by third-party payors, tax audits and ordinary medically-related requests for medical records are excepted from the above policy).

No team member or medical staff member may, on behalf of KDMC complain to, or facilitate or cooperate in the initiation or conduct of any investigation or proceeding by, any governmental or regulatory authority *against any other party* without the prior approval of the Compliance Officer.

- 9.2. **Litigation and Other Legal or Administrative Proceedings.** The Legal Department is responsible for supervising the conduct of any litigation or other legal or administrative proceedings involving KDMC. Team members and medical staff members should promptly inform the Legal Department of the threatened or actual initiation of any legal or administrative proceeding against KDMC, as well as the receipt of any legal documents, including a claim letter, summons, complaint or subpoena or other request for documents, testimony or other information in connection with such a proceeding.

Team members and medical staff members should not appear (or agree to appear) as a witness, provide testimony or other information, or otherwise take any action in connection with any legal or administrative proceeding involving KDMC—including attempting to settle or settling any matter or claim—without the prior approval of the Legal Department. Team members should not agree to appear or otherwise provide assistance (for example, as an expert witness or consultant) in connection with a legal or administrative proceeding that relates to an affiliate or another healthcare practitioner or healthcare entity without prior approval of the Compliance Officer, or unless expressly required by applicable law in which event the person must still promptly consult with the Compliance Officer upon receipt of any such request.

No person may threaten to initiate or initiate any legal or administrative proceeding on behalf of KDMC against any other person or entity without the prior approval of the Compliance Officer and Legal Department.

- 9.3. **Retention of Outside Legal Counsel.** As with other legal matters, the Legal Department is responsible for retaining and overseeing the work of outside counsel on behalf of KDMC. Accordingly, team members and medical staff members may not retain or otherwise seek advice with respect to KDMC's business operations or other activities from outside lawyers without the prior approval of the Legal Department. This policy applies whether the contact with outside counsel is formal or informal, and whether the outside lawyer is one regularly engaged by KDMC or a friend or relative of any KDMC employee/agent. This policy also applies with equal force to litigation, corporate, regulatory and other legal matters.

## **ADMINISTRATION OF THE CODE OF CONDUCT**

Nothing contained in this Code of Conduct is to be construed or interpreted to create a contract of employment, either express or implied, nor is anything contained in this Code of Conduct intended to alter a person's relationship with KDMC from that of "employment-at-will" to any other status.

While KDMC will generally attempt to communicate changes concurrent with or prior to the implementation of such changes, KDMC reserves the right to amend the Code of Conduct, in whole or in part, at any time and solely at its discretion.

**Supplement**  
**King's Daughters Medical Center's**  
**Code of Conduct**  
**May 2007**

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**Deficit Reduction Act**

Under the Deficit Reduction Act of 2005 ("DRA") KDMC is required to provide team members, contractors and agents with information about:

- (1) KDMC's fraud, waste and abuse detection policies;
- (2) the federal False Claims Act and similar state laws; and
- (3) Whistleblower Protections.

This supplement to KDMC's Code of Conduct is intended to implement the requirements of the DRA.

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**KDMC Policies and Procedures**  
**for detecting fraud, waste and abuse**

KDMC has established a system-wide Corporate Compliance Program that focuses on business and professional standards of ethical conduct, compliance with federal, state and local laws, compliance with standards of accrediting bodies, promotion of good corporate citizenship, prevention and early detection of misconduct and identification and education relating to areas of particular concern to KDMC. KDMC's Corporate Compliance Program includes the KDMC *Code of Conduct* and *Ethical Coding and Billing Standards*, various KDMC Policies and Procedures, Guidelines, Directions and Manuals, which contain specific rules and standards governing the activities of KDMC personnel, along with annual compliance training and education and ongoing monitoring and auditing.

Team members, medical staff members and affiliates are required to report, in good faith, suspected violations of, or other concerns regarding, the Compliance Program. Therefore, any concerns regarding potential fraud and/or abuse should be reported:

- to a supervisor;
- to the Compliance Officer or General Counsel; or
- through KDMC's 24-hour anonymous Compliance Hotline (1-877-327-4145).

## **Federal False Claims Act**

(31 USC §§ 3729-33)

The federal False Claims Act (“FCA”) imposes liability on any person who submits a claim to the federal government that he or she knows (or should know) is false. More specifically, the FCA makes it illegal for a person to “knowingly”:

- (1) submit a false or fraudulent claim for payment or approval;
- (2) make, use, or cause to be made or used, a false record or statement to get a false or fraudulent claim paid;
- (3) conspire to get a false or fraudulent claim allowed or paid;
- (4) make, use, or cause to be made or used, a false record or statement to conceal, avoid, or decrease an obligation to pay the U.S Government.

“Knowingly” means that a person (1) has actual knowledge of the falsity of the information; (2) acts in deliberate ignorance of the truth or falsity of the information; or (3) acts in reckless disregard of the truth or falsity of the information. No proof of specific intent to defraud is required.

The FCA contains a “*Qui tam*” or “whistleblower” provision which allows an individual with original information concerning fraud involving government programs to file a lawsuit on behalf of the government. If the lawsuit is successful, the individual may be eligible to receive a portion of the recovery received by the government.

Penalties for violation of the FCA are severe. Penalties include treble damages (i.e., three times the amount of each claim) plus fines of \$5,500 to \$11,000 per claim. Additionally, if a provider is convicted of a False Claims Act violation, the government may seek to exclude the provider from further participation in federal health care programs.

## **Kentucky Fraud & Abuse Laws**

Kentucky’s Fraud and Abuse Statute (KRS 205.8463) makes it unlawful for a person to:

- (1) devise or plan a scheme, or conspire, or aid another, in order to obtain payments from a state medical assistance program by means of submitting false documentation to the Cabinet for Health and Family Services;
- (2) make or present a false statement or representation in any document submitted to the Cabinet for Health and Family Services to obtain benefits or payment;
- (3) make a false statement or representation with respect to the conditions or operations of a facility in order for the facility to qualify for certification or recertification as a provider under the Medical Assistance Program;
- (4) falsify, conceal or cover up a material fact or make a false statement or representation or make or use a false document in connection with any matter within the jurisdiction of the Cabinet for Health and Family Services.

Kentucky’s Fraud and Abuse laws do not currently provide for “*Qui tam*” or whistleblower actions.

Penalties for violation of the Kentucky Fraud and Abuse statute include repayment of sums

received in violation of the law (plus interest), treble damages (i.e., three times the amount of each claim), fines of \$500 per claim, liability for legal fees and costs and removal from the Kentucky Medicaid program. Any professional licensed by the Commonwealth of Kentucky who is convicted of a violation of the criminal provisions of the Kentucky Fraud and Abuse laws will forfeit his or her professional license for a mandatory period of five years. A corporation that violates these laws commits a crime punishable by a fine not to exceed \$20,000 or double the amount of the corporation's gain from the offense, whichever is greater. An individual who violates these laws commits a crime punishable by imprisonment for up to ten years and a fine not to exceed \$10,000 or double the amount of the individual's gain from the offense, whichever is greater.

Kentucky is expected to pass enhanced False Claims Act legislation during the 2007 General Assembly.

### **Ohio Fraud & Abuse Laws**

Ohio's Fraud and Abuse laws (including ORC §§ 2913.40, 2921.13 and 5111.03) prohibit, among other things:

- (1) making a false or misleading statement or representation to obtain reimbursement from the Ohio Medicaid program;
- (2) charging, soliciting or accepting payment, for services provided to Ohio Medicaid patients, in excess of the amount of reimbursement allowable under the Ohio Medicaid program;
- (3) participating in a kickback or rebate in connection with services under the Ohio Medicaid program;
- (4) altering, falsifying, destroying, concealing or removing medical records that fully disclose the nature of services for which a claim was submitted or payment was received under the Ohio Medicaid program;
- (5) willfully receiving payment under the Ohio Medicaid program to which the provider is not entitled.

Ohio law does not currently provide for "*Qui tam*" or whistleblower actions.

Penalties for violation of Ohio's Fraud and Abuse laws include penalties of \$5,000 to \$10,000 for each false claim, three times the amount unlawfully received plus interest, payment of the government's costs of investigating and prosecuting the case, and exclusion from the Ohio Medicaid program for up to 5 years. Additionally, violation of Ohio's Fraud and Abuse laws may constitute a crime punishable by imprisonment for up to five years and a fine not to exceed \$10,000.

## **Whistleblower protections**

The FCA prohibits retaliation against “*Qui tam*” relators (or “Whistleblowers”). Any person who is discharged, demoted, suspended, threatened, harassed, or in any other manner discriminated against in violation of non-retaliation provisions of the FCA can sue and may recover two (2) times the amount of their back pay (with interest) and compensation for any special damages sustained as a result of the discrimination, including litigation costs and reasonable attorneys’ fees, and may be reinstated with the same seniority status the employee would have had but for the discrimination, .

Kentucky law prohibits employers from discriminating or retaliating in any way against a person who, in good faith, reports or testifies in a proceeding concerning violations of Kentucky’s Fraud and Abuse laws. Any person injured by such discrimination or retaliation can sue to prevent any further discrimination or retaliation and may recover his or her actual damages, along with the costs of the lawsuit, including reasonable attorney fees.

Ohio law prohibits employers from disciplining or retaliating against an employee for reporting violations of federal or state laws. If an employer takes prohibited disciplinary or retaliatory action against an employee, the employee can sue to stop such action and can obtain, if applicable, reinstatement and back wages, along with costs associated with the lawsuit, including attorney fees.