

WELLSVILLE MANOR CARE CENTER

CORPORATE COMPLIANCE PLAN

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WELLSVILLE MANOR CARE CENTER

CORPORATE COMPLIANCE PLAN

I. STATEMENT OF POLICY

Wellsville Manor Care Center (the "Nursing Home") is dedicated to providing compassionate, quality residential health care services to all its residents, at all times respecting their self-worth, comfort, privacy, dignity, spirituality and freedom of choice and striving to maximize the quality of life of all residents. The fundamental mission of the Nursing Home is to provide its residents with the highest quality care in a warm, comfortable and caring environment. The Nursing Home is committed to operating at the highest possible levels of ethical conduct.

Today, there are ever increasingly complex government health care rules and regulations governing the way we, as health care providers, deliver goods and services to our residents. The Nursing Home is fully committed to complying with all applicable statutes, rules and regulations governing its operations and the highest ethical conduct. Violation of any of these legal and ethical requirements jeopardizes the welfare of the Nursing Home, our staff members and residents, as well as the communities we serve.

Accordingly, we have developed and now introduce the "Wellsville Manor Care Center Corporate Compliance Plan" (the "Plan" or "Program"), a comprehensive program designed to provide guidance to all of our corporate officers, supervisors, employees, agents, personnel, appointees, associates, managers, members, and owners, as well as outside contractors and third party vendors (collectively, the "Staff Members"), and to residents and their families and any other persons as an applicable governmental authority may identify from time to time (collectively with the Staff Members, the "Affected Persons"), in (a) dealing with potential compliance issues, (b) identifying how to communicate compliance issues to appropriate compliance personnel, and (c) describing how potential compliance problems are investigated and resolved. The Plan has been implemented to ensure that all Staff Members fully adhere to all applicable

statutes, rules and regulations and our own policies and procedures. First, the Plan adopts a "Code of Conduct and Business Ethics" (the "Code of Conduct") to help Staff Members make the proper legal and ethical decisions that relate to their work. The Code of Conduct seeks to combine in one document the most important standards of conduct and business ethical practices governing our daily activities. Following the Code of Conduct are a number of specific Corporate Policies which, because of their importance, are set forth separately and in detail.

The Code of Conduct draws upon and supplements all existing and relevant Nursing Home policies and procedures, including those contained in other manuals or policy statements implemented by the Nursing Home. In the event of any inconsistency between any previously implemented policies and the standards and policies contained herein, the Code of Conduct shall govern.

The Nursing Home will send notice to each of its residents that it has adopted this Plan, highlighting key aspects of the Plan (such as the name of the corporate compliance officer and the phone number of the compliance hotline), and notifying the residents that a copy of the Plan may be obtained from the Nursing Home, so as to provide guidance to residents and family members with respect to resolution of compliance issues. Notice of the Plan will also be placed at the front desk, with copies made available to residents and their family members upon request.

II. CODE OF CONDUCT AND BUSINESS ETHICS

A. STATEMENT OF PURPOSE

The Code of Conduct has been adopted by the Operator of the Nursing Home (the "Governing Authority") to provide standards by which Staff Members of the Nursing Home will conduct themselves in order to protect and promote organization-wide integrity and to enhance the Nursing Home's ability to achieve the organization's mission.

The Governing Authority developed the Code of Conduct to

reaffirm the Nursing Home's commitment to conducting its affairs in strict compliance with the letter and spirit of the law and adhering to the highest principles of business ethics. The Code of Conduct is intended to inform all Staff Members of their legal and ethical obligations to the Nursing Home, its residents, customers, competitors, and suppliers, and to assure that such standards are in fact observed. All Nursing Home Staff Members must comply with these standards as a condition of employment or contracting with the Nursing Home, as applicable. Failure to do so may result in disciplinary action, including termination of employment.

Any Staff Member who is unsure about the proper course of action to be taken in situations involving legal or ethical questions that the Code of Conduct does not address should consult with his or her supervisor, a member of the Nursing Home's Business Ethics Committee (the "Committee"), or the Nursing Home's Corporate Compliance Officer. Any other Affected Person who is unsure about the proper course of action to be taken in any such instance may contact the Nursing Home's Corporate Compliance Officer with such concern.

All Nursing Home Staff Members will be held strictly accountable for understanding and fully complying with all aspects of the Code of Conduct.

B. INTRODUCTION

The Code of Conduct contains *Principles* articulating the policy of the Nursing Home and *Standards* which are intended to provide additional guidance to all Affected Persons. The Principles set forth in this Code of Conduct shall be distributed periodically to all Affected Persons. The Principles and Standards shall be distributed annually to directors, officers, selected Staff Members, volunteers and Staff Members having administrative or managerial responsibilities.

All Staff Members are responsible to ensure that their behavior and activity is consistent with the Code of Conduct.

As used in the Code of Conduct, the term "Nursing Home" means Wellsville Manor Care Center and each of its operating or

business units. The terms "officer," "director," "contractor," "employee," and "volunteer" include any person who fills such a role, acts as an agent for the Nursing Home or provides services on behalf of the Nursing Home or any of its divisions, subsidiaries, or operating or business units.

C. PRINCIPLES AND STANDARDS OF CONDUCT

Principle 1 - Quality of Care

The Nursing Home will strive to ensure that residents are in an environment that promotes and enhances the resident's quality of life.

Standard 1.1. - Quality Environment

The Nursing Home is committed to providing each resident with the level of care and services necessary to attain the resident's highest practicable physical, mental and psychosocial well-being in accordance with each resident's comprehensive assessment and plan of care. Each resident is entitled to an environment that promotes and enhances the resident's quality of life. All Nursing Home Staff Members shall ensure, to the extent it relates to them, that each resident is treated with dignity in a surrounding that promotes the resident's freedom of choice and his/her right to self-determination, and that reasonable accommodations are provided for each resident's individual needs. All residents shall receive adequate lines of communication with, and access to, persons and services inside and outside the facility.

Standard 1.2 - Access to Personal Records

The Nursing Home intends to honor each resident's right to access. This includes the right to access one's own protected health information including all clinical and medical records, access to written and telephone communications, and access to visits and meetings with family and resident groups.

Standard 1.3 - Right to Participate in Treatment Decisions

Each resident has the right to freely choose his or her treatment options and is to be fully informed of his or her comprehensive assessment and care plan and any changes thereto.

Standard 1.4 - Oversight of Patient Care

The Nursing Home is committed to ensuring that the appropriate Staff Members have clinical expertise to serve the residents and that the Staff Member - resident ratio is sufficient to meet the residents' needs. The Nursing Home will evaluate its staffing model regularly, including assessment of resident case-mix, Staff Member skill levels, Staff Member-to-resident ratios, Staff Member turnover, staffing schedules, disciplinary records, payroll records, timesheets and adverse event reports, as well as interviews with Staff Members, residents and residents' family or legal guardians.

Standard 1.5 - Comprehensive Resident Care Plans

Comprehensive Resident Care Plans ("CRCPs") should be developed in a way that reflects residents' actual care needs. CRCPs should address the medical, nursing, and mental and psychological needs for each resident, and include reasonable objectives and timetables. The Nursing Home has an interdisciplinary and comprehensive approach to the development of CRCPs, which includes the involvement and coordination of multiple Staff Members and the attending physician.

Standard 1.6 - Medication Management

The Nursing Home manages pharmaceutical services so as to advance patient safety, minimize adverse drug interactions and ensure that irregularities in a resident's drug regimen are promptly discovered and addressed. The Nursing Home has procedures to maintain accurate drug records and track medications. A pharmacist consults with the Nursing Home on the medication management process and reviews drug regimens at least monthly.

Standard 1.7 - Proper Use of Psychotropic Medications

Staff Members shall not give residents any medication as a means of chemical restraint for purposes of discipline or convenience (i.e. where not required to treat the resident's medical symptoms). Appropriate Staff Members must monitor, document and review the use of each resident's psychotropic drugs.

Standard 1.8 - Protecting Residents From Abuse and Neglect

The Nursing Home is committed to preventing and eliminating resident abuse, caused by Staff Members and fellow residents. Staff Members are trained to prevent, investigate and respond to instances of potential resident abuse, neglect or mistreatment. The Nursing Home screens prospective Staff Members before hiring and complies with specific policy guidelines to ensure proper credentialing and recredentialing of providers of patient care services so as to minimize risk of abuse or neglect to residents.

If a Staff Member has reasonable cause to believe that a resident has been physically abused, mistreated or neglected by a person other than another resident, that Staff Member is required by law to report such incident to the New York State Department of Health within forty-eight hours. In addition, all Staff Members should report any incidents of abuse, mistreatment or neglect of a resident immediately to his or her supervisor, to allow the Nursing Home to undertake a proper and expeditious investigation of the matter and any other necessary action.

Standard 1.9 - Right to Choose a Medicare Part D Plan

Residents enrolled in Medicare Part D have the right to choose their Part D plans. The Nursing Home will work with its pharmacy to assure that they recognize the Part D plans chosen by the Nursing Home's Medicare beneficiaries. Staff Members will provide residents with complete and objective information in educating residents on their Medicare Part D choices.

Principle 2 - Legal Compliance

The Nursing Home will strive to ensure all activity by or on behalf of the organization is in compliance with applicable laws.

The following Standards are intended to provide guidance to all Staff Members in administrative positions to assist them in their obligation to comply with applicable laws. These standards are neither exclusive nor complete. Staff Members are required to comply with all applicable laws, whether or not specifically addressed in these policies. If questions regarding the existence, interpretation or application of any law arise, they should be directed to the Nursing Home's legal counsel.

Standard 2.1 - Antitrust

All Staff Members must comply with applicable antitrust and similar laws which regulate competition. Examples of conduct prohibited by law include (1) agreements to fix prices, bid rigging, collusion (including price sharing) with competitors; (2) boycotts, certain exclusive dealing and price discrimination agreements; and (3) unfair trade practices including bribery, misappropriation of trade secrets, deception, intimidation and similar unfair practices. All Staff Members are expected to seek advice from the Nursing Home's counsel when confronted with business decisions involving a risk of violation of the antitrust laws.

Standard 2.2 - Fraud and Abuse

The Nursing Home expects its Staff Members to refrain from conduct which may violate the fraud and abuse laws. These laws prohibit (1) direct, indirect or disguised payments in exchange for the referral of residents or the provision of goods and services; (2) the submission of false, fraudulent or misleading claims to any government entity or third party payor, including claims for services not rendered, claims which characterize the service differently than the service actually rendered, or claims which do not otherwise comply with applicable program or contractual requirements; and (3) making false representations to any person or entity in order to gain or retain participation

in a program or to obtain payment for any service. Participation in any of the foregoing prohibited activities can lead to civil penalties, including monetary fines, and may result in criminal prosecution.

Furthermore, state, federal and local laws prohibit the offering or receipt of bribes, kickbacks or other illegal payments by or on behalf of the Nursing Home.¹ The Nursing Home is committed to complying fully with these laws. Accordingly, all Nursing Home Staff Members are prohibited from soliciting, paying or accepting bribes, kickbacks, gratuities, rebates or any form of improper payments either directly or indirectly. This not only includes cash payments, but any other services or things of value which may be intended to influence the actions of any Staff Members of the Nursing Home or a third party, or may be perceived by others to have influenced any such Staff Members or third party.

Under federal law and the commercial bribery statutes of many states, it is also a crime for any Nursing Home Staff Member intentionally to influence the conduct of an employee or agent of another company or governmental agency in relation to his or her employer's affairs, by bestowing a benefit on the Staff Member. Such prohibited benefits include, but are not limited to, payments in cash or in kind, commissions, rebates, and consultant or service agreements, when the purpose of the benefit being given is to reward the Staff Member, employee or agent for transacting or continuing to do business with the Nursing Home.

Because the above-described laws prohibiting kickbacks and false claims are highly complex, due care must be exercised to avoid any violations. Thus, Staff Members with any questions should promptly refer them to the Corporate Compliance Officer or a member of the Business Ethics Committee, who may refer the matter to the Nursing Home's legal counsel if appropriate. All contracts and arrangements with actual or potential referral sources are to be reviewed by the Nursing Home's legal counsel.

¹ A kickback is something of value provided for the purpose of improperly obtaining or rewarding favorable treatment in connection with the award of a contract or other business.

For purposes of identifying potential kickback risks, Staff Members should make the following inquiries in evaluating arrangements:

- Does the Nursing Home, or any affiliate, provide anything of value to persons or entities in a position to generate business?
- Does the Nursing Home, or any affiliate, receive anything of value from persons or entities for which the Nursing Home generates business?
- Could one purpose of an arrangement be to induce or reward the generation of business?
- Does an arrangement or practice have the potential to interfere with, or skew, clinical decision-making?
- Does an arrangement or practice have the potential to increase costs to Federal health care programs or beneficiaries?
- Does an arrangement or practice have the potential to increase the risk of overutilization or inappropriate utilization?
- Does an arrangement or practice raise resident safety or quality of care concerns?

Areas that should receive particularly close scrutiny to ensure compliance with the anti-kickback laws include the following:

- Provision of free goods or services to an existing or potential referral source.
- Provision or receipt of goods or services at non-fair market value rates.
- Discounts, including price reductions, rebates and swapping arrangements.
- Reserved bed arrangements with hospitals.

Another area of risk for fraud and abuse that should be scrutinized is physician self-referrals. Physician self-referral law prohibits the Nursing Home from submitting claims for services, such as laboratory services, physical therapy services and occupational therapy services, if the referral is from a physician with whom the Nursing Home has a financial relationship. Subject to certain exceptions, a financial

relationship includes ownership, investment or compensation. Because the physician self-referral laws are highly complex, Staff Members with any questions should promptly refer them to the Corporate Compliance Officer or a member of the Business Ethics Committee, who may refer the matter to the Nursing Home's legal counsel if appropriate.

Standard 2.3 - Discrimination

The Nursing Home believes that the fair and equitable treatment of Staff Members, residents and other persons is critical to fulfilling its mission and goals as an equal opportunity employer.

It is a policy of the Nursing Home to treat residents without regard to the race, color, religion, sex, ethnic origin, age or disability of such person, or any other classification prohibited by law.

It is a policy of the Nursing Home to recruit, hire, train, promote, assign, transfer, layoff, recall and terminate Staff Members based on their own 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 on the basis of sex, race, color, disability, age, religion or ethnic origin or disability or any other classification prohibited by law will be permitted. Each allegation of harassment or discrimination will be promptly investigated in accordance with applicable human resource policies.

All such compliance investigations and related disciplinary actions shall be fairly and firmly enforced. Furthermore, upon conclusion of any investigation, the CEO shall review the entire investigation's history to ensure that any disciplinary policies were firmly and fairly enforced.

Standard 2.4 - Billing, Coding and Cost Reporting

Nursing Home Staff Members will fully comply with all Federal and State statutes, rules and regulations with regard to all billing, coding and cost reporting including ensuring the presence of adequate supporting documentation. Nursing Home Staff Members involved in billing and collections for services rendered have received and will fully comply with the Nursing Home's policy on Identification and Return of Medicare and/or Medicaid Overpayments.

All billing must accurately and correctly reflect the medical services that were actually rendered. There may be no billing for services that were not performed, for services that were inadequately performed or for services that are not eligible for reimbursement. Furthermore, all coding must properly reflect the actual services rendered and be based on adequate supporting documentation. All claims must be submitted under the correct diagnostic classification group.

Claims shall not be submitted for services that are not medically necessary. The Nursing Home must only seek reimbursement for services that are medically necessary for the diagnosis or treatment of illness or injury as determined by a physician or licensed provider pursuant to applicable statutes, rules and regulations. Care should be taken that all medically necessary services are supported by adequate documentation and that the services are properly and adequately rendered.

All billing and coding must be supported by adequate and sufficient documentation. The Nursing Home's admissions and clinical staff must diligently ensure that the documentation supports each resident's diagnostic classification, that all services are properly and adequately documented and that the documentation demonstrates that all services were medically necessary.

The Nursing Home's cost report must be carefully scrutinized to ensure that it is prepared in compliance with all applicable Federal and State regulations; that it is based on adequate and proper documentation; that costs are properly classified; that unallowable costs are not submitted for

reimbursement; and that all costs will be properly allocated to the appropriate cost centers based on verifiable auditable data.

In complying with billing, coding and cost reporting requirements, Staff Members should bear in mind the following risk areas:

- Proper Reporting of Resident Case-Mix: Accurate reporting of residents' conditions and needs is required to prevent misrepresentation of a resident's status. Appropriate Staff Members are trained to properly collect data and to properly analyze and respond to data.
- Provision of Therapy Services: Therapy services shall not be used where not necessary, as a means to obtain additional reimbursement. Conversely, residents in need of therapy services shall receive services sufficient to minimize risk of injury or decline in physical condition.
- Screening for Excluded Individuals and Entities: To prevent hiring or contracting with persons or entities excluded from the Federal health care programs, the Nursing Home screens such persons and their affiliates prior to engaging their services. If the Nursing Home receives notice that an existing employee or contractor has been excluded, such person or entity shall be immediately removed from such position.
- Restorative and Personal Care Services: Residents are entitled to receive proper restorative and personal care services including care to avoid pressure ulcers, active and passive range of motion, ambulation, fall prevention, incontinence management, bathing, dressing and grooming activities. Such services must be actually rendered in order to be billed to a third-party payor.

Standard 2.5 - Anti-Supplementation

The Nursing Home must accept a Medicare or Medicaid payment as the complete payment for covered items and services. The Nursing Home may not charge a Medicare or Medicaid beneficiary, or another person in lieu of the beneficiary, any amount in addition to what is required to be paid under Medicare or Medicaid.

Standard 2.6 - Safe Work Environment

The Nursing Home is committed to maintaining a safe working environment in accordance with applicable statutes, rules and regulations. The Nursing Home and the equipment therein should be operated and maintained in a manner that prevents any risk of fire, flooding or other safety hazards that might endanger residents, Staff Members or any other persons at the Nursing Home. Biological waste, medical waste and infectious materials must be properly handled, labeled, stored and disposed of, in accordance with the Nursing Home's policies and procedures. Any unsafe condition, including the existence of any hazardous substances, should be immediately reported to the Administrator and the Corporate Compliance Officer.

Principle 3 - Business Ethics

In furtherance of the Nursing Home's commitment to the highest standards of business ethics and integrity, Staff Members, including outside vendors and contractors, will accurately and honestly represent the Nursing Home and will not engage in any activity or scheme intended to defraud anyone of money, property or honest services. Should the Nursing Home determine that any outside contractor or vendor is not complying with the foregoing (or with any other requirement of the Plan), appropriate action will be taken by the Nursing Home, including, where applicable, termination of any such relationship.

The Standards set forth below are designed to provide guidance to ensure that the Nursing Home's business activities reflect the high standards of business ethics and integrity. Staff Member conduct not specifically addressed by these standards must be consistent with Principle 3.

3.1 - Honest Communication

The Nursing Home requires candor and honesty from individuals in the performance of their responsibilities and in communication with our attorneys and auditors. No Staff Members shall make false or misleading statements to any resident, person or entity doing business with the Nursing Home about other residents, persons or entities doing business or competing

with the Nursing Home, or about the products or services of the Nursing Home or its competitors.

Additionally, both federal and state law and Nursing Home policy require that all Nursing Home reports, records and other documents be prepared carefully and accurately, and that they reflect honestly the actual services performed and the hours and dates actually worked. Nursing Home documents must always precisely record the matters reflected thereon, such as the performance of on-site visits by Staff Members, the supervision of Staff Members, and the attendance and time records of all Staff Members of the Nursing Home.

Moreover, the intentional submission of false or misleading information to government funded programs, such as Medicare or Medicaid, is a serious crime under both federal and state law. Such unlawful conduct not only exposes the person or persons actually involved to arrest and criminal prosecution, but it also may result in the Nursing Home being precluded from participating in these programs. Accordingly, it is essential that all Staff Members strictly comply with all government rules and regulations, and that all documents and information the Nursing Home submits in connection with its government funded contracts be accurate and complete.

Any Staff Member who intentionally completes and submits any document which contains false information of any kind, or otherwise intentionally communicates any false information, will be immediately terminated. The Nursing Home also will seek to have the Staff Member prosecuted to the fullest extent the law allows. Any Nursing Home Staff Member who becomes aware of any of the foregoing unlawful practices must immediately report the matter to the Corporate Compliance Officer or another member of the Business Ethics Committee.

3.2 - Misappropriation of Proprietary Information

Nursing Home Staff Members shall not misappropriate or unlawfully communicate in any form confidential or proprietary information belonging to another person or entity nor utilize any publication, document, computer program, information or product in violation of a third party's interest in such

product. All Nursing Home Staff Members are responsible to ensure they do not improperly copy for their own use documents or computer programs or data in violation of applicable copyright laws or licensing agreements. Staff Members shall not utilize confidential business information obtained from competitors, including customers 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 the Nursing Home.

3.3 - Fraud and Abuse (See Standard 2.2 above)

Principle 4 - Confidentiality

Nursing Home Staff Members shall strive to maintain the confidentiality of resident and other confidential information in accordance with applicable legal and ethical standards.

The Nursing Home and its Staff Members are in possession of and have access to a broad variety of confidential, sensitive and proprietary information, the inappropriate release of which could be injurious to individuals, the Nursing Home's business associates and the Nursing Home itself. Nursing Home Staff Members have an obligation to actively protect and safeguard confidential, sensitive and proprietary information in a manner designed to prevent the unauthorized disclosure of such information.

Consequently, any Staff Member who engages in unauthorized disclosure of confidential resident (or resident-related) information or confidential or proprietary information of the Nursing Home may be subject to immediate termination in addition to possible civil and criminal sanctions. Any Nursing Home Staff Member who becomes aware of such unauthorized disclosure must report it immediately to the Corporate Compliance Officer or another member of the Business Ethics Committee.

4.1 - Resident Information

All Nursing Home Staff Members have an obligation to conduct themselves in accordance with the principle of maintaining the confidentiality of resident information in

accordance with all applicable laws and regulations (including the Health Insurance Portability and Accountability Act of 1996 ("HIPAA") and the Health Information Technology for Economic and Clinical Health Act of 2008 ("HITECH")). Staff Members shall refrain from revealing any personal or confidential information concerning present or former residents unless supported by legitimate business or resident care purposes. If questions arise regarding an obligation to maintain the confidentiality of information or the appropriateness of releasing information, Staff Members should seek guidance from the Corporate Compliance Officer or a member of the Business Ethics Committee.

The Nursing Home is committed to preventing inappropriate or unauthorized disclosure of resident records or any other information that is resident-related, including upholding the legal prohibition against unauthorized disclosure of HIV-related information.

4.2 - Proprietary Information

Information, ideas and intellectual property assets of the Nursing Home are important to organizational success. Information pertaining to the Nursing Home's competitive position or business strategies, payment and reimbursement information, and information relating to negotiations with Staff Members or third parties should be protected and shared only with Staff Members having a need to know such information in order to perform their job responsibilities. Staff Members should exercise care to ensure that intellectual property rights, including patents, trademarks, copyrights and software is carefully maintained and managed to preserve and protect its value.

4.3 - Staff Member Actions/Decisions

Salary, benefit and other personal information relating to Nursing Home Staff Members shall be treated as confidential. Staff Member files, payroll information, disciplinary matters and similar information shall be maintained in a manner designed to ensure confidentiality in accordance with applicable laws. Staff Members will exercise due care to prevent the release or

sharing of information beyond those persons who may need such information to fulfill their job function.

4.4 - Government Investigations and Audits

Because of the increased vigilance by law enforcement agencies and other government regulators in the area of health care providers, the Nursing Home has established guidelines on how and when to respond to government inquiries. These guidelines are contained in the Nursing Home's "Corporate Policy on Investigations," which is set forth in detail at pages 41 to 43 of this Code of Conduct. All Staff Members are expected to read and be familiar with these procedures.

While it is the Nursing Home's policy to respond in a proper and timely manner to all appropriate government inquiries and investigations, it is vitally important that the Corporate Compliance Officer be notified whenever any Nursing Home Staff Member is contacted by any federal, state or local law enforcement agency seeking information about any aspect of the Nursing Home's operations or the job-related activities of any Nursing Home Staff Member. Such timely notice will help ensure that no inaccurate or incomplete information is given to the government, and that the privacy rights of residents are, to the extent permitted by law, protected from unnecessary or improper disclosure.

4.5 - Records Management

During the course of its business, the Nursing Home generates and receives a substantial volume of documents. As specified in applicable laws or contracts, certain records must be maintained for given periods of time. The Nursing Home's record retention policies are set forth in the "Corporate Policy on Records Management", which is set forth in detail at pages 38 to 41 of this Corporate Compliance Plan.

Principle 5 - Conflicts of Interest

Directors, officers, committee members, the Administrator, department heads, supervisors and all members of the Governing Authority (the "Key Personnel") owe a duty of undivided and

unqualified loyalty to the Nursing Home. 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 the Nursing Home.

All Key Personnel, as well as the Nursing Home's outside vendors and contractors, are expected to regulate their activities so as to avoid actual impropriety and/or the appearance of impropriety which might arise from the influence of those activities on business decisions of the Nursing Home, or from disclosure or private use of business affairs or plans of the Nursing Home.

5.1 - Outside Financial Interests

All activities which might result in conflicts of interest must be disclosed to the Nursing Home's Chief Executive Officer (the "CEO") and are subject to the approval of the Nursing Home. Key Personnel maintain an ongoing duty to disclose all activities that might cause conflicts of interest. While not all inclusive, the following will serve as a guide to the types of activities by Key Personnel, or household member of such person, which might cause conflicts of interest:

1. Ownership in or employment by any outside concern which does business with the Nursing Home. This does not apply to stock or other investments held in a publicly held corporation, *provided* the value of the stock or other investments does not exceed 5% of the corporation's stock. The Nursing Home may, following a review of the relevant facts, permit ownership interests which exceed these amounts if management concludes such ownership interests will not adversely impact the Nursing Home's business interest or the judgment of the Key Personnel.
2. Conduct of any business not on behalf of the Nursing Home, with any vendor, supplier, contractor, or agency, or any of their officers or employees.
3. Representation of the Nursing Home by Key Personnel in any transaction in which he or she or a household member has a substantial personal interest.

4. Disclosure or use of confidential, special or inside information of or about the Nursing Home, particularly for personal profit or advantage of Key Personnel or a household member.

5. Competition with the Nursing Home by Key Personnel, directly or indirectly, in the purchase, sale or ownership of property or property rights or interests, or business investment opportunities.

5.2 - Services for Competitors/Vendors

No Key Personnel shall perform work or render services for any competitor of the Nursing Home or for any organization with which the Nursing Home does business or which seeks to do business with the Nursing Home outside of the normal course of his/her employment with the Nursing Home without the written approval of the CEO of the Nursing Home or the person's supervisor. Nor shall any such Key Personnel be a director, officer, or consultant of such an organization, nor permit his/her name to be used in any fashion that would tend to indicate a business connection with such organization.

5.3 - Participation on Boards of Directors/Trustees

1. Key Personnel must obtain written approval from the CEO prior to serving as a member of the Board of Directors/Trustees of any organization whose interests may conflict with those of the Nursing Home.

2. Key Personnel who is asked, or seeks to serve on the Board of Directors/Trustees of any organization whose interest would not impact the Nursing Home (for example, civic non-governmental, charitable, fraternal and so forth) will not be required to obtain such approval.

3. All fees/compensation (other than reimbursement for expenses arising from Board participation) that are received for Board services provided during normal work time shall be paid directly to the Nursing Home.

4. Key Personnel must disclose all Board of Directors/Trustees activities.

5. The Nursing Home retains the right to prohibit membership on any Board of Directors/Trustees where such membership might conflict with the best interest of the Nursing Home.

6. Questions regarding whether or not Board participation might present a conflict of interest should be discussed with the CEO.

5.4 - Honoraria

Key Personnel are, with the permission of the CEO, encouraged to participate as faculty and speakers at educational programs and functions. However, any honoraria in excess of twenty-five dollars (\$25) shall be turned over to the Nursing Home *unless* the Key Personnel used unpaid time off to attend the program for that portion of the program for which the honoraria is paid.

Principle 6 - Business Relationships

Business transactions with vendors, contractors and other third parties shall be transacted free from offers or solicitation of gifts and favors or other improper inducements in exchange for influence or assistance in a transaction.

The Standards set forth below are intended to guide Staff Members, including outside vendors and contractors, in determining the appropriateness of the listed activities or behaviors within the context of the Nursing Home's business relationships, including relationships with vendors, providers, contractors, third party payors and government entities. It is the intent of the Nursing Home that this policy be construed broadly to avoid even the appearance of improper activity. If there is any doubt or concern about whether specific conduct or activities are ethical or otherwise appropriate, you should contact the Corporate Compliance Officer.

6.1 - Gifts and Gratuities

It is the Nursing Home's desire to at all times preserve and protect its reputation and to avoid the appearance of impropriety. Consequently,

1. Gifts from Residents Staff Members are prohibited from soliciting or accepting any tips, personal gratuities or gifts from residents, except that donations, gifts and legacies given to the benefit of the Nursing Home are permitted. If a resident or another individual wishes to present a monetary gift, he/she should be referred to the Administrator.

2. Gifts Influencing Decision-Making Staff Members shall not accept any gifts, favors, services, entertainment or other things of value to the extent that decision-making or actions affecting the Nursing Home might be influenced. Similarly, the offer or giving of money, services or other things of value with the expectation of influencing the judgment or decision-making process of any purchaser, supplier, customer, government official or other person by the Nursing Home is absolutely prohibited. Any such conduct must be reported immediately to the Corporate Compliance Officer.

3. Gifts From Existing Vendors Staff Members are prohibited from soliciting or accepting any gift, remuneration, rebate or benefit of any kind from vendors, suppliers, contractors or other persons, excluding those given in the course of normal business practices. If any Staff Member has any concern whether a gift should be accepted, the Staff Member should immediately consult with the Corporate Compliance Officer. In no event shall Staff Members accept excessive gifts, meals, expensive entertainment or other offers of goods or services which have more than a nominal value.

Nothing in this policy shall prohibit a business unit or supervisor from establishing stricter rules relating to the acceptance of gifts, gratuities or other things of value from vendors.

6.2 - Workshops, Seminars and Training Sessions

Attendance at local, vendor sponsored workshops, seminars and training sessions is permitted. Attendance, at vendor expense, at out of town seminars, workshops and training sessions is permitted only with the written approval of the Corporate Compliance Officer.

6.3 - Contracting

Staff Members may not utilize "insider" information of any business activity conducted by or on behalf of the Nursing Home. All business relations with contractors must be conducted at arm's length both in fact and in appearance and in compliance with the Nursing Home policies and procedures. Staff Members must disclose personal relationships and business activities with contractor personnel which may be construed by an impartial observer as influencing the Staff Member's performance or duties. Staff Members have a responsibility to obtain clarification from the Corporate Compliance Officer on questionable issues which may arise and to comply, where applicable, with the Nursing Home's conflict of interest policy.

6.4 - Business Inducements

Nursing Home Staff Members shall not seek to gain any advantage through the improper use of payments, business courtesies or other inducements. Offering, giving, soliciting or receiving any form of bribe or other improper payment is prohibited.

Appropriate commissions, rebates, discounts and allowances are customary and acceptable business inducements provided that they are formally approved by the Corporate Compliance Officer and that they do not constitute illegal or unethical payments. Any such payments must be reasonable in value, competitively justified, properly documented, and made to the business entity to whom the original agreement or invoice was made or issued. Such payments should not be made to individual employees or agents of business entities.

In addition, Staff Members may, with the prior approval of the Corporate Compliance Officer, provide gifts, entertainment and meals of nominal value to the Nursing Home's vendors, current and prospective business partners and other persons when such activities have a legitimate business purpose, are reasonable and consistent with all applicable laws.

Principle 7 - Protection of Assets

All Staff Members will strive to preserve and protect the Nursing Home's assets by making prudent and effective use of Nursing Home resources and properly and accurately reporting its financial condition.

The Standards set forth below are intended to guide Staff Members by articulating the Nursing Home's expectations as they relate to activities or behaviors which may impact the Nursing Home's financial health or which reflect a reasonable and appropriate use of the assets of the Nursing Home.

7.1 - Internal Control

The Nursing Home has established control standards and procedures to ensure that assets are protected and properly used and that financial records and reports are accurate and reliable. All Staff Members of the Nursing Home share the responsibility for maintaining and complying with required internal controls.

7.2 - Financial Reporting

All financial reports, accounting records, research reports, expense accounts, time sheets and other documents must accurately and clearly represent the relevant facts or the true nature of a transaction. Improper or fraudulent accounting, documentation or financial reporting is contrary to the policy of the Nursing Home and may be in violation of applicable laws.

7.3 - Travel and Entertainment

Travel and entertainment expenses should be consistent with the Staff Member's job responsibility and the Nursing Home's

needs and resources. It is the Nursing Home's policy that no Staff Member should suffer a financial loss or a financial gain as a result of business travel and entertainment. Staff Members are expected to exercise reasonable judgment in the use of the Nursing Home's assets and to spend the Nursing Home's assets as carefully as they would spend their own. Staff Members must also comply with the Nursing Home policies relating to travel and entertainment expense.

7.4 - Personal Use of Corporate Assets

All Staff Members are expected to refrain from converting assets of the Nursing Home to personal use. All property and business of the Nursing Home shall be conducted in the manner designed to further the Nursing Home's interest rather than the personal interest of individual Staff Members. Staff Members are prohibited from the unauthorized use or taking of the Nursing Home's equipment, supplies, materials or services. Prior to engaging in any activity on the Nursing Home's time which will result in remuneration to the Staff Member or the use of the Nursing Home's equipment, supplies, materials or services for personal or non-work related purposes, Staff Members shall obtain the written approval of the Corporate Compliance Officer.

D. IMPLEMENTATION AND ENFORCEMENT OF THE CODE OF CONDUCT

All Staff Members will receive a copy of the Code of Conduct and training regarding its content and application. Each Staff Member will be required to review the Code of Conduct and acknowledge an understanding of the principles contained therein. As a key factor in their annual performance evaluations, all Staff Members will be rated in accordance with their understanding of, and compliance with, the principles set forth in the Code of Conduct. Supervisors also will be held responsible for ensuring that these policies are known and observed by the Staff Members under their supervision, and will be evaluated in part on their subordinates' record of compliance with the Code of Conduct.

In addition to the initial training which all current and newly hired Staff Members (including outside vendors and contractors) will receive, the Corporate Compliance Officer will

ensure that all Staff Members receive annual re-training on the Code of Conduct and, as needed, periodic presentations to update all staff on pertinent changes in the law, government regulations, industry standards, and Nursing Home compliance policy.

While the Nursing Home will generally attempt to communicate changes concurrent with or prior to the implementation of such changes, the Nursing Home reserves the right to modify, amend or alter the Code of Conduct without prior notice to any person or Staff Member.

E. BASIS FOR TERMINATION OR DISCIPLINARY ACTION

The Nursing Home expects its Staff Members' conduct to be governed by the highest ethical standards, good judgment and consideration for others. Any act by any Staff Member that may be considered to be contrary to the policy and purposes of the Code of Conduct, or harmful to another Staff Member or the Nursing Home, may be cause for disciplinary action up to and including discharge without notice. It is not an acceptable defense that the Staff Member was acting in the best interest of the Nursing Home and/or received no personal benefit.

Disciplinary action may be taken for any of the following actions or omissions:

1. Authorization of, participation in, or encouragement of actions that violate the Code of Conduct, federal, state or local statutes, rules or regulations, or any other written Nursing Home policies, rules, procedures and regulations (hereinafter collectively referred to as "violations" or "violation").
2. Failure to report any of the foregoing violations or to cooperate in any resulting investigation.
3. Failure by a violator's supervisor(s) to detect and report any of the foregoing violations if such failure reflects inadequate supervision or lack of proper oversight.

4. Retaliation against an individual for reporting, or intimidation from reporting, an actual violation or a violation the reporter honestly believed occurred. Both the Federal False Claims Act and the New York False Claims Act, for example, protect such persons from being discharged, demoted, suspended, threatened, harassed or otherwise discriminated against in connection with such activities.

The Nursing Home's anti retaliation policy applies not just to initial reporting but also to cooperating with investigations, self-evaluations, audits, remedial actions and reporting to government agencies. Labor Law sections 740-741 provide protection against good faith reporting and participation in the Program.

Disciplinary action will be determined on a case-by-case basis, taking into consideration the seriousness of the violation, the Staff Member's degree of culpability, the Staff Member's work record, including the nature of prior violations, if any, and extenuating or aggravating circumstances. The discipline imposed for violations may range from warnings and reprimand to suspension and discharge from employment. In some situations, discipline may include referral to appropriate authorities for possible criminal prosecution or civil action.

All disciplinary decisions will be made by management subject to review by the Corporate Compliance Officer and oversight by the Business Ethics Committee. The Corporate Compliance Officer will report periodically to the Nursing Home's Governing Authority all disciplinary action taken against Nursing Home Staff Members for any of the above-described violations.

It is the Nursing Home's policy to dismiss any Staff Member (including any officer or director) who is convicted of any violation of local, state, or federal law concerning or affecting the Nursing Home's business. It is additionally the Nursing Home's policy to place on unpaid leave of absence any Staff Member (including any officer or director) who is charged with any violation of a local, state, or federal law concerning or affecting the Nursing Home's business.

F. STAFF MEMBER REPORTING

Staff Members are required to report all of the above-described violations and any other activity which may be deemed illegal or unethical, whether actual or apparent, to the Corporate Compliance Officer or the Business Ethics Committee. As noted previously, failure to report knowledge of wrongdoing may result in disciplinary action against those who fail to report.

All such reports shall be made in absolute confidence without fear of reprisal or embarrassment unless the reporting Staff Member is directly involved in the violation. Also, complaints or reports of any violations or other activity which may be deemed illegal or unethical may be made anonymously via the toll free "hotline" telephone number designated for this purpose. Each Staff Member will be furnished with the telephone numbers and/or mailing addresses of the Corporate Compliance Officer and members of the Business Ethics Committee. Staff Members also will be supplied with the hotline telephone number.

The identity of any Staff Member who reports a violation or potential violation will, to the maximum extent practicable, be kept in confidence by the Nursing Home. Under no circumstances will any Staff Member not found to be involved in the alleged violation be subjected to any disciplinary or retaliatory action as a result of filing a report of a violation or potential violation, unless the Staff Member is found to have acted frivolously, maliciously or with a complete disregard for the truth.

III. CORPORATE POLICY ON IMPLEMENTATION AND ADMINISTRATION OF THE COMPLIANCE PLAN

A. THE BUSINESS ETHICS COMMITTEE

1. Authority and Composition

The Governing Authority has adopted corporate resolutions to approve and authorize implementation of the Nursing Home's Corporate Compliance Program (the "Program"). As empowered by the resolutions, the Nursing Home's Governing Authority has

established a Business Ethics Committee (the "Committee") to implement and oversee the Program, and has named the CEO, the Chief Compliance Officer, the Corporate Compliance Officer and the Billing Compliance Officer to serve as members of the Committee. The Governing Authority reserves the right to change the composition of the Committee by naming such other person or persons as it may choose. The CEO will serve as Chair of the Committee. The Committee will report directly to the Governing Authority.

2. Meetings

During the first twelve months of the Program's implementation, the Committee will meet on a quarterly basis or more frequently as needed to review all aspects of the Program's implementation and administration, and to discharge the Committee's other duties and responsibilities. Thereafter, the Committee will meet at least quarterly. Meetings will be held at the Nursing Home or at another location designated by the Committee, although attendance may be accomplished by conference call participation. At least two (2) members must attend each meeting in order to constitute a quorum of the Committee and take official action on behalf of the Committee.

3. Additional Duties and Responsibilities

In addition to ensuring the proper implementation and administration of the Program, the Committee will be charged with the following duties and responsibilities:

- (a) deciding all questions of business ethics relating to the Nursing Home and its Staff Members;
- (b) deciding all instances of actual or apparent conflicts of interest involving the Nursing Home and its Staff Members;
- (c) receiving reports from Nursing Home Staff Members or other sources, including residents and family members, of suspected or actual violations of the Nursing Home's Code of Conduct and Business Ethics, other written Nursing Home policies and procedures, government health care regulations, industry

imposed standards, or federal, state or local law (hereinafter collectively referred to as "violation(s)");

(d) ensuring that all reported violations are properly investigated by the Corporate Compliance Officer or, in appropriate circumstances, the Nursing Home's legal counsel or other investigative consultants retained by the Nursing Home;

(e) overseeing and reviewing the manner in which the Nursing Home's disciplinary system handles all proved violations;

(f) analyzing the Nursing Home's regulatory environment, the legal requirements with which it must comply, and specific risk areas;

(g) assessing existing policies and procedures that address these risk areas for possible incorporation into the corporate compliance plan;

(h) working with appropriate Nursing Home departments to develop standards of conduct and policies and procedures to promote compliance with legal and ethical requirements;

(i) recommending and monitoring, in conjunction with the relevant departments, the development of internal systems and controls to carry out the Nursing Home's standards, policies, and procedures as part of its daily operations;

(j) determining the appropriate strategy/approach to promote compliance with the program and detection of any potential violations, such as through hotlines and other fraud reporting mechanisms;

(k) developing a system to solicit, evaluate, and respond to complaints and problems; and

(l) monitoring internal and external audits and investigations for the purpose of identifying troublesome issues and deficient areas experienced by the Nursing Home, and implementing corrective and preventive action.

The Committee shall make recommendations to the Governing Authority, which is the ultimate authority concerning all questions of business ethics or conflicts of interest involving or relating to the Nursing Home or its Staff Members, provided, however, that the Governing Authority may delegate to the Committee such authority as it shall deem appropriate. All such questions or potential conflicts must be disclosed to the Committee before the contemplated business practice or action has been taken so that the Committee can make an appropriate recommendation in each instance and report accordingly to the Governing Authority. The Committee will keep a record of all such inquiries and determinations. All questions will be decided within a reasonable time period but in no instance will a decision be rendered more than thirty (30) days from the date of the inquiry.

B. THE CORPORATE COMPLIANCE OFFICER

1. Designation, Reporting and Authority

The Nursing Home has established the position of Corporate Compliance Officer, charging that person with the day-to-day responsibility of administering and implementing the Nursing Home's Corporate Compliance Program. The Corporate Compliance Officer will report directly to both, the CEO of the Nursing Home and the Nursing Home's Chief Compliance Officer, having direct and immediate access to the CEO and the Chief Compliance Officer at all times. The Corporate Compliance Officer also will sit as a member of the Business Ethics Committee, have access to all Nursing Home documents and records, and at all times will receive the full and complete cooperation of all Nursing Home Staff Members (including officers and directors). A copy of the list of "Designated Staff Members" (with the applicable contact information) attached to this Plan shall be made available on each floor of the Nursing Home, to be posted on or by the bulletin boards.

2. Duties

The Corporate Compliance Officer's oversight and administration of the Program generally will involve Staff Member ethics and compliance training; investigation and

response to complaints and reports of violations; designing and implementing an effective internal audit program in consultation with the Nursing Home's outside professional consultants (e.g. auditors, legal counsel, or investigative consultants); oversight of audits by the Nursing Home's outside consultants; reporting annually or more frequently to the Nursing Home's Governing Authority on the operation and effectiveness of the Program; and performing any other function necessary to ensure that the Program's objectives are met.

The specific duties of the Corporate Compliance Officer include, but are not limited to, the following:

(a) Development of Policies and Procedures

In consultation with the Billing Compliance Officer and outside professional consultants, the Corporate Compliance Officer will be responsible for the development and distribution of written policies and procedures that promote the Nursing Home's commitment to compliance and address specific areas of fraud, such as claims development and submission processes, completing certificates of medical necessity and financial relationships with physicians and/or other persons with authority to order items, services and care.

(b) Audit Responsibilities

In consultation with the Nursing Home's outside professional consultants, the Corporate Compliance Officer will be responsible for designing, implementing and overseeing internal audits conducted with appropriate sampling methodology and an established audit program. These audits will be conducted by the Nursing Home on an annual basis (or more frequently if circumstances require such additional examinations), and will focus on: (i) the Nursing Home's efforts to comply with applicable federal, state and local statutes and regulations, including employment practices, licensure, certification, training, and other government imposed mandates, (ii) business conduct that may result in legal risk to the Nursing Home, and (iii) whether the Nursing Home's compliance policies and procedures have been effective.

The Corporate Compliance Officer also will oversee the monitoring activities and annual compliance audits conducted by the outside consultants retained by the Nursing Home. In monitoring and auditing the Program, the consultants will assess, among other things, whether the existing compliance policies and procedures adequately protect the Nursing Home from the risk of internal or external fraud and abuse, including whether the policies are reasonably effective in detecting, deterring and preventing violations of law and other instances of wrongdoing by Affected Persons, including those with whom the Nursing Home does business. As part of this monitoring and audit function, the consultants will, as necessary, recommend appropriate modifications to the Program, including the adoption of new policies or other changes to improve the Nursing Home's internal controls and ability to detect and prevent misconduct. Further, the consultants will present to management and the Governing Authority an impartial yearly assessment of the effectiveness of the Program's implementation, operation, and administration, including the extent to which Nursing Home Staff Members (including supervisors and management) have followed the policies and procedures of the Program and suggested corrective actions.

The Corporate Compliance Officer will develop a plan and expedited schedule for addressing any compliance issues developed during the Nursing Home's internal or outside audits.

The Corporate Compliance Officer shall review all annual CPA Management letters as well as all internal and external reports and audits. The Corporate Compliance Officer shall share that information with the Chief Compliance Officer and both individuals shall review the reports for repeating errors or deficiencies and thereafter implement corrective action to minimize or eliminate future deficiencies.

(c) Staff Member Compliance and Ethics Training

The Corporate Compliance Officer will be responsible for overseeing the development and use of Staff Member training seminars to ensure that all Staff Members receive adequate training on the Nursing Home's Corporate Compliance Plan and Code of Conduct and Business Ethics. The Corporate Compliance

Officer will ensure that all training is conducted in accordance with the Nursing Home's "Corporate Policy on Compliance and Ethics Training" set forth at pages 35 to 36 of this manual.

As part of Staff Member training, the Nursing Home will require all outside contractors and vendors to provide education to their employees about the Plan. Outside contractors and vendors are required to provide assurances that they have explained the contents and nature of the Plan to their employees. Outside contractors and vendors are further required to certify that they will comply with the Plan and that they will comply with the training requirements of the Plan. Should an outside contractor or vendor fail to live up to the Nursing Home's standards of education, appropriate action may be taken by the Nursing Home, including, where applicable, termination of any such relationship.

(d) Investigations

The Corporate Compliance Officer will ensure that reports of all violations are promptly documented and investigated as soon as possible. The Corporate Compliance Officer will report all compliance related issues directly to the Chief Compliance officer or the CEO, depending upon the nature and immediacy of the complaint. Upon receipt of notice of a complaint, the Chief Compliance Officer or the CEO shall confer with the Corporate Compliance Officer and discuss resolution and investigation of the complaint. The Corporate Compliance Officer may conduct an investigation personally, delegate it to other Staff Members to perform or, after consultation with and approval of the Chief Compliance Officer or the CEO, retain outside legal counsel or other professional consultants to conduct the inquiry. Except in extraordinary circumstances, all investigations, regardless of the person conducting the inquiry, must be completed within thirty (30) days or less.

The Corporate Compliance Officer will report the results of each investigation to the subject Staff Member's supervisor and the Business Ethics Committee. In the event an investigation substantiates one or more violations, the Corporate Compliance Officer will promptly consult with the appropriate level of

management to ensure that appropriate corrective action is taken.

The Corporate Compliance Officer will record the results of all investigations and any resulting corrective action, and will provide the Nursing Home's Business Ethics Committee and Governing Authority with quarterly reports concerning such matters. Whenever an initial report of wrongdoing discloses an apparent or suspected violation of the law or a serious breach of the Nursing Home's Corporate Compliance Plan or when an investigation substantiates such a violation, the Corporate Compliance Officer will immediately inform the Governing Authority of such matter. Similarly, the Corporate Compliance Officer will consult with and obtain the advance approval of the Nursing Home's CEO and the Chief Compliance Officer before any action is taken to refer a Staff Member's conduct for criminal prosecution or civil action.

(e) Reports to the Governing Authority

The Corporate Compliance Officer will meet on a regular basis with the Nursing Home's Governing Authority, at least once a year or more often as appropriate according to the terms of this Plan, to review the findings of each audit and to report on the administration, operation and effectiveness of the Nursing Home's Corporate Compliance Plan.

C. THE CHIEF COMPLIANCE OFFICER

The Chief Compliance Officer reports directly to the CEO and to the Business Ethics Committee. The Chief Compliance Officer shall provide guidance to, work with, and supervise the Corporate Compliance Officer as is required and necessary under the particular circumstances presented, including in among other matters: (i) monitoring the effectiveness of Nursing Home's Corporate Compliance Plan, including implementation and training, (ii) identifying potential areas of compliance vulnerability and risk, (iii) periodically updating the Nursing Home's Corporate Compliance Plan so as to address newly identified risk areas and to comply with applicable law, (iv) implementing any appropriate corrective actions to address identified audit deficiencies, and (v) assuring complaints and

concerns are adequately investigated, including determining when it is appropriate to retain outside professional consultants.

IV CORPORATE POLICY ON COMPLIANCE AND ETHICS TRAINING

The Nursing Home shall develop a training program to ensure that all of its Staff Members are fully familiar with the Nursing Home's Corporate Compliance Plan and understand all of the policies, procedures and standards contained in both the Plan and the Code of Conduct and Business Ethics.

As an important part of the implementation process, all current Staff Members will receive a copy of the Corporate Compliance Plan and will participate in a training session within thirty (30) days of the Plan's adoption and implementation or as soon thereafter as practical. The training will focus on the Plan's objectives and goals, including its key policies and procedures and will place particular emphasis on the standards of conduct and business ethics contained in the Code of Conduct. At the conclusion of the training sessions, all Staff Members will sign an attendance sheet and a separate statement acknowledging their understanding of the policies and procedures contained in the Plan and the Code of Conduct, and their agreement to abide by them.

Within thirty (30) days of employment (or contract signing in the case of outside vendors and contractors), or as soon thereafter as practical, all new Staff Members of the Nursing Home will receive a copy of the Corporate Compliance Plan and a training session covering the areas described above. New Staff Members also will sign attendance sheets and acknowledgment forms. The Corporate Compliance Officer will review the attendance records and acknowledgments of all current and new Staff Members to ensure that all Nursing Home Staff Members receive and understand the required training.

After the initial compliance and ethics training, all Staff Members will receive periodic re-training no less frequently than annually. Periodic re-training sessions, which will be conducted at the direction of the Corporate Compliance Officer, will review the policies and procedures contained in the Plan

(including any changes that have been made since the Plan's implementation), and will focus on important changes in federal, state or local laws and regulations.

Other training sessions may be held periodically to address changes in the Nursing Home's Corporate Compliance Plan, changes in relevant federal, state or local law, or matters that are otherwise of particular interest or importance to the Nursing Home. Additionally, specialized training may be provided for specific Staff Members whose responsibilities, if performed improperly, could expose the Nursing Home to specific legal risks (e.g. Staff Members responsible for billing government programs).

The Corporate Compliance Officer will be responsible for developing and conducting all training sessions in consultation with the Nursing Home's Business Ethics Committee and outside professional consultants. The Corporate Compliance Officer will provide written course materials for all training sessions, keep accurate records of all training materials provided to Staff Members and, as noted above, take attendance at all training sessions and maintain records of course attendance.

V. CORPORATE POLICY ON BILLING AND REIMBURSEMENT

A. BILLING COMPLIANCE OFFICER

The Nursing Home has established the position of Billing Compliance Officer, charging that Staff Member with the primary responsibility of ensuring that all billing and reimbursement policies and practices relating to medical goods and services are properly understood and followed.

The Billing Compliance Officer will have the following responsibilities:

- (1) Developing and/or updating written policies and procedures covering the Nursing Home's government and private contract billing and reimbursement procedures.

- (2) Answering all questions of Staff Members concerning billing and reimbursement issues that cannot readily be ascertained from the Nursing Home's written procedures or manuals. All staff performing billing functions will be advised of the existence of the Billing Compliance Officer during training sessions.
- (3) Ensuring that all government and private contract billing manuals that Nursing Home Staff Members use are current and updated on a regular basis.
- (4) Ensuring that any contracted third party or vendor performing medical goods and services billing services for the Nursing Home complies with Nursing Home policies and procedures covering the Nursing Home's government and private contract billing and reimbursement procedures.

B. TRAINING OF BILLING STAFF MEMBERS

All Staff Members involved with processing and submitting bills are required to attend annual training sessions specifically devoted to these matters. The sessions will be jointly organized and conducted by the Corporate Compliance Officer and the Billing Compliance Officer. The Billing Compliance Officer, however, will have primary responsibility for developing the written course materials to be used during the sessions. At the conclusion of the training sessions, all Staff Members will sign an attendance sheet and a separate statement acknowledging their understanding of the policies and procedures concerning the Nursing Home's billing and reimbursement procedures. The Corporate Compliance Officer will review the attendance sheets and acknowledgments to ensure that all billing Staff Members receive and understand the required training.

All new billing Staff Members will participate in a training session specific to the Nursing Home's billing policies

and procedures within thirty (30) days of beginning employment, or as soon thereafter as practical.

C. AUDIT PROCEDURES

All billing, claims preparation, processing and reimbursement procedures will be audited at least twice yearly through internal reviews conducted under the direction of the Corporate Compliance Officer. The Corporate Compliance Officer will determine the scope of the internal audits. In addition, the Nursing Home's billing and reimbursement procedures will be audited annually by outside auditors or consultants.

At the conclusion of all audits, the Corporate Compliance Officer will meet with the Governing Authority and review the audit findings. The Corporate Compliance officer will promptly develop and implement a corrective action plan to correct any compliance or control weaknesses uncovered during the audits.

VI. CORPORATE POLICY ON RECORDS MANAGEMENT

A. RETENTION PERIODS, GENERALLY

During the course of its business, the Nursing Home generates and receives a substantial volume of documents. Certain records must be maintained for given periods of time, as specified in applicable laws or contracts. For example, current Nursing Home policies and procedures require that the following records be retained for the periods indicated below:

<u>Type of Record</u>	<u>Retention Period</u>
Minutes of the Governing Authority	Three years (3) from the date of each meeting
Records of all financial transactions directly relating to the delivery of resident care	Three years (3) from the date of the transaction

Staff Member records	Three (3) years from the date of Staff Member termination or resignation
Records of written grievances and complaints	Three (3) years from the date of resolution
HMO and private insurance patient records	Six (6) years from date service furnished or billed, whichever is later
Medicare patient records	Seven (7) years from date service furnished or billed, whichever is later
Medicaid patient records	Six (6) years from date service furnished or billed, whichever is later
Minor patient records	Three (3) years from the date of majority (18 years)
Corporate Compliance Program Documentation	Six (6) years from the date of creation

Additionally, some of the Nursing Home's contracts may create different or longer retention periods. Particular circumstances, such as where a legal matter may be ongoing, may require even longer retention periods.

All Staff Members with responsibilities relating to the retention of the Nursing Home's records are required to familiarize themselves with the Schedule above as well as all other pertinent policies and procedures, statutory requirements, and government and private contract provisions.

B. ANNUAL REVIEW OF RECORDS

On an annual basis, the Nursing Home's Department Heads, working with the CEO, will identify and arrange for the destruction of unnecessary duplicate documents and multiple copies of documents; review and arrange for the destruction of documents which have exceeded their required retention period; identify, group and label all inactive documents which require further retention (marking such documents with a disposal date beyond the period established for retention); and transfer such inactive documents to the Nursing Home's designated records storage site. Patient medical records, Staff Member medical records, and other records subject to confidentiality restrictions must be stored securely and destroyed in a manner that ensures confidentiality, such as shredding, mutilation or incineration.

Each manager involved in the Nursing Home's records management process will develop a log system to document the following procedures:

- the transfer of records to storage;
- the identification and maintenance of records in storage;
- the retrieval/return of records from storage; and
- the destruction of records and deletion from the records inventory.

The Corporate Compliance Officer will have responsibility for overseeing that the above procedures are followed.

C. INVESTIGATIONS AND LITIGATION

In the event the Nursing Home receives notice regarding the initiation of an investigation or litigation, the Corporate Compliance Officer will notify all persons in possession of potentially relevant documents as promptly as practicable and direct them to cease the scheduled destruction of any relevant documents pending further notice that the investigation or litigation has been concluded.

D. VITAL RECORDS

Vital records are those records which are essential to the continuity of the Nursing Home or to the Nursing Home's legal and financial status; are necessary for fulfillment of obligations to shareholders, Staff Members, residents, government or private entities with whom the Nursing Home has contracts, or other outside interests; or establish Nursing Home ownership of assets that would otherwise be difficult to prove. Vital records must be duplicated and duplicates must be stored in an off-site location for reconstructive use in the event of catastrophic document loss.

VII. CORPORATE POLICY ON INVESTIGATIONS

It is important for Nursing Home Staff Members to respond in a proper manner to all government investigations. Accordingly, in the event the Nursing Home becomes subject to a government investigation or audit, the procedures set forth below must be observed.

A. COOPERATION

It is Nursing Home policy to cooperate fully in any investigation or audit and to urge its Staff Members to do likewise. To achieve that end, the Nursing Home must be informed promptly of any external review of its business practices. Accordingly, any Staff Member who has reason to believe that the Nursing Home is under investigation is encouraged to inform the Corporate Compliance Officer of his or her belief.

On occasion, government auditors or investigators may contact Nursing Home Staff Members at their homes in search of information. In these circumstances, the Staff Member is under no obligation to consent to be interviewed. If the Staff Member consents to be interviewed, he or she may terminate the interview at any time, consult with counsel before deciding to be interviewed or have counsel present during the interview. Upon request of a Staff Member who has been contacted for an interview, the Nursing Home may, in its sole discretion, provide legal counsel for the Staff Member. If the Staff Member consents to be interviewed, he or she should respond to all questions truthfully and accurately.

Federal law makes it a crime to obstruct justice or to make false statements to a federal agent. Thus, Nursing Home Staff Member must never:

1. Alter or destroy documents sought in an investigation;
2. Falsely deny knowledge of information or intentionally make false statements;
3. Improperly influence another person to exercise the privilege against self-incrimination; or
4. Intimidate a witness with the intent of influencing testimony or retaliating against a witness for testifying in an official proceeding.

B. DOCUMENT REQUESTS

If a Staff Member receives a formal or informal document request, whether written or oral, or a subpoena from a government representative or any individual outside the Nursing Home, a copy of such request should be provided immediately to the Corporate Compliance Officer. The Corporate Compliance Officer will contact the proper records custodian, who will identify, locate and retrieve the records being sought. Thereafter, the Corporate Compliance Officer, in consultation with the Nursing Home's legal counsel and the Governing Authority, will review the records to determine whether they are

responsive to the request, and whether any are subject to a privilege that would prevent their disclosure.

The Corporate Compliance Officer and/or the Nursing Home's legal counsel will ensure that all responsive, non-privileged documents are numbered, photocopied, and transmitted to the requesting entity with an accompanying letter. The transmittal letter will identify the documents being supplied and ask that the requester acknowledge receipt of the materials by signing and returning a copy of the letter.

VIII. STATEMENT ACKNOWLEDGING RECEIPT AND ACCEPTANCE OF THE CORPORATE COMPLIANCE PLAN AND CODE OF CONDUCT

After reviewing the foregoing Corporate Compliance Plan and Code of Conduct and Business Ethics, each corporate officer, supervisor, employee, contractor, third party vendor, agent, personnel, appointee, associate, manager, member, and owner of the Nursing Home shall please execute the statement at the last page, detach the page, and forward it to the Corporate Compliance Officer through your immediate supervisor. In executing the statement, you are acknowledging that you have received and reviewed the Plan and the Code of Conduct and Business Ethics; that you will strictly comply with the Plan and the Code of Conduct and Business Ethics; and that you are subject to disciplinary action for a violation thereof.

This Corporate Compliance Plan and Code of Conduct and Business Ethics is not an employment contract.

STATEMENT

I acknowledge that I have received and thoroughly reviewed the WELLSVILLE MANOR CARE CENTER CORPORATE COMPLIANCE PLAN AND CODE OF CONDUCT AND BUSINESS ETHICS, dated December 1, 2015.

I agree to comply strictly with the principles set forth in the Corporate Compliance Plan and Code of Conduct and Business Ethics.

I understand that I will be subject to disciplinary action if I violate the principles set forth in the Corporate Compliance Plan and Code of Conduct and Business Ethics.

I further understand that the Corporate Compliance Plan and Code of Conduct and Business Ethics is not a contract of employment.

(Signature)

(Please Print Name)

(Date)

(Social Security Number)

WELLSVILLE MANOR CARE CENTER

CORPORATE COMPLIANCE PLAN

Designated Staff Members

Chief Executive Officer	David Landa
Corporate Compliance Officer	Nursing Home Administrator
Chief Compliance Officer	Alan Landa, Esq.
Billing Compliance Officer	Jonathan Gewirtz
Business Ethics Committee:	David Landa, Alan Landa, Jonathan Gewirtz and the Nursing Home Administrator

Telephone Number and Mailing Address of Corporate
Compliance Officer and Members of the Business Ethics
Committee:

Wellsville Manor Care Center
4192A Bolivar Road
Wellsville, NY 14895
(585) 593-4400

Hotline Telephone Number

Toll free "hotline" telephone number for anonymously reporting
any illegal or unethical violations or other activity:

1-877-218-5909