

CAROLINA THERAPY SERVICES, INC.
CODE OF CONDUCT

Carolina Therapy Services, Inc. (“Carolina Therapy”) strives to maintain the highest quality of care for its patients and to be a good steward of federal health care program dollars. Our employees, independent contractors, and vendors/suppliers are expected to respect the rights of all our patients, to adhere to high ethical standards, and to work in cooperation with all members of the Carolina Therapy team on a consistent basis to evaluate our performance and improve our services when needed.

To advance our commitment to quality care and to prevent fraud, waste, and abuse, we expect our employees to comply with our Compliance and Ethics Program policies and all applicable state and federal laws and regulations, and to make reports of suspected compliance violations in good faith. While the policies and procedures that make up our Compliance and Ethics Program give detailed information regarding the rights and responsibilities of employees and independent contractors, you should be aware that:

- (1) Personnel are expected to respect the dignity of all patients, to treat patients with compassion, to accommodate patient preferences when reasonable, and to provide the care and services necessary to attain or maintain our patients’ highest practicable physical, mental, and psychosocial well-being.
- (2) Personnel are expected to avoid engaging in activities that violate Carolina Therapy’s policies or the law.
- (3) Personnel are expected to follow all legal requirements for billing claims to federal health care programs, including requirements governing the type and quality of services provided to patients.
- (4) Personnel are expected to report in good faith all suspected violations of our compliance policies or of any applicable federal and state laws to the Compliance Officer or the person acting for the Compliance Officer. This includes violations committed by the individual or by another person.
- (5) Employees found to be in violation of any such policy, law, or regulation shall be disciplined according to the severity of the infraction.
- (6) Our employees, independent contractors, and vendors agree to follow the law and our policies and accept responsibility for understanding what our policies and the law expect of them, including the responsibility to report suspected noncompliance.
- (7) Any individual employed by Carolina Therapy or providing care to our patients will agree to undergo training and education to understand what the law and our policies require and how to report suspected noncompliance.

Carolina Therapy’s Compliance and Ethics Program is designed to create an environment of compliance across the organization. In addition to this Code of Conduct and applicable clinical, financial, and administrative policies and procedures, Carolina Therapy’s Compliance and Ethics Program consists of policies and procedures that educate employees, independent contractors, and others about applicable state and federal laws, their rights and obligations under those laws, and

evaluation of potential violations of such laws; education and training sessions; implementation of a reporting system for suspected compliance issues; the use of audits or other techniques to evaluate compliance and areas for improvement; and personnel and disciplinary policies. It is Carolina Therapy's intention that all officers, employees, independent contractors, and administrative personnel will comply with our compliance policies and procedures.

The Compliance and Ethics Program is directed by the Compliance Officer, who works to educate employees and monitor the organization's compliance with the support of the Compliance Committee. Employees will receive training on compliance and ethics issues upon hire, and periodically thereafter. The Compliance and Ethics Program will be reviewed on an annual basis and as needed in response to changes in the law, and it will be updated as appropriate. Should a violation of the law or of this Compliance and Ethics Program be detected, Carolina Therapy is committed to taking all reasonable steps to respond appropriately to the violation, including revising our Compliance and Ethics Program if needed to better prevent and detect criminal, civil, and administrative violations.

In implementing our Compliance and Ethics Program, Carolina Therapy seeks to send a strong message to our employees, patients, and community that we value integrity, honesty, and ethical conduct. Everyone associated with Carolina Therapy, from the CEO on down, is expected to model these traits in their interactions with their colleagues and with patients and their family members.

**CAROLINA THERAPY SERVICES, INC.
COMPLIANCE AND ETHICS PROGRAM POLICIES**

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COMPLIANCE AND ETHICS PROGRAM POLICIES

Carolina Therapy

POLICY ON COMPLIANCE WITH FEDERAL AND STATE LAWS

PURPOSE: To establish a policy regarding: (i) the basic requirements of applicable state and federal laws, including the federal False Claims Act and the federal Administrative Remedies provisions; (ii) the expectation that every employee, independent contractor, and vendor/supplier of Carolina Therapy will report suspected violations of federal and state laws; (iii) the methods available for such reporting, and protections available to employees who report such violations; (iv) the procedures Carolina Therapy follows in responding to reported violations; (v) penalties for violations of False Claims laws; and (vi) Carolina Therapy’s policies and procedures for detecting and preventing waste, fraud, and abuse.

POLICY: Carolina Therapy is committed to being a lawful, compliant, and ethical participant in government health care programs, including the Medicare and Medicaid programs, and to providing high quality care to its patients. Carolina Therapy seeks to comply with all applicable federal and state laws, regulations, program requirements, and guidance, and expects its employees, independent contractors, and vendors/suppliers to be knowledgeable about these laws, to follow these laws, and to report any suspected violations of such laws in good faith. Carolina Therapy has a policy prohibiting unlawful retaliation in response to reports made in good faith of suspected violations.

PROCEDURE:

1. Important Rules and Regulations

- a. Federal False Claims Act: This federal law prohibits any person from knowingly making or submitting a false or fraudulent claim, or submitting a false or fraudulent record or statement to get a false or fraudulent claim paid by the federal government.
- b. North Carolina False Claims Acts: North Carolina’s False Claims Act and Medical Assistance Provider False Claims Act and regulations, like the federal False Claims Act, make it a crime to knowingly make or submit a false or fraudulent claim, or submit a false or fraudulent record or statement to get a claim paid by the State or federal government.
- c. The “Stark” Act: This federal law prohibits a physician from referring a patient to a health care entity with which the physician or a family member has a financial relationship for the provision of “designated health care services,” unless the financial relationship falls within one of the exceptions to the Act. The law only applies to physicians and governs physician referrals to imaging centers, medical suppliers, and other “designated health services” in which the physician or a family member has an ownership interest. Clinical laboratory services, radiology and

certain other imaging services, radiation therapy services, durable medical equipment, and occupational and physical therapy services are considered designated health care services and are covered by the Act.

- d. The Anti-Kickback Statute: This federal law prohibits the knowing and willful solicitation, offer, payment, or receipt of any remuneration (i.e., anything of value) to induce a referral for an item or service, or to purchase, lease, order, or arrange for the purchasing, leasing, or ordering of any item or service that may be paid by Medicare or any other federal health care program. While “remuneration” clearly includes a kickback, bribe, or rebate, the term has been defined broadly to include gifts, discounts, the furnishing of supplies or equipment, credit arrangements, payments of cash, and waivers of payments due. Several “safe harbors” have been established that describe conduct which will not be treated as criminal offenses under the statute.
- e. North Carolina Law Prohibiting Self-Referrals: This law prohibits all health care providers, including physicians, nurses, physician assistants, and all others licensed pursuant to Chapter 90 of the North Carolina General Statutes, from referring patients to a health care entity for the provision of designated health services if the provider or a family member has an ownership or investment interest in that entity.

2. Federal False Claims Act Provisions (“FCA”). The purpose of the FCA is to give investigators, providers, and employees a tool to detect and prevent fraud, abuse, and waste. The FCA makes it illegal to do any of the following:

- (1) Knowingly present, or cause to be presented to the government, a false or fraudulent claim for payment or approval; or
- (2) Knowingly make, use, or cause to be made or used, a false record or statement to get a false or fraudulent claim paid or approved by the government; or
- (3) Knowingly make, use, or cause to be made or used, a false record or statement to conceal, avoid, or decrease an obligation to pay money (such as an overpayment or penalty) to the government; or
- (4) Conspire to defraud the government by getting a false or fraudulent claim paid or approved.

FCA violations are not just limited to billing issues. Any action, behavior, or procedure that causes the government to pay more money than it should, or to pay for services that were not provided, is a violation of the FCA. Substandard care can also result in FCA violations.

3. North Carolina Rules Regarding False Claims. The North Carolina “Medical Assistance Provider False Claims Act” is modeled after the FCA, and the same types of behavior that are illegal under the FCA are illegal under North Carolina law. Specifically, it is a violation of North Carolina law to do either of the following:

- (1) Knowingly present, or cause to be presented to Medicaid, a false or fraudulent claim for payment or approval; or
- (2) Knowingly make, use, or cause to be made or used, a false record or statement to get a false or fraudulent claim paid or approved by Medicaid.

North Carolina also has a general False Claims Act that makes it illegal to submit any sort of false or fraudulent claim to the State in any context. Specifically, it is a violation of North Carolina law to do any of the following:

- (1) Knowingly present or cause to be presented a false or fraudulent claim for payment or approval;
- (2) Knowingly make, use, or cause to be made or used, a false record or statement that is material to a false or fraudulent claim (i.e., the false record or statement shows that the State should pay money);
- (3) Have possession, custody, or control of property or money used or to be used by the State and knowingly deliver or cause to be delivered less than all of that money or property;
- (4) Make or deliver a receipt for property used or be used by the State that you do not know to be true, with the intent to defraud the State;
- (5) Knowingly buy public property from any State employee or officer who cannot lawfully sell or pledge the property;
- (6) Knowingly make, use, or cause to be made or used, a false record or statement material to an obligation to pay or transmit money or property to the State, or knowingly conceal, avoid, or decrease an obligation to pay or transmit money or property to the State; or
- (7) Conspire to commit a violation of this law.

4. Important Definitions You Should Know

- a. Claim: Any request for money or property, including bills to Medicare or Medicaid.
- b. Knowing or Knowingly: A person, with respect to information
 - (1) Has actual knowledge 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 that the person specifically intended to defraud the government is necessary in order for a person to be found guilty of violating the False Claims Act.

- c. Provider: Any person who furnishes goods or services, along with his or her employees, representatives, or agents.
- d. Provider Fraud: Making any false statement or representation of material fact in an application for payment or for determination of Medicare/Medicaid eligibility, or with respect to the provider or organization's qualifications to provide Medicare/Medicaid services.
- e. Provider Abuse: Any incidents or services inconsistent with accepted fiscal or medical practices, which cause financial loss to federal health care programs or their beneficiaries, or which are not reasonable or necessary. There are many situations that are provider abuse; including:
 - (1) Overuse of health care and services;
 - (2) Separate billing for services that are part of an all-inclusive procedure;
 - (3) Billing for care and services provided by unlicensed, excluded, or unauthorized personnel;
 - (4) Failure to provide proper quality of care, appropriate care and services, or medically necessary care and services;
 - (5) Breach of the terms of provider participation agreements, certification requirements, or claim form provisions.
- f. "False or Fraudulent Document": A false or fraudulent claim or document is any claim or document—including medical records, bills, or progress notes—that contain incorrect information that causes the government to pay more money than it should, or to pay for services that were not provided.

Examples of false or fraudulent claims or documents include:

- (1) A medical record that has been altered;
- (2) A bill or claim that incorrectly codes items and services, making them more expensive than they should be;
- (3) A bill or claim for services provided by unlicensed or unauthorized personnel;
- (4) A notation in a chart showing that a patient received PT services on a certain day, even though the patient was hospitalized and did not receive outpatient PT services that day;

- (5) A bill or claim for the use of medical services and equipment that were not medically necessary (overutilization);
- (6) A bill or claim that lists a separate charge for a service, even though that service is already included in the global/bundled charge.

5. Civil Penalties for Violations of Federal and State False Claims Acts. FCA violations are punishable by fines no less than five thousand dollars (\$5,000) and no greater than ten thousand dollars (\$10,000) per violation, plus an additional fine equal to three times the amount of damages suffered by the government because of the false claim. This amount may be reduced to two times the amount of damages if the violator reports the violation to the government before he or she is aware of any investigation or prosecution, and fully cooperates with investigators.

Administrative penalties may also be imposed. Administrative penalties include fines, exclusion from the Medicare or Medicaid programs, and recoupment of money wrongly paid by the government because of the false claim. A person who violates the federal or state False Claims Acts will be responsible for the cost of any civil action taken by the government to recover penalties imposed against the person.

N.C. Gen. Stat. § 108A-63, “Medical assistance provider fraud,” provides that violations of this provision are considered class I felonies. Furthermore, if you are found guilty of violating the general North Carolina False Claims Act, you will be liable to the State for three times the amount of damages sustained by the State; the costs of the lawsuit brought to recover those funds; and a civil penalty ranging from \$5,500 to \$11,000 for each false claim.

6. False Claims Act Prosecutions. The government has two methods available to recover money wrongly paid and to punish FCA violations: through a civil court action or through the administrative process. A civil action is brought in court, while administrative remedies are awarded through the administrative appeal process. Administrative decisions may be appealed to a court after a person has gone through all the steps in the administrative review process. State law violations are punishable through a civil action.

The U.S. Attorney General’s office is responsible for investigating and bringing lawsuits for violations of the federal False Claims Act. The North Carolina Attorney General’s office is responsible for investigating and bringing lawsuits for violations of the state False Claims Acts. Additionally, the State Division of Medical Assistance (“DMA”) will investigate cases of suspected provider waste, fraud, and abuse in the Medicaid program.

7. Administrative Remedies for Federal False Claims Act Violations. In addition to civil actions, the government may impose administrative remedies for fraud and abuse, such as civil monetary penalties and exclusions from participation in the Medicare or Medicaid programs.

- a. Violations: A person is liable for administrative penalties for making a false claim if he or she makes, presents, or submits, or causes to be made, presented, or submitted, a claim that the person knows or has reason to know:

- (1) Is false, fictitious, or fraudulent; or
- (2) Includes or is supported by a written statement that asserts a material fact that is false, fictitious, or fraudulent; or
- (3) Includes or is supported by a written statement that omits a material fact and is false, fictitious, or fraudulent because of the omission, if the person had a duty to present the fact; or
- (4) Is for payment for services that the person has not provided as claimed.

In such cases, the person is liable for a civil penalty of not more than five thousand dollars (\$5,000) per violation, and, in some cases, an assessment equal to two times the amount of the claim.

A person is also liable for administrative penalties for making a false claim if he or she makes, presents, or submits, or causes to be made, presented, or submitted, a written statement that the person knows or has reason to know:

- (1) Asserts a material fact that is false, fictitious, or fraudulent; or
- (2) Omits a material fact and is false, fictitious, or fraudulent because of the omission, if the person had a duty to present the fact and if the statement includes a certification that the statement is true and correct.

In such cases, the person is liable for a civil penalty of not more than five thousand dollars (\$5,000) per violation.

- 8. “Whistleblower” Actions and Protections.** The federal False Claims Act allows individuals with knowledge of violations of the False Claims Act to bring what is called a “qui tam action” or “whistleblower suit.” In a whistleblower action, a private person brings a lawsuit against the alleged violator in the name of the government. The Government may or may not join in the action with the private person and may also settle the claim or dismiss the action if it deems it appropriate. If a whistleblower action goes to trial and the violator is found liable, the person bringing the suit is entitled to at least 15 percent, but not more than 25 percent, of the proceeds of the action if the government participates, and at least 25 percent, but not more than 30 percent, if the government does not participate. The person bringing the suit shall also receive reasonable attorneys’ fees, expenses, and costs.

North Carolina’s Medical Assistance Provider False Claims Act does not provide for whistleblower actions, but it does provide that any person who acts in good faith in providing information to State officials responsible for investigating false claims violations is immune from civil liability. The general North Carolina False Claims Act, however, does contain a whistleblower provision that tracks the language of the federal FCA, entitling a whistleblower plaintiff to at least 15 percent, but not more than 25 percent, of the proceeds of the action if the State participates, and at least 25 percent, but not more than 30 percent, if the State does not participate. The person bringing the suit shall also receive reasonable attorneys’ fees, expenses, and costs.

- 9. No Unlawful Retaliation is Permitted.** Both the federal and state statutes provide that any employee who is retaliated against for cooperating with or participating in a government investigation or prosecution is entitled to all relief necessary to make the employee whole. “Retaliation” includes being discharged, demoted, suspended, threatened, harassed, or otherwise discriminated against just because the employee provided information. Such employees may bring a lawsuit to recover the following:
- a. Reinstatement with the same seniority status the employee would have had, but for the discrimination;
 - b. Two times the amount of back pay, plus interest; and
 - c. Compensation for any special damages, including litigation costs and attorneys’ fees.

It is important to note that not all disciplinary actions taken as a result of violations of Carolina Therapy’s policies and procedures or state and federal law are considered “retaliation.” A disciplinary action is only considered retaliation if the action was taken for the sole reason that you reported a violation in good faith or assisted with or participated in an investigation or prosecution.

- 10. Time for Bringing Actions for False Claims Act Violations.** Civil actions for violations of both the federal and state False Claims Acts cannot be brought:
- a. More than 6 years after the date on which the violation was committed; or
 - b. More than 3 years after the date on which the facts about the violation were known or should have been known to government investigators, but in no case can an action be brought more than 10 years after the date on which the violation occurred.

An administrative hearing on an alleged federal False Claim Act violation must commence within 6 years of the date on which the allegedly fraudulent claim was made. A civil action to recover a penalty must commence within 3 years of the date on which the determination of liability became final.

- 11. Stark and Anti-Kickback Laws.** All employees should have a basic understanding of these laws because therapy companies make or receive referrals of federal health care program business. The following situations create a potential for violations of Stark or the anti-kickback laws:
- Routinely waiving Medicare or Medicaid coinsurance or deductible amounts without a good faith determination that the patient is in financial need or absent reasonable efforts to collect the cost-sharing amount;
 - Soliciting, accepting, or offering any gift or gratuity of more than nominal value to or from patients, hospitals, potential referral sources, or others with whom Carolina Therapy and/or its providers has a business relationship;

- Arrangements with vendors that result in Carolina Therapy receiving items at below market price or free, provided that Carolina Therapy orders Medicare-reimbursed products;
 - Examples of suspect free goods or services include: supplies offered by a pharmacy; infection control or chart review offered by laboratories; equipment, computers, or software applications that have independent value to the rehab services program; DME for patients covered by Part A.
 - Additionally, any discount or rebate must be properly disclosed and accurately represented on claims where appropriate.
- Soliciting or receiving items of value in exchange for providing the supplier with access to patient medical records and other information needed to bill Medicare;
- Swapping (i.e., when a supplier gives a provider discounts on Medicare Part A items in return for referrals of Medicare Part B business). Arrangements with DME suppliers may be prone to “swapping” issues.
- Any lease, contract, or other payment obligation that does not meet fair market value standards.
- A physician’s referring patients to a provider or service owned by the physician, unless certain exceptions are met.

12. Employees’ Duties Under the Law. All Carolina Therapy employees are expected to know about the False Claims Acts and other similar laws, and to report any suspected violations of the federal or state False Claims Acts. Violations of the False Claims Acts range from submitting falsified claims to the Medicare or Medicaid programs, falsifying medical records, or recording that a patient received a service when they in fact did not. Employees should always remember that a violation of the federal or state False Claims Acts may be found if the employee knew *or should have known* of the violation. “Willful blindness” is not an excuse for failing to report.

Similarly, if an employee commits or participates in a violation of the federal or state False Claims Acts, the employee has an obligation to report the violation as soon as possible. The employee’s self-reporting of a violation will be taken into consideration when determining appropriate disciplinary action.

13. Carolina Therapy’s Obligations to Respond to Reports. Upon receiving reports of a possible compliance issue, Carolina Therapy’s Compliance Officer, or another person designated by the Compliance Officer, will evaluate the report, investigate, and, if necessary, take corrective action. They may also contact Carolina Therapy’s legal counsel. All reports not originally made to the Compliance Officer will also be forwarded to the Compliance Officer. The Compliance Committee will review and evaluate all potential compliance issues on at least a quarterly basis, and will direct the Compliance Officer or his or her designees in developing an appropriate response to suspected compliance issues.

It is Carolina Therapy's policy to evaluate and respond to all reports of possible violations of the federal or state False Claims Acts, and to support its employees in their responsibilities to report any possible compliance issues. Carolina Therapy will monitor all reports of possible compliance issues and, if necessary, will amend its policies and procedures to address such situations. Carolina Therapy's policies for detecting and preventing waste, fraud, and abuse are addressed in detail in a separate policy.

14. **Reporting Suspected Compliance Issues.** Any employee who believes that a compliance violation may have occurred should report such suspected violations to the Compliance Officer or through the Integrity Line. This report should be made within one business day or as soon as possible. The Compliance Officer also maintains an "open-door" policy and encourages employees, independent contractors, and vendors/suppliers to approach or call at any time with questions regarding or evidence of suspected or known compliance issues. The Compliance Officer will periodically compile a list or log of all reports.

To the extent possible, the confidentiality of employees reporting suspected compliance issues will be protected, and no employee will be retaliated against solely because he or she reports a suspected compliance violation. No disciplinary action or other action shall be taken against any employee, contractor, or agent who in good faith reports a suspected compliance issue that is determined, upon evaluation, not to have been a violation. However, persons intentionally bringing false allegations of compliance issues for the purpose of discrediting Carolina Therapy or any employee, contractor, or agent either shall be subjected to disciplinary action or may have their relationship with Carolina Therapy terminated, as appropriate.

Carolina Therapy shall take appropriate disciplinary action against any employee and may terminate its relationship with any contractor or agent who fails to detect and/or report any suspected compliance issue that the person either knew or should have known was occurring.

15. **Education and Training.** Carolina Therapy will provide all employees with mandatory compliance training to create awareness of Carolina Therapy's compliance policies and procedures, as well as the details of the False Claims Acts and other relevant state and federal laws. A basic explanation of why compliance programs are important and a general overview of compliance risk areas will be provided. Employees will be required to sign a certification, acknowledging that they have been provided with copies of Carolina Therapy's policies and procedures and any other relevant compliance plan documents, that they have read these documents, and that they understand them.

As a condition of employment with Carolina Therapy, attendance at and participation in these training classes is required. Failure to comply with training requirements will result in disciplinary action, including possible termination. Records documenting the type of training and certification that the personnel in attendance receive will be maintained in accordance with Carolina Therapy's document retention policy, and compliance with such training requirements will be one of the factors considered during an employee's annual evaluation.

Carolina Therapy's vendors/suppliers/contractors will also be required to comply with the Compliance Plan and Ethics Program. Copies of pertinent policies and procedures and any other relevant compliance documents will be made available to such persons.

Employees are required to attend compliance training on an annual basis to review existing policies and procedures and receive any updates. As new compliance policies are adopted, they will be distributed to affected individuals. Training and implementation of policies will be provided as needed. The Compliance Officer is also available to answer any questions employees may have regarding applicable laws and their responsibilities thereunder.

CROSS-REFERENCES: Policy on Detecting and Preventing Waste, Fraud, and Abuse
 Policy on Role of Compliance Officer and Compliance Committee
 Policy on Reporting Compliance Concerns
 Policy on Sanctions and Disciplinary Standards
 Policy on Corrective Action and Self-Disclosure

Carolina Therapy

POLICY ON ROLE OF COMPLIANCE OFFICER AND COMPLIANCE COMMITTEE

PURPOSE: To establish a policy detailing the qualifications, functions, and duties of the Compliance Officer and Compliance Committee at Carolina Therapy.

POLICY: Carolina Therapy is committed to being a lawful, compliant, and ethical participant in government health care programs, including Medicare and Medicaid, and to providing high quality care to its patients. Carolina Therapy will appoint a qualified Compliance Officer and organize a Compliance Committee to oversee the implementation and enforcement of Carolina Therapy's compliance plan.

PROCEDURE:

A. Compliance Officer

- 1. Compliance Officer Function.** The Compliance Officer assists management by planning, designing, implementing, and maintaining a company-wide Compliance Program, as well as policies and procedures that support the Code of Conduct and Compliance Plan (the "Code"). The Compliance Officer coordinates internal audit programs and monitors the effectiveness of the Code and related policies and procedures. The Compliance Officer serves as a role model for management behavior and coordinates training of all officers, employees, independent contractors, and agents regarding the requirements of the compliance plan and Carolina Therapy's compliance policies and procedures.
- 2. Reporting Relationship.** The Director of Compliance and Clinical Services reports directly to the Compliance Officer
- 3. Qualifications.** A Bachelor's degree in a relevant field is required; a Master's or other advanced degree is desired. It is preferable that the Compliance Officer have legal, corporate compliance, or regulatory or governmental affairs experience; in the alternative, appropriate experience in a healthcare or similar organization, with demonstrated leadership skills. Familiarity with operational, financial, compliance, and human resource procedures, as well as applicable laws and regulations, is required to carry out the Compliance Officer's duties. Compliance Officer training will be provided if the individual lacks a background in health care compliance.
- 4. Principal Duties and Responsibilities.** The Compliance Officer:
 - Coordinates implementation and enforcement of compliance initiatives with the Compliance Committee.
 - Assists the Director of Compliance and Clinical Services and the Compliance Committee in evaluating and establishing procedures to reduce Carolina Therapy's vulnerability to fraud, abuse, and noncompliance with applicable laws and regulations.

- Develops standards of conduct and reviews current and new policies and procedures for compliance with these standards and applicable laws and regulations.
- Develops and coordinates the provision of effective training and education related to corporate compliance, the Code, and relevant policies, laws and regulations, and seeks to ensure that all employees and management understand and comply with pertinent requirements.
- Ensures that independent contractors and agents are aware of the requirements of Carolina Therapy's compliance program, including the Code and relevant policies, laws, and regulations.
- Gathers, evaluates, and provides to the Compliance Committee on a regular basis data and information concerning compliance activities, compliance complaints, and any legal or investigatory actions pertaining to compliance; coordinates regular audits of various business functions to determine effectiveness of the compliance plan and the policies and procedures and assists internal auditors in their internal compliance reviews and monitoring activities; coordinates external audits as needed to respond to compliance concerns; and monitors the effect of changes to the code of conduct, policies, and procedures.
- Investigates reports of suspected intentional and accidental misconduct and noncompliance and provides routine reports to the Compliance Committee regarding such investigations. The Compliance Officer is responsible for reviewing all reports of suspected noncompliance, implementing an appropriate response to such reports, and maintaining documentation of the report and the response in accordance with Carolina Therapy's document retention policy.
- Identifies appropriate disciplinary and corrective action with regard to violations of the Code, in coordination with the Compliance Committee, including appropriate self-disclosure and reporting of any violations of federal health care program or other requirements.
- Coordinates personnel and disciplinary actions with Human Resources staff, including required screening of employees, independent contractors, and potential hires against the OIG's List of Excluded Individuals and Entities.
- Works in conjunction with the Compliance Committee to identify and implement necessary changes in the compliance plan or the Code.
- Periodically revises the Code and related compliance policies as needed to respond to changes in state and federal law and regulations and to Carolina Therapy's organization, identified weaknesses in the compliance plan, or identified systemic patterns of noncompliance.
- Meets with the Compliance Committee as needed to evaluate and respond to potential compliance issues.

- The Director of Compliance and Clinical Services will prepare an annual written report regarding the status of the compliance plan, any pending compliance audits or investigations, and any recommendations to the Compliance Officer regarding changes to the compliance plan or company policies.
- Oversees the preparation of an annual Audit and Monitoring Plan.

The Compliance Officer is assisted in these duties by the Director of Compliance and Clinical Services and the Compliance Committee and is authorized to implement all necessary actions to ensure an effective Compliance Program, including making necessary improvements to policies and procedures, reviewing any and all documents and other information the Compliance Officer deems relevant to compliance activities, conducting internal audits and investigations, and implementing appropriate disciplinary actions.

B. Compliance Committee

- 1. Compliance Committee Function.** Members of the Compliance Committee are responsible for overseeing Carolina Therapy's compliance program and implementation of the Code. The Compliance Committee members assist the Compliance Officer in developing and implementing corporate compliance initiatives and in communicating the compliance program to Carolina Therapy's employees, independent contractors, and agents.
- 2. Organization and Structure.** The Compliance Committee is organized as a formal part of the Carolina Therapy compliance program. The Compliance Committee is made up of at least three (3) members from all operational sectors of the business, appointed to three (3) year terms by the Director of Compliance and Clinical Services with input from the Compliance Officer.
- 3. Confidentiality.** All records and materials considered and produced by the Compliance Committee are confidential and proprietary, created as a means of critical self-evaluation as part of Carolina Therapy's peer review activities.

Any reports or materials concerning compliance issues prepared by the Compliance Officer or employees for the Compliance Committee are records produced at the direction of and for the consideration of the Compliance Committee. The compliance data and information obtained for or generated by or at the direction of the Compliance Committee will be maintained in confidential files, stored in a secure location, which may be accessed only by appropriate employees and members of the Compliance Committee.

- 4. Principal Duties and Responsibilities.** The Compliance Committee:
 - a. Coordinates implementation and enforcement of compliance initiatives with the Compliance Officer.
 - b. Develops standards of conduct and reviews current and new policies and procedures for compliance with these standards and applicable laws and regulations.

- c. Assists in developing and providing effective training and education related to corporate compliance.
 - d. Directs the Compliance Officer or his or her designee to gather, evaluate, and provide to the Compliance Committee on a regular basis data and information concerning compliance activities, compliance complaints, and any legal or investigatory actions pertaining to compliance; oversees regular audits of various business functions to determine effectiveness of the Compliance Plan and the policies and procedures; oversees external audits as needed; and monitors the effect of changes to the Code, policies, and procedures.
 - e. Evaluates investigation reports of suspected intentional and accidental misconduct and noncompliance presented by the Compliance Officer and provides advice and feedback regarding the same.
 - f. Identifies appropriate disciplinary and corrective action with regard to violations of the Code, in coordination with the Compliance Officer.
 - g. Works in conjunction with the Compliance Officer to identify and implement necessary changes in the Compliance Program or the Code.
 - h. Meets on at least a quarterly basis, with the goal being monthly, and at other times as needed, to evaluate and respond to potential compliance issues as presented by the Compliance Officer or other individual.
 - i. Receives and evaluates reports from the Compliance Officer on at least a quarterly basis, and at other times as needed, regarding the Compliance Program and compliance-related activities.
 - j. Prepares an annual report to the CEO, signed by all committee members, regarding its activities and the status of the Compliance Program, as well as any recommendations regarding changes to the Compliance Program or company policies. The Compliance Committee is also authorized to report to the CEO as needed regarding compliance concerns or any potential pattern of noncompliance within Carolina Therapy.
- 5. Documentation.** All compliance reports and related documentation, as well as documentation of training, data requests, and investigations, will be maintained for at least six (6) years.

CROSS-REFERENCES: Policy on Compliance with Federal and State Laws
 Policy on Audit and Monitoring Practices
 Policy on Detecting and Preventing Waste, Fraud, and Abuse

Carolina Therapy

POLICY ON DETECTING AND PREVENTING WASTE, FRAUD, AND ABUSE

PURPOSE: To establish a policy regarding the detection and prevention of waste, fraud, and abuse at Carolina Therapy.

POLICY: Carolina Therapy will implement audits, monitoring, and risk assessments designed to detect and prevent waste, fraud, and abuse. Carolina Therapy will also require education of all personnel regarding waste, fraud, abuse, audit procedures, and other compliance guidelines, and require staff members to report suspected compliance violations.

PROCEDURE:

Carolina Therapy's compliance plan was created to assist all personnel in following applicable state and federal laws, preventing fraud, waste, and abuse, and providing quality care to all Carolina Therapy patients. The compliance plan includes:

- (1) Oversight by Carolina Therapy's CEO and the commitment of resources to the establishment and maintenance of an effective compliance program.
- (2) Implementation of written policies and procedures and a written code of conduct that establish methods for reporting and evaluating suspected compliance issues.
- (3) The designation of a Compliance Officer, who oversees the development, operation, and monitoring of Carolina Therapy's compliance program. The Director of Compliance and Clinical Services reports directly to the Compliance Officer. The Compliance Committee assists the Compliance Officer in investigating and evaluating specific compliance incidents or complaints. The Compliance Committee will consider information from the Compliance Officer and evaluate all suspected compliance issues on at least a quarterly basis, and will coordinate with the Compliance Officer or his or her designees in developing an appropriate response to suspected compliance issues.
- (4) Mandatory education and training for all employees, agents and contractors about the False Claims Acts and other applicable state and federal provisions, and explanations of what is expected of employees, agents, and contractors with regard to these laws. Education and training occur at the time of hire and periodically thereafter.
- (5) Establishment of the Integrity Line to allow for anonymous reporting of compliance concerns.
- (6) Implementation of a system to evaluate, investigate, and respond to compliance complaints and enforce appropriate disciplinary actions for violations of Carolina Therapy's internal policies and procedures or state and federal law and program requirements.

- (7) Establishment of disciplinary standards that include consequences for compliance violations.
- (8) The use of audits and/or other evaluation techniques to monitor compliance, identify potential problem areas, and assist in the reduction of potential problems, including periodic review and evaluation by the Compliance Officer, the Compliance Committee, and their designees of Carolina Therapy's compliance with state and federal regulations and Carolina Therapy's Compliance Plan and Ethics Program.
- (9) Establishment of processes for ensuring the integrity of reported data and responses to identified data issues or compliance violations, including self-disclosure and voluntary repayment and reassessment of existing processes in order to prevent or minimize the recurrence of future, similar violations.

Adherence to Carolina Therapy's compliance plan is a factor in evaluating employee performance. Failure to follow the compliance plan will result in disciplinary action, up to and including termination.

1. Definitions.

- a. Provider: Any person who furnishes goods or services, along with his or her employees, representatives, or agents.
- b. Fraud: Making any false statement or misrepresentation of material fact in an application for payment or for determination of eligibility, or with respect to the provider's or organization's qualifications to provide services.
- c. Abuse: Any incidents or services inconsistent with accepted fiscal or medical practices, which cause financial loss to Medicare or Medicaid or their beneficiaries, or which are not reasonable or necessary.
- d. Waste: The irresponsible use of healthcare goods and services without regard for the cost to Medicare, Medicaid, or their beneficiaries.

2. Quality of Care. Carolina Therapy is committed to providing high quality care to its patients. Employees, agents, and contractors are expected to do the following, as applicable:

- Provide appropriate therapy services;
- Appropriately document in the medical record the therapy services provided to patients;
- Reasonably accommodate individual patient needs and preferences;
- Provide proper monitoring processes that advance patient safety;
- Engage in routine self-evaluation of the quality of care provided to patients;

- Report mistreatment, neglect, or abuse to the Compliance Officer or other officials as required by law.

Employees, agents, and contractors are expected to report any suspected compliance violations relating to quality of care. Employees, agents, and contractors should also be aware that the government considers it a violation of the False Claims Act to bill for services that are provided so poorly so as to not meet regulatory standards.

3. Patients' Rights and Safety Issues. Carolina Therapy expects that its employees, agents, and contractors will be knowledgeable about and respectful of patients' rights, and will report any of the following:

- Discriminatory and/or improper denial of access to care;
- Non-medically necessary or appropriate services;
- Verbal, mental, or physical abuse, corporal punishment, and involuntary seclusion;
- Failure to ensure patients' personal privacy, their medical privacy, and access to their medical records upon request to the extent required by law;
- Denial of patients' rights to participate in care and treatment decisions; and
- Improperly screened or excluded employees or contractors providing services.

4. Billing and Cost Reporting. It is a violation of the state and federal False Claims Acts to knowingly submit a false claim for reimbursement to Medicare, Medicaid, or other government programs, or to submit false documentation to support a claim for reimbursement. Carolina Therapy expects its employees, agents, and contractors to report any of the following:

- Billing for items or services not provided as claimed;
- Submitting claims for medically unnecessary equipment, supplies, and services;
- Duplicate billing;
- Failing to identify and refund credit balances;
- Knowingly billing for inadequate or substandard care;
- Upcoding the level of service provided (i.e., assigning to a service codes that carry a higher amount of reimbursement);
- Billing for individual items or services that must be billed as a unit and may not be unbundled;
- Altering documentation or forging a physician signature on documents used to verify that services were ordered and/or provided;
- Overstating the amount of time spent providing therapy to patients; and
- Falsification of mandated reports to Medicare and Medicaid.

5. **OIG Risk Areas.** The Office of Inspector General (“OIG”), the federal entity charged with investigating waste, fraud, and abuse in federal health care programs, highlights risk areas in its Program Guidance. Carolina Therapy, in evaluating its compliance plan and operations, will ensure that it takes into account any applicable compliance guidance issued by the OIG and the OIG’s Annual Work Plan.
6. **Documentation and Recordkeeping.** All Carolina Therapy employees, agents, and contractors are expected to document in patients’ charts in a complete, timely, and accurate manner. Carolina Therapy is expected to maintain all records and documentation, including patient medical records, patient assessment instruments, financial data, compliance training materials, plans of correction, and employee disciplinary actions, in a secure and safe manner, consistent with legal requirements and Carolina Therapy’s document retention policy, and to limit access to records to avoid accidental or intentional destruction or fabrication of documents.

Carolina Therapy expects its employees, agents, and contractors to report any suspected record tampering, alteration, or destruction of documents.

Carolina Therapy will also document and retain all requests for advice or clarification made to its Medicare Administrative Contractor, the state Medicaid agency, or other government agency, and the responses received to such requests.

7. **Audits and Monitoring.** Carolina Therapy will use audits and monitoring by management to evaluate whether its organization is complying with applicable state and federal laws and regulations, as well as with Carolina Therapy’s compliance plan. Examples of such audits include, but are not limited to:
 - Periodic chart audits to evaluate completeness, timeliness, and accuracy of documentation;
 - Periodic financial audits;
 - Periodic evaluation of complaint logs and any investigation files;
 - Periodic audits of contracts and other arrangements with hospitals or other potential referral sources;
 - Annual performance appraisals of employees that include evaluation of their knowledge of Carolina Therapy’s compliance plan; and
 - Review of personnel records to see if employees previously disciplined for compliance violations are now following the compliance plan.

The Compliance Officer, the Compliance Committee, and the management team will work together to implement the above measures.

8. **Education and Training.** Carolina Therapy has access to provider education materials and manuals promulgated by the Centers for Medicare and Medicaid Services (“CMS”) and the State Division of Medical Assistance, which set forth participation standards; applicable amounts, duration, and scope of assistance; reimbursement rules; penalties; and

claims filing instructions. Carolina Therapy also has access to compliance guidance, advisory opinions, and other documentation published by the OIG. In addition, Carolina Therapy provides its employees with in-service training and educational materials, as well as copies of relevant policies and procedures and an employee handbook.

All employees receive in-service training as new hires, and periodic updates on state and federal laws and Carolina Therapy policies and procedures. Education sessions will cover at least the following information: compliance with federal health care program participation requirements; appropriate and sufficient documentation; prohibitions on paying or accepting remuneration to induce referrals; and the duty to report misconduct. All Carolina Therapy employees must meet education requirements, and failure to do so will result in disciplinary action.

9. **Reporting Requirements.** All Carolina Therapy employees are expected to report any possible cases of fraud, waste, or abuse to the Compliance Officer or the Compliance Officer's designee. Reports may be made in person, via telephone, facsimile, or e-mail communication, or through use of the Integrity Line. Employees' confidentiality will be respected to the extent practicable. The Compliance Officer and/or designated compliance staff members are responsible for keeping a log of compliance reports and for promptly informing the CEO of any significant compliance reports.

All Carolina Therapy employees, contractors, and agents are expected to comply with state and federal statutes and regulations and Carolina Therapy's compliance plan, and will be free from retaliation for good faith reports of suspected fraud, waste, or abuse.

10. **Investigations.** All reports of suspected compliance issues will be promptly evaluated by the Compliance Officer or the Compliance Officer's designee. Relevant information relating to the suspected compliance issue will be gathered and reviewed. The Compliance Officer or designee will promptly address compliance issues, determine whether additional in-service training is warranted, and assess whether other responsive actions are needed. The Compliance Officer will report his or her investigation findings, assessment and recommendations to the Compliance Committee.

The Compliance Officer may confer with legal counsel, at his or her discretion, when evaluating reports of suspected compliance issues.

11. **Disciplinary Actions.** The Compliance Officer, in consultation with the Compliance Committee and Human Resources, is responsible for determining appropriate disciplinary actions for compliance violations. The Compliance Officer will impose disciplinary actions after conferring with Human Resources and Carolina Therapy's management team, in accordance with Carolina Therapy's written policies and procedures. Factors to be considered in determining appropriate disciplinary actions include whether the offense constitutes a violation of state or federal law; whether the offense is repeated despite counseling and/or training; the individual's work record; and the impact the conduct has on Carolina Therapy. Potential disciplinary actions include:

- Counseling and verbal warning

- Written reprimand placed in employee's personnel record
- Probation
- Temporary suspension
- Termination of employment

Conduct that constitutes fraud, abuse, or a violation of the Anti-Kickback Law or other state or federal compliance law may be grounds for immediate termination. A recommendation to terminate employment may be issued by management or the Compliance Officer and must be approved by the Human Resource Officer. Final approval may be required from the CEO.

A workforce member who violates Carolina Therapy's compliance policies or state or federal law may also be required to reimburse Carolina Therapy for any losses or damages suffered by Carolina Therapy as a result of the individual's non-compliant conduct.

- 12. The Role of the Compliance Committee.** Compliance investigations and evaluations will be performed as part of Carolina Therapy's quality assurance and peer review activities. The Compliance Committee will meet on a regular basis to monitor and evaluate the appropriateness, quality, cost, and necessity of care ordered for or provided to patients of Carolina Therapy, and to review suspected compliance issues. The Compliance Committee may direct the Compliance Officer or other Carolina Therapy employees to gather, evaluate, and provide to the Compliance Committee data and information concerning the appropriateness, quality, cost, and necessity of care provided to Carolina Therapy patients, and potential compliance issues. Any reports or materials concerning compliance issues prepared by the Compliance Officer or Carolina Therapy employees for the Compliance Committee are records produced at the direction of and for the consideration of the Compliance Committee.

In its judgment and discretion, the Compliance Committee will make recommendations for appropriate actions, if any, concerning care of any particular patient, organizational policies and procedures, credentialing of licensed health care professionals, compliance with state and federal laws and regulations, or any other matter related to the quality, appropriateness, cost, and necessity of health care services provided by Carolina Therapy. At least quarterly, the Compliance Committee will review and evaluate potential compliance issues as presented by the Compliance Officer, and will make recommendations to the Compliance Officer regarding appropriate, further responsive actions, as needed.

The compliance data and information obtained for or generated by or at the direction of the Compliance Committee will be maintained in confidential, peer review files, stored in a secure location, which may be accessed only by appropriate Carolina Therapy employees and members of the Compliance Committee. These records are confidential, are not public records, and are not subject to discovery in any civil action brought by an individual or an estate against Carolina Therapy or any provider of health services.

CROSS-REFERENCES: Policy on Compliance with Federal and State Laws
Policy on Audit and Monitoring Practices
Policy on Role of Compliance Officer and Compliance Committee
Policy on Sanctions Checks
Policy on Contracting
Policy on Conflicts of Interest
Policy on Reporting Compliance Concerns

CAROLINA THERAPY

POLICY ON AUDIT AND MONITORING PRACTICES

PURPOSE: To establish a policy regarding appropriate audit and monitoring practices implemented at Carolina Therapy to evaluate the effectiveness of the compliance program and detect non-compliant behaviors.

POLICY: The Compliance Officer is charged with auditing and monitoring compliance with, and the effectiveness of, Carolina Therapy's compliance program. Auditing and monitoring will take the form of routine, internal monitoring of compliance risk areas; periodic internal audits to confirm the efficacy of the monitoring program; and external audits as appropriate. The result of internal and external compliance audits will be used by the Compliance Officer and Compliance Committee to determine needed changes to the compliance program and related policies and procedures, compliance with regulatory requirements, and necessary compliance reporting or corrective actions. The results of audits and monitoring activities will be routinely assessed and reported to the CEO.

PROCEDURE:

1. On an annual basis, the Compliance Officer and Compliance Committee will conduct an internal risk assessment. The purpose of the risk assessment will be to identify major areas of compliance, fraud, and abuse risk and to verify that previously-identified issues have been appropriately addressed. Each department must be assessed for the types and levels of compliance risk posed by the activities of that department. Factors to be considered in evaluating risk include, but are not limited to: (a) size; (b) nature of services provided; (c) applicable regulatory constraints; (d) any past compliance issues; and (e) budget. Areas of concern may also be identified on the basis of Office of Inspector General fraud alerts and compliance bulletins, Medicare and Medicaid regulatory bulletins, consultation with legal counsel, prior compliance audits, or other sources.
2. An annual audit and monitoring plan will be developed for the upcoming year by the Compliance Officer or his or her designee, based on the annual risk assessment. The audit and monitoring plan will be prioritized based on the ranking of risks performed by the Compliance Officer and Compliance Committee, and will outline the specific topics or departments that will be subject to formal audits, routine monitoring, or spot audits, as needed based on the risk assessment rankings. This plan will be approved by the Compliance Committee and CEO.
3. Compliance monitoring will be done on a periodic basis, as outlined in the annual audit and monitoring plan. In addition, compliance practices may be audited by the Compliance Committee and internal audit staff on a surprise basis or in response to a compliance complaint or question received from Carolina Therapy personnel.
4. Key to compliance monitoring is the evaluation of whether (a) policies exist covering the identified risk area; (b) policies were implemented and communicated; and (c) policies

were followed. The type of monitoring to be done, however, depends on the nature of the identified compliance risk area, and should be tailored to meet Carolina Therapy's needs and resources. Possible examples include formal audits, focused risk assessments, data analysis, and employee interviews.

5. When evaluating data in order to determine compliance, random sampling and an appropriate sample size should be used to ensure objective review of practices. The results of analyses and audits will be documented to substantiate compliance efforts, and the Compliance Officer will maintain copies of all work papers and reports, consistent with Carolina Therapy's document retention policy.
6. At the request of the Compliance Officer or Compliance Committee, selected departments may be asked to develop internal compliance monitoring plans and processes, and to present reports to the Compliance Committee regarding departmental compliance monitoring efforts.
7. Routine, comprehensive audits of the Carolina Therapy compliance program will take place every three years. Such audits will be coordinated by the Compliance Officer, with the input and assistance of the Compliance Committee and internal audit staff as deemed necessary. The Compliance Officer and Compliance Committee may engage an outside firm to conduct these comprehensive audits.
8. Compliance risks or violations identified through the audit and monitoring process will be reported to the Compliance Officer, who will conduct an investigation and determination of corrective action, as required by Carolina Therapy's policies.
9. The Compliance Committee shall assist in the preparation of risk analyses and shall oversee the monitoring of internal and external audits and investigations. Information regarding annual audit and monitoring plans and the results of compliance monitoring and audits will be provided to the CEO by the Compliance Committee.

CROSS-REFERENCES: Policy on Compliance with Federal and State Laws
Policy on Role of Compliance Officer and Compliance Committee
Policy on Reporting Compliance Concerns
Policy on Detecting Waste, Fraud and Abuse
Policy on Contracting

CAROLINA THERAPY

POLICY ON REPORTING COMPLIANCE CONCERNS

PURPOSE: To establish a policy outlining the options available to Carolina Therapy personnel and affiliates to report compliance concerns.

POLICY: Carolina Therapy is committed to fostering effective lines of communication between workforce members and management, and maintains an open-door policy. Employees with compliance concerns or questions are encouraged to report such concerns directly to their supervisor, the Compliance Officer, or any corporate officer. Employees may also anonymously report compliance concerns through the Integrity Line. All reported compliance concerns will be investigated, and no workforce member will be retaliated against for making a good faith report.

PROCEDURE:

1. Questions regarding Carolina Therapy's Code of Conduct and Compliance Plan and Ethics Program, related compliance policies, or the compliance program can be directed to the Compliance Officer, Kim Schmidlin. Additionally, Carolina Therapy's policies and procedures are available upon request.
2. As part of its Compliance Program, Carolina Therapy will routinely solicit feedback from employees, independent contractors, and agents regarding compliance matters. Such feedback may take the form of:
 - Suggestion boxes;
 - Electronic surveys and communications regarding potential areas of compliance concern;
 - Questions during annual reviews;
 - Questions during employee exit interviews; and
 - Any other methods determined to be effective in encouraging dialogue between employees and management.
3. The Compliance Officer will document all compliance inquiries and feedback received and may use such inquiries to update and improve existing compliance policies and materials. Employees are encouraged to share their questions and ideas for improvement with the Compliance Officer.
4. Any workforce member who has knowledge of activities that he or she believes might violate the law has an obligation to promptly report the matter to his or her direct supervisor or to the Compliance Officer, Kim Schmidlin, at 910-892-0027 – Option 5. Failure to report illegal or improper activity may result in disciplinary action, up to and including termination of employment and/or criminal charges as determined by legal and/or

regulatory authorities. Any supervisor receiving a report of a compliance concern must notify the Compliance Officer as soon as possible.

5. Carolina Therapy workforce members can also report compliance concerns or violations by using the Integrity Line at 910-892-0027 – Option 9. Integrity Line reports can be anonymous, but reports must contain sufficient information to permit the Compliance Officer to investigate the concerns raised.
6. As required by Carolina Therapy policy and the law, a workforce member will not be retaliated against for making a good faith report regarding compliance concerns.
7. Carolina Therapy will make every effort within the limits of the law to treat all reports of compliance concerns as confidential and to protect the identity of the person who reports a possible violation in good faith. However, depending on the nature of the report, a situation may arise in which the reporter's identity may become known or need to be revealed to government officials or others involved in an investigation or assessment of the compliance concern.
8. Credible reports that suggest substantial compliance violations will be promptly investigated by the Compliance Officer or her designee(s). The Compliance Officer will take corrective action where appropriate.
9. The Compliance Officer will document all reports of possible violations, along with the nature of any investigation, the result of such investigation, and any remedial or disciplinary action taken as a result of the report. This report will be summarized and shared with the Compliance Committee and CEO on a routine basis.
10. The Compliance Officer, with the support of the Compliance Committee, is authorized to take any measures needed to resolve compliance issues and prevent further offenses. This may include revision of existing policies and procedures, education sessions, audits, or disciplinary actions. Disciplinary decisions will be made in cooperation with Human Resources and, if necessary, the CEO.
11. A workforce member may also report violations directly to the government if he or she believes that concerns reported to Carolina Therapy were not adequately addressed through the compliance program. Such reports may be made to the Office of Inspector General or other oversight agency as appropriate. As outlined in the compliance plan, a federal law, the False Claims Act, also permits lawsuits to be filed by whistleblowers in certain situations in which a false claim was submitted to the government for payment.

CROSS-REFERENCES: Policy on Compliance with Federal and State Laws
Policy on Role of Compliance Officer and Compliance Committee
Policy on Detecting Waste, Fraud and Abuse

CAROLINA THERAPY

POLICY ON SCREENING FOR EXCLUDED INDIVIDUALS AND ENTITIES

PURPOSE: To establish a policy outlining process by which Carolina Therapy will screen potential and existing workforce members, vendors/suppliers, and contractors against the OIG's List of Excluded Individuals/Entities (LEIE) or the General Services Administration (GSA) System for Award Management (SAM) List of Parties Excluded from Federal Programs (collectively, Exclusion Lists) and against State registries, as applicable.

POLICY: Carolina Therapy is committed to properly screening workforce members, vendors/suppliers, and contractors to ensure that currently sanctioned individuals or entities listed on the Exclusion Lists are not employed, contracted with to provide services, or engaged to consult in any manner at Carolina Therapy.

PROCEDURE:

Federal law prohibits payment by any Federal health care program for any item or services furnished by an excluded individual or entity or directed or prescribed by an excluded physician. In addition, federal contracts, subcontracts, and certain financial and non-financial assistance and benefits cannot be awarded to individuals or entities excluded from participation. As a result, Carolina Therapy will screen all prospective employees, vendors, contractors, and consultants against the Exclusion Lists as part of the hiring or contracting/purchasing process, and every six months thereafter during their employment or contract period with Carolina Therapy. Additionally, all employees, vendors, contractors, and consultants shall be required to disclose to Carolina Therapy any debarment, exclusion, suspension, conviction, or other event that qualifies that person or entity for placement on the Exclusion Lists.

1. **Potential Hires:** Prior to an offer being made to any recruit, Human Resources will review the Exclusion Lists at <http://oig.hhs.gov/exclusions/index.asp> and <http://www.sam.gov> to ensure the potential employee is not listed as an excluded individual. Potential employees should be required to provide all current and former names and aliases used, and all such names should be screened against the Exclusion Lists. If the employee's name appears on the Exclusion Lists, Human Resources will conduct the necessary review and investigation to determine whether the individual named on the Exclusion Lists is the same individual as the job applicant. If the individual named in the Exclusion Lists is determined to be the same person as the applicant, the Human Resources Director will be notified immediately and the offer/hiring process will be terminated.

Potential hires will be screened regarding whether they have ever been excluded or debarred from participation in government contracts or programs, or convicted of a criminal offense that falls within the scope of 42 U.S.C. § 1320a-7(a) or other exclusion statute, and the date of the exclusion, debarment, or conviction. Examples of relevant criminal convictions under 42 U.S.C. § 1320a-7(a) include:

- a. Offenses related to the delivery of an item or service covered by a government health care program;
- b. Felonies relating to fraud, theft, embezzlement, breach of fiduciary duty, or other financial misconduct in connection with a government health care program;
- c. Felonies related to the unlawful manufacture, distribution, prescription, or dispensing of a controlled substance.

Loss of nursing or therapy license also result in exclusion. If a potential employee indicates “yes” to these questions, the Human Resources Director will be notified immediately and the offer/hiring process will be terminated. Any questions regarding whether a criminal conviction qualifies as a relevant conviction for exclusion and debarment purposes should be directed to legal counsel.

2. Potential Contractors: Contract personnel and entities will be screened against the Exclusion Lists and asked to provide information regarding relevant convictions according to the process described above. If temporary employees are used, personnel agencies supplying such employees will be required to screen all personnel and provide documentation to Carolina Therapy that the screening process was completed on the temporary employee within the thirty (30) days prior to the temporary employee’s placement at Carolina Therapy. Carolina Therapy will not accept placement of temporary employees, contract personnel, or contract entities listed on the Exclusion Lists.
3. Potential Vendors: Prior to a contract being executed or an initial order being placed with a new vendor, procurement personnel will verify that the vendor is not listed on the Exclusion Lists. No contracts will be signed or orders placed with vendors listed on the Exclusion Lists.
4. In reviewing an existing or potential employee, consultant, or vendor, the individual’s Social Security Number and full legal name should be used. Nicknames, initials, and abbreviations should be avoided. Individuals with hyphenated or compound surnames should be checked under each individual name (for example, Chris Smith-Jones should be checked as Chris Smith and Chris Jones). Applicants should be asked to list any additional names used by a person, such as a maiden name, and those names should also be checked.
5. Health care practitioners will also be screened against the applicable state licensure board.
6. All employees, contractors, vendors, and consultants will be re-checked annually against the Exclusion Lists to ensure ongoing organizational compliance. Any evidence that an individual is an excluded individual must be reported to the Compliance Officer. Additionally, as a condition of employment or contractual relationship, all employees, contractors, vendors, and consultants will be required to immediately disclose to the Compliance Officer any event that results in exclusion or debarment.
7. Should Carolina Therapy receive actual notice that an employee, contractor, vendor, or consultant is an excluded individual or has been charged with or convicted of a criminal offense that may result in exclusion or debarment, it will take immediate steps to terminate

its relationship with that person. Any such notice must be reported to the Compliance Officer.

8. Upon receipt of notice that an individual has been excluded or debarred, or charged or convicted of a relevant criminal offense, the Compliance Officer will authorize an audit or other review to identify whether any federal grants, health care program funds, or contracts were received for items or services provided by the excluded individual, and will determine the appropriate notification and corrective action, in conjunction with the Compliance Committee and legal counsel.

The individual responsible for performing the sanctions check on the employee, contractor, vendor, or consultant must document that the required sanctions checks were performed. Copies of such documentation must be provided to the Compliance Officer.

CROSS-REFERENCES: Policy on Compliance with Federal and State Laws
 Policy on Detecting Waste, Fraud and Abuse
 Policy on Audit and Monitoring Practices
 Policy on Corrective Action and Self-Disclosure

CAROLINA THERAPY

POLICY ON CONTRACTING AND VENDOR RELATIONSHIPS

PURPOSE: To establish a set of best practices for use in executing and maintaining contracts with potential referral sources.

POLICY: Carolina Therapy is committed to compliant contracting practices in order to maintain compliance with applicable laws and regulations, including the Stark and Anti-Kickback Statute requirements.

PROCEDURE:

1. Carolina Therapy will use standardized, template contracts whenever possible. These contract templates will be developed with legal counsel to ensure that the templates comply with applicable laws and regulations and contain all key legal clauses.
2. Carolina Therapy will not offer or accept the use of space or equipment, or the services of a health care practitioner, without a valid contract or lease that is established in writing and approved by legal counsel.
3. Prior to entering into contracts or leases with therapists/assistants or vendors, Carolina Therapy will conduct or obtain the following evaluations and verifications and will maintain copies of the same with the executed contract:
 - a. Conflict of interest check.
 - b. Sanctions check.
 - c. Criminal background check.
 - d. Check of the National Provider Database, the disciplinary files of the North Carolina Board of Physical Therapy Examiners, North Carolina Board of Occupational Therapy, or the North Carolina Board of Examiners for Speech Language Pathology & Audiology, and other, similar data sources for malpractice actions, history of impairment, or other, relevant information, as applicable.
 - e. Verification that the therapist/assistant or vendor is a participating provider in Medicare, Medicaid, and other federal health care programs, as applicable.

Such documentation will be retained for the life of the contract or as required by Carolina Therapy's document retention policy.

4. Prior to execution of a contract, a member of Carolina Therapy's executive team will review the contract against the Contracts Checklist included as Attachment A to this policy to verify that all required elements are met. A signed copy of the Contracts Checklist must be provided to the party responsible for executing the contract, and a copy of the Contracts Checklist should be placed in the file with the executed contract.
5. A contract with a therapist/assistant must specify the duties of and services to be provided by the therapist/assistant. Carolina Therapy will not significantly expand or add to a

therapist/assistant's duties without amending the existing contract or entering into a new contract with the therapist/assistant.

6. Prior to issuing payment for any services, space, or equipment, the original lease or contract should be reviewed as followed:
 - a. The applicable contract or lease should be reviewed to be sure that the requested payment is consistent with and follows the terms set forth in the contract.
 - b. Payment should not be issued for time periods preceding the last date of signatures on the contract or lease. If a request is submitted for payments for time periods prior to the last signature on the contract or lease, legal counsel should be consulted regarding whether or not the payment can be made.
 - c. Payments received from a physician or physician group for space, services or equipment should also be accounted for in a way that they can be identified by the physician or physician group from whom the payments were received.
7. This policy does not apply to contracts with non-referral services and contracts for goods and services unrelated to health care (Example: contracts with vending machine suppliers and contracts with venues to host social events).
8. The Compliance Officer will require and oversee audits and monitoring of contracts on at least an annual basis.

**POLICY ON CONTRACTING AND VENDOR RELATIONSHIPS
ATTACHMENT A – CONTRACT CHECKLIST**

Contract Review – Prior to Execution	
<input type="checkbox"/>	Does the contract contain the following elements? <ul style="list-style-type: none"> – Contract is in writing – Contract uses Carolina Therapy approved templates, or has been reviewed and approved by legal counsel – Contract describes the goods or services to be provided – The contract term is for a minimum of one year
<input type="checkbox"/>	Is the following documentation included with the proposed contract? <ul style="list-style-type: none"> – Sanctions check documentation – Background check documentation (criminal background check, NPDB and licensure documentation, etc.) – FMV assessment
<input type="checkbox"/>	Is a Business Associate Agreement (“BAAs”) or documentation from legal counsel that no BAA is required included with the contracts?
<input type="checkbox"/>	Are all exhibits/attachments mentioned in the contract attached to the document?
<input type="checkbox"/>	Are all pages of the contract in place?
Contract Review – Post-Execution	
<input type="checkbox"/>	Is the contract signed and dated by all parties?
<input type="checkbox"/>	Were any changes/notations made to the contract after final approval?

Signature of Individual Completing Pre-Execution Review

Date

Signature of Individual Completing Post-Execution Review

Date

CAROLINA THERAPY

POLICY ON CONFIDENTIALITY OF BUSINESS INFORMATION

PURPOSE: To establish a policy outlining the steps to be implemented at Carolina Therapy to protect the confidentiality of sensitive personnel and business information.

POLICY: Carolina Therapy recognizes the importance of maintaining the confidentiality of personnel and business information. All Carolina Therapy employees and independent contractors are expected to maintain the confidentiality of such information in accordance with this Policy.

PROCEDURE: Confidential business information shall be protected as follows:

1. Confidential business information includes but is not limited to:
 - a. Personnel data;
 - b. Financial, pricing and cost data;
 - c. Financial terms and other health care competitive information in contracts between Carolina Therapy and third parties;
 - d. Strategic plans and marketing strategies; and
 - e. Supplier and subcontractor information.

Confidential information may be in oral, written or electronic form.

2. No employee or independent contractor shall:
 - a. discuss confidential information in any non-business setting;
 - b. use any such information for personal gain; or
 - c. wrongfully disclose information to those not authorized to know or access such information.
3. Access, use, and disclosure of patient information is governed by Carolina Therapy's HIPAA and Privacy policies and procedures. Workforce members with questions regarding HIPAA compliance should consult those policies or Carolina Therapy's Privacy Officer, Kim Schmidlin. Patient information, including photographs, should never be posted to social media, shared with any third party, or otherwise disclosed without the patient's consent or as permitted or required by law.
4. All e-mails, facsimiles, or electronic transmissions containing confidential information regarding Carolina Therapy's operations, patients, or personnel shall be accompanied by this statement:

This transmission is intended for the addressee indicated above. It may contain information that is privileged, confidential, or otherwise protected

from disclosure. Any review, dissemination, or use of this transmission or its contents by persons other than the addressee is strictly prohibited. If you have received this transmission in error, please notify us immediately by telephone at 910-892-0027, and delete or return the original to us at Carolina Therapy, attention: Kim Schmidlin.

5. Each employee or independent contractor has a duty to report any improper disclosure of confidential business information to the Carolina Therapy Compliance Officer.
6. All Carolina Therapy employees, independent health care professionals and independent contractors must sign a statement certifying that they understand and will abide by this Policy.
7. All vendors, independent health care professionals, independent contractors or subcontractors or other persons dealing with Carolina Therapy agree by signing such statement that any oral or written contract with Carolina Therapy includes and incorporates by reference Carolina Therapy's confidentiality policy.
8. Carolina Therapy may discipline employees, including termination, and take action against independent contractors, including immediate termination of the relationship with Carolina Therapy, for wrongfully disclosing confidential information.

CAROLINA THERAPY

POLICY ON CONFLICTS OF INTEREST

PURPOSE: To protect the interests of Carolina Therapy when it is considering entering into a transaction or arrangement that might benefit the private interest of an officer or director of Carolina Therapy. This policy is intended to supplement but not replace any applicable laws or regulations governing conflicts of interest applicable to Carolina Therapy.

POLICY: A conflict of interest exists when an officer, management personnel, therapist, assistant, RNA, or a friend or relative of these individuals, is in a position to profit directly or indirectly, financially or non-financially, through the application of the individual's administrative authority or knowledge gained through his or her affiliation with Carolina Therapy. For example, if these persons or their family or friends have an actual or potential ownership or investment interest in, or compensation arrangement with, any entity or individual with which Carolina Therapy is negotiating a transaction or arrangement, a conflict of interest may result.

Carolina Therapy officers, directors, management personnel, and therapy/RNA staff s will disclose and address any actual or potential conflicts of interest that could affect the safety or quality of care, treatment and services, or regulatory requirements with which Carolina Therapy must comply.

PROCEDURE:

Officers, Management Personnel, and Therapy/RNA staff

1. In business transactions for Carolina Therapy, officers, management personnel, and therapy/RNA staff shall not accept anything of substantial value from a third party. Any benefit offered in the expectation of influencing the officers or management's judgment is considered a conflict of interest. Illustrations are lavish entertainment, gifts of value, preferred investment opportunities, loans of money, services, and facilities, including recreational or vacation trips.
2. Any possible conflict of interest shall be disclosed to the individual's supervisor or partners, at the time a proposed transaction or arrangement is to be considered by that person or the office or department in which he works. Such disclosure shall include all material facts. In addition, any known possible conflict of interest shall be disclosed within thirty days of first assuming an officer or management position or employment as a therapist, assistant, or RNA with Carolina Therapy. Known possible conflicts of interest shall be disclosed as well each year on the annual conflict of interest questionnaire.
3. When an actual, perceived, or potential conflict is identified by any person, the following steps should be taken by that person's supervisor:
 - a. Precisely identify the actual, perceived or potential conflict.

- b. Develop an appropriate response, including where necessary, a disqualification from the decision-making process with referral to another individual in the department for a decision.
- c. Fully disclose the conflict to the Compliance Officer with an evaluation of the effect and seriousness of the conflict.

When in doubt as to whether a conflict exists, advice from legal counsel should be obtained.

- 4. This policy on Conflicts of Interest shall be reviewed annually for the information and guidance of all members of the officers, management, and therapy/RNA staff, and any new member of Carolina Therapy's management shall be advised immediately of this policy upon entering the duties and responsibilities of his/her office.

ATTACHMENT A
CONFLICT OF INTEREST QUESTIONNAIRE – DIRECTORS, OFFICERS AND
MANAGERS
CAROLINA THERAPY

Pursuant to the Policy on Conflicts of Interest of Carolina Therapy, I hereby make the following disclosure of all activities and interests which could be construed to be in conflict with my duties and responsibilities to Carolina Therapy. I understand that a disclosure of a potential conflict does not necessarily mean that there is a real conflict; however, I acknowledge and agree that full disclosure is essential. The answers to this questionnaire include interests and activities in which I am, or any member of my family is, involved.

(Answer all questions, inserting NONE where no interest or activity is involved.)

1. FINANCIAL INTERESTS:

a. I have an ownership or investment interest, either directly or indirectly, in the following businesses, firms, or corporations with which Carolina Therapy has entered into a transaction or arrangement: _____

b. I have a compensation arrangement, directly or indirectly, with Carolina Therapy or with the following entities or individuals with which Carolina Therapy has entered into a transaction or arrangement: _____

c. I have a potential ownership or investment interest in, or a compensation arrangement with, the following entities or individuals with which Carolina Therapy is negotiating a transaction or arrangement: _____

d. I have an ownership or investment interest in, or a compensation arrangement with, the following parent, sister, and/or subsidiary business entities of Carolina Therapy: _____

2. OUTSIDE ACTIVITIES:

I render managerial or consultation services to the following businesses, firms or corporations which:

a. Do business with Carolina Therapy: _____

b. Are in competition with Carolina Therapy: _____

3. GIFTS, GRATUITIES AND ENTERTAINMENT:

I have accepted gifts, entertainment, or favors having a value in excess of \$100 from the following businesses, firms or corporations which:

a. Do business or seek to do business with Carolina Therapy: _____

b. Are in competition with Carolina Therapy: _____

4. INSIDE INFORMATION:

I have used or disclosed information relating to the business of Carolina Therapy for personal benefit in the following instances: _____

I hereby certify that I have received a copy of Carolina Therapy's Conflicts of Interest policy and that I have read, understand, and agree to comply with the policy. I certify that the aforementioned statements are true, complete, and correct, and agree that in the event of a change in any of these statements, I will provide written notice of such change to Carolina Therapy within 30 days of such change.

Name

Signature

Date

**ATTACHMENT B
CONFLICT OF INTEREST QUESTIONNAIRE –
THERAPISTS/ASSISTANTS/RESTORATIVE AIDES**

As a practicing therapist, assistant, or CNA, I hereby make the following disclosure of all activities and interests which could be construed to be in conflict with my duties and responsibilities to Carolina Therapy. I understand that a disclosure of a potential conflict does not necessarily mean that there is a real conflict; however, I acknowledge and agree that full disclosure is essential. The answers to this questionnaire include interests and activities in which I am, or any member of my family is, involved.

(Answer all questions, inserting NONE where no interest or activity is involved.)

1. OUTSIDE POSITIONS. I hold the following positions, whether or not compensated, outside of Carolina Therapy. For purposes of this disclosure, positions include (but are not limited to) an employee, officer, director, trustee, manager, general partner, proprietor, representative, or consultant for such organization/business (positions within religious, social, fraternal, and political entities need not be included):

Organization	Type of Organization	Position	Dates of Service
1.			
2.			
3.			
4.			
5.			

2. FINANCIAL INTERESTS. I have an investment interest, either directly or indirectly, in the following pharmaceutical, medical device, medical imaging, and/or hospice companies or providers:

Company
1.
2.
3.
4.

5.

3. GIFTS/ENTERTAINMENT. I have accepted gifts, entertainment, or favors having a value in excess of \$100 from the following corporations and suppliers (including, but not limited to pharmaceutical and medical device companies) within the past calendar year:

Source	Description	Date
1.		
2.		
3.		
4.		
5.		

I hereby certify that I have received a copy of Carolina Therapy’s Conflicts of Interest policy and that I have read, understand, and agree to comply with the policy. I understand that the policy applies to all therapy/RNAs. I certify that the aforementioned statements are true, complete, and correct, and agree that in the event of a change in any of these statements, I will provide written notice of such change to Carolina Therapy within 30 days of such change.

Name

Signature

Date

CAROLINA THERAPY

POLICY ON SANCTIONS AND DISCIPLINARY STANDARDS

PURPOSE: To establish consistent disciplinary standards that apply to violations of the Carolina Therapy Compliance Plan and Ethics Program.

POLICY: Carolina Therapy expects that its workforce will comply with state and federal laws and regulations and with its policies and procedures, and will detect and report violations of the same. Failure to comply with these requirements will result in disciplinary action, up to and including termination.

PROCEDURE:

1. Conduct involving a violation of Carolina Therapy's Compliance Plan and Ethics Program and policies should be reported to the Compliance Officer by the individual's supervisor as soon as possible.
2. The Compliance Officer is responsible for assessing whether the conduct at issue merits further investigation, a formal audit, or self-disclosure to appropriate authorities. The Compliance Officer, in consultation with the Compliance Committee and Human Resources, will also determine appropriate disciplinary actions for compliance violations.
3. Workforce members, including independent contractors, will be subjected to disciplinary action for the following:
 - Violations of Carolina Therapy's Compliance Plan and Ethics Program policies and procedures.
 - Failure to attend and participate in all required compliance training and education sessions.
 - Failure to detect and/or report any suspected compliance issue that the person either knew or should have known was occurring.
 - Failure to report illegal or improper activity.
4. Conduct that constitutes fraud, abuse, or a violation of the Anti-Kickback Law or other state or federal compliance law may be grounds for immediate termination. Illegal behavior will be reported to law enforcement.
5. Factors to be considered in determining appropriate disciplinary actions include whether the offense constitutes a violation of state or federal law; whether the offense is repeated despite counseling and/or training; the individual's work record; the impact the conduct has on patients; and the impact the conduct has on the organization.
6. The following disciplinary actions may be imposed for compliance violations. **Carolina Therapy reserves the right to combine or skip steps depending upon facts of each**

situation and the nature of the offense. The level of disciplinary intervention may also vary.

- Counseling and Oral Warning: The Compliance Officer and/or the individual's supervisor discusses with the individual the nature of the problem or violation of compliance policies and procedures, outlines expectations, and discusses steps the individual must take to resolve the problem. The Compliance Officer and/or the individual's supervisor is responsible for documenting the date, the nature of the issue, and that counseling/oral warning was provided.
 - Written Warning: When compliance issues do not improve in response to an oral warning, a written warning will be issued. The Compliance Officer, along with the individual's immediate supervisor and/or the human resource officer will meet with the individual, review any additional incidents or information about the conduct at issue, as well as any prior relevant disciplinary actions, and will outline the consequences of continued failure to comply with the Compliance Plan and Ethics Program. The individual will be issued a written warning outlining the nature of the conduct, the counseling provided, and the consequences of continued violation of the Compliance Plan and Ethics Program. The individual should sign a copy of the written warning, indicating that he or she received the document, and a copy should be placed in the individual's personnel file.
 - Probation or Temporary Suspension: If an individual's violation of the Compliance Plan and Ethics Program is deemed by the Compliance Officer to pose a risk to patient safety or to compromise Carolina Therapy's compliant billing practices, the individual may be placed on probation or temporarily suspended pending completion of additional training. The individual will be permitted to return to work at the facility upon successful completion of all conditions imposed on the individual. The dates of the probation or temporary suspension and the conditions imposed will be documented and placed in the individual's personnel file.
 - Termination of Employment: Carolina Therapy will generally try to engage in progressive discipline by first providing warnings before proceeding to a recommendation of termination of employment. However, Carolina Therapy reserves the right to terminate an individual without prior notice or disciplinary action depending on the circumstances of the conduct at issue and the nature of the offense. A recommendation to terminate employment may be issued by management or the Compliance Officer, and must be approved by the Human Resource Officer. Final approval may be required from the CEO.
7. Workforce members have an obligation to report violations, including violations committed by the workforce member himself or herself. The individual's self-reporting of a violation will be taken into consideration when determining appropriate disciplinary action.

8. No disciplinary action shall be taken against any individual because of a good faith report of a suspected compliance issue, even if the issue is determined, upon evaluation, not to have been a violation.

CAROLINA THERAPY

POLICY ON CORRECTIVE ACTION AND SELF-DISCLOSURE

PURPOSE: To establish a framework for developing effective corrective actions when compliance violations are identified and reporting identified violations consistent with OIG guidance.

POLICY: Upon identification of a compliance violation, the Compliance Officer, with the support of the Compliance Committee, will develop a corrective action plan designed to remedy the underlying violation and prevent the recurrence of similar violations. Additionally, where the violation constitutes potential fraud or financial harm to Federal health care programs, Carolina Therapy will self-report and refund the affected claims, consistent with OIG guidance.

PROCEDURE:

1. Upon identifying a compliance violation, the Compliance Officer and Compliance Committee, with the assistance of legal counsel, will determine whether the underlying conduct constituted potential fraud. This process may include interviews of staff, review of relevant documents, and billing audits. If the underlying conduct is deemed to be potentially fraudulent, the Compliance Officer will notify the CEO. Carolina Therapy will engage legal counsel to prepare and submit a self-disclosure to the Office of Inspector General pursuant to the Health Care Provider Self-Disclosure Protocol.
2. If the Compliance Officer and Compliance Committee believe that the identified misconduct may violate civil, criminal, or administrative law, the Compliance Officer will report the same to the CEO. Carolina Therapy, with the assistance of legal counsel, will report the misconduct to the appropriate Federal and State authorities.
3. If it is determined, with the assistance of legal counsel, that the compliance violation did not constitute potential fraud, the Compliance Officer and Compliance Committee will conduct an appropriate assessment to determine whether an overpayment was received by the facility as a result of the compliance violation. This assessment may include, but is not limited to, an analysis of all potentially affected claims or of a statistically valid sample of claims. If the assessment indicates that an overpayment was received, the Compliance Officer or his or her designee will submit a Voluntary Repayment to the Medicare Administrative Contractor.
4. Whenever a compliance violation is identified, the Compliance Officer and Compliance Committee will develop a corrective action plan. The corrective action plan should include as needed educational sessions for staff, revision of existing policies and procedures or implementation of new policies and procedures, disciplinary actions, implementation of audit or review protocols to gauge effectiveness of corrective action, and designation of

persons responsible for implementation of the corrective action plan. The corrective action plan should also take into account measures needed to prevent a recurrence of the compliance violation.

5. Whenever a corrective action plan, self-disclosure, or voluntary repayment is instituted, the Compliance Officer will be responsible for creating and maintaining an investigatory file. The file should include documentation of the alleged violation, a description of the investigative process, copies of interview notes and key documents, a list of individuals interviewed and documents reviewed, the results of the investigation (including disciplinary actions), and any corrective action plan implemented.
6. All self-disclosures, voluntary repayments, and reports to Federal or State authorities will be made no more than sixty (60) days after the compliance issue is identified.

CAROLINA THERAPY

POLICY ON RESPONSE TO SEARCH WARRANTS AND REQUESTS FOR INFORMATION

PURPOSE: To ensure that all Carolina Therapy personnel are educated and prepared to properly respond to subpoenas, search warrants, and civil investigative demands.

POLICY: All Carolina Therapy personnel will know what actions to take following: (i) the receipt of a subpoena, search warrant, or civil investigative demand (“CID”) to Carolina Therapy or for any items located on Carolina Therapy’s premises; and (ii) a government official’s request to question a Carolina Therapy workforce member regarding information sought in the subpoena, search warrant, or CID.

PROCEDURE: When a subpoena, search warrant, or CID is received by Carolina Therapy, the following protocol should be observed:

1. Inform the Compliance Officer. The Compliance Officer will be responsible for managing the response to the subpoena, search warrant or CID. If the Compliance Officer, Kim Schmidlin, is unavailable, contact Carolina Therapy’s attorneys at Smith Moore Leatherwood, LLP.
2. Call Carolina Therapy’s attorneys. Carolina Therapy has the right to communicate with counsel before responding.
3. Ascertain who is in charge of the government investigation.
 - a. Ask the Agent or other governmental official who appears to be in charge for appropriate official identification, and document the person’s name, title, badge number, and contact information.
 - b. Ask the person in charge about the purpose of the investigation.
 - c. In addition, request and document the name of the Assistant United States Attorney or Deputy Attorney General in charge and any contact information for such Assistant United States Attorney or Deputy Attorney General.
4. Ascertain whether any employee is under arrest. If any employee has been placed under arrest, ascertain the reason or reasons for the arrest, the place to which law enforcement intends to take the employee, and how to reach the employee.
5. Examine the subpoena, search warrant, or CID. If the Search Warrant is being executed (i.e., government is seizing documents or items):
 - a. Confirm and make clear what is being requested with the agent in charge.

- c. Retain inventories of all electronic or computer files searched and downloaded.
 - d. Request that agents copy computer files, rather than confiscate entire computers. Copy the computer files if agents insist on taking the computers.
14. Request an inventory of the seized items. Try to obtain from the agent in charge a copy of each agent's inventory list or a comprehensive list of all inventory obtained.
15. Understand and respect personnel rights.
- a. It is Carolina Therapy's policy to cooperate with government investigations and at the same time protect the rights of its workforce members. All workforce members have the right to refuse to talk to the agents or other government officials at the scene of the search. They also have the right to talk to agents if they so desire.
 - b. An individual agreeing to be interviewed is expected to tell nothing but the truth to any investigator, and should state only that information which he or she knows to be factual and not conjectural.
 - c. If an individual chooses to speak with government investigators, he or she has a right to not answer any questions posed by government investigators or individuals accompanying them until Carolina Therapy's attorney arrives. Carolina Therapy would prefer that any individual wishing to talk to the investigators wait until Carolina Therapy's attorney is present.
 - d. Individuals assisting with the response to the government's request should not engage in discussions with investigators and should avoid making any statements about the subject of the investigation.
 - e. If an individual is approached for questioning at home or by telephone:
 - (1) The individual has the right to request appropriate official identification from the investigator, and insist that a lawyer of his or her choice be present during the questioning. If an individual would like to discuss the situation with a lawyer, Carolina Therapy may provide a Carolina Therapy lawyer or assist the individual in finding a lawyer.
 - (2) The individual has the right to refuse government agents entry into his or her home.
 - (3) The individual has the right to insist that the interview take place at work during regular business hours.
 - (4) The individual should notify the Compliance Officer as soon as possible, but in any event no longer than twenty-four (24) hours after being contacted by government investigators.
16. Schedule an exit interview with the agent in charge before the agents leave the premises.

- a. Make and document any final or continuing objections to the agent's actions at that time.
 - b. Follow up by sending a written list of objections to the Assistant United States Attorney or Deputy Attorney General handling the investigation after consultation with Carolina Therapy's attorneys.
17. Failure to comply with this Policy may result in disciplinary action, up to and including termination.

**COMPLIANCE AND ETHICS PROGRAM FORMS AND
EDUCATIONAL MATERIALS**

CONFIDENTIALITY ACKNOWLEDGEMENT

As an employee, contractor, or agent of Carolina Therapy, I understand that I may have access to confidential information, including patients' personal and medical information and Carolina Therapy's confidential business information. I acknowledge that I have read and have access to Carolina Therapy's Confidentiality of Business Information policy, have been given the opportunity to ask questions about the policy, and hereby agree and certify that I will follow this policy. I understand that failure to follow this policy may result in disciplinary action, up to and including termination.

Date

Signature

Printed Name and Title

EMPLOYEE GUIDELINES: IDENTIFYING KEY COMPLIANCE RISK AREAS

Carolina Therapy staff members have an obligation to report suspected compliance violations. While compliance issues can take many forms, the following are some of the most commonly-identified violations. If you believe that a practice or behavior at our facility violates the law or our compliance policies, please report your concerns to the Compliance Officer or through the Integrity Line as soon as possible.

Quality of Care

- Failure to provide appropriate therapy services
- Failure to appropriately document in the medical record the therapy services provided to patients
- Failure to accommodate individual patient needs and preferences
- Insufficiently trained or supervised staff
- Failure to provide proper monitoring processes that advance patient safety
- Failure to report incidents of mistreatment, neglect, or abuse as required by law

Patients' Rights

- Discriminatory admission practices or improper denial of access to care
- Verbal, mental, or physical abuse, corporal punishment, and involuntary seclusion
- Inappropriate use of physical restraints
- Failure to provide patients with access to their medical information, as required by HIPAA
- Failure to respect patients' rights to privacy required by HIPAA, for example, by posting pictures of patients to social media
- Denial of a patient's right to participate in care and treatment decisions
- Failure to safeguard patients' financial affairs

Billing and Cost Reporting

- Billing for items or services not rendered or provided as claimed, such as by billing for therapy services that were not provided or that were provided at a lower level than reported
- Submitting claims for equipment, medical supplies and services that are medically unnecessary
- Duplicate billing
- Failing to identify and refund credit balances
- Submitting claims for items or services not ordered by a physician
- Knowingly billing for inadequate or substandard care
- Upcoding of claims

- Billing for individual items or services that are bundled
- Altering documentation or forging a physician's signature to make it look like services were ordered or provided
- Failing to maintain sufficient documentation to support the diagnosis, justify treatment and results, and promote continuity of care

Background Checks

- Failing to investigate the background of employees by checking with all applicable licensing and certification authorities to verify that requisite licenses and certifications are in order
- Failing to require all potential employees to certify on the employment application that they have not been convicted of an offense that would preclude employment in a health care facility and are not excluded.
- Failing to require temp agencies to ensure that staff assigned to the facility have undergone the required screens and background checks
- Failing to check the LEIE monthly for employees and contractors and keep checks on file
- Failing to require current employees to report to the employer any conviction that would result in exclusion

Kickbacks, Inducements, and Self-Referrals

- Routinely waiving coinsurance or deductible amounts without a good faith determination of financial need or absent reasonable efforts to collect cost-sharing amounts
- Soliciting, accepting, or offering any gift or gratuity of more than nominal value
- Conditioning care upon guarantees of third-party payment or soliciting payment for services covered by Medicaid
- Financial arrangements with physicians, including medical directors, that involve payment of an amount higher than reasonable for the services provided
- Arrangements with vendors that result in the facility receiving non-covered items free or at below market prices, provided the facility orders Medicare-reimbursed products
- Soliciting or receiving items of value in exchange for providing a supplier access to patients' medical records and other information needed to bill Medicare
- Joint ventures with entities supplying goods or services
- Swapping (practice in which a supplier gives a facility discounts on Part A items in exchange for Part B referrals)

EMPLOYEE GUIDELINES: WHAT YOU NEED TO KNOW ABOUT THE FALSE CLAIMS ACT

The federal False Claims Act makes it illegal to knowingly submit a false or fraudulent claim, such as a Medicare or Medicaid claim, to the government, or to knowingly submit a false or fraudulent document, such as a medical record or claim form, in order to receive payment or approval of a claim.

All Carolina Therapy employees have a duty to report any suspected fraud, abuse, or waste. Such reporting is in the best interest of the employee, Carolina Therapy and the Medicare and Medicaid beneficiaries we serve.

- ***What Does the Federal False Claims Act (“FCA”) Say?***

The FCA makes it illegal to do any of the following:

- (1) Knowingly present, or cause to be presented, a false or fraudulent claim for payment or approval; or
- (2) Knowingly make, use, or cause to be made or used, a false record or statement to get a false or fraudulent claim paid or approved; or
- (3) Knowingly make, use, or cause to be made or used, a false record or statement to conceal, avoid, or decrease an obligation to pay money (such as an overpayment or penalty); or
- (4) Conspire to defraud the government by getting a false or fraudulent claim paid or approved.

FCA violations are not just limited to billing issues. Any action, behavior, or procedure that causes the government to pay more money than it should, or to pay for services that were not provided, is a violation of the FCA.

- ***What Does “Knowingly” Mean?***

“Knowingly” means that you know that the information is false or fraudulent, or that you were able to find out that the information is false or fraudulent and should have done so, or that you acted in “reckless disregard” as to whether the information was false or fraudulent. You can be found guilty of violating the FCA without any evidence that you specifically intended to defraud the government.

So, for example, if you think that someone might have altered a medical record or coded a procedure incorrectly, but you do not check to see if the information is correct, and the medical record is the basis for a bill for payment sent to the government, you have knowingly made, presented, or caused to be made or presented, a false claim. Similarly, if it is your responsibility to make sure entries in the medical record are correct, or that claims have been coded correctly, but you do not bother to check them, you have knowingly made, presented, or caused to be made or presented, a false claim.

- ***What is a “False or Fraudulent” Claim or Document?***

A false or fraudulent claim or document is any claim or document—including medical records, bills, treatment notes, or physician orders—that contains incorrect information that causes the government to pay more money than it should, or to pay for services that were not actually provided.

Examples of false or fraudulent claims or documents include:

- (1) A medical record that has been altered;
- (2) A bill or claim that incorrectly codes items and services, making them more expensive than they should be;
- (3) A bill or claim for services provided by unlicensed or unauthorized personnel;
- (4) A notation in a chart showing that a patient received therapy services on a certain day, even though the therapist was out sick and did not provide any services on that day;
- (5) A bill or claim for the use of medical services and equipment that were not medically necessary (overutilization); and
- (6) A bill or claim that lists a separate charge for a service, even though that service is part of a global/bundled charge.

- ***What is the Punishment For Violating the FCA?***

FCA violations can be punishable by fines of no less than five thousand dollars (\$5,000) and no greater than ten thousand dollars (\$11,000) per violation, plus an additional fine equal to three times the amount of damages suffered by the government because of the false claim. This amount may be reduced to two times the amount of damages if the violator reports the violation to the government and cooperates with investigators.

Administrative penalties may also be imposed. Administrative penalties include fines, exclusion from the Medicare or Medicaid programs, and recoupment of money wrongly paid by the government because of the false claim.

- ***What Should I do if I Think Someone is Violating the FCA?***

If you think any employee, independent health care professional, independent contractor, vendor, or supplier of Carolina Therapy, including management personnel, is violating the FCA, you should make an immediate report to your supervisor or to the Compliance Officer. You may either make your report in person, via e-mail or via the Integrity Line.

If you do anything you think might be a violation of the FCA, you should also self-report immediately in any of the same ways.

- ***Will I get in Trouble if I Report a Suspected Violation of the FCA?***

No. The FCA contains specific provisions that protect people making good faith reports and “whistleblowers” from retaliation or harassment of any kind. Any employee that is terminated, harassed, threatened, or otherwise discriminated against for making a good faith report may

bring a lawsuit to be reinstated and awarded two times the amount of back pay lost, plus interest, as well as special damages, including attorneys' fees.

Carolina Therapy's policies and procedures also encourage employees to report possible FCA and state law violations, and specifically prohibit any retaliation. If you are the one who violates the FCA but you self-report, disciplinary actions may result, but your self-report and cooperation will be considered when deciding what disciplinary actions to take.

- ***What Happens if the Government Investigates a Potential FCA Violation?***

The government has two methods available to recover money wrongly paid and to punish FCA violations: through a civil court action or through the administrative process. A civil action is brought in court, while administrative remedies are awarded through the administrative appeal process. Administrative decisions may be appealed to a court after a person has gone through all the steps in the administrative review process.

The federal False Claims Act also contains what is called a "whistleblower action" provision. A whistleblower action is a lawsuit brought by a person, such as an employee, who has knowledge of a violation. The government may choose to join in the suit or not. If the suit is successful and a violation is found, the person bringing the suit gets a percentage of the fines recovered (anywhere from 15% to 30%, depending on the type of action), plus expenses and attorneys' fees.

If investigators arrive at the facility, employees are expected to act according to Carolina Therapy's policy and procedure for responding to subpoenas and search warrants. Employees should be courteous and not interfere with any investigations.

- ***Am I Expected to Know How the FCA Works?***

Yes. All employees will receive in-service training and a skills test regarding the provisions of the FCA and will be evaluated on their annual performance appraisal to make sure that all employees understand their rights and obligations under the FCA.

- ***Where Should I go if I Have Questions or Want More Information?***

The Compliance Officer is available to answer any questions or concerns you may have. Additionally, you should reference the following policies and procedures:

- Policy on Compliance With Federal and State Laws
- Policy on Detecting and Preventing Waste, Fraud, and Abuse
- Policy on Reporting Compliance Concerns

EMPLOYEE GUIDELINES: THE TEN POINT PLAN FOR COMPLIANCE AND ETHICAL CONDUCT

- (1) Never make any false statements in medical records.
- (2) Never alter a medical record in order to receive payment for a service.
- (3) Never assign the wrong code to a claim in order to receive higher reimbursement.
- (4) Never document that care was provided to a patient if it wasn't.
- (5) Never ignore a fellow employee's false or fraudulent conduct.
- (6) Always attend required education sessions.
- (7) Always report any activity that may be false, fraudulent, or abusive.
- (8) Always read and be familiar with the employee handbook and Carolina Therapy's policies and procedures, and demonstrate knowledge of your rights and responsibilities.
- (9) Always understand the disciplinary actions that may result from violations of the False Claims Act, other State or federal laws, Carolina Therapy's Compliance Plan and Ethics Program, or failure to report suspected violations.
- (10) Always ask questions of the Compliance Officer, the Compliance Committee, or your supervisor if you have any concerns.

OUTLINE FOR IN-SERVICE ON COMPLIANCE PLAN

◆ Purpose of the Plan

- ◆ To seek to ensure that Carolina Therapy employees comply with applicable laws, including the federal False Claims Act;
- ◆ To educate employees regarding their rights and responsibilities under the federal False Claims Act and other applicable laws; and
- ◆ To strive to prevent, detect, and correct any errors or improper conduct that may occur in billing or operations.

◆ Compliance Officer

- ◆ Compliance Officer: Kim Schmidlin
- ◆ Duties:
 - Oversee and monitor the development and implementation of the Compliance Plan and Ethics Program (the “Plan”);
 - Periodically revise the Plan as needed in response to changes in the law, regulations, or government program guidance;
 - Report on a regular basis to Carolina Therapy’s management team and Compliance Committee on the progress of implementation of the Plan;
 - Recommend and assist management in the development of methods to improve and revise Carolina Therapy’s standards, policies, and procedures;
 - Receive and respond to inquiries, complaints, and suggestions of employees, independent health care professionals and contractors, and vendors/suppliers regarding the Plan and Carolina Therapy’s commitment to ensuring the Plan’s effectiveness;
 - Make all employees, independent health care professionals, independent contractors, and vendors/suppliers aware of the Plan and Carolina Therapy’s written policies and procedures on an annual basis;
 - Obtain a signed statement from each employee, independent health care professional, independent contractor, and vendor/supplier confirming that he or she understands and agrees to abide by the Plan, including the policies and procedures;
 - Institute an Integrity Line through which employees, independent health care professionals and independent contractors, and vendors/suppliers may submit

allegations of suspected compliance issues with the Plan or the policies and procedures without fear of retaliation;

- Investigate, either personally or through his or her designees, suspected compliance issues, while maintaining confidentiality to the extent possible;
- Report to and work with the Compliance Committee to monitor compliance, evaluate the effectiveness of existing policies and procedures, and respond to potential compliance issues;
- Develop and coordinate educational and training sessions focusing on compliance and instruction regarding state and federal laws and regulations;
- Work with Human Resources to ensure that background checks on new hires, including new hires at the corporate and/or administrative level, are performed as required by applicable state and federal laws;
- Participate with legal counsel in assessing whether any appropriate reports to government officials should be made; and
- Remain knowledgeable regarding compliance matters and keep up-to-date with the federal government's activities and actions related to compliance and fraud and abuse issues.

◆ **Standards and Procedures**

The Compliance Plan and Ethics Program sets forth policies and procedures in each of the following areas:

- ◆ Compliance with State and federal laws, including False Claims Act, Stark, Anti-kickback provisions, and the Medicaid Fraud Control Act
- ◆ Detecting and Preventing Waste, Fraud, and Abuse
- ◆ Maintaining Confidentiality of Protected Business Information
- ◆ Role of the Compliance Officer and Compliance Committee
- ◆ Audit and Monitoring Practices and Detecting and Preventing Waste, Fraud, and Abuse
- ◆ Reporting Compliance Concerns
- ◆ Conflicts of Interest
- ◆ Documentation and Recordkeeping

◆ **Training and Education**

- ◆ Periodic education and training will inform employees of their rights and responsibilities in upholding the compliance effort.
- ◆ A copy of the Plan, including applicable policies and procedures, is made available to every employee, independent health care professional, independent contractor, and vendor/supplier.
- ◆ Education and training will be provided each year, as follows:
 - Billing Personnel:
 - Coding and Billing Procedures and Potential Errors
 - Medicare and Medicaid Updates
 - All Employees:
 - Overview of Fraud and Abuse Laws
 - Operation and Importance of the Compliance Plan and Ethics Program
 - Role of Each Employee in Upholding the Compliance Plan and Ethics Program
 - How to Identify and Report Suspected Compliance Issues
 - Disciplinary Actions

◆ **Auditing and Monitoring**

- ◆ Periodic billing and coding audits will be performed to determine the propriety of coding and bills submitted to Medicare and Medicaid and other federal and State health programs to timely detect instances of potential errors and misconduct by employees, independent health care professionals, independent contractors, and vendors/suppliers.
- ◆ Audits will include review of the reasons for claim denials, assessment of frequent billings of certain procedure codes, and unusual codes or services.
- ◆ Periodic chart audits will be performed to evaluate the completeness, accuracy, and timeliness of medical record documentation.
- ◆ Other monitoring analysis methods may be used at the discretion of the Compliance Officer, the Compliance Committee, and the management team, such as review of arrangements with hospitals, physicians, and vendors.

◆ **Reporting Violations**

- ◆ Open communication is necessary for the Plan to work as intended. Employees who believe they have information regarding improper conduct may file a written report with their supervisor and/or the Compliance Officer or may contact the Compliance Officer directly so that an investigation may be performed and appropriate action may be taken.
- ◆ A secure Integrity Line is established through which employees, independent health care professionals, independent contractors, and vendors/suppliers may submit anonymous reports regarding suspected compliance issues. The Compliance Officer should check the Integrity Line every business day or as soon as practical.
- ◆ A report of a potential violation should be made as soon as possible.
- ◆ Supervisors should notify the Compliance Officer of all reports made to the supervisor on the same or first available business day.

◆ **Taking Appropriate Disciplinary Actions**

- ◆ The potential sanctions for violations of Carolina Therapy's Compliance Plan and Ethics Program, policies, and procedures include:
 - Oral Warning
 - Written Warning
 - Probation
 - Temporary Suspension
 - Dismissal
 - Required Reimbursement of losses or damages to Carolina Therapy

◆ **Implementing Corrective Action**

- ◆ Timely corrective action is expected.
- ◆ Corrective action may include: revision of Carolina Therapy's policies and procedures, additional education and training for a certain employee or employees, contacting legal counsel, disciplinary action, additional monitoring, correcting errors, or making reports to government officials.

◆ **Periodic Revision and Review of this Plan**

- ◆ The Plan, along with the policies and procedures, will be reviewed annually by the Compliance Officer and Compliance Committee to ensure that the Plan continues to meet the needs of Carolina Therapy and the requirements of federal and State laws and regulations.

EMPLOYEE COMPLIANCE TRAINING ACKNOWLEDGMENT

I certify that I have attended Carolina Therapy's educational session on corporate compliance and that I have received or had access to a copy of Carolina Therapy's current Corporate Compliance Plan and Ethics Program, including all relevant policies and procedures. I understand that Carolina Therapy fosters a culture of compliance and a commitment to the delivery of quality health care. I recognize that I have a personal responsibility to follow the Corporate Compliance Plan and Ethics Program, and to prevent and detect waste, fraud, and abuse as defined in Carolina Therapy's Corporate Compliance Plan and Ethics Program and policies. In particular, I acknowledge my responsibility to promptly report any compliance concerns to the Compliance Officer, or through the Integrity Line. I have asked any questions I may have had regarding my specific compliance duties, and such questions have been answered to my satisfaction. I understand that I may be disciplined, including termination from employment, if I do not follow Carolina Therapy's Compliance Plan and Ethics Program and policies.

Name (Printed)

Signature

Date

Position

COMPLIANCE PROGRAM ACKNOWLEDGMENT FOR NON-EMPLOYEES

I hereby acknowledge and affirm that I have received and reviewed Carolina Therapy's Corporate Compliance Plan and Ethics Program, including all pertinent policies and procedures, and that I have the authority to sign on behalf of the person or entity, and its employees and agents, identified below. As a vendor/supplier or independent contractor dealing with Carolina Therapy, I fully understand that Carolina Therapy expects me and my employees and agents to follow the standards set forth in the Corporate Compliance Plan and Ethics Program, and to comply with all applicable State and federal laws and regulations, including the False Claims Act, the Stark law, and anti-kickback provisions. I have addressed any questions I may have had regarding compliance with Carolina Therapy's Compliance Officer, and such questions have been answered to my satisfaction. I acknowledge the responsibility of my company or practice, identified below, to comply with Carolina Therapy's Corporate Compliance Plan and Ethics Program as a condition of our continued relationship with Carolina Therapy. When I or anyone associated with my company or practice has a concern about a possible violation of law, regulations, or Carolina Therapy policies, we will promptly report that concern to Carolina Therapy's Compliance Officer. I agree to notify Carolina Therapy if I or anyone in my company or practice involved in the relationship with Carolina Therapy is excluded from participation in Medicare or Medicaid. I understand and agree that Carolina Therapy may alter or terminate its relationship with me or my company or practice if Carolina Therapy determines that there has been a failure to follow Carolina Therapy's Compliance Plan and Ethics Program.

Date

Signature of Authorized Representative/Therapist

Printed name of Authorized Representative/Therapist

Title

Name of Vendor, Supplier, or Independent Contractor

Address

Telephone Number

COMPLIANCE REPORT FORM

Every employee and independent contractor of Carolina Therapy is expected to report any potential compliance violation to the Compliance Officer or a person acting for the Compliance Officer. It is recommended that the individual reporting any potential compliance issue identify himself or herself on the Compliance Report Form so that further information can be obtained, if necessary. However, reports may be anonymous. A report of a potential compliance issue should be made immediately following discovery or within one (1) business day to the Compliance Officer or the person acting for the Compliance Officer.

DATE OF REPORT: _____

DATE OF DISCOVERY OF FACTS THAT ARE THE BASIS FOR REPORT:

SUBJECT AREA OF REPORT:

- Billing or cost reports
- Quality of Care
- Patients' Rights/Safety
- Documentation/Recordkeeping
- Other

STATEMENT OF RELEVANT FACTS:

PERSON(S) INVOLVED/RELATED TO SUBJECT OF REPORT: _____

PERSONS WITH INFORMATION REGARDING SUBJECT OF REPORT: _____

NAME, TITLE, AND HOME OR CELL PHONE NUMBER OF PERSON MAKING REPORT: _____

INTEGRITY LINE SCRIPT

You have reached the Carolina Therapy compliance Integrity Line. Any message you leave will be reviewed only for compliance purposes and no attempt is being made to determine the number or location from which you are calling.

The purpose of the Integrity Line is to help with corporate compliance questions, concerns, and complaints that cannot be properly addressed through the chain of command or resolution procedures. Other matters will be directed to the appropriate department or manager.

It is Carolina Therapy's policy that there is no retaliation or retribution for contacting the Integrity Line. It is our policy to preserve your anonymity, if you wish, subject to limits imposed by law. However, we may be legally required to report to external agencies certain types of potential crimes and infractions.

We intend to respond to all reasonable inquiries received on this phone line. However, you may or may not be advised of the response to your inquiry and it may not become public knowledge, depending upon the nature of the call.

Please let us know how we can help you.

KNOWLEDGE QUIZ: THE FALSE CLAIMS ACT

1. True or False: Only a corporation or facility, such as a physician practice group or a nursing home, can be found liable for violating the federal False Claims Act. ____ True ____ False
2. True or False: Only employees who work in the billing department need to understand the provisions of the False Claims Act. ____ True ____ False
3. Which of the following are examples of false or fraudulent claims or documents?
 - a. A bill for physical therapist services, where the services were not actually provided by a physical therapist.
 - b. A bill or claim that lists a separate charge for a service, even though that service is already included in a global fee.
 - c. All of the above.
4. As defined in the False Claims Act, “knowingly” means:
 - a. You actually know that a violation has occurred.
 - b. You think that a violation might have occurred, but you did not try to find out.
 - c. You do not bother to check information to make sure it is true and correct, even though it is your responsibility.
 - d. All of the above.
5. True or False: If you believe someone has violated the federal False Claims Act, it is better not to say anything because that way you will not be involved and cannot be found guilty of violating the law. ____ True ____ False
6. I can report a suspected violation by:
 - a. Contacting my supervisor.
 - b. E-mailing the Carolina Therapy Compliance Officer.
 - c. Use of the Integrity Line.
 - d. Any of the above.

7. How soon should I report a suspected violation?
 - a. Immediately.
 - b. Next week.
 - c. When I get around to it.
 - d. During my annual performance appraisal.
8. I can make a report about actions by:
 - a. Only co-workers.
 - b. Vendors.
 - c. Doctors, therapists or nurse practitioners.
 - d. Administration.
 - e. My immediate supervisor.
 - f. Billing and coding personnel.
 - g. Any of the above.
9. True or False: I should only make a report if I have absolute proof in writing that a violation has occurred. True False
10. True or False: I can be disciplined for failing to report what I know about a suspected violation committed by someone else. True False
11. True or False: Federal law and Carolina Therapy policies prohibit any form of retaliation against employees who make a good faith report of possible False Claims Act violations. True False
12. The following person(s) can bring a whistleblower lawsuit for violations of the federal False Claims Act:
 - a. A government lawyer.
 - b. The U.S. Attorney General.
 - c. A person, such as an employee, with knowledge of a False Claims Act violation.
 - d. All of the above.

13. True or False: Carolina Therapy will not audit or try to find out if a false claim for payment is submitted to the government or a false entry is made in a medical record that is the basis for a claim for payment submitted to the government. ____ True ____ False
14. True or False: I will be evaluated each year concerning whether I have complied with Carolina Therapy's corporate compliance plan and policies. ____ True ____ False
15. If you have questions about the federal False Claims Act, what should you do?
 - a. Contact the Corporate Compliance Officer.
 - b. Read my employee handbook.
 - c. Review Carolina Therapy's policies and procedures.
 - d. All of the above.

KNOWLEDGE QUIZ: THE FALSE CLAIMS ACT

ANSWER KEY

1. True or False: Only a corporation or facility, such as a physician practice group or a nursing home, can be found liable for violating the federal False Claims Act. ____ True **X** **False**
2. True or False: Only employees who work in the billing department need to understand the provisions of the False Claims Act. ____ True **X** **False**
3. Which of the following are examples of false or fraudulent claims or documents?
 - a. A bill for physical therapist services, where the services were not actually provided by a physical therapist.
 - b. A bill or claim that lists a separate charge for a service, even though that service is already included in a global.
 - c. **All of the above.**
4. As defined in the False Claims Act, “knowingly” means:
 - a. You actually know that a violation has occurred.
 - b. You think that a violation might have occurred, but you did not try to find out.
 - c. You do not bother to check information to make sure it is true and correct, even though it is your responsibility.
 - d. **All of the above.**
5. True or False: If you believe someone has violated the federal False Claims Act, it is better not to say anything because that way you will not be involved and cannot be found guilty of violating the law. ____ True **X** **False**
6. I can report a suspected violation by:
 - a. Contacting my supervisor.
 - b. E-mailing the Carolina Therapy Compliance Officer.
 - c. Use of the Integrity Line.
 - d. **Any of the above.**

7. How soon should I report a suspected violation?
- a. **Immediately.**
 - b. Next week.
 - c. When I get around to it.
 - d. During my annual performance appraisal.
8. I can make a report about actions by:
- a. Only co-workers.
 - b. Vendors.
 - c. Doctors, therapists or nurse practitioners.
 - d. Administration.
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 - g. **Any of the above.**
9. True or False: I should only make a report if I have absolute proof in writing that a violation has occurred. True **False**
10. True or False: I can be disciplined for failing to report what I know about a suspected violation committed by someone else. **True** False
11. True or False: Federal law and Carolina Therapy policies prohibit any form of retaliation against employees who make a good faith report of possible False Claims Act violations. **True** False
12. The following person(s) can bring a whistleblower lawsuit for violations of the federal False Claims Act:
- a. A government lawyer.
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 - c. **A person, such as an employee, with knowledge of a False Claims Act violation.**
 - d. All of the above.

13. True or False: Carolina Therapy will not audit or try to find out if a false claim for payment is submitted to the government or a false entry is made in a medical record that is the basis for a claim for payment submitted to the government. True **False**
14. True or False: I will be evaluated each year concerning whether I have complied with Carolina Therapy's corporate compliance plan and policies. **True** False
15. If you have questions about the False Claims Act, what should you do?
- a. Contact the Corporate Compliance Officer.
 - b. Read my employee handbook.
 - c. Review Carolina Therapy's policies and procedures.
 - d. **All of the above.**

KNOWLEDGE QUIZ: SPOT THE RISK

- 1. You work in the patient registration area of Carolina Therapy. One morning, when processing paperwork for a new patient, Mrs. Jones, you see a note in the system indicating that Mrs. Jones will not be charged any Medicare or Medicaid coinsurance amounts. What do you do?

- 2. Dr. Jackson is the medical director at a facility. You notice that every time a patient needs an x-ray, Dr. Jackson refers the patient to Clear View Diagnostic Imaging. You heard from a friend who works at the local hospital that Dr. Jackson owns Clear View Diagnostic Imaging. What about this situation may raise a concern that you would want to report to the Compliance Officer?

- 3. One day at work, you notice several of your coworkers are watching a video on a smartphone and laughing. When you walk by to see what they are watching, you see that it is a video of Mr. Jones, a patient at the facility. In the video, Mr. Jones is partially clothed and yelling profanities. You realize that the video has been posted to one of your coworker's Facebook pages. What should you do next?

- 4. One day when conducting a chart review, you notice that Mr. Monroe's chart indicates that he received high-level physical and occupational therapy services on Monday, Wednesday, and Friday of last week. However, you know that Mr. Monroe was in the hospital all last week and could not have received therapy services. When you ask your manager about the entries, he tells you not to worry about it. What should you do?
