COMPLIANCE REPORTING AND INVESTIGATION POLICY

PURPOSE

To establish a policy for reporting and investigating issues and concerns involving potential violations of law, regulation, policy, or procedure.

BACKGROUND

The Office of Inspector General for the U.S. Department of Health and Human Services, (the “OIG”) has issued guidance to healthcare organizations suggesting implementation of programs designed to ensure compliance with laws, regulations, and policies applicable to the delivery of healthcare. Consistent with these recommendations, Life Care Centers of America, Inc. and affiliated companies (collectively referred to as “Life Care” or the “Company”) has adopted a Code of Conduct (the “Code”), and developed and implemented a Compliance Program that includes a disclosure program for reporting compliance concerns and issues and a Compliance Department that investigates those concerns and issues.

SCOPE

The policy is applicable to all Life Care associates, facilities and offices.

POLICY

Reporting

All Life Care associates shall promptly report all compliance concerns or issues involving violations of law, regulation, policy, procedure, and the Code through proper channels that include:

- Their supervisor or another supervisor in their chain of command;
- The Human Resources Department (e.g., for general workplace issues);
- Information Technology Customer Support Center (e.g., suspected violations of Life Care’s network or computer systems’ security) by calling (800) 275-LCCA (5222) if outside the Cleveland, Tennessee calling area or (423) 339-8313 if in Cleveland;
- The Compliance Department:
o By telephone by calling (423) 473-5602 or (423) 473-5599;

o Via facsimile by calling (423) 339-8318;

o Via the EthicsPoint hotline by calling (877) 423-8305 or via the internet (www.lcca.ethicspoint.com)

o Via email to compliance_department@lcca.com;

Note: No emails that contain protected health information (“PHI”) or other confidential information should be sent from outside of Life Care’s network unless they are encrypted.

o By mail to: Chief Compliance Officer
Life Care Centers of America, Inc.
3001 Keith St. NW
Cleveland, TN 37312

• Additionally, Life Care associates may report potential misconduct directly to Life Care managers.

Certain issues and concerns shall always be reported to the Compliance Department as soon as practical.

Retaliation or retribution for good faith reports of actual or suspected misconduct will not be tolerated. Consequently, all individuals who make such reports (e.g., utilizing the EthicsPoint hotline) will be protected from retaliation or retribution. Those who subject and/or allow retaliation/retributions will be subject to disciplinary action up to and including termination of employment. Those associates who intentionally provide false information in making a report will be subject to disciplinary action up to and including termination of employment.

Investigations

1. An integral part of Life Care’s reporting policy is to address substantiated allegations through various means including, but not limited to, changes in policies and procedures, education, and/or disciplinary actions.
2. All cases of potential misconduct will be handled in a manner which, to the extent possible, protects the privacy of the individual reporting the conduct.

3. All cases of potential misconduct will be promptly investigated with a goal of completion, usually within 4 weeks of receipt.

4. All cases of potential misconduct will be investigated by individuals having a sufficient level of expertise with regard to the issue(s) presented by the case.

PROCEDURES

1. All instances of suspected or actual misconduct and other compliance concerns (e.g., potential billing or quality of care issues) must be reported. Associates may report their concerns to their immediate supervisor (or another supervisor in their chain of command), Executive Director, Regional Vice President, Divisional Vice President, department head, or to the Human Resources Department or Compliance Department.

2. All Life Care associates are expected to cooperate and be truthful regarding all internal audits and investigations as a condition of employment. Associates who are not truthful or refuse to cooperate during an internal audit or investigation, or who interfere with an internal audit or investigation, are subject to disciplinary action, up to and including termination of employment.

3. Life Care associates may report potential misconduct on an anonymous basis, or request and receive confidentiality in making such report. However, there may be cases where investigation of the conduct would be difficult without disclosing the reporter’s name. In these instances, the reporter should be asked if he or she consents to having their name disclosed. In addition, there may be instances in which a reporter has requested anonymity, but the applicable law may require disclosure of the reporter’s identity. As such, Life Care will make every effort to keep the reporter’s identity anonymous if requested, but cannot guarantee anonymity.

4. All Life Care managers receiving a report of potential misconduct or other compliance concern must obtain the following information from the reporter:
   - Name or location of the facility or office;
   - Date of the report;
   - Name of the reporter (unless anonymous);
• Contact phone number for the reporter (unless anonymous); and

• Any relevant information regarding the allegations (e.g., patient names, date the event occurred, persons involved, witnesses, etc.).

5. All reports of potential misconduct not originally received by the Compliance Department must be forwarded as soon as practical, but no later than two (2) business days, to the Compliance Department. Upon receipt, a member of the Compliance Department will assign a case number.

6. A member of the Compliance Department will examine the case and determine if additional information is necessary to identify the issue(s). If additional information is required, the reporter, if identified, will be contacted to obtain the additional information. If the reporter is anonymous, a member of the Compliance Department will determine if the case can be investigated without obtaining additional information from the reporter. If the case cannot be investigated without additional information, the case will ordinarily be closed.

7. A member of the Compliance Department will examine the case and determine the issue(s) raised by the report. Based upon this review, a member of the Compliance Department will identify the appropriate personnel with the required expertise to perform an effective investigation. The following guidelines are provided:

• Any matter involving allegations of criminal liability to Life Care, substantial civil liability, threatened litigation, or any government investigation, shall be immediately forwarded to the Legal Services Department for review and instruction. If the Legal Services Department decides to conduct the investigation, all documents produced or created by any person involved in the investigation must include the statement: “Privileged and Confidential Document; Subject to Attorney-Client Privilege; Attorney Directed Work Product.” The Legal Services Department will provide the Compliance Department with regular reports including sufficient details of the investigation to demonstrate that the Legal Services Department is properly addressing the issue.

• Any search warrant, Civil Investigative Demand (“CID”), or administrative subpoena from a federal or state agency, shall be immediately referred to the Legal Department. The Legal Department will be responsible for coordinating
any and all responses to such legal processes. See Life Care’s “Policy on Responding to Audits and Investigations” for more information.

- Matters involving the anti-kickback law and/or the Stark law shall be directed to and handled by the Compliance Department. However, if a preliminary investigation indicates that there is credible evidence that a violation of criminal, civil or administrative law has occurred, the matter shall be referred to the Legal Services Department. The Legal Services Department will provide the Compliance Department with regular reports including sufficient details of the investigation to demonstrate that the Legal Services Department is properly addressing the issue.

- Potential Overpayments shall be immediately reported to the Compliance Department per Life Care’s “Reporting and Returning of Overpayments Policy.” See that policy for more information.

- Any matter involving intra-associate relations shall be forwarded to the Human Resources Department for review and investigation. These categories shall include, but not be limited to, allegations of retaliation or discrimination on the basis of age, race, ethnicity, gender, color, disability, religion, national origin, genetic information or any other basis of discrimination covered by applicable law. If other non-associate relations issues are included in such allegations (but are judged to be secondary to the human resources allegations), the Human Resources Department shall conduct the investigation, but will utilize expertise in other departments as necessary.

- Subject to the above, all other compliance matters (e.g., quality of care, staffing, HIPAA privacy or security issues, document falsification) shall be handled by the Compliance Department (to include delegation of certain case tasks to Clinical Services, Operations, Rehab Services, Information Technology, and other departments as necessary).

8. For matters originally received by the Compliance Department, a member of the Department will determine who will be notified regarding the allegation and information about the investigation (e.g., who will be leading the investigation). Typically, for matters involving a facility, the facility’s Executive Director, Regional Vice President, and Division Vice President will be notified of the investigation.

9. For those allegations referred to another Life Care department for investigation, the applicable Life Care department will conduct an investigation to evaluate the facts and
existence of credible evidence supporting the allegation. That department will notify the Compliance Department of the results of the investigation and provide sufficient details of the investigation to demonstrate that the case was properly addressed (guidance on what details are necessary to fulfill this requirement shall be provided by the Compliance Department in advance), including any applicable and appropriate education, changes in policies and procedures, or disciplinary or corrective actions related to the substantiated allegations.

10. For all cases, the Compliance Department will prepare (or approve a previously prepared) a close-out summary describing the allegations, facts of the case, investigation steps, results, and conclusions, as well as any actions taken to address any substantiated allegations as appropriate.

11. For all cases, the Compliance Department will provide appropriate guidance and advice as necessary, to include coordination with other Life Care experts such as the Legal Services, Medicare Claims, and Medicare Support departments. All associates are expected to work in a professional and collaborative manner (maintaining confidentiality) to resolve cases.

12. For unsubstantiated cases, the Compliance Department will ensure that the appropriate facility, Regional Vice President, Division Vice President, and the Operations Department is aware that the case has been closed and the allegations were found to be unsubstantiated. However, the identity of anonymous reporters and specific comments of identified individuals will not be disclosed. For substantiated cases, appropriate personnel will have been advised of the results of the investigation as part of disciplinary and/or corrective actions as applicable.

13. Generally, after an investigation has been completed, the Compliance Department will post a notice that an investigation into the allegations has been completed and corrective actions, if needed, were completed. For unsubstantiated cases, the Compliance Department may elect to contact the complainant (e.g., through the EthicsPoint hotline or internet site), as appropriate to advise them that the case was investigated and the allegations were found to be unsubstantiated. However, specific comments of identified individuals will not be disclosed. For substantiated cases, the Compliance Department may elect to provide more information, but prior to disclosing that information will consult with the Legal Services Department for advice in order to determine whether such communication may entail legal liability for Life Care.