

CORPORATE COMPLIANCE PROGRAM

*Ensuring Compliance with Medicaid, Medicare
and other
Laws and Regulations*

Community Innovations, Inc.
Person Centered Services

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December 9, 2005

Dear Community Innovations' Employee, Officer, Director, Contractor or Agent:

Delivery of community-based services to individuals with developmental disabilities, mental illness or challenging behaviors has evolved from relatively large residential settings to smaller, more flexible settings with considerably more emphasis on specific skills development. The result is the provision of "periodic services" to those individuals. Although they vary in intention and delivery, periodic services largely entail one-on-one interaction between a Community Innovations staff member and an individual.

Because these highly individualized interactions are unique, numerous and of short duration, the documentation of them is critical; not only to the monitoring of the individual's progress, but to the ability of Community Innovations to justify its right to request reimbursement for these services. Unfortunately, by its very nature, documentation of services is open to abuse in all segments of the health care industry, including our segment. That is why documentation issues are receiving such scrutiny, at all government levels.

Community Innovations, Inc. is committed to providing quality services to the individuals we serve, in cooperation with our mental health authority customers and the individuals' guardians. In doing so, we will comply with the requirements of all applicable federal and state laws and regulations of the programs in which we participate, including, in particular, those laws and regulations related to billing for our services. To that end, we have developed a Corporate Compliance Program, the key components of which include: a Corporate Compliance Officer, Corporate Compliance Committee, Toll Free Hotline, written code of conduct, statements of company policy, regular staff training, monitoring procedures and investigation and correction of identified problems. Those items are described in detail in this manual.

It is your responsibility to fully comply with these policies and to point out violations that you encounter. Thank you for your attention and your contributions to our company.

Sincerely,

Charles N. Stephens
Board Chairman

CODE OF ETHICS AND BUSINESS CONDUCT

Dear Colleague:

This document, within our Corporate Compliance Program manual, contains Community Innovations, Inc.'s Code of Ethics and Business Conduct adopted by the Board of Directors. It summarizes the virtues and principles that guide our actions in providing excellent services to the individuals we support and is a quick reference guide to assist you in performing your job responsibilities. Our ultimate goals in adhering to these principles are to provide quality services and a professional environment for our employees in full compliance with applicable laws and ethical standards.

Andy Anderson, President

✓ Introduction

It is more important now than ever that we have a compliance program that is just not another notebook on our bookshelf but is a part of our work day providing us with a system for doing the right thing. Our compliance program is an ongoing process that includes prevention, detection, collaboration, and enforcement. Our program is designed to ensure that the services we provide meet all federal and state laws. Our program assists us in the following:

- Establishing written policies / procedures on standards of conduct for all staff
- Detects areas of possible weaknesses that could pose a compliance / operational risk
- Establishes consistent methods to investigate non compliant behaviors
- Establishes an accurate review of necessary government publications (fraud alerts, audit / inspector reports, regulatory briefs, etc.) to keep organization up to date on changes.
- Assists in developing policies to address risk factors
- Assist with disciplinary recommendations when staff are non compliant with Code of Ethics
- Audit / Monitor programs for compliance with State and Federal regulations.
- Ensures due diligence of programs

The Office of the Inspector General has provided guidance in what a compliance program should consist of:

- Written standards of conduct
- Designation of a chief compliance officer and other appropriate bodies
- Effective education and training
- Audits and evaluation techniques to monitor compliance
- Reporting processes and procedures for complaints
- Appropriate disciplinary mechanisms
- Investigation and remediation of systemic problems

As you read our Compliance Plan you will see that we have set up a program to include all of the above items.

Within our Compliance Plan you will find a summary of the virtues and principles that guide our actions in providing excellent services to the individuals we support and is a quick reference guide to assist you in performing your job responsibilities. Our ultimate goals in adhering to these principles are to provide quality services and a professional environment for our employees in full compliance with applicable laws and ethical standards.

✓ Management Commitment

While everyone who works for Community Innovations, Inc. must contribute to the creation and maintenance of such an environment, our executives and management personnel assume special responsibility for fostering a context for work that will bring out the best in all of us. You can count on us to do everything in our power to meet Community Innovations' standards and we are counting on you to do the same. We are confident that our trust in you is well placed and we are determined to be worthy of your trust.

Andy Anderson, President
Hal Jones, Senior Vice President
Haynes Graham, Vice President of Contract Services
Laura Jacobs, Vice President of ICF-MR Services
John Stephens, Compliance Officer
Sandy Pope, Assistant Compliance Officer

✓ **Compliance Officer**

The Compliance Officer or designee has the authority and responsibility for the development, operation, and implementation of the Compliance Program. This involves developing standards, coordinating compliance training and education, conducting audits, identifying compliance issues and trends, investigating and resolving compliance complaints and promoting awareness and understanding of the positive ethical and moral practices consistent with the mission and values of Community Innovations, Inc.

✓ **Corporate Compliance Committee**

The Corporate Compliance Committee has been established to provide organizational support, create awareness of the Compliance Program, advise the Compliance Officer, and assist in the implementation of the Compliance Program.

This committee may be comprised of the following members:

- Compliance Officer
- Assistant Compliance Officer
- Accounting Representative
- Medical Director or Designee
- Patient Accounts Manager or designee
- Human Resources Director
- Director of Quality Management or designee
- Clinical Director
- Privacy Officer
- Vice President(s)
- Or other designated staff

The responsibilities of this committee are as follows:

- Identify risk area
- Assess existing policies and procedures that address identified risk areas
- Work with all departments to ensure adherence to established conduct standards and practices
- Recommend and monitor the development of internal systems and controls to achieve Community Innovations, Inc. standards, policies, and procedures
- Develop and monitor communication methods and training programs to ensure employees receive proper information about the Compliance Program
- Determine appropriate strategies and approaches to promote compliance

- Monitor internal and external audits and investigations to identify possible risk areas
- Develop and work with special task groups assigned to focus on identified risk areas, develop standards, and to develop policies / procedures for compliance
- Analyze the industry environment as to legal requirements
- Assess existing policies and procedures
- Meet on twice a year or more often as needed.

✓ **Conduct Standards and Procedures**

Community Innovations, Inc. is committed to full compliance with applicable laws, regulations, rules, and guidelines that apply to Community Innovations' operations and services. The heart of this commitment is the employees and the manner in which they conduct themselves.

All Community Innovations, Inc. employees will perform their duties in good faith and in a manner that they believe is in the best interest of the company and the persons they serve. All employees must maintain a high level of integrity in their conduct and avoid any conduct that could reasonably be expected to reflect adversely upon the integrity of Community Innovations, Inc. and the services it provides.

Community Innovations, Inc. has conducted a system wide educational program to inform and educate you concerning the Code of Conduct and Compliance Program. Attendance is mandatory. However, should you feel that you need additional training please contact your supervisor. Your understanding of this program is critical for Community Innovations, Inc. to have an effective and successful compliance program.

Community Innovations, Inc. provides training on their Compliance Program to all employees therefore they are expected to adhere to it. To acknowledge receipt of the training and knowledge of the Compliance Program all employees will sign an acknowledgement and agreement form that will be retained in the employees personnel file. All employees are required to have this training annually.

Any questions you may have about the Code of Conduct and Compliance Program should first be directed to your supervisor or other designated individual within Community Innovations, Inc..

All compliance efforts will be documented to protect the integrity of Community Innovations, Inc. compliance process and confirm the effectiveness of the program. Along with the Code of Ethics additional compliance policies have been developed. Compliance policies will be updated as needed and at a minimum will be reviewed annually. Community Innovations, Inc. will keep the following documentation to assist with documenting compliance efforts:

- Evidence of employee training
- Reports from the Compliance hotline
- Results of investigations of non compliance
- Results of auditing and monitoring efforts

✓ **Code of Ethics and Principles**

Community Innovations, Inc. has developed a Code of Ethics to define expectations relative to the ethical behavior of employees. Each employee shall refuse to participate in or to conceal unethical practices or procedures. If there is just cause to believe that a fellow staff person is engaging in unethical practice or any behavior that may be jeopardizing the treatment expected by Community Innovations, Inc., staff are honor bound to report this to management.

All staff members are equally responsible for maintaining professionalism and ethical practice. Failure to report any questionable or unethical behavior may result in disciplinary action, up to and including termination.

We will achieve our goals through the application of six principles:

- **Honesty:** Be truthful in all our endeavors; be forthright with one another and with the individuals we serve, our communities, suppliers and Board.
- **Professionalism:** We owe the individuals we serve and our co-workers an unwavering level of professional competence and behavior.
- **Respect:** We treat the consumers we serve and one another with dignity and fairness, appreciating the diversity of our consumers, our workforce and the uniqueness of each individual employee.
- **Responsibility:** We perform our jobs as best we can all the time. We say what we mean, deliver what we promise and stand for what is right.
- **Safety:** We protect the individuals we serve, our co-workers and the assets of our company.
- **Financial Integrity:** We obey all federal, state and local laws and regulations and do our part to enhance the communities where we live. We report concerns in the work place to the appropriate parties.

Providing an environment that supports these principles gives us the opportunity to achieve excellence in our work place.

✓ **Let's take a closer look at our six guiding principles:**

➤ **Honesty**

➤ **Treat in an Ethical Manner Those To Whom We Have An Obligation**
We are committed to the ethical treatment of those to whom we have an obligation:

1. For our employees, we are committed to honesty, fairness and just management; providing a safe and healthy working environment; and respecting the dignity due everyone.
2. For the individuals we serve and other customers, we are committed to providing quality health services, delivered timely and at a reasonable price.
3. For the communities where we live and work, we are committed to acting as concerned and responsible neighbors, reflecting all aspects of good citizenship.
4. For our suppliers, we are committed to fair competition and the sense of responsibility required of a good customer.

➤ **Always Obey the Law**

We will conduct our business in accordance with all applicable laws and regulations. Compliance with the laws does not compromise our ethical responsibility. Rather, it provides the minimum, absolute, essential condition for performance of our duties.

➤ **Time Sheets and Other Documents Must Be Accurate**

We will only report exactly what we did and when we did it on time sheets, daily logs and other documents. If it is your responsibility to review and approve other employees' entries on documents, it is up to you to devise a method to provide reasonable assurance those entries are accurate.

➤ Professionalism

- **Proper Supervision of the Individuals We Serve**

You are responsible for the individuals you serve. You, therefore, always provide proper supervision, respectful treatment and appropriate therapeutic interactions. You are always well trained for the tasks you perform.
- **Active Treatment**

You are expected to provide therapeutic or educational interactions at all times.
- **Confidentiality**

We will in no way compromise the confidentiality of the records or the individuals we serve, or consumer and employee information of any kind. Protection of the confidentiality of information of the individuals we serve is derived from Confidentiality Rules APSM 45-1, 2005, which is incorporated herein by reference, and the programs developed in accordance to the Health Insurance Portability and Accountability Act of 1996. It is your obligation to immediately report any breach in confidentiality to your supervisor, the Corporate Compliance Officer or call the Toll Free Hotline.
- **Administer Appropriate Services**

You are a role model. Always follow the service plan. Do not initiate your own interventions without first consulting the Qualified Professional. Consistency is the key to progress. Abuse, neglect or exploitation are strictly prohibited and will result in disciplinary action and may result in reporting to Health Care Personnel Registry or other agencies as required by rule and regulations.
- **Bring Competence to the Job**

Attend all meetings, training sessions and scheduled work. Stay up to date on changes in the individuals we serve and changes in our procedures and regulatory requirements. You have a professional responsibility to perform only tasks in which you are trained and competent to provide. When you leave work each day, be able to say, “I did my best, and I made a positive impact on the people with whom I work”.

➤ **Respect**

➤ **Personal Dignity**

We will strive in every interaction with our consumer to respect their dignity as individuals. We will steadfastly defend their human rights in all our actions. In short, we will treat them with the same respect that we expect for ourselves.

➤ **Cultural Competence**

We will seek to understand culture and its function in human behavior and society, recognizing the strengths that exist in all cultures. We will have a knowledge base of individual's culture and be able to demonstrate competence in the provision of services that are sensitive to the individual's culture and to differences among people and cultural groups.

➤ **Personal Hygiene**

Appropriate dress and good personal hygiene are expected of all employees. Clothing with language or logos which may be offensive or which have tobacco, alcohol or other advertisements are not permitted.

➤ **Smoking Policy**

If conflicts arise, the rights of non-smokers to a smoke free workplace will be upheld. Never smoke in a child's presence. Smoking with adult individuals must be prior approved by your supervisor. If consumers who smoke reside in a group facility, a specified area will be established by the supervisor. There will be no smoking during training activities or while in a kitchen. If no individuals served within a facility smoke, all staff smoking will be outside. If only one staff member is on duty, no smoking outside is allowed.

➤ **Personal Medications**

Avoid taking any medications in the presence of the individuals we serve. Be sure any personal medications are secure and inaccessible to them.

➤ **Recognize the Value of the Work We Do**

Treat yourself and your co-workers with the respect due to trained professionals doing important work. If you have problems or complaints, voice them through your supervisor, Compliance Officer or the Toll Free Hotline. Rumors, gossip, sarcasm and negative talk is unbecoming and counterproductive.

➤ Responsibility

➤ Follow Our Policies

We are doing important and complicated work. The rules and policies that tell us how to do that work are all in place for a good reason. Each of us must commit ourselves to following those rules and policies as we have been trained

➤ Promote a Positive Work Environment

All employees want and deserve a workplace where they feel respected, satisfied and appreciated. Employees will be hired, promoted and compensated according to their qualifications, performance and potential. Harassment or discrimination of any kind, especially involving race, color, religion, gender, age, national origin, disability and veteran or marital status is unacceptable in our workplace.

➤ When In Doubt--Ask Someone

If your training has not addressed a new situation that arises, ask your supervisor for help.

➤ Safety

- **Use a Seatbelt**

Always use a seatbelt and require your passengers to do so. Adhere to traffic laws and exercise defensive driving judgment. If appropriate, follow established seating arrangements in company vehicles.
- **Illegal Drugs, Alcohol and Weapons are Not Permitted**

You may not bring weapons, alcoholic beverages or illegal drugs to the workplace (or in your vehicle), nor can you be under the influence of alcohol or illegal drugs while working. Violation of this policy will result in immediate separation of employment.
- **Work Safely: Protect Our Consumers, Yourself and Your Fellow Employees**

Providing a drug-free, safe and healthy work environment is of the utmost importance. We are all responsible for compliance with environmental, health and safety laws and regulations. Observe posted warnings and regulations. Use all equipment and supplies as intended and directed. Report any accident or injury sustained on the job and any environmental or safety concern you have immediately to the appropriate manager.
- **Manage Medications**

We will comply with all regulations governing the management and distribution of controlled substances and other medications of the individuals we serve. Specifically, no employee affiliated with Community Innovations will illegally distribute any controlled substances, including prescription drugs. In addition, expired, adulterated and misbranded pharmaceutical drugs may not be distributed or diverted. Medical and infectious waste will be properly handled and disposed of in accordance with the appropriate regulations.

➤ Financial Integrity

➤ **Administer and Record Services**

All services must be necessary, appropriate and well documented. We must ensure the medical necessity of the care provided and verify individual eligibility. In addition, we will accurately record all services provided, documenting physician authorization when necessary. We will be accurate as to exactly the service rendered, who rendered it and when it was rendered. Improper coding of services and care provided (i.e., up coding, unbundling, use of inappropriate coding) will not be tolerated and will result in disciplinary action.

➤ **Carefully Bid, Negotiate and Perform Contracts**

If you are involved in proposals, bid preparations or contract negotiations, you must be certain that all statements, communications and representations to prospective partners or suppliers are accurate and truthful. Once awarded, all contracts must be performed in compliance with contract terms. If you buy goods or services for Community Innovations, you must treat all suppliers uniformly and fairly. In deciding among competing suppliers, you must impartially weigh all facts and avoid even the appearance of favoritism.

➤ **Decline Inappropriate Gifts**

Community Innovations employees may accept meals, refreshments or entertainment of nominal value in connection with business discussions. While it is difficult to define "nominal" by means of a specific dollar amount, anything considered lavish, extravagant or frequent is inappropriate. It is each employee's responsibility to ensure that his or her acceptance of such meals, refreshments or entertainment is proper and could not reasonably be construed in any way as an attempt by the offering party to secure favorable treatment.

Without management approval, Community Innovations employees are not permitted to accept funds in any form or amount, or any individual gift without the approval of their supervisor from individuals, companies or representatives of companies having or seeking business relationships with Community Innovations or from the individuals we serve or their families. If you have any questions about the propriety of a gift, gratuity or item of value, contact your supervisor or the Toll Free Hotline.

➤ **Generate Accurate Billing and Claims**

We will generate billing and claims accurately reflecting that services rendered are supported by relevant documentation and are submitted in compliance with applicable laws, rules, regulations and program requirements. We will never make or present improper, false, fictitious or fraudulent claims to any government or private health care program, employee, department or agency.

Improper or fraudulent activity can include:

- Cost Report Falsification*
- Misrepresentation of Services*
- Duplicate Billing*
- False Claims and Statements*
- Improper Coding (i.e., up coding, unbundling)*
- Improper Discounting*
- Unauthorized Treatment*

If you become aware of the submission of improper, false, fictitious or otherwise questionable claims, it is your obligation to report this immediately to your supervisor, Compliance Officer or qualified professional or the Toll Free Hotline.

Comply with Medicare and Medicaid Billing and Claims Guidelines:

Billing data submitted to Medicare and Medicaid will follow the guidelines stated above and comply with all stated rules and regulations.

➤ **Refuse Bribes, Kickbacks and Inappropriate Referrals**

The Medicare and Medicaid Anti-Kickback rules stipulate that no employee within a health care organization knowingly and willfully will offer, pay, solicit or receive remuneration of any kind in connection with the referral of patients or acquisition of items for services. Specific violations include:

1. Accepting or granting bribes or kickbacks (i.e., cash or "in kind" considerations such as subsidies, discounts, medical directorships, supplies or gifts).
2. Granting direct or indirect improper rewards (i.e., bestowing anything of value) to a representative of a government agency, union, or current or prospective business relationship.
3. Accepting or granting gratuities in any form designated to secure favorable treatment or discussion from/for the company.
4. Accepting or granting inappropriate referrals.
5. No employee of Community Innovations may enter into any agreement or arrangement that calls for such action as described

above. If you become aware of or are involved in a situation involving bribery, kickbacks or inappropriate referrals, it is your obligation to report it immediately to your supervisor or call the Toll Free Hotline.

➤ **Steer Clear of Conflicts of Interest**

It is your responsibility to act in the best interest of Community Innovations at all times. Avoid any relationship, influence or activity that might impair, or even appear to impair, your ability to make objective and fair decisions when performing your job such as:

1. Employment by a competitor or potential competitor, regardless of the nature of the employment, while employed by Community Innovations, unless approved by company management.
2. Acceptance of gifts, payments, or services from those seeking to do business with Community Innovations.
3. Ownership of, substantial interest in, or acting as a consultant to a company that is a competitor or supplier.

If you are in doubt as to the potential for conflict of interest, seek guidance from your supervisor, Compliance Officer or call the Toll Free Hotline.

➤ **Maintain the Integrity of Agents, Consultants and Representatives**

Business integrity is a key principle for the selection and retention of those who represent Community Innovations. Agents, representatives or consultants must certify their willingness to comply with our policies and procedures and must never be retained to circumvent our values and principles. When marketing Community Innovations' services in the community, employees will accurately portray available services and will not market services outside the scope of our practices. Paying bribes or kickbacks, obtaining the proprietary data of a third party or gaining inside information or influence are just a few examples of what could give us unfair competitive advantage and result in violations of law.

✓ Quick Checklist--When in Doubt, Ask Yourself...

Compliance with all these rules of ethics and business conduct can become very confusing. Common sense and sound judgment are your best guides in determining the appropriateness of the behavior and necessary course of action. However, if you find yourself in a situation where you are unsure of the ethical implications, ask yourself a few simple questions:

- Are my actions legal?
- Am I being fair and honest?
- Is this in the best interest of Community Innovations and the individuals we serve?
- Will my action stand the test of time?
- How will I feel about myself afterwards?
- How will it look in the newspaper?
- Will I sleep soundly tonight?
- What would I tell my child to do?

If you are still in doubt or need clarification, do not hesitate to call the Toll Free Hotline (1-800-932-5378) to direct you to the appropriate resource.

✓ **Our Goal: An Ethical Workplace**

Community Innovations has established a telephone Hotline which is operated by a professional hotline service. You are urged to use this resource whenever you have questions or concerns that cannot be readily addressed within your work group or through your supervisor. Remember, there is never a penalty for using the Toll Free Hotline to ask a question or to make a good faith report, and you may call the Hotline on a confidential, anonymous, basis. People in positions of authority cannot stop you. If they try, they are subject to serious disciplinary action. It should be noted that calling the Hotline is not a substitute for normal process as required by rule or policy, for example, immediately reporting abuse of a consumer by an employee to your supervisor.

In addition to the Hotline, you may write to the Compliance Officer:

John Stephens
3210 Fairhill Drive
Raleigh, NC 27612
1-919-256-0824
PERSONAL & CONFIDENTIAL

When you contact these sources, you will be treated with dignity and respect. Your communication and anonymity will be protected to the greatest extent possible. Your concerns will be seriously addressed and if not resolved at the time you call, you will be informed of the outcome.

✓ Receipt and Acknowledgment

- I have participated in the training program “Compliance and Code of Ethics for Community Innovations, Inc.”
- I have received a copy of the Community Innovations’ Code of Ethics and Principles.
- I understand and acknowledge that I am responsible for complying with the Code of Ethics and Compliance Program and any related policies and procedures, in all activities conducted on behalf of Community Innovations, Inc.
- I further understand and acknowledge that I am responsible for attending annual (or other regular) training sessions or workshops on issues related to compliance with the Code of Ethics and Compliance.

Signature: _____

Print Name: _____

Company: _____

Location: _____

Date: _____

✓ Training / Education

Community Innovations, Inc. is committed to providing quality training, education, and reference material to assure that you have access to the required tools and skills to perform your assigned duties. Community Innovations, Inc. will provide you with access to a variety of teaching methods that are designed to address the targeted topic. Each area throughout the Community Innovations, Inc. system and will have reference materials available that are specific to the functions they perform. It is your responsibility to remain current with all information pertinent to your job responsibilities and to assist Community Innovations, Inc. in documenting your education and training. Some of the areas of general importance are listed below; if you have concerns, questions, or need additional information or training on any of the listed topics, contact your supervisor for assistance. At a minimum you should have an understanding of the following areas:

- Government and private payer reimbursement principles
- General prohibitions on paying or receiving remuneration to induce referrals;
- What constitutes proper confirmation and documentation of diagnoses;
- Provision and submission of claims for physician services when rendered by a non physician;
- Prescribing medications and procedures without proper authorization;
- Proper documentation of services rendered;
- And responsibility to report suspected misconduct.

As Federal and State Regulations and Community Innovations, Inc. standards change it is essential that you are trained and retrained to keep abreast of these changes. All Community Innovations, Inc. employees receive compliance training. Job specific training will be provided as appropriate or as needed based on the job responsibilities.

Training Materials

Community Innovations, Inc. has developed and will provide the following training materials to employees:

- *Employee Handbook*
- *Access to Policy and Procedure Manuals*
- *Access to the Personnel Policy and Procedure Manual*
- *Access to copy of the Compliance Program*

Types of Training

All Community Innovations, Inc. employees will be provided compliance training within a week from the date of hire and annually thereafter.

Compliance Training curriculum will be reviewed annually and changes made as appropriate. The Compliance Officer may require further training sessions as are deemed appropriate.

All direct care staff will be provided with service delivery, documentation and billing training within the first 30 days of hire.

The failure to comply with training and educational requirements may result in disciplinary action, including termination.

Documentation of Training / Education

All compliance and other training / education will be documented. Trainings provided by the Corporate Trainer will be documented through sign in sheets with the date, title of training, and time of the training. This information is entered into Essential Learning for monitoring. Trainings provided by Essential Learning are on line. Staff must use their own secure sign in to take the courses. Essential Learning tracks all trainings staff partakes in. A report may be run for an individual staff member to show when and what trainings a staff member participated in. Community Innovations, Inc. Management will monitor all staff trainings to ensure trainings are current.

✓ **Auditing and Evaluation Techniques to Monitor Compliance**

To ensure the Compliance Program is effective and Community Innovations' performance is compliant with all applicable laws, regulations, rules, and guidelines, Community Innovations will monitor its activities that are subject to regulatory requirements and will report findings to the Compliance Committee.

The Corporate Compliance Plan will be reviewed at least annually by the Corporate Risk Management Office of Saguaro Management and Accounting Services Inc. This review is to examine the efficiency of the Compliance Program with particular emphasis on compliance with all federal and state health care statutes, regulations, policies, procedures, and program requirements.

Community Innovations' goal in all auditing and monitoring activities is to quickly discover any material violations of relevant laws and regulations and the corporate compliance program. The auditing and monitoring process will prevent future violations and will provide Community Innovations, Inc. an opportunity to update its Corporate Compliance Program based upon the findings of the auditing and monitoring process or upon changes in the law, regulations, or industry standards.

Audits will be conducted in the following areas to measure Community Innovations, Inc. compliance with laws:

- Personnel Records
- Service Reviews

Monitoring techniques may include the following:

- Site visits
- Documentation and Billing reviews
- Ad hoc audits and investigations
- Review of Grievance Log
- Peer Reviews

The Corporate Compliance Officer or designee shall direct on-site inspections and periodic reviews (at least quarterly) of documents, including but not limited to employee time sheets, progress notes to verify compliance with Medicaid, Medicare and other federal laws and regulations.

Reports from ongoing monitoring efforts will be maintained by the Compliance Officer and reviewed with the Compliance Committee and Senior Management.

Clinical License Verification and Background Checks

All licensed applicants will have their professional license verified before an employment offer may be made. All licensed clinicians are required to produce evidence of licensure renewal. All staff must have a background check before hire.

Service Record Reviews

All program sites will conduct service record reviews in accordance with the Policy and Procedure manual. Results of these reviews will be documented and reported per policy.

✓ **Disciplinary Mechanisms**

Community Innovations, inc. is committed to a fair and reasonable enforcement of these compliance standards. Failure to comply with the Community Innovations, Inc. Code of Ethics and Compliance program and the related policies and procedures of Community Innovations, Inc. will result in disciplinary action.

Disciplinary action will be taken on a fair and equitable basis in an appropriate and consistent manner. It is important to understand that supervisors/managers may skip one or more of these steps under appropriate circumstances. The steps in employee discipline are as follows:

- Verbal Warning
- First Written Warning
- Second Written Warning
- Suspension With Pay
- Suspension Without Pay
- Involuntary Termination

If during an individual's employment with Community Innovations, Inc., the individual is proposed for exclusion from, or suspended from participating in Medicaid, Medicare, or other Federal health care reimbursement programs, Community Innovations, Inc. will remove the employee from responsibility for or involvement with Community Innovations' Medicaid, Medicare or other Federal health care program operations until the resolution of such proposed exclusion or such suspension.

If any employee of Community Innovations, Inc. is charged with a criminal offense relating to Community Innovations' Medicaid, Medicare, or other Federal health care program business, Community Innovations, Inc. will remove that employee immediately from responsibility for or involvement with such program business. If the employee is convicted or excluded, Community Innovations, Inc. may no longer employ the individual unless and until the individual is reinstated to participate in such programs.

Community Innovations, Inc. will not allow, or cause to be allowed, any person convicted in any local, state, or Federal court of any felony involving health care matters to hold the position of officer or director of itself or any of its subsidiaries.

✓ Investigation and Remediation of Systemic Problems

Community Innovations, Inc. will respond in a thorough and expedient manner to all reports by employees and others of potential compliance violations. Community Innovations, Inc. will follow the procedure below while conducting an investigation:

- A preliminary inquiry will be conducted into the allegations to ensure that it has obtained all of the information necessary to determine whether it should conduct an internal review.
- If a hotline call or a report directly to the Compliance Officer can be resolved to the satisfaction of both the caller or reporter and Community Innovations, Inc., prior to the end of the call or within a short time of the report, there will not be an investigation.
- For any disclosure or report from the Hotline, Community Innovations, Inc. Official, or other individual, which is sufficiently specific that it reasonably permits a determination of the appropriateness of the alleged improper practice and provides opportunity for the taking of corrective action Community Innovations, Inc. shall require an internal review of the allegations set forth in the disclosure or report and ensure that the proper follow up is conducted.
- The Compliance Officer, or designee, will investigate the allegations in conjunction with management and take disciplinary action according to company policy.
- If during the investigation the Compliance Officer or designee believes a violation has occurred, he/she may consult with the Compliance Committee to determine whether Community Innovations, Inc. should consult legal counsel regarding the violation and a possible voluntary disclosure to the appropriate agency.
- In the event that Community Innovations, Inc. receives a report indicating the possible existence of criminal activity the Compliance Officer will contact the President and counsel to determine whether to investigate further or immediately forward the report to the appropriate law enforcement officers for investigation.

✓ **Billing and Claims Submission Standards**

Community Innovations, Inc. is a participant in the Medicare and Medicaid Program and also treats individuals with other financial resources. As participants in these programs, Community Innovations, Inc. is required by law to submit accurate and thorough bills to the payers for the services rendered. It is the policy of Community Innovations, Inc. to comply with all laws and regulations relating to the claims for reimbursement from Medicaid, Medicare and other federal reimbursement programs, including all laws and regulations concerning the documentation, coding, billing, and reporting related claims. To this end, Community Innovations, Inc. observes the following policies:

- Proper and timely documentation of all staff will be done prior to billing on any claims to ensure that only accurate and properly documented services are billed.
- Claims submissions must be supported by:
 - Appropriate documentation
 - Documentation that is professionally maintained and available for audit and / or review
 - Documentation in the individual's record that includes at a minimum the length of time spent in conducting the activity leading to the record entry and the identity of the individual providing the services, medical necessity, and any other information as directed by management.
- Records will be maintained in a consistent, legible, and organized manner to allow for follow up audit and review.
- The number of billable hours recorded on the billing log must match the number of hours recorded on the service notes.
- The number of billable hours recorded on the billing log must accurately reflect the periods of service actually provided.
- The signatures on the service note must be of the individual who delivered the service.
- All service notes are signed with their credentials and dated by the appropriate staff.
- Payment is returned to Medicaid, Medicare, or other relevant payer for any services that do not satisfy service requirements.
- Staff will not bill for services that were not provided.
- Staff will not misrepresent the diagnosis for the individual to justify the services furnished.
- No alteration of claims forms to obtain a higher payment amount will be allowed.

In addition, it is against policies of Community Innovations, Inc. to:

- Engage in a pattern of duplicate billing
- Offer pay, solicit, or receive a kickback, bribe or rebate for a referral of patients
- Un-bundle services to enhance payment
- Misrepresent the services rendered
- Bill for non covered services as covered services
- Engaging in services that are not medically necessary
- Misrepresent dates, frequency, duration, or description of services rendered or the identity of the recipient of the services or the individual who rendered the services.
- Intentionally submit incorrect, misleading or fraudulent information to any payer of medical services
- Intentionally falsify, destroy, or withhold records relating to the billing and claims submission function.

If any Community Innovations, Inc. employee suspects or becomes aware of activities as listed above, the employee must promptly report such activities in accordance with policy. No employee or agent of Community Innovations, Inc. is permitted to retaliate in any way, harass or otherwise penalize an employee who makes a report in good faith.

✓ Reporting Processes and Procedures for Complaints

Effective lines of communication between the Compliance staff and Community Innovations, Inc. employees are critical for the adherence to and effectiveness of the Compliance Program. Communication may be in the form of trainings, posters, email, or other appropriate means.

Community Innovations, Inc. employees are expected to report any activity that may violate the Code of Ethics and any applicable law, regulation, or guideline. Community Innovations, Inc. prohibits retaliation against any employee making a report. Reprisals of any nature against individuals reporting suspected violations will not be tolerated. Retaliation or retribution for reporting suspected violations by any individual including to but limited to Directors, Executive Staff, Medical Staff, Department Leaders, Managers, Supervisors, and volunteers is not only against Community Innovations, Inc. policy but is also a violation of the law.

Community Innovations, Inc. will in good faith make a preliminary inquiry into the allegations set forth in every disclosure concerning compliance issues to ensure that it has obtained all of the information necessary to determine whether it should conduct an internal review.

For any disclosure or report from the Hotline, a Community Innovations, Inc. official or other assigned individual shall complete an internal review of the allegations and ensure that proper follow up is conducted.

The Compliance Officer will investigate, either directly or through delegation to other management, the allegations and, in conjunction with management, take disciplinary action according to company policy.

All investigations completed will be summarized for the Compliance Committee. The Compliance Officer will recommend to the Compliance Committee whether additional corrective action or training is needed. The Compliance Committee shall vote on whether to approve such recommendations or take other action.

If an investigation is completed and it is found that another staff member knew about the non compliant behavior and did not report it they too will have disciplinary action taken against them.

Reporting non compliant / unethical behavior can be reported in various ways. Below is a list of acceptable ways of informing management of such behaviors:

- Tell a supervisor verbally or in writing

COMMUNITY INNOVATIONS, INC.

Corporate Compliance Plan

- Call John Stephens, Compliance Officer (919)256-0824
- Call the corporate office (910)642-5697
- Call hotline 1-800-932-5378 (may make an anonymous report)

APPENDIX

Subject: CORPORATE COMPLIANCE PROGRAM

Authority Source: Office of Inspector General (OIG)

Responsibility: Program Supervisors

Programs/Components Affected: All Community Innovations, Inc. Programs

Internal Monitoring: Community Innovations, Inc. Senior Management and Corporate Compliance Committee

Purpose/Intent: This policy is intended to provide an overview of the key elements of the Compliance Program. A full understanding of the Program can be obtained only by reviewing the Code of Conduct and each of the compliance policies and procedures. Individuals with questions about the Program are encouraged to contact their supervisor or the Compliance Officer or to submit their questions through the Hotline.

Policy Statement: It is the policy of Community Innovations, Inc. ("CI") to comply with the requirements of all applicable Federal and State laws and regulations, including those concerning the Federal and State reimbursement programs in which CI participates. CI has developed a Corporate Compliance Program to assure such compliance and to provide all employees with guidelines for ethical conduct, training and education concerning compliance issues, and options for communicating with management any suspected or perceived compliance violations. The elements of this Program include: a Corporate Compliance Officer and a Corporate Compliance Committee, written standards of conduct and policies and procedures, regular and effective employee orientation and training programs, employee options for reporting instances of suspected noncompliance or irregularities, self-monitoring procedures, disciplinary actions for failure to comply, and investigation and remediation of identified problems. It is the responsibility of every member of CI -- directors, officers, and employees and its contractors and agents -- to act in a manner that is consistent with this organizational statement and its supporting policies.

Procedure:

- A. The Compliance Officer serves as the focal point for compliance activities and oversees and monitors the planning, implementation, and monitoring of the Compliance Program, including the Code of Conduct, written policies and procedures, employee education, investigation of potential noncompliance, self-auditing and monitoring, and remediation.
- B. All personnel will abide by the CI's Code of Conduct and written policies and procedures, all of which together include standards and procedures that ensure that the conduct of CI personnel conforms to the highest ethical standards and complies with all applicable laws, rules, and regulations by which CI is governed.
- C. Orientation and training will be provided to all employees to introduce, implement, and effectively maintain the Corporate Compliance Program, as follows:

1. Initial Orientation Training and Billing Training - Within one week of beginning of their employment, (1) each employee of Community Innovations shall receive compliance orientation training regarding the Corporate Compliance Program and related responsibilities and (2) each employee involved in the documentation of services billed to Medicaid, Medicare, or any other federal health care program, or in the preparation or billing of such services, shall receive initial training regarding the applicable statutes, regulations, policies, procedures, and program guidelines for Medicaid, Medicare, and all other federal health care programs.
 2. Annual Training and Continuing Education - Annually, all employees will receive basic training and education in compliance areas, including updates on changes in policies, procedures, laws, and regulations affecting CI's ability to comply with Federal and State Programs. In addition, those employees required to receive the initial billing training described above will receive annually training related to billing matters. The Compliance Officer will require such further training sessions as are deemed appropriate.
 3. The failure to comply with training and educational requirements may result in disciplinary action, including possible termination.
- D. CI will use due care not to delegate discretionary authority to individuals with a propensity to engage in illegal conduct, and will not employ or contract with, with or without compensation, an individual or entity who is listed by a federal agency as excluded, debarred, suspended, or otherwise ineligible to participate in a federal reimbursement program. To this end, CI will conduct background checks on current and potential employees, consultants, and clinical contractors.
- E. All personnel (employees, agents, and contractors) will be provided the opportunity to communicate to the Compliance Officer any suspected or perceived violations of the Compliance Program, including without limitation, violations of the Code of Conduct, the compliance policies and procedures, or applicable laws and regulations. Such communications made in good faith will not impact the security of an employee's job, or an agent's or contractor's arrangement and, if desired, may be made anonymously.
- F. CI's goal is quality assurance and zero tolerance of fraud and abuse regarding all Federal and State laws and regulations. The implementation and enforcement of the Compliance Program is monitored through self-auditing procedures directed by the Compliance Officer.
- G. Failure to comply with the CI's Code of Conduct, policies and procedures, or applicable laws and regulations may result in disciplinary action (including, but not limited to termination) or filing of a civil or criminal complaint, where deemed appropriate. Reasonable diligence on the part of managers and supervisors is required to allow CI the opportunity to correct any variances. Failure to adequately instruct subordinates or to detect noncompliance with policies and legal requirements may result in disciplinary

action of managers and/or supervisors.

- H. When the Compliance Officer or others learn of potential instances of noncompliance, such instances will be promptly investigated, perhaps involving interviews and review of documents. If it is believed that any investigation may be hindered because of the presence of the employee under investigation, he/she may be removed from the current work activity until the investigation is completed.
- I. If management receives credible evidence of misconduct and believes, after reasonable inquiry, the conduct may materially violate either criminal or civil law, the Compliance Officer, Corporate Compliance Committee or legal counsel, where appropriate, will report the instance to appropriate regulatory authorities. The Corporate Compliance Officer will also take any other corrective action deemed necessary under the circumstances.
- J. If an employee becomes suspended or is proposed for exclusion from Medicaid, Medicare, or any other federal reimbursement program, or is charged with a criminal offense related to such programs, the employee shall be removed from direct responsibility for or involvement in any such programs. Should the resolution result in conviction, or debarment or exclusion of the individual from participating in the Federal and/or state programs, CI shall terminate the employment of that individual.

Subject: BOARD OF DIRECTORS REPORTING AND COMMUNICATION POLICY

Authority Source: Corporate Compliance Program

Responsibility: Corporate Compliance Officer

Programs/Components Affected: All Community Innovations, Inc. Programs

Internal Monitoring: Community Innovations, Inc. Senior Management and Corporate Compliance Committee

Purpose/Intent: This policy is intended to provide an overview of how development and implementation of the compliance program is communicated to the Board of Directors.

Policy Statement: The Board of Directors of Community Innovations, Inc. ("CI") directed CI's management to develop and implement an effective Corporate Compliance Program to assure that CI's operations, as carried out by its employees, agents, and contractors, are conducted in compliance with applicable law. Communication to the Board of Directors concerning CI's progress in developing and implementing the Compliance Program, and concerning compliance issues generally, will be accomplished through the following procedures.

Procedure:

- A. The Corporate Compliance Officer will review the following issues with the Corporate Compliance Committee, as needed:
 - a. Compliance training and education efforts.
 - b. Key compliance auditing and monitoring activities and actions taken on the resulting information, including CI's annual and quarterly reviews of the Compliance Program's success.
 - c. Hotline or other calls or contacts received concerning possible compliance violations and action taken.
 - d. Confirmed non-compliant conduct and actions being taken.
 - e. Disciplinary actions taken since last report.
 - f. Proposed changes to compliance policies and procedures.
 - g. New initiatives being undertaken by regulatory authorities and CI.
- B. Minutes of the Committee will reflect significant issues addressed in the Compliance Meetings and any actions taken in relation to corporate compliance issues. The Compliance Officer will report to the Board of Directors and President any significant corporate compliance issues.

Subject: CORPORATE COMPLIANCE COMMITTEE and COMPLIANCE OFFICER

Authority Source: Office of Inspector General (OIG)

Responsibility: President

Programs/Components Affected: All Community Innovations, Inc. Programs

Internal Monitoring: Community Innovations, Inc. Senior Management and Compliance Officer

Purpose/Intent: This policy is intended to provide an overview of the roles and responsibilities of the Compliance Committee and Compliance Officer.

Policy Statement: Community Innovations' (CI) Corporate Compliance Committee shall be responsible for creating, implementing, and overseeing CI's Corporate Compliance Program. The Compliance Officer shall have primary responsibility for compliance operations and reporting requirements.

Procedure:

- A. **Creation.** The Corporate Compliance Committee shall be created and appointed by the Board of Directors of CI. The Compliance Officer, who shall be a member of the Committee, shall also be appointed by the Board.

Members. The members of the Corporate Compliance Committee This committee may be comprised of the following members: Compliance Officer, Assistant Compliance Officer, Accounting Representative, Medical Director or Designee, Patient Accounts Manger or designee, Human Resources Director, Director of Quality Management or designee, Clinical Director, Privacy Officer, Vice President(s), Or other designated staff.

B. COMPLIANCE COMMITTEE JOB DESCRIPTION

Addendum to each Corporate Compliance Committee member's job description:

JOB DESCRIPTION

1. Will provide oversight of regulatory compliance at an organizational level as directed by the Corporate Compliance Officer.
2. Communicates and facilitates implementation of corporate compliance program initiatives at the organizational level as directed by the Corporate Compliance Officer.
3. Attends meetings of the Corporate Compliance Committee.

JOB SPECIFIC STANDARDS

1. Provides for effective oversight of regulatory compliance in areas of designated responsibility.
2. Participates in communication and implementation of corporate compliance program initiatives in a constructive manner throughout the organization.

JOB DESCRIPTION—CORPORATE COMPLIANCE OFFICER

Description Summary: The Corporate Compliance Officer has primary responsibility for compliance operations and reporting requirements for Community Innovations, Inc. This individual undertakes reasonable efforts to be informed about current compliance issues, provides timely regulatory updates to the staff, performs on-going monitoring of all areas of compliance and acts decisively on issues of potential non-compliance.

Education, Credentials, Training and Experience:

At least 5 years of health care experience required at a management level.

In-depth knowledge of Medicaid billing regulations.

Strong analytical skills required to direct regulatory monitoring.

Effective public speaking skills and the ability to articulate complex regulatory information in understandable terms.

Effective interpersonal skills required to interface between internal billing and administrative staffs and external vendors and to initiate corrective action as necessary.

Good organizational and planning skills as well as the ability to handle multiple tasks simultaneously.

Strong writing skills required to write and edit policies and procedures, issue memorandums and compile program reports.

Organizational Relationships:

Supervises: Corporate Compliance Staff

Reports To: Chairman of the Corporate Compliance committee

Interacts frequently with senior management, human resources, and legal counsel.

Job Duties and Responsibilities:

In conjunction with the Corporate Compliance Committee, oversees overall corporate compliance program development and implementation throughout the organization.

Reviews, updates, coordinate and formulate policies and procedures along with Compliance Committee regarding compliance related activities to ensure consistency and compliance among the various programs and service areas.

Interacts with members of the Board, government agencies/contractors, Compliance Committee, senior management and employees to ensure an understanding of the organization's initiatives towards compliance and to ensure consistency among the various programs and service areas.

Oversees education efforts of organization employees regarding compliance-related activities.

Monitors and responds to questions, issues and reports of possible violations issued on the organization's hotline or identified through liaisons or other reporting lines. Maintains confidential disclosure log of such reports.

Coordinates with the Corporate Risk Office to investigate any issues of noncompliance and reviews appropriate corrective actions.

Interacts with legal counsel to discuss the organization's initiatives on regulatory compliance.

Oversees compliance-monitoring process including internal auditing of compliance among the various programs and service areas, (Ongoing Inspections and coordinates independent, external compliance reviews.)

Prepares periodic reports to the Board detailing compliance initiatives throughout the year as well as recommendations for improvements in the overall compliance program.

Meets with Compliance Committee twice a year or more frequent basis, as needed, to ensure compliance process is functioning as required and to monitor or implement required modifications to the compliance program.

Subject: Referrals and Kickbacks

Authority Source: Federal Health Care Program, Anti-Kickback Statute, 42 U.S.C. § 1320a-7b, Physician Self-Referral (“Stark law”), 42 U.S.C. § 1395nn, North Carolina Self-Referral Statute

Responsibility: Risk Management Department of Saguaro Management and Community Innovations, Inc. Management

Programs/Components Affected: All Community Innovations, Inc. Programs

Internal Monitoring: Corporate Compliance Committee

Purpose/Intent: It is the policy of Community Innovations, inc. to comply with the Anti-Kickback and Self-Referral statutes. Community Innovations, Inc. has instituted certain policies and procedures to ensure compliance with these laws.

Definitions:

- **Federal Anti-Kickback Statute:** The Federal Health Care Program Anti-Kickback Statute imposes criminal penalties on individuals and entities that knowingly and willfully:
 1. Solicit or receive remuneration “in return for referring an individual to a person for the furnishing or arranging for the furnishing of any item or service” or “in return for purchasing, leasing, ordering, or arranging for or recommending purchasing, leasing, or ordering any good, facility, service, or item” for which payment may be made in whole or in part under a federal health care program; or
 2. Offer or pay any remuneration to any person to induce the person to “refer an individual to a person for the furnishing or arranging for the furnishing of any item or service” or “to purchase, lease, order, or arrange for, or recommend purchasing, leasing, or ordering any good, facility, service, or items” for which payment may be made in whole or in part under a federal health care program.

The remuneration prohibited by the Statute includes remuneration paid directly or indirectly, overtly or covertly, or in cash or in kind and includes, but is not limited to, kickbacks, bribes and rebates. In addition to monetary penalties, a violation of the Anti-Kickback statute can result in imprisonment and exclusion from the Medicare and Medicaid programs.

Safe harbor regulations have been promulgated for the Anti-Kickback statute. The safe harbors cover a number of commercial arrangements involving health care providers. Any arrangement that satisfies the elements of a safe harbor will not be grounds for civil or criminal sanctions under the Anti-Kickback statute. However, arrangements that do not fit within a safe harbor are not *per se* illegal.

- **Federal Self-Referral Statute:** The Federal Self-Referral Law or “Stark” Law prohibits a

physician with a “financial relationship” with any entity from making a referral to that entity for the furnishing of “designated health services” for which payment may be made under the Medicare or Medicaid programs, unless the financial relationship qualifies under a “Stark” Law statutory exception. (This law also prohibits referrals where it is an immediate family member of the physician (instead of the physician) who has the financial relationship with the entity.) The “Stark” Law prohibits an entity from billing any individual or the Medicare or Medicaid program for items and services furnished pursuant to a prohibited referral.

- North Carolina Self-Referral Statute: North Carolina law similarly prohibits self-referrals by a physician, as well as by certain other health care providers, to any entity in which the health care provider (or his or her group practice or a member of the group practice) is an “investor” (directly or indirectly), unless a statutory exception is satisfied. North Carolina law also prohibits an entity from billing any individual or third party payer for services furnished pursuant to a prohibited referral. A violation of the federal or North Carolina self-referral law may result in the imposition of fines.

Procedures:

1. Kickbacks:
 - a. Seeking or Accepting Remuneration for Referrals: No employee will solicit or receive any remuneration of any kind (including rebate, kickback, or bribe), directly or indirectly, in cash or in kind, in exchange for referring an individual to a person (including Community Innovations) for the furnishing of any item or service to be paid for by Medicare or Medicaid, or in exchange for purchasing, leasing, or ordering any good, facility, service, or item to be paid for by Medicare or Medicaid. For instance, no employee will seek or accept any benefit in exchange for referring consumers or purchasing, leasing, or ordering a good, facility, or service.
 - b. Offering or Paying Remuneration for Referrals: No employee will offer or pay any remuneration (including rebate, kickback, or bribe), directly or indirectly, in cash or in kind, to any person to induce that person to refer an individual for the furnishing of any item or service to be paid under Medicaid or Medicare, or to induce such person to purchase, lease, or order any good, facility, service, or item to be paid for by Medicare or Medicaid. For instance, no employee will offer or grant any benefit to a referring physician or other referral source in order to induce such physician or referral source to refer or agree to refer any individual to a person or medical facility
2. Self-Referrals - Federal Law: Pursuant to the Federal “Stark” Law, no physician will make referrals for designated health care services to entities with which the physician (or his or her immediate family member) has a financial relationship either through an ownership or investment interest or a compensation arrangement, unless such financial relationship complies with one of the “Stark” exceptions. The term “immediate family member” will mean husband or wife; natural or adoptive parent, child, or sibling; stepparent, stepchild, step-brother, or step-sister; father-in-law, mother-in-law, son-in-

law, daughter-in-law, brother-in-law, or sister-in-law; grandparent or grandchild; and spouse of a grandparent or grandchild.

3. Self-Referrals - State Law: Pursuant to the North Carolina Self-Referral law, no health care provider will make referrals for health care services covered by a third-party payer to any entity in which the provider or group practice, or any member of the group practice, is an investor, unless the arrangement complies with a statutory exception. For the purpose of this law, the term "health care provider" means any person who, pursuant to Chapter 90 of the North Carolina General Statutes, is licensed, or is otherwise registered or certified, to engage in the practice of any of the following: medicine, dentistry, optometry, osteopathy, chiropractic, nursing, podiatry, psychology, physical therapy, occupational therapy, or speech and language pathology and audiology. Further, the term "investment interest" not only includes the commonly understood meaning of that term (i.e. an ownership interest) but it also includes (without limitation) a real property lease, an option or easement related to realty owned by the entity, and a promissory note payable by the entity. Consequently, although this law applies only to "investment interests," this law has extended the meaning of that term to include certain limited arrangements that are akin to compensation arrangements.
4. Comparison of Federal and State Self-Referral Laws: In certain respects, the North Carolina Self-Referral law is broader than the Federal "Stark" Law because it applies to referrals by a broad group of health care providers, not just physicians, and it applies to referrals for services and items covered by any private or governmental third-party payer, not just specific services and items covered by Medicare and Medicaid. Conversely, in certain respects, "Stark" is broader than the North Carolina law because it applies to both investment interests and compensation arrangements, whereas the North Carolina law only applies to investment interests. Consequently, arrangements must be examined under and comply with both laws.
5. Billing: Neither Community Innovations, Inc. nor a physician contracting with Community Innovations, Inc. will bill for services rendered as a result of an illegal referral.
6. Suspected Violations: If an employee believes that an illegal arrangement has been, or may be, entered into involving Community Innovations, Inc. and a referral source or a vendor of goods or services, he or she will discuss the situation with his or her immediate supervisor, the Compliance Officer, or call the Hotline.
7. Written Agreements Required: All employees are urged to use caution when negotiating transactions that involve health care providers and referral sources (i.e., Local Management Entities). Every agreement with a health care provider or referral source will be in writing and will be approved by the company President or Chief Financial Officer and signed by a corporate officer. No other employees have the corporate authority to execute contracts. It is not acceptable to obtain approval and review after the execution of an agreement. The President and Senior Vice President for Finance will seek legal counsel's review of all contracts which contain any changes from a previously reviewed form contract (in the case of consultant health care providers) or for any contracts with referral sources. The failure to obtain the required prior approval or review

or failure to execute a written agreement will result in sanctions.

8. No Side Agreements: The company will not enter into side agreements with physicians or other referral sources.
9. Amendments and Extensions: The policies herein apply to all amendments and extensions or renewals of agreements.
10. Performance of Agreements Required: In all arrangements with referral sources, performance of all of the terms of the agreement is required. For example, monies owed by a physician under a lease agreement or loan agreement must be paid in accordance with the terms of the agreement. Accurate and complete collection records should be maintained by the facility. In the event of a default under an agreement, the department or person within Community Innovations, Inc. who is responsible for the agreement should take appropriate action so that appropriate remedies may be pursued in a prompt and business-like fashion.
11. Agreements to Which Policies Apply: By way of example, agreements to which these policies apply include, but are not limited to, physician recruiting agreements, loans, guarantees of physician loans, leases, management service agreements, professional service agreements, employment agreements, other agreements for the provision of services (whether medically related or not), asset purchase and disposition agreements, and health care building leases. Agreements with physician owned entities, as well as agreements with immediate family members of physicians, are also covered by these policies.
12. OIG Fraud Alerts: The OIG has issued Fraud Alerts and other general statements concerning conduct the OIG believes may violate the Anti-Kickback Statute. For instructive purposes, below is a summary of some (but not all) of the areas that are of concern to the OIG.
 - a. Joint Ventures: The OIG believes that, in certain circumstances, joint ventures between those in a position to refer business and those providing items or services payable by Medicare or Medicaid may violate the Anti-Kickback Statute. For example, physicians may become investors in a newly formed joint venture entity that provides health care services or items. The investors refer their patients to the new entity, and are paid by the entity in the form of profit distributions. The OIG believes that sometimes such ventures may be intended not so much to raise investment capital legitimately to start a business, but to lock up a stream of referrals from the physician investors and to compensate them indirectly for these referrals.
 - b. Waivers of Deductibles and Co-payments: The OIG believes that the routine waiver of deductibles and co-payments by charge-based providers, practitioners, or suppliers may violate the Anti-Kickback Statute. If a provider makes a waiver for reasons other than the genuine financial hardship of the patient, the waiver may be unlawfully inducing the patient to purchase items or services payable by Medicare or Medicaid.
 - c. Physician Incentives: The OIG believes that in certain circumstances economic

incentives provided by health care facilities to physicians are used to compensate the physicians (directly or indirectly) for referring patients to the facility in violation of the Anti-Kickback Statute. Such incentives may result in reductions in the physician's professional expenses or an increase in his or her revenues. The OIG believes that, in exchange for the incentives, physicians in certain circumstances have been made aware that they are expected to refer the majority, if not all, of their patients to the facility providing the incentives.

- d. Prescription Drug Marketing Schemes: The OIG believes that certain marketing schemes by prescription drug companies may violate the Anti-Kickback Statute. The OIG believes that, in recent years, many prescription drug marketing activities have gone beyond traditional advertising and educational contacts. As a result, in certain instances, physicians are impermissibly being offered valuable, non-medical benefits in exchange for selecting specific prescription drug brands.

Subject: Billing and Claims Submission

Authority Source: Office of Inspector General (OIG), Center for Medicare and Medicaid Services regulations

Responsibility: All Community Innovations, Inc. employees

Programs/Components Affected: All Community Innovations, Inc. Programs and Corporate Office

Internal Monitoring: Community Innovations, Inc. Senior Management and Corporate Compliance Committee

Purpose/Intent: This policy provides clear instructions for the documentation, coding, billing and reporting of accurate and thorough claims.

Policy Statement: Community Innovations, Inc. (CI) is a participant in the Medicare and Medicaid program and, in addition, treats individuals with other financial resources. As participants in these programs, CI is required by law to submit accurate and thorough bills to the payers for the services rendered. It is the policy of CI to comply with all laws and regulations relating to claims for reimbursement from Medicaid, Medicare and other federal reimbursement programs, including all laws and regulations concerning the documentation, coding, billing and reporting related to claims.

Procedure:

- A. The number of hours recorded on the Periodic Service Log or other billing / service tracking forms must accurately reflect the number of hours recorded in employee time sheets, including but not limited to services we provide.
- B. The number of hours billed in Misys accurately reflects the number of hours recorded in the Periodic Service Log or other billing / service tracking forms.
- C. The number of hours recorded in the employee time sheets and Periodic Service Log or other billing / service tracking forms and the number of hours billed accurately reflect the periods of service actually provided.
- D. The signatures on progress notes, including but not limited to those periodic services we provide, match the signatures on file.
- E. A service that should be provided by one employee at one time is billed accordingly, i.e., the services of two employees are not billed when only one employee provided the service or when only one employee is necessary to provide the service.
- F. All progress notes are signed with credentials and dated by the appropriate staff.
- G. Individuals are present in the residential facility or an associated day program or an approved outing location that is an appropriate part of the client's plan of treatment (i.e., the client is not in the hospital or on a home visit—except for the allowable sixty billable home visit days allowed each ICF/MR individual), and receiving services during the period for which the services are billed.
- H. All employee time sheets and progress notes, including but not limited to progress notes

for periodic services, include a signature and certification from the employee that the stated hours and services are true and accurate to the employee's knowledge.

- I. The certifications described immediately above are signed and dated on the date the information is entered onto the employee time sheets or progress notes.
- J. Payment is returned to Medicaid or (if applicable) Medicare or other relevant payer for any services that do not satisfy the aforementioned criteria or that otherwise violate applicable Medicaid, Medicare or other laws and regulations.
- K. In addition, it is against the policies of CI to:
 - a) Bill for services or supplies that were not provided;
 - b) Misrepresent the diagnosis for the individual to justify the services furnished;
 - c) Alter claim forms to obtain a higher payment amount;
 - d) Engage in a pattern of duplicate billing to obtain reimbursement to which the provider is not entitled, e.g. billing both Medicare or Medicaid and the beneficiary for the same service or billing two payers in an attempt to get paid twice;
 - e) Offer, pay, solicit or receive a kickback, bribe or rebate, e.g., paying for a referral of patients;
 - f) Unbundle or explode charges to inappropriately enhance payment;
 - g) Misrepresent the services rendered, amounts charged for services rendered, identity of the person receiving the services or dates of services;
 - h) Bill for noncovered services as covered services;
 - i) Engage in a pattern of routine waiver of beneficiary co-payments and deductibles;
 - j) Engage in a pattern of billing, certifying or ordering services that are not medically necessary;
 - k) Request or obtain additional payments for covered services from the beneficiary;
 - l) Bill or submit claims that involve over utilization of services without regard for results, the patient's condition or physician's orders;
 - m) Misrepresent dates, frequency, duration, or description of services rendered, or the identity of the recipient of the services or the individual who rendered the services;
 - n) Intentionally submit incorrect, misleading or fraudulent information to any payer of medical services;
 - o) Intentionally falsify, destroy or withhold records relating to the billing and claims submission function.

If any Community Innovations employee suspects or becomes aware of activities as listed above, the employee must promptly report such activities in accordance with this manual. No employee or agent of Community Innovations is permitted to retaliate in any way, harass or otherwise penalize an employee who makes a report in good faith.

Subject: FINANCIAL REPORTING

Authority Source: Office of Inspector General (OIG)

Responsibility: All Community Innovations, Inc. Staff

Programs/Components: All Community Innovations, Inc., Community Innovations, Inc. Corporate Office

Internal Monitoring: Chief Financial Officer, Corporate Compliance Officer

Purpose/Intent: Community Innovations, Inc. has established and maintains a high standard of accuracy and completeness in its financial records. These records serve as the basis for managing the business; for measuring and fulfilling the organization's obligations to patients, employees, suppliers, and others; and for compliance with tax and financial reporting requirements.

Policy Statement: It is the policy of Community Innovations, Inc. (CI) to comply with the recording requirements of applicable laws and established financial standards and generally accepted accounting principles.

Procedures:

- A. All employees, whether they are filling out a time sheet, preparing a purchase requisition, or preparing a budget and financial statement, must follow the applicable accounting, reporting and control procedures that CI has established.
- B. All items of income and all assets and liabilities shall be entered on the financial records of CI and shall be accurately and adequately described as appropriate for legitimate business purposes and as required by law and shall be in accordance with generally accepted accounting principles.
- C. All employees shall hold all financial information confidential. Release of financial information shall be made only after consideration of the interests of CI and with the express consent and authorization of the Chief Financial Officer.
- D. Reports submitted to government authorities shall be carefully reviewed for accuracy in all respects before submission. In addition, CI shall make available to authorized governmental agencies the information reasonable necessary for such agencies to make appropriate determinations with respect to matters under their jurisdictions; and
- E. Under no circumstances will records be falsified, improperly altered, or improperly destroyed.
- F. All employees shall provide the Compliance Officer or his/her designee with access to all requested records, documents, and files and shall fully cooperate with all such requests.
- G. The standards and procedures outlined above do not cover every conceivable relevant situation. However, they provide a framework for defining appropriate standards of conduct. If there are specific questions, employees should contact their immediate supervisor, the Compliance Officer or the Toll Free Hotline.

Subject: RECORD MANAGEMENT AND RETENTION

Authority Source: APSM 10-3 Medicaid Billing Guidelines, Internal Revenue Services requirements.

Responsibility: All Community Innovations, Inc. Staff

Programs/Components: All Community Innovations, Inc., Community Innovations, Inc. Corporate Office

Internal Monitoring: Program Supervisors, Corporate Compliance Officer

Purpose/Intent: The purpose of this policy is to define the retention procedures for records to be maintained in accordance with applicable laws and regulations.

Policy Statement: It is Community Innovations' policy to apply effective techniques to maintain complete and accurate records in accordance with all applicable laws and regulations.

Definitions:

Records - A record is recorded information, regardless of medium or characteristic that can be retrieved at any time. It includes all original documents, papers, letters, cards, books, maps, photographs, blueprints, recordings, microfilm, magnetic tape, electronic media, regardless of physical form or characteristic, that are generated and/or received in connection with transacting the company's business and that are related to the company's legal obligations.

Company business records include, but are not limited to, letterhead correspondence, legal opinions, real estate documents, directives and policies, official meeting minutes, personnel records, benefit programs, purchasing requisitions and invoices, accounts payable and receivable documents, tax documents, reimbursement documents, completed and signed forms, contracts, insurance documents, general ledgers, audit reports, and financial reports.

Treatment records include clinical data as well as demographic and financial data.

Non-Records - Non-records material includes duplicate copies of correspondence, duplicate copies of records used for short-term reference purposes, blank forms, stocks of publications, magazines, and publications from professional organizations, newspapers, telephone directories and transitory messages used primarily for the informal communication of information. Transitory messages do not set policy, establish guidelines or procedures certify a transaction, or become a receipt.

Non-records are maintained for as long as administratively needed, and the retention schedules do not apply. Non-records may be discarded when the business use has terminated.

Discretion should be used in determining whether to generate or retain transitory messages in the nature of notes of unofficial meetings, telephone conversations, or other personal notes. If generated, such records should be routinely discarded when they are no longer useful. For

example, when the informal record, such as an employee's personal notes, is transferred to a more formal record, such as an incident report, the notes are no longer useful and should be discarded. Preliminary working papers and superseded drafts, particularly after subsequent versions are finalized, should be discarded.

Procedures:

- A. All records will be maintained and retained in accordance with federal and state laws and regulations, and all documents and records relating to Medicaid, Medicare or other federal reimbursement programs shall be retained for a period of at least six years (unless a longer period is required by law or payer policy). Minimum retention schedules are attached. The Corporate Compliance Officer will oversee the development of subsequent retention schedules.
- B. Records that have satisfied their legal, fiscal, administrative and archival requirements may be destroyed in accordance with the Records Retention Schedules. The destruction of a record will be stopped in the event that legal process is initiated against the organization. Confidential records must be shredded. When in doubt treat documents as confidential. The destruction of all records directed by this policy will be recorded in a permanently preserved document such as a records destruction register. The record shall include the description and quantity of each record or record series disposed of, inclusive dates of the records and the date of destruction. The Corporate Compliance Officer approve destruction of any consumer service record to ensure policy / regulation compliance.
- C. Records that have satisfied their retention period may be destroyed according to this policy.
- D. All employees and agents of the company are responsible for ensuring that all records are created, used, maintained, preserved and destroyed in accordance with this policy.
- E. Records containing confidential and proprietary information will be securely maintained and protected.
- F. All records generated and received by the company are the property of the company. No employee, by virtue of his or her position, has any personal or property right to such records even though he or she may have developed or compiled them.
- G. The unauthorized destruction, removal or use of such records is prohibited.
- H. No one may falsify or inappropriately alter information in any record or document.
- I. The Corporate Compliance Officer has the overall responsibility for the implementation of the policy.
- J. Information pertaining to unauthorized destruction, removal or use of company records,

or regarding falsifying or inappropriately altering information in a record or document, should be reported to management, either directly or through the Compliance Hotline.

- K. In case of disaster, e.g. fire or flood, no staff should attempt to move or clean any records. Call the Corporate Compliance officer or the Director of Privacy Programs for direction and assistance.

Records Retention and Disposition Guide: Reference Sheet for Common Records

Record	Period of Retention	Remarks
Adult Client Records	11 years after date of last encounter, if legal process is initiated destroy 1 year after resolution	APSM 10-3 5/05
Minor Client Records	12 years after minor reaches 18 years of age, , if legal process is initiated destroy 1 year after resolution	APSM 10-3 5/05
Master Client Identification File	Permanent	APSM 10-3 5/05
Number Control Register Disposition Instructions	Permanent	APSM 10-3 5/05
Raw Test/Evaluation Data Pending and Screening Records	Minors: 5 years after minor reaches 18 years of age Adults: 5 years after date of report	APSM 10-3 5/05
LME Monitoring and Review Documents	Maintain until these records are added to the schedule in upcoming revision	
Agenda, Minutes, Attachments, and Supporting Documents	Retain agendas, minutes, and attachments permanently. Destroy supporting documents after 3 years	APSM 10-3 5/05
Budget and Fiscal records such as: Annual Budget Billing Forms / Claim Forms Insurance Billings Patient Accounts Journals	5 years	APSM 10-3 5/05
Contracts / Agreements for Special Programs and Projects	5 years	APSM 10-3 5/05
Incident Reports	Minors: 5 years after minor reaches 18 years of age Adults: 5 years after date of report	APSM 10-3 5/05
Building Space and Maintenance Records	Administrative value ends	APSM 10-3 5/05
Organizational Charts	Administrative value ends	APSM 10-3 5/05
Records Management Records	Permanently	APSM 10-3 5/05
Applications for Employment	2 years after date of receipt; If discrimination charge has been filed destroy 1 year after resolution	APSM 10-3 5/05
Disciplinary Correspondence and Memorandums	3 years	APSM 10-3 5/05
Interview Summaries	2 years for individuals not hired; If discrimination charge has been filed destroy 1 year after resolution	APSM 10-3 5/05
Personnel Jackets (inactive) – Permanent and Temporary Employees	Permanent	APSM 10-3 5/05
Health Education Literature	When Superseded	APSM 10-3 5/05

Subject: COMPLIANCE FOR CONSULTANTS AND OTHER PROFESSIONAL CONTRACTORS

Authority Source: Office of Inspector General (OIG)

Responsibility: All Community Innovations, Inc. Supervisors

Programs/Components: All Community Innovations, Inc., Community Innovations, Inc. Corporate Office

Internal Monitoring: Community Innovation Senior Management, Corporate Compliance Officer

Purpose/Intent: The effectiveness of Community Innovations' Compliance Program depends upon the willingness and complete participation of individuals who, while not employees, are nevertheless working for or on behalf of the company.

Policy Statement: Community Innovations (CI) is committed to compliance with all billing and claims submission fraud and abuse laws and regulations. In contracting with CI, agents agree to act in compliance with same. CI has implemented a Compliance Plan to assure compliance with laws and regulations including billing and claims submission fraud and abuse laws and regulations. All agents of CI are therefore required to comply with the policies of the Compliance Program.

Procedure:

- A. All agents are expected to be aware of those procedures which affect the agent and which are necessary to implement the Compliance Program, including the mandatory duty of all agents to report actual or possible violations of fraud and abuse laws and regulations; and understand and adhere to standards.
- B. Only corporate officers may contract with health care providers. All consultant contracts must be reviewed and approved by the President or Chief Financial Officer prior to execution. Should any changes be requested by any party to the form contract attached hereto, the President or Senior Vice President-Finance will have the proposed contract reviewed by legal counsel for compliance with Anti-kickback laws and other laws.
- C. To document CI's efforts with respect to notifying agents as to the Compliance Program and their responsibilities there under, agents will acknowledge in writing their acceptance and understanding of the program and its requirements as stated in the following paragraph which shall be included in, or as an addendum to, contracts.
 - a) "I have been provided with a copy of Community Innovations' policies supporting its Corporate Compliance Plan. I have read, understand and agree to abide by their provisions."

Contract For Professional Services

This contract is made by and between _____ (hereinafter "the Company") and _____ (hereinafter "Contractor") and is entered into effective _____, 200__ for the provision of _____ services, a professional discipline, by Contractor. The parties hereto agree as follows:

1. **Status of the Parties.** Contractor is an independent contractor and is not an employee of the Company. Contractor is not an agent of the Company except as specifically defined in the attached "Contractor Description of Duties" Contractor is not under retainer to the Company. Contractor covenants that he has provided the Company with a properly executed Form W-9 and will inform the Company of any changes of information contained therein.
2. **Duties of Contractor.** Contractor agrees to perform all the duties in the attached "Description Duties". Contractor will provide all materials and supplies related to the provision of service. Contractor will provide transportation for himself to assigned work sites and appointments. Contractor will maintain the confidentiality of the Company clients. Contractor will not divulge any trade secrets or other proprietary information of the Company obtained during assignments. Contractor agrees to invoice the Company monthly, in detail indicating dates of services, location and initials of clients served, by the fifth of the month following the month of service. Invoices are to be directed to the Company Accounting Office, 3210 Fairhill Drive Raleigh, NC 27612 for payment.
3. **Contractor Compliance.** In its business dealings with Community Innovations, Inc., Contractor agrees to comply with all applicable federal and state laws, rules and regulations, as well as with the requirements of Community Innovations' Corporate Compliance Plan (the "Plan") and pertinent policies and procedures in support thereof. Contractor shall receive a copy of the policies which support the Plan and by signing below agrees to abide by the requirements contained therein. Failure of Contractor to comply with the requirements of applicable laws, rules, regulations or policies of the Plan are grounds for immediate termination of this agreement. Contractor agrees to sign and comply with a Business Associate Agreement if requested by the Company.
4. **Duties of the Company.** The Company agrees to pay Contractor's invoice within thirty days of receipt of same at the rate of \$_____ per _____ of service and to perform such other duties as are specifically delineated for Company in the "Description of Duties"
5. **Contractor Records.** If payments under this contract meet or exceed \$10,000.00 in any twelve month period, Contractor agrees to allow the Company access to Contractor's books, documents and records which are necessary to verify the nature and extent of costs of service furnished under this contract. The Company will only invoke this clause due to comply with regulatory audit requirements.

6. **Contractor Covenants.** Contractor represents he is qualified to perform the duties of the position due to his certification or licensure, experience, education and training. If licensed or certified by a professional board, Contractor will deliver evidence of license / certification at execution of this agreement and at each renewal. Contractor covenants that he maintains professional liability insurance with minimum limits of \$100,000.00 per occurrence and \$200,000.00 in the aggregate and will deliver to the Company a Certificate of Insurance evidencing said coverage at the time of signing of this contract and at each renewal period. Should professional liability insurance not be available for Contractor's discipline, Contractor will acknowledge same below. Contractor further agrees to carry Worker's Compensation Insurance with coverages which meet the statutory minimums of North Carolina. Contractor will deliver evidence of this coverage to the Company at the time of execution of this agreement and at each renewal period.

7. **Confidential and Proprietary Nature of All Records, Materials and Product.** Contractor agrees that all information, records and materials of the Company used or viewed in the course of Contractor's services, as well as any material produced by the Contractor pursuant to this contract, are and shall remain the sole property of the Company and may not be shared with any other entity without the Company's express written consent.

8. **Travel Expenses.** Travel time to and from Contractor's home or place of business and the work assignment location are not reimbursable by the Company. Travel expenses of Contractor are not reimbursable by the Company.

9. **Term.** This contract commences on the date specified above and will continue until terminated in writing by one party or the other. The terminating party must give thirty days notice to the other party. However, should Contractor fail to comply with professional standards of conduct, ethics or competency, or violate terms of the Company's Compliance Plan, the Company may terminate this contract without prior notice.

10. **Gender.** Any references herein to gender are deemed to include the male and female genders, singular and plural as the identity of the person or persons may require.

IN WITNESS WHEREOF, the parties, by and through their duly authorized officers, have caused this Contract to be executed on the day and year above first written, by:

CONTRACTOR

COMPANY

By: _____

By: _____

Title: _____

Title: _____ Date: _____

Date: _____

By: _____

Title: _____ Date: _____

If applicable, no professional liability coverage is available for my discipline:

Attachments (Required):

- Contractor Description of Duties (initialed by the above parties)
- Form W-9
- Certificate of Insurance (Proof of Professional Liability Coverage)
- Certificate of Insurance (Proof of Worker's Compensation Coverage)

Compliance Acknowledgment:

I have been provided access to a copy of Community Innovations' Compliance Plan and the supporting policies. I have read, understand and agree to abide by their provisions.

Signature

Date

Subject: Employee Training on Compliance

Authority Source: Office of Inspector General (OIG), Community Innovations' Compliance Plan

Responsibility: Corporate Compliance Officer, Managers, Corporate Compliance Committee will provide oversight for training content and materials.

Programs/Components Affected: All Community Innovations, Inc. Programs, Community Innovations, inc. Corporate Office

Internal Monitoring: Senior Management, Corporate Compliance Committee, Corporate Compliance Officer

Purpose/Intent: To educate and update all employees about Community Innovations' policies; to prevent, detect and correct, if needed, violations of federal or state laws; and to educate employees on the Corporate Compliance Program, including individuals' specific responsibilities.

Policy Statement: Community Innovations (CI) will provide general orientation and training to all employees concerning the Corporate Compliance Program. Specified technical training will be provided in individual areas based upon function, as needed.

Procedures:

- A. Within one week of beginning of their employment each employee of CI shall receive compliance orientation training. The training shall:
 - a) cover the Compliance Program's Code of Conduct and Policies and Procedures,
 - b) reinforce the need for strict compliance with all applicable laws and regulations and the Compliance Program's Code of Conduct and Policies and Procedures, and
 - c) inform employees that any failure to comply (including failure to comply with training requirements) may result in disciplinary action. Annually, thereafter, CI shall require and provide review of general compliance training.
- B. In addition to the compliance orientation training, within one week of beginning their employment, each and every employee involved in the documentation of services billed to Medicaid, Medicare, or any other federal health care program, or in the preparation or billing of such services, shall receive training regarding the applicable statutes, regulations, policies, procedures, and program guidelines for Medicaid, Medicare, and all other federal health care programs. Annually thereafter, CI shall require and provide review of the foregoing documentation training to such individuals.
- C. The Compliance Committee may require such other general and/or specific training as it deems appropriate.
- D. Each employee attending any training session shall sign an attestation statement acknowledging that he or she has received and completed the training and agrees to

abide by the policies and procedures set forth in the training.

- E. The Compliance Officer (or his or her designee) shall maintain all attestations and copies of material distributed at training sessions.

Subject: HOTLINE REPORTING POLICY

Authority Source: Office of Inspector General (OIG), Community Innovations' Compliance Plan

Responsibility: Corporate Compliance Officer, Program Directors or designee

Programs/Components Affected: All Community Innovations, Inc. Programs, Community Innovations, Inc. Corporate Office

Internal Monitoring: Corporate Compliance Officer, Corporate Compliance Committee

Purpose/Intent: The purpose of this policy is to notify all staff of the availability of a toll free hotline to report potential compliance violations and to ensure that an open line of communication exists between Community Innovations, Inc. personnel and the Compliance Officer.

Policy Statement: Community Innovations, Inc. (CI) provides individuals with a means for reporting potential compliance violations on an anonymous and confidential basis and without fear of repercussion or retaliation. The means for making such reports is through the Compliance Hotline. The goal of this policy is to ensure that an open line of communication exists between CI personnel and the Compliance Officer.

Procedures:

- A. The Hotline Telephone Number **1-800-932-5378** is available twenty four hours a day, seven days a week to individuals wishing to report actual or potential compliance violations, including those involving billing and claims submission, fraud and abuse laws, and/or other regulations. The Hotline service is operated by the personnel of the Compliance Hotline Vendor, which is an entity that is completely independent of CI and which engages in the business of providing hotline services to others.
- B. Hotline reports generated by the Compliance Hotline Vendor shall be forwarded to the Compliance Officer for review.
- C. Hotline reports suggesting a violation of compliance policies or laws will be investigated promptly in a confidential and reasonable manner by the Compliance Officer or his or her designee.
- D. Individuals shall not be subject to retaliation on the part of any person affiliated with CI based on reports submitted in good faith. Any such retaliation is a violation of the compliance program and should be reported immediately to the Compliance Officer.
- E. Individuals may make Hotline reports on an anonymous basis if they desire.
- F. If an individual does not wish to utilize the Hotline or other reporting structure due to compliance committee membership involvement, the individual may make his/her report to the President, instead.

- G. An investigative response will be forwarded to the Compliance Hotline Vendor by the Compliance Officer for any scheduled follow-up by the reporting individual.
- H. Monthly summaries of Hotline reports will be forwarded by the Compliance Hotline Vendor to the Compliance Officer for review by the Corporate Compliance Committee.
- I. CI will strive, to the extent reasonable, to keep confidential the identity of any individual making a report. However, individuals should be aware that there may be a point where an individual's identity may become known or may have to be revealed, such as in certain instances when governmental authorities become involved.
- J. The Hotline number is included in CI's Telephone Directory under the listing "Corporate Compliance Hotline", and is conspicuously posted in common work areas.

Subject: INVESTIGATION OF REPORTED VIOLATIONS POLICY

Authority Source: Office of Inspector General (OIG)

Responsibility: Program Supervisors or designee, Corporate Compliance Officer

Programs/Components: All Community Innovations, Inc. Programs

Internal Monitoring: Corporate Compliance Officer, Corporate Compliance Committee

Purpose/Intent: To ensure thorough, consistent investigations of, and appropriate responses to, potential compliance violations.

Policy Statement: It is the policy of Community Innovations (CI) to respond immediately in a thorough and expedient manner to all reports by employees and others of potential compliance violations.

Procedure:

- A. Preliminary Inquiry - CI shall, in good faith, make a preliminary inquiry into the allegations set forth in every disclosure concerning compliance issues, to ensure that it has obtained all of the information necessary to determine whether it should conduct an internal review as provided in paragraph C below.
- B. Calls or Reports Which May Be Resolved Informally - Certain Hotline calls or reports to the Compliance Officer can be resolved, to the satisfaction of both the caller or reporter and CI, prior to the end of the call or within a short time of the report, without resorting to the formal review process set forth in paragraph C of this Policy. Such calls or reports may include, but are not limited to, employees taking the opportunity to vent frustrations about treatment in the workplace, and questions or complaints about human resources, payroll, or benefits issues. It is within the discretion of the Compliance Officer to determine whether a particular call or report may be resolved informally or should be resolved through the formal review process.
- C. For reports requiring internal review and other action, the following will occur:
 - a. For any disclosure or report from the Hotline, a CI official, or other individual, which is sufficiently specific that it reasonably (1) permits a determination of the appropriateness of the alleged improper practice and (2) provides opportunity for the taking of corrective action, CI shall require an internal review of the allegations set forth in the disclosure or report and ensure that proper follow-up is conducted.
 - b. The Compliance Officer will investigate, either directly or through delegation to other management, the allegations and, in conjunction with management, take disciplinary action according to company policy.

- c. The Compliance Officer will summarize all such investigations for the Compliance Committee. Additionally, the Compliance Officer shall recommend to the Compliance Committee whether additional corrective action, such as additional employee training, additional compliance policies, and/or a focused review, is warranted because of a disclosure or report. The Compliance Committee shall vote on whether to approve such recommendations or take other responsive action.
 - d. If, while investigating a potential violation, the Compliance Officer believes that a violation has occurred, he may consult with the Compliance Committee, to determine whether CI should consult legal counsel regarding the violation and a possible voluntary disclosure to the fiscal intermediary or other appropriate party.
 - e. In the event that CI receives a report indicating the possible existence of criminal activity, such as a conspiracy or a scheme to defraud the government, third-party payers, CI, or others, an initial investigation by the Compliance Officer may risk compromising evidence of ongoing criminal activity. Accordingly, where the Compliance Officer receives a report of such possible conduct, the Compliance Officer shall contact CI's President and counsel, to determine whether to investigate further or immediately forward the report to the appropriate law enforcement officers for investigation.
- D. The Compliance Officer shall maintain a confidential disclosure log, which shall include: (1) a record of each allegation received, (2) the status of any investigation of the allegation, and (3) any corrective action taken in response to the investigation. The Compliance Officer shall maintain all documentation related to the information in the log.

Subject: MONITORING AND AUDITING

Authority Source: Office of Inspector General (OIG), Center for Medicare and Medicaid Services regulations, Anti-Kickback Statute, 42 U.S.C. § 1320a-7b, Physician Self-Referral (“Stark law”), 42 U.S.C. § 1395nn

Responsibility: Corporate Compliance Officer

Programs/Components: Community Innovations, Inc. Corporate office, Saguaro Management, All Community Innovations Programs

Internal Monitoring: Corporate Compliance Committee

Purpose/Intent: The purpose of reviews is to examine the efficacy of Compliance Program with particular emphasis on compliance with (1) all applicable federal and state health care statutes, regulations, policies, procedures, and program requirements; (2) Community Innovations’ compliance program policies and procedures. Community Innovations’ goal in all auditing and monitoring activities is to (a) quickly discover any material violations of relevant laws and regulations, or the Corporate Compliance policies and procedures; (b) to correct any such violations, (c) to prevent future, similar violations, and (d) to provide Community Innovations with an opportunity to update its Corporate Compliance Program plans and policies based upon the findings of the auditing and monitoring process or upon changes in the law, regulations, or industry standards.

Policy Statement: Community Innovations’ Corporate Compliance Program shall be reviewed at least annually by the Corporate Risk Office of Saguaro Management and Accounting Services Inc.

Procedure:

- A. Particulars of Audit - the assessment provided by the Organization’s audit shall include, but not be limited to:
 - a. An assessment of Community Innovations’ billing and coding operation (including how the billing system operates, strengths and weaknesses of the system).
 - b. An audit and analysis of whether Community Innovations is submitting accurate claims for services billed to Medicaid and any other federal health care programs.
 - c. An assessment of Community Innovations’ procedures to correct inaccurate billings or codings to Medicaid and other federal health care programs.
 - d. An assessment of Community Innovations’ internal controls over its billing procedures to determine whether they are working effectively.
 - e. An assessment of whether Community Innovations’ program, policies, operations, and procedures comply with the statutes, regulations, and other requirements of Medicaid,

Medicare, and other federal health care programs from which Community Innovations seeks reimbursement.

- f. An assessment of whether Community Innovations is a party to or benefits from any illegal arrangements (e.g., arrangements that violate Anti-Kickback Statute, 42 U.S.C. § 1320a-7b, or the Physician Self-Referral ("Stark law"), 42 U.S.C. § 1395nn).
 - g. An assessment of the steps Community Innovations is taking to adhere to the compliance plan, to correct problems identified by the audit.
 - h. Corrective Action Plan - The Compliance Officer shall review all audit reports and, in conjunction with the Compliance Committee, shall recommend and implement corrective action where the audit indicates that such is required; provided, however, that in the event the Organization discovers any material violation of federal law or regulations concerning Community Innovations' practices, a corrective action plan to remedy the material violation shall be in place within 60 days after discovering the violation.
 - i. Report to Board - The Compliance Officer shall report to Community Innovations' President, Board, and Compliance Committee on the contents of audits by the Organization, the current effectiveness of Community Innovations' Corporate Compliance Program, policies and procedures, and any corrective action taken in response to the audits.
- B. Review by Quality Management staff - The Quality Management staff shall direct on-site inspections and periodic reviews (at least twice a year) of documents, including but not limited to employee time sheets, progress notes (including but not limited to progress notes, service logs, billing sheets, and census reports from each residential facility, to verify compliance with Medicaid, Medicare and other federal laws and regulations.
- C. The purpose of the review of documents from the residential facilities is to ensure that Community Innovations is in compliance with (1) all applicable federal and state health care statutes, regulations, policies, procedures, and program requirements, (2) Community Innovations' compliance program policies and procedures. Community Innovations' goal in all auditing and monitoring activities is to (1) quickly discover any material violations of relevant laws and regulations or the Corporate Compliance policies and procedures, (2) to correct any such violations, (3) to prevent future, similar violations, and (4) to provide Community Innovations with an opportunity to update its Compliance Program policies and procedures based upon the findings of the auditing and monitoring process or upon changes in the law, regulations, or industry standards.
- a. Particulars of Audit - The Quality Management audit shall verify, among other things, that:
 - 1. The number of hours recorded in the timesheets, or billing logs accurately reflects the duration of service delivery recorded in the progress notes of the Consumer Service Record or on the Periodic Service log.

2. The number of hours billed accurately reflects the number of hours recorded in the Periodic Service log or progress notes.
 3. The number of hours recorded in the employee time sheets and Periodic Service Log and the number hours billed accurately reflects the periods of service actually provided.
 4. The signatures on the progress notes, including but not limited to progress notes for Periodic Services, match the signatures in the Periodic Service Log.
 5. A service that should be provided by one employee at one time is billed accordingly (i.e., the services of two employees are not billed when only one employee provided the service or when only one employee is necessary to provide the service).
 6. All progress notes, including but not limited to progress notes, are signed with title and /or credentials, and dated by the appropriate staff.
 7. Consumers are present in the residential facility, an associated day program, an approved outing location or a location that is an appropriate part of the client's plan of treatment (i.e., the client is not in the hospital or on a home visit) and receiving services during the period for which the services are billed.
 8. All employee time sheets and progress notes, including progress notes for periodic services, include a signature, title and/or certification from the employee that the stated hours and services are true and accurate to the employee's knowledge.
 9. The certifications described immediately above are signed and dated on the date the information is entered onto the employee time sheets or progress notes.)
 10. Payment is returned to Medicaid, Medicare or other relevant payer for any services that do not satisfy applicable criteria or that otherwise violate applicable Medicaid, Medicare or other laws and regulations.
- b. Corrective Action - The Compliance Officer shall review the audit reports and, in conjunction with the Compliance Committee, shall recommend and implement corrective action where the audit indicates that such is required.
 - c. Reports to Board – Quality Management shall maintain written reports of the audits and monitoring functions and shall report to Community Innovations' President, Board, and Corporate Compliance Committee on the contents of such reports.
- D. Other Reviews and Audits - The Compliance Officer shall conduct and/or oversee such other monitoring and auditing functions of billing and coding functions and compliance with Community Innovations' Compliance Program, as he or she deems appropriate.
- a. The purposes of any such auditing and monitoring are to (1) quickly discover any

material violations of applicable laws or regulations or Community Innovations' Corporate Compliance Program and policies and procedures; (2) to correct any such violations; (3) to prevent future, similar violations; and (4) to provide Community Innovations an opportunity to update its Corporate Compliance Program based upon the findings of the auditing and monitoring process or upon changes in the law, regulations, or industry standards.

- b. The Compliance Officer shall oversee the auditing and monitoring processes. The officer (or designee) may conduct unannounced, periodic, spot checks to verify that billing, claims processing, and reimbursement procedures and practices comply with the legal and regulatory requirements.
 - c. The Compliance Officer shall review the results of such audits and, in conjunction with the Compliance Committee, shall recommend and implement corrective action where the audit indicates that such is required.
 - d. The Compliance Officer shall report to Community Innovations' President, Board, and Compliance Committee on the contents of the reports resulting from such monitoring and auditing activities.
- E. Disclosure of Material Deficiencies - If the Corporate Compliance Officer, through whatever means, discovers any material deficiency (as defined herein) related to Medicaid, Medicare, or any other federal health care reimbursement program, then within 30 days of discovering the material deficiency (1) the Corporate Compliance Officer shall report the material deficiency to the relevant Medicaid agency, Medicare contractor, or other relevant payer, and (2) Community Innovations will repay any overpayment resulting from the material deficiency.
- a. Definition of a "material deficiency," For the purposes of this Policy, a "material deficiency" shall mean anything that has a significant, adverse financial impact upon the Medicaid and/or Medicare programs, or any other federal reimbursement programs, which may be the result of an isolated event or a series of occurrences, and which lacks conformity with Medicaid and/or Medicare reimbursement principles or other applicable statutes, and the regulations and written directives issued by the Health Care Financing Administration and/or its agents, or any other agency charged with administering the health care program implicated and/or its agents.
 - b. The Compliance Officer and the Compliance Committee shall recommend and implement any corrective action required as a result of the material deficiency, and shall otherwise resolve issues raised by the material deficiency in accordance with Community Innovations' Compliance Program.
 - c. The notice to the Medicaid agency, Medicare Contractor, or other relevant payer should include: (1) a description of the circumstances surrounding the overpayment, (2) the methodology by which the overpayment was determined, (3) any claim-specific information used to determine the overpayment, (4) the

amount of the overpayment, and (5) the provider identification number under which the refund is being made.

Subject: PUBLICATION DISTRIBUTION AND TRACKING

Authority Source: Office of Inspector General (OIG)

Responsibility: Corporate Compliance Officer, Program Directors or designee

Programs/Components Affected: All Community Innovations, inc. Programs

Purpose /Intent: This policy provides the guidelines for distribution and tracking of publications received by Community Innovations, Inc. that reference state and federal coding and billing compliance regulations.

Policy Statement: Community Innovations (CI) has developed distribution and tracking guidelines for publications that CI receives pertaining to all state and federal coding and billing compliance regulations. These guidelines were developed to assure that the applicable publications will be distributed on a timely schedule to the appropriate staff.

Procedure:

- A. All mail received and other correspondence will be date stamped.
- B. All monthly and special Medicaid Bulletins are available to all staff via DMA website <http://www.dhhs.state.nc.us/dma/>. The President, Compliance Officer, Clinical Director, CFO and a representative from Saguaro Management and Accounting Services will review monthly. The Compliance Officer will present each applicable bulletin item to the Corporate Compliance Committee for review and disposition. If appropriate, the Clinical Director will present items of interest to the Senior (operating) Management Team.
- C. The CFO receives, and retains for reference, all Commerce Clearing House Medicare & Medicaid Guide updates, both hard copy and on CD-ROM. The CFO will distribute pertinent information to the Compliance Officer and the Board of Directors.
- D. When a Medicaid provider manual is revised or updated, and distributed via the Website, the Compliance Officer will ensure awareness of the President, Clinical Director, CFO and Saguaro Management and Accounting Services.
- E. Information from area programs and other state agencies regarding Medicaid billing and individual service provision and documentation will be routed to the President, Compliance Officer, Clinical Director and CFO by Saguaro Management and Accounting Services, Inc.
- F. When information is distributed via email, recipients will verify receipt of the material.

Subject: HUMAN RESOURCES COMPLIANCE (Personnel Policy 2.10)

Authority Source: Office of Inspector General (OIG)

Responsibility: All Community Innovations, Inc. Staff

Programs/ Components Affected: All Community Innovations, Inc. Programs

Purpose / Intent: This policy and procedure is to provide guidelines and instructions for Corporate Compliance Program.

Policy: It is the policy of Community Innovations to comply with the compliance program.

Procedures:

- A. Community Innovations will maintain interview requirements and job descriptions for all levels of staff. Community Innovations will also retain a copy of the application, resume and testing results for each employee as established under the Community Innovations document retention policy for tracking applicants through the hiring process.
- B. The Human Resources Department will have on file a standardized form for researching a candidate's background for criminal activity, including conviction of a crime or attempt to commit a crime. The procedure for detection of previous criminal activity will be consistently applied for each candidate.
- C. Effective July 29, 1999, Community Innovations will not employ or contract with, with or without compensation, an individual or entity who is listed by a Federal agency as excluded, debarred, suspended or otherwise ineligible to participate in a Federal program. In order to carry out the policy, on or before 7/29/99, Community Innovations will make reasonable inquiry into the status of any current or potential employee, consultant and clinical contractor. Such reasonable inquiry will include, at a minimum, review of the HHS/OIG Cumulative Sanctions Report that is currently available on the Internet at <http://www.dhhs.gov/progorg/oig>. Community Innovations will make such reasonable inquiry of all future potential employees, agents or contractors.
- D. Community Innovations will ensure applicants for positions requiring credentials have proof of certification prior to hiring or providing service to Community Innovations. Community Innovations will verify the original certificate and maintain on file a copy of each employee's current certification. Each division is responsible for implementing appropriate procedures to ensure that current certifications are maintained and updated.
- E. Community Innovations will maintain current job descriptions for each position. Management will, with coordination of the Human Resources Department, list the education, experience, and special requirements for each position within the department, as well as the title, reporting relationship, duties and functions of each position. Management will meet with human resources manager annually to review and ensure

each job description is current. All job descriptions will include appropriate references to compliance with laws and regulations.

- F. All employees of Community Innovations will have a section of their performance review dedicated to compliance with laws and regulations. Their immediate supervisor will complete the evaluation and will report any issues noted in the compliance section to the Corporate Compliance Officer who will take necessary actions.
- G. All Community Innovations professional staff credentials, direct hire and consultants, must be reviewed and authorized by the Vice President before being hired.
- H. Community Innovations will conduct exit interviews with all employees upon their termination (voluntary or involuntary) from Community Innovations. The purpose of the interview is to inquire about the knowledge of any illegal activities within Community Innovations in violation of the program.

Subject: POSITION DESCRIPTION (Personnel Policy 2.12)

Authority Source: Corporate Compliance Program

Responsibility: Community Innovations, Inc. Program Supervisors

Programs/ Components Affected: All Community Innovations, Inc. Programs

Purpose / Intent: This policy and procedure is to provide guidelines and instructions for position descriptions.

Policy: Community Innovations will maintain current job descriptions for each position. Management will review each job description at least annually to ensure the job descriptions are current.

Procedures:

- A. Position descriptions will be available upon request in the Corporate Office and in the component program.
- B. Each job description will contain at a minimum the following elements:
 - a) specifies the minimum level of education, competency, work experience and other qualifications for the position;
 - b) specifies the duties and responsibilities of the position;
 - c) is signed by the staff member and the supervisor; and
 - d) is retained in the staff member's file.
- C. Each job description will contain job specific expectations upon which a performance evaluation will be based.
- D. All Community Innovations employees will have a section of their performance review dedicated to evaluating the employee's compliance with applicable policies, procedures, laws and regulations.
- E. The Compliance Officer has the authority to delegate duties and responsibilities of the CI Corporate Compliance Program. When specific duties such as monitoring and auditing have been delegated, the job description for that position should be updated to include those delegated responsibilities.
- F. Position descriptions may be used to guide employee selection, position requirements, performance appraisals and organizational structure.
- G. Job descriptions are to be updated annually and immediately when job responsibilities are revised and the original submitted to Human Resources. A copy will be kept on site in the employee's program file.

Subject: EXIT INTERVIEWS (Personnel Policy 1.08)

Authority Source: Corporate Compliance Program

Responsibility: Corporate Compliance Officer

Programs/ Components Affected: All Community Innovations, Inc. Programs

Purpose / Intent: This policy and procedure is to provide guidelines and instructions for the exit interview process. The purpose of the exit interview is to obtain the departing employee's honest opinions about working at Community Innovations. This information will help us to evaluate what we do well and where we need to improve company practices.

Policy: Community Innovations requires all terminating employees be given the opportunity to provide input anonymously at the termination of their employment.

Procedures:

- A. Exit interview information is attempted for every employee leaving the company (voluntarily or involuntarily).
- B. Exit interviews may be conducted by the terminating employee's supervisor or the office of Saguaro Management and Accounting:
 - 1. If the employee is leaving due to a voluntary resignation or retirement, the exit interview may take place one or more days prior to the date of termination or within 45 days after termination.
 - 2. If the employee is being discharged for cause, the exit interview may be conducted on the final day of employment. The employee should not return to work following completion of the interview.
 - 3. When a face to face interview or phone interview is conducted, the Exit Interview form should be submitted to the Human Resources Department at Saguaro Management and Accounting Services along with terminating documentation and also forwarded to the Director of Quality Management.
- C. When Exit Interviews are not conducted by the Supervisor or Designee, the Human Resources from Saguaro Management and Accounting office will mail an Exit Information form with a self addressed stamped envelope to each terminating employee to be returned to the Director of Quality Management.

Subject: EMPLOYEE DISCIPLINE (Personnel Policy 3.02)

Authority Source: Corporate Compliance Program

Responsibility: Program Supervisors

Programs/ Components Affected: All Community Innovations, Inc. Programs

Purpose / Intent: This policy and procedure is to provide guidelines for employee discipline.

Policy: Community Innovations, Inc's position on administering equitable and consistent discipline for unsatisfactory conduct and deficiencies in work performance. The best disciplinary measures are the one that do not have to be enforced and come from good leadership and fair supervision at all employment levels.

Community Innovations Inc's own best interest lies in ensuring fair treatment of all employees and in making certain that disciplinary actions are prompt, uniform, and impartial. The major purpose of any disciplinary action is to correct the problem, prevent recurrence, and prepare the employee for satisfactory service in the future.

Procedures:

- A. Although employment with Community Innovations, Inc. is based on mutual consent and both the employee and Community Innovations, Inc. have the right to terminate employment at will, with or without cause or advance notice, Community Innovations, Inc. may use progressive discipline at its discretion.
- B. Disciplinary action may call for any of four steps:
 - a. Verbal Warning,
 - b. Written Warning,
 - c. Suspension with or without pay,
 - d. Termination of employment.
- C. The nature of the offense and the particular circumstance(s) determine whether or not all the steps in the above are followed. Disciplinary steps may be omitted or repeated, as the Company determines appropriate. The purpose of disciplinary measures short of termination, is corrective, to encourage employees to improve their conduct or performance so that they may continue their employment with the Company.
- D. Progressive discipline means that, with respect to most disciplinary problems, these steps will normally be followed:
 - a. A first offense may call for a verbal warning;
 - b. A next offense may be followed by a written warning;
 - c. Another offense may lead to a suspension; and,
 - d. Still another offense may then lead to termination of employment.

E. Community Innovations, Inc. recognizes that there are certain types of employee

problems that are serious enough to justify either a suspension, or, in extreme situations, termination of employment, without going through the usual progressive discipline steps.

- F. Disciplinary action is not normally applied to new employees during their first 90 days. Unsatisfactory performance or any infraction of Company rules or policies or other misconduct during this period may result in immediate termination of employment.

Subject: NOTIFICATION OF GOVERNMENTAL INVESTIGATIONS

Authority Source: Office of Inspector General (OIG)

Responsibility: All Community Innovations, Inc. Employees, Contractors, and Agents

Programs/Components Affected: All Community innovations, Inc. Programs, Community Innovations, Inc. Corporate Office

Internal Monitoring: President, Corporate Compliance Officer, Vice President(s)

Purpose/Intent: This policy provides the standard protocol for all Community Innovations, Inc. employees, contractors and agents to abide by in any interaction regarding governmental investigations of Community Innovations, Inc.

Policy Statement: Community Innovations, Inc. (CI) seeks to be fully informed about any pending governmental investigations of the Company. CI further seeks to establish a process pursuant to which company employees, contractors, and agents shall respond to any efforts by government agencies to contact them regarding such agencies' investigations of, or requests for information about, the Company.

Procedure:

- A. Every employee, contractor, and agent of the Company shall notify the appropriate Vice President and the Corporate Compliance Officer as soon as possible after he or she has been contacted by any federal, state, or local government agency concerning an allegation that the Company or its personnel have violated any law or policy, and investigation into certain conduct at the Company, or a pending site visit by that or any other agency.
- B. The employee, contractor or agent shall observe the following protocol whether contacted at the Company, at home or at other locations:
 1. The employee, contractor, or agent shall report such contact to the Corporate Compliance Officer or if unavailable, to the company President or the Vice President as soon after the contact as possible, but in any event within 24 hours after the contact or request. The following information will be needed:
 - a. If contacted in person, he or she shall obtain personal identification from the governmental representative and ask the representative about the purpose of the visit.
 - b. If contacted over the telephone, he or she shall write down the name and telephone number of the agency, the location of the agency's home office, the name and telephone number of the caller, and the purpose of the call.

- c. If contacted by mail, e-mail, or facsimile, he or she shall immediately forward a copy of such correspondence to the Corporate Compliance Officer.
2. The employee, contractor, or agent is under no obligation to answer questions or to agree to be interviewed by the government agent. However, if the individual agrees to be interviewed, he or she shall tell the truth and should volunteer only that information which he or she knows to be factual and not speculative.
3. The employee, contractor, or agent shall not respond to any oral or written request for information or documents unless and until authorized to do so by the Corporate Compliance Officer.
4. No employee, contractor, or agent of the Company shall allow a search of any company premises by, or turn over documents to, a representative of a government agency, unless: (a) the government agent presents a search warrant, subpoena, or other civil investigative demand (CID) authorizing the search or seizure, or (b) otherwise required by applicable law or regulation.

In the event that a search warrant, subpoena, or other CID is presented, the employee, contractor, or agent shall comply with the following procedure:

- a. Immediately upon receipt of a search warrant, subpoena, or other CID, contact the Vice President. If unavailable, contact the President.
 - b. The employee, contractor or agent is not obligated to speak to the agent regarding the search warrant, subpoena, or other CID. Should decision be made to speak to the agent, he or she shall tell the truth and should volunteer only that information which he or she knows to be factual and not speculative.
 - c. Employees, contractors and agents should disregard any claim by a government agent that he or she may not speak to anyone else about the search warrant, subpoena, or other CID. However, company personnel should not disclose to anyone outside the Company any information regarding the search warrant, subpoena, or other CID without the prior permission of the Corporate Compliance Officer.
5. Following notification that the company employee, contractor or agent has been contacted by a government agency regarding an alleged violation law or policy, an investigation into certain conduct at the company, or a pending site visit by that or any other agency, the Corporate Compliance Officer shall take appropriate action in accordance with this policy and shall contact company counsel as soon as possible, but in any event within 24 hours of such notification.
6. Failure to comply with the requirements of the policy may result in disciplinary action, up to and including termination, as set forth in the company's policy on discipline.

Subject: RESPONSE TO GOVERNMENTAL INVESTIGATIONS

Authority Source: Office of Inspector General (OIG)

Responsibility: All Community Innovations, Inc. Employees, Contractors, and Agents

Programs/Components Affected: All Community Innovations, Inc. Programs, Community Innovations, Inc. Corporate Office

Internal Monitoring: President, Corporate Compliance Officer, Vice President(s)

Purpose/Intent: Community Innovations, Inc. seeks to ensure that employees, contractors or agents be fully informed as to what actions to take following:

- a. the receipt of a subpoena, search warrant, or other civil investigative demand (CID) for any areas of the Company or any items located on the company premises; or
- b. a government or third party payer official's request to question a company employee regarding information sought in the subpoena, search warrant or CID.

Policy Statement: Community Innovations, Inc. (CI) seeks to be fully informed about any governmental investigations of the Company in order to respond and take action.

Procedure:

- A. When a subpoena, search warrant or other CID is received, the employee, contractor or agent receiving such shall comply with the following procedure:
 1. Immediately upon receipt, contact the Vice President who will immediately contact the President. If the Vice President is unavailable, make direct contact with the President.
 2. The President will contact the Company's attorney and the Corporate Compliance Officer. If the attorney is not immediately available, the Corporate Compliance Officer (or Vice President Designee) shall be placed in charge while the search is being conducted. If unavailable, the Company President shall be placed in charge.
 3. Ascertain who is in charge of the investigation.
 - a. Request appropriate personal identification.
 - b. Request the purpose of the investigation.
 - c. Identify and note the name of the U.S. Attorney in Charge.
 4. Ascertain whether any employee is under arrest. If any employee has been placed under arrest, ascertain the reason(s) for the arrest.

5. Examine the subpoena, search warrant or other CID.
 - a. Clarify the scope of the document with the agent in charge.
 - b. If the warrant is sealed, ask the agent in charge for a verbal description of the suspected crime or civil violations which initiated the subpoena, search warrant or CID.
 - c. Clearly object if any agent attempts to search areas or seize items not designated in the warrant.
6. Request a copy of any supporting documentation, if available, explaining why the government served the subpoena, search warrant or CID.
7. If it appears that the investigation will disrupt business functions in the business office, administration, operations or other area(s) subject to the subpoena, search warrant or CID, send nonessential employees home.
8. Assign employees to follow agents conducting the search.
 - a. Employees shall take notes on the agents' statements or tape record conversations, if any, as well as list any materials seized by the agents.
 - b. If possible, an employee shall videotape the search.
 - c. Make sure that employees accompany agents to each area being searched at all times.
9. Object if the agent tries to review or copy documents protected by the attorney client privilege. If the agent insists on taking these documents, immediately contact the U.S. Attorney in Charge to object. If the U.S. Attorney insists that the Company surrenders these documents, copy the items and place them in a sealed envelope and sign the sealed flap portion of the envelope.
10. Have information systems personnel to assist the agents in searching and downloading computer files. Print out a directory of files and review it with the agent in charge to determine that files are within the scope of the search warrant, subpoena or other CID.
11. Obtain permission to copy all records necessary to the operation of the company before the agents take those records away.
 - a. Have an attorney negotiate such permission with the agent in charge or the U.S. Attorney.
 - b. Obtain copies of all medical records, electronic records and directories.
 - c. Retain inventories of all files searched and downloaded.
 - d. Request that agents copy computer files, rather than confiscate entire computers.
12. 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.

13. All employees shall be cooperative and non combative with the agents. Access to seized records may be granted to the Company at the discretion of the prosecutor, so it is important that the Company personnel be courteous to agents seizing the records.
 14. Employees may talk to government investigators if they wish but should observe the following protocol:
 - a. Employees should not answer any question posed by government investigators or individuals accompanying them until the Company's attorney is available. However, if the investigator represents HHS/OIG, the employee may proceed without any representative of the Company present (although such may not be advisable). The employee always has the right to insist that his or her counsel be present and that Company representatives be present.
 - b. Employees shall not engage in "small talk" with investigators.
 - c. Employees shall not make sweeping statements about the subject of the investigation, but rather shall think carefully before speaking.
 - d. Employees shall tell the truth and should volunteer only that information which they know to be factual and not speculative.
 15. Schedule an exit interview with the agent.
 - a. Lodge any final or continuing objections to the agency's action at that time.
 - b. Send a written list of objections to the U.S. Attorney.
- B. If an employee, contractor or agent is contacted for questioning at home, at work, at a secondary job or at any location or by telephone or by any method, he or she has the absolute right to refuse to be interviewed by government agents unless served with a formal subpoena or other CID.
- C. If an employee, contractor or agent chooses or is legally required to be interviewed by government agents, he or she shall observe the following protocol:
1. The employee shall notify his or her supervisor of the event.
 2. The employee, contractor or agent shall tell the truth and volunteer only that information which he or she knows to be factual and not speculative.
 3. He or she must insist that the interview take place at work during regular business hours unless the interview is by HHS/OIG, in which case the interview may be at another location if the employee so chooses.
 4. He or she has the absolute right to request appropriate personal identification from the government agent.
 5. If he or she would like to discuss the situation with an attorney, the company may assist in locating an attorney of their choice to be present during the interview.
 6. The employee should insist that a Company representative be present at the interview if the employee so desires.

- D. Failure to comply with the requirements of this policy may result in disciplinary actions, up to and including termination, as set forth in the policy on discipline.

Subject: FALSE CLAIMS ACT AND WHISTLEBLOWERS PROVISIONS

Responsibility: Program Supervisors, Corporate Office, Risk Management

Programs / Components Affected: All Community Innovations, Inc. Programs

Purpose / Intent: It is the policy of Community Innovations, Inc. to comply with the Federal False Claims Act and Whistleblower Provisions. Community Innovations, Inc. has instituted certain policies and procedures to ensure compliance with these laws.

Policy: No employee shall knowingly submit, or cause another person or entity to submit false claims for payment of government funds. Any employee who reports any suspected wrongdoings of others will not be punished or wrongfully discharged from their position due to this report. Any employee who knowingly submits false claims for payment will be terminated.

Definitions:

Federal False Claims Act: A federal statute that covers fraud involving any federally funded contract or program. This act establishes liability for any person who knowingly presents or causes to be presented a false or fraudulent claim to the U.S. Government for payment.

This Act does not require proof of a specific intent to defraud the government. Providers can be prosecuted for a variety of conduct that leads to fraudulent claims to the government such as: falsifying records, double billing, submitting bills for services never provided.

Whistleblower Provisions: The Federal False Claims Act includes a “qui tam” provision. This provision allows any person with actual knowledge of allegedly false claims to the government to file a lawsuit on behalf of the government. Individuals seeking Whistleblower Provisions must meet the following criteria:

1. The Whistleblower must file his or her own lawsuit on behalf of the government in a federal district court.
2. If the government decides not to proceed the whistleblower can proceed with the lawsuit on their own.
3. If the lawsuit is successful the whistleblower may receive an award and expenses for the lawsuit.
4. The False Claim Act protects whistleblowers from retaliation from the employer.

The Medical Assistance Provider False Claims Act: A North Carolina law that states it shall be unlawful for any provider of medical assistance to knowingly present, or cause to be presented a false or fraudulent claim for payment or approval or knowingly make, use, or cause to be made or used a false record or statement to get a claim paid or approved by the Division of Medical Assistance.

PROCEDURE:

- A. Community Innovations, Inc. does not tolerate violation of documentation or billing and may notify state and federal agencies. If a report is made about possible non compliant /

unethical behavior the following steps are taken:

- a. **Preliminary Inquiry.** Community Innovations, Inc. shall, in good faith, make a preliminary inquiry into the allegations set forth in every disclosure concerning compliance issues, to ensure that it has obtained all of the information necessary to determine whether it should conduct an internal review.
 - b. **Calls or Reports Which May Be Resolved Informally.** Certain Hotline calls or reports to the Compliance Officer can be resolved, to the satisfaction of both the caller or reporter and Community Innovations, Inc. prior to the end of the call or within a short time of the report, without resorting to the formal review process. Such calls or reports may include, but are not limited to, employees taking the opportunity to vent frustrations about treatment in the workplace, and questions or complaints about human resources, payroll, or benefits issues. It is within the discretion of the Compliance Officer to determine whether a particular call or report may be resolved informally or should be resolved through the formal review process.
- B. Reports Requiring Internal Review and Other Action.**
- D. For any disclosure or report from the Hotline, a Community Innovations, Inc. official, or other individual, which is sufficiently specific that it reasonably (1) permits a determination of the appropriateness of the alleged improper practice and (2) provides opportunity for the taking of corrective action, Community Innovations shall require an internal review of the allegations set forth in the disclosure or report and ensure that proper follow-up is conducted.
 - E. The Compliance Officer will investigate, either directly or through delegation to other management, the allegations and, in conjunction with management, take disciplinary action according to company policy.
 - F. The Compliance Officer will summarize all such investigations for the Compliance Committee. Additionally, the Compliance Officer shall recommend to the Compliance Committee whether additional corrective action, such as additional employee training, additional compliance policies, and/or a focused review, is warranted because of a disclosure or report. The Compliance Committee shall vote on whether to approve such recommendations or take other responsive action.
 - G. If, while investigating a potential violation, the Compliance Officer believes that a violation has occurred, he may consult with the Compliance Committee, to determine whether Community Innovations, Inc. should consult legal counsel regarding the violation and a possible voluntary disclosure to the fiscal intermediary or other appropriate party.
 - H. In the event that Community Innovations, Inc. receives a report indicating the possible existence of criminal activity, such as a conspiracy or a scheme to defraud the government, third-party payers, Community Innovations, or others, an initial

investigation by the Compliance Officer may risk compromising evidence of ongoing criminal activity. Accordingly, where the Compliance Officer receives a report of such possible conduct, the Compliance Officer shall contact Community Innovations President and counsel, to determine whether to investigate further or immediately forward the report to the appropriate law enforcement officers for investigation.

I. Community Innovations, Inc. conducts on-going record reviews and has at least one audit conducted by the Risk Management Office of Saguaro Management and Accounting Services to assist in maintaining good documentation practices.

Subject: DEFICIT REDUCTION ACT POLICY FOR VENDORS AND CONTRACTORS

Authority Source: Deficit Reduction Act

Responsibility: Corporate Compliance Officer, Corporate Compliance Committee

Programs/Components Affected: All Community Innovations, Inc. Programs

Internal Monitoring: Corporate Compliance Officer, Compliance Committee

Purpose/Intent: To establish a policy for agents and contractors of Community Innovations, Inc., providing information to agents and contractors about the role of certain federal and state laws in preventing and detecting fraud, waste, and abuse in federal health care programs.

Policy: It is the policy of Community Innovations, Inc. to provide health care services in a manner that fully complies with applicable federal and state laws. To further this policy, and to comply with Section 6032 of the Deficit Reduction Act of 2005, Community Innovations provides the following information about its policies and procedures and the role of certain federal and state laws in preventing and detecting fraud, waste, and abuse in federal health care programs.

Summary of Federal Law:

The following is a summary of the Federal False Claims Act governing fraud and abuse in connection with the provision of medical care to recipients of public assistance, and their role in preventing and detecting fraud, waste and abuse in federal health care programs.

Federal False Claim Laws:

False Claims Act; 31 U.S.C §§3729-3733

Community innovations, Inc., strives to achieve compliance with all laws and regulations applicable to its delivery of health care services, and maintains policies and procedures for detecting and preventing any instances of suspected fraud, waste, or abuse. Specifically, Community Innovations, Inc. maintains a comprehensive set of policies and procedures governing billing for Medicaid, Medicare, and other third party payers to ensure that such billing is performed in a manner consistent with all applicable laws, regulations and requirements. These policies are also designed to ensure that medical records are properly documented, and that billing is only submitted for services that are reasonable and necessary. In addition, pre-billing reviews and routine audits are conducted regularly to assure that the necessary documentation supports the claim. Community Innovations also has policies and procedures for the reporting and investigating of any potential issues that are brought to its attention. Community Innovations maintains a compliance hotline where instances of actual or suspected compliance issues or violations may be reported on a confidential basis.

Individuals within an organization who observe activities or behavior that may violate the law in some manner and who report their observations either to management or to governmental agencies are provided protection under certain laws.

Community Innovations, Inc. has a specific policy that encourages employees to report violations or suspected violations of the law or of Community innovations' own compliance program. This policy also describes whistle blower protections for employees that forbid any punishment or retaliation against any employee who has reported a suspected violation of the law. Community Innovations' policy relating to whistle blower protections can be accessed via the Compliance Plan.

The false claims laws discussed above are an important part of preventing and detecting fraud, waste, and abuse in federal and state health care programs because they provide the governmental agencies the authority to seek out, investigate and prosecute fraudulent activities. Anti-retaliation protections for individual who make good faith reports of waste, fraud and abuse encourage reporting and provide broader opportunities to prosecute violators. Statutory provisions such as the anti-retaliation provisions of the False Claims Act create reasonable incentives for this purpose. Employment protections create a level of security employees need in order to help the government investigate and prosecute these cases.

REVISIONS TABLE

Revision Date	Pages Revised
7/1/99	2
10/19/99	2, 13, 29-33, 34-35, 41, 42-44, 59-60, 80, 81
10/20/05	All
4/16/07	All
2/28/08	All
6/30/08	Consultant Contract
6/10/09	6, 19, 30,36