DEFICIT REDUCTION ACT AND FALSE CLAIMS POLICY INFORMATION FOR PENNSYLVANIA WORKFORCE MEMBERS

The Company is committed to preventing health care fraud, waste and abuse and complying with applicable state and federal fraud, waste and abuse laws. To ensure compliance with such laws, the Company has mechanisms in place to detect and prevent fraud, waste and abuse. It also supports the efforts of federal and state authorities in identifying fraud, waste and abuse.

I FRAUD, WASTE AND ABUSE LAWS:

A. FEDERAL LAWS

1. **Federal False Claims Act** - The Federal False Claims Act ("FCA") imposes liability on any person who submits a claim to the federal government that he/she knows (or should know) is false. The FCA also imposes liability on an individual who: i) knowingly submits a false record to obtain payment from the government; or ii) obtains money from the government to which he/she may not be entitled, and then uses false statements or records in order to retain the money.

   In addition to having actual knowledge that the claim is false, a person who acts in reckless disregard or in deliberate ignorance of the truth of falsity of the information can also be found liable under the FCA. Proof of specific intent to defraud is not required. However, honest mistakes or mere negligence are not the basis of false claims. The FCA provides for civil penalties of five thousand five hundred dollars and eleven thousand dollars per false claim plus three times the amount of damages that the government sustains.

2. **Federal Program Fraud Civil Remedies Act of 1986** - The Federal Program Fraud Civil Remedies Act of 1986 is a statute that establishes an administrative remedy against any person who presents or causes to be presented a claim or written statement that the person knows or has reason to know is false, fictitious, or fraudulent due to an assertion or omission to certain federal agencies (including the Centers for Medicare and Medicaid Services). The word "claim" in the statute includes any request or demand for property or money, e.g., grants, loans, insurance or benefits, when the United States Government provides or will reimburse any portion of the money.

   The Federal Government may investigate and, with the Attorney General's approval, commence proceedings if the claim is less than one hundred and fifty thousand dollars. The Act provides for civil monetary sanctions to be imposed in administrative hearings, including penalties of five thousand five hundred dollars per claim and an assessment, in lieu of damages, of two times the amount of the original claim.

B. STATE LAWS

1. Pennsylvania False Claims Laws (62 P.S. § 1407(a))

The Pennsylvania Public Welfare Code governs Pennsylvania's Medical Assistance (Medicaid) program and contains a provision that prohibits a number of fraudulent acts. Some of the prohibited acts include:

- Knowingly or intentionally presenting for payment or allowance any false or fraudulent claim or cost report for furnishing services or items paid for by the Medical Assistance program
- Knowingly presenting for payment or allowance any claim or cost report for medically unnecessary services or items under the Medical Assistance program
- Knowingly submitting false information for the purpose of obtaining greater reimbursement than what one is legally entitled for furnishing services or items under the Medical Assistance program
- Knowingly submitting false information for the purpose of obtaining authorization for furnishing services or items under the Medical Assistance program

- Submitting a duplicate claim for services, supplies or equipment for which the provider has already received or claimed reimbursement from any source
- Submitting a claim for services, supplies or equipment that was not provided to a person receiving Medical Assistance benefits (a "recipient")
- Submitting a claim for services, supplies or equipment which includes costs or charges not related to such services, supplies or equipment rendered to a recipient
- Submitting a claim or referring a recipient to another provider by referral, order or prescription, for services, supplies or equipment which are not documented in the record in the prescribed manner and are of little or no benefit to the client, are below the accepted medical treatment standards, or are unneeded by the client
- Submitting a claim which misrepresents the description of services, supplies or equipment dispensed or provided; the dates of services; the identity of the recipient; the identity of the attending, prescribing or referring practitioner; or the identity of the actual provider
- Submitting a claim for a service or item that was not rendered by the provider
- Making a false statement in the application for enrollment or reenrollment as a provider

2. Pennsylvania False Claims Laws Penalties (62 P.S. § 1407(b))

A person (including organizations) who commits any of these prohibited acts may be convicted of a third degree felony for each violation with a maximum penalty of $15,000 and seven years imprisonment. Whenever a person has been previously convicted in any state or federal court of similar conduct, subsequent violations of these prohibited acts may result in a second degree felony punishable by a maximum penalty of $25,000 and ten years imprisonment. A person convicted under this provision must also repay the amount of excess benefits or payments received plus interest and pay an amount not to exceed three times the amount of excess benefits or payments. Moreover, the provider will be excluded from the Medical Assistance program for five years.

3. Pennsylvania Insurance Fraud Law (18 Pa. C.S. § 4117)

The Pennsylvania Insurance Fraud law makes it a criminal offense to knowingly submit any false, incomplete or misleading information concerning any material fact to an insurer or self-insured. If a claim is made by computer billing or other electronic means, there is a presumption that the "knowingly" requirement has been proven. Additionally, the law provides that a provider's knowledge of a potential violation without further action may trigger another provision of the law that makes it an offense to be an owner, administrator, or team member of a health care facility and knowingly allow the use of the facility by a person who is engaged in violating the law. In addition to criminal penalties and restitution, a person convicted of violating this statute shall be subject to civil penalties of not more than $ 5,000 for the first violation, $ 10,000 for the second violation and $ 15,000 for each subsequent violation.

II WHISTLEBLOWER PROTECTION:

A. FEDERAL LAWS

Employees may bring a civil action in the name of the government for a violation of the federal False Claims Act. These individuals, known as "qui tam relators," may share in a percentage of the proceeds from a False Claims Act action or settlement. The FCA provides for protection for employees from retaliation. Any employee who is discharged, demoted, suspended, threatened, harassed, or discriminated against in terms and conditions of employment because of lawful acts conducted in furtherance of an action under the False Claims Act may bring an action seeking reinstatement, two times the amount of back pay plus interest, and other enumerated costs, damages and fees. However, if the employee brings an action against an employer that has no basis in law or fact, or is primarily for harassment, the employee bringing the lawsuit may have to pay the employer its fees and costs.

B. STATE LAW

Pennsylvania Whistleblower Law (43 P.S. § 1421 et seq.)

The Pennsylvania Whistleblower Law makes it unlawful for a public employer to discharge, threaten, discriminate or otherwise retaliate against an employee for making a good faith report (or is about to report) to the employer or appropriate authority of wrongdoing or waste or for participating in an investigation of any suspected wrongdoing. Although the Whistleblower Law defines an employee as a person who performs a service for wages or other compensation for a "public body," the Pennsylvania Superior Court has interpreted "public body" to include a skilled nursing facility that received Medicaid reimbursement. A whistleblower who believes that he or she has been retaliated against can file a lawsuit under the Pennsylvania Whistleblower Law. If the lawsuit is successful, the employee can be reinstated in his or her job with full fringe benefits and seniority rights and receive back payments and damages, or any combination of these remedies.

III DETECTION AND PREVENTION OF FRAUD, WASTE AND ABUSE:

The Company has personnel dedicated to conducting periodic internal audits of our compliance with state and federal fraud and abuse laws. Issues identified on audit are reported to the Compliance Officer and may be elevated to regulatory agencies.

The Company maintains an anonymous compliance hotline to accept calls from employees and contractors concerning suspected fraud, waste and abuse. Employees and contractors are encouraged to report any issue of concern to the compliance hotline at 1-855-663-0144.

Some examples of reportable fraudulent activity may include:

- Offers of free gifts, services or care in exchange insurance information or for agreeing to get medical care.
- Billing insurance for services that are not provided or cost more than customary or expected.
- Providing services that are less than billed such as when a newly filled prescription bottle has less pills in it than what is indicated on the label.
- Persuading people to get healthcare services they do not need or billing for services that are not medically necessary.
- A person using someone else's insurance card information to get healthcare.
- Misuse or abuse of insurance paid medical services such as reselling drugs or medical supplies.
- Providing misleading information and forging or altering a medical records or prescriptions.
- Bribes or kickbacks for referrals, services or orders.
- Any violation of our Code of Conduct or business practice that does not seem right.

IV WHAT TO DO IF AN EMPLOYEE SUSPECTS FRAUD, WASTE OR ABUSE HAS OCCURRED:

The Company has a policy of non-intimidation and non-retaliation for good faith reporting of compliance concerns.

If an employee or contractor observes or suspects a violation of the previously listed laws and/or fraudulent activity, the employee is required to report the matter by:

a) Contacting the supervisor or Compliance Officer

b) Calling the anonymous reporting compliance hotline at 1-855-663-0144

c) Reporting directly to the EAS Compliance Director at 716-633-3900.

d) Completing an on line report at www.elderwoodadministrativeservices.ethicspoint.com

e) Clicking the report form link in the compliance section of our website

A report may also be made by the employee directly to the Pennsylvania Office of Inspector General. However, we encourages employees to consider first reporting suspected fraud, waste or abuse to the compliance officer to allow us to quickly address potential issues. The Company will not retaliate against any employee for informing anyone in our organization, the federal or state governments of a possible violation of law.

V PHARMACY AND PRESCRIPTION PROGRAM TO CONTROL FRAUD, WASTE AND ABUSE: Examples of potential fraud, waste and abuse include but are not limited to:

A. INAPROPRIATE BILLING PRACTICES: Inappropriate billing practices at the pharmacy level occur when pharmacies engage in the following types of billing practices:

1) Incorrectly billing for secondary payers to receive increased reimbursement.
2) Billing for non-existent prescriptions.
3) Billing multiple payers for the same prescriptions, except as required for coordination on benefit transactions.
4) Billing for brand when generics are dispensed.
5) Billing for non-covered prescriptions as covered items.
6) Billing for prescriptions that are never picked up (i.e., not reversing claims that are processed when prescriptions are filled but never picked up).
7) Billing based on "gang visits", e.g., a pharmacist visits a nursing home and bills for numerous pharmaceutical prescriptions without furnishing any specific service to individual patients.
8) Inappropriate use of dispense as written ("DAW") codes.
9) Prescription splitting to receive additional dispensing fees.
10) Drug diversion.

B. PRESCRIPTION DRUG SHORTING

Pharmacist provides less than the prescribed quantity and intentionally does not inform the patient or make arrangements to provide the balance but bills for the fully-prescribed amount.

C. BAIT AND SWITCH PRICING

Bait and switch pricing occurs when a beneficiary is led to believe that a drug will cost one price, but at the point of sale the beneficiary is charged higher amount.

D. PRESCRIPTION FORGING OR ALTERING

Where existing prescriptions are altered, by an individual without the prescriber's permission to increase quantity or number of refills.

E. DISPENSING EXPIRED OR ADULTERATED PRESCRIPTION DRUGS

Pharmacies dispense drugs that are expired, or have not been stored or handled in accordance with manufacturer and FDA requirements.

F. PRESCRIPTION REFILL ERRORS

A pharmacist provides the incorrect number of refills prescribed by the provider.

G. ILLEGAL REMUNERATION SCHEMES

Pharmacy if offered, or paid, or solicits, or receives unlawful remuneration to induce or reward the pharmacy to switch patients to different drugs, influence prescribers to prescribe different drugs or steer patients to plans.

H. TROOP MANIPULATION for Medicare Part D

When a pharmacy manipulates TrOOP to either push a beneficiary through the coverage gap, so the beneficiary can reach catastrophic coverage before they are eligible, or manipulates TrOOP to keep a beneficiary in the coverage gap so that catastrophic coverage is never realized.

I. FAILURE TO OFFER NEGOTIATED PRICES for Medicare Part D

Occurs when a pharmacy does not offer a beneficiary the negotiated price of a Part D drug.

Deficit Reduction Act and
False Claims Policy for PA Workforce Members
ATTESTATION

I have received a copy of the Deficit Reduction Act and False Claims Act Information for PA Workforce Members handout.

I am committed to preventing health care fraud, waste and abuse and complying with applicable state and federal laws. I understand that I am required by law to report any such violations to the Company Compliance Officer and may report the Pennsylvania Office of Inspector General.

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Employee Signature Date

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Employee Name Printed