

VILLAGECARE

C o d e o f C o n d u c t

**Rivington House
The Nicholas A. Rango
Health Care Facility**

VillageCare at 46 & Ten

**VillageCare Rehabilitation
and Nursing Center**

Adult Day Health Center

Adult Protective Services

AIDS Day Treatment

Certified Home Health Agency

Community Case Management

Community Services for Seniors

**Long-Term Home
Health Care Program**

The Momentum Project

Village Care Plus, Inc

VillageCare Health Center

FOR BETTER HEALTH AND WELL-BEING

WWW.VILLAGECARE.ORG/COMPLIANCE

UPDATED SEPTEMBER 2011



VILLAGE CARE

Code of Conduct

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I. INTRODUCTION

This Code of Conduct has been developed as a part of VillageCare’s Corporate Compliance Program which has been adopted by the Boards of Directors of VillageCare and its operating subsidiaries (collectively referred to hereinafter as “VillageCare”). The VillageCare Corporate Compliance Program is a comprehensive, corporate-wide effort to promote a positive ethical work environment that fosters compliance with all ethical principles, legal and regulatory requirements and internal policies and procedures. This Code of Conduct sets standards of conduct that VillageCare expects and requires of its representatives (employees, volunteers, directors, officers, vendors) whenever they represent VillageCare. It is the expectation that all representatives read, understand and apply this Code of Conduct when acting for or on behalf of VillageCare.

Given the many laws, rules and regulations governing healthcare, VillageCare has established a comprehensive compliance program to help us live up to that commitment. The program also embodies our institutional standard of conduct and ethics, and is guided by the following general principles:

- ▶ VillageCare and its representatives will abide by the letter and spirit of all laws and adhere to the highest ethical standards of conduct in all business activities.
- ▶ VillageCare will deal fairly and honestly with everyone who is affected by our actions and treat them as we would want to be treated if the situation were reversed.
- ▶ VillageCare will promote relationships based on trust and respect and provide an environment in which employees may question a practice or report a violation without fear of reprisal or adverse consequences.

At the heart of the program is the Code of Conduct, which describes the standards of behavior each one of us is expected to follow when dealing with residents, patients and clients, third-party payors, vendors, independent contractors, consultants and one another. It applies to all employees of VillageCare and its affiliated entities

If you have a question about workplace conduct or you see something that you think is wrong, you have several options. You should first go to your manager/supervisor, but if you do not feel comfortable doing so or if your manager/supervisor does not answer or address your concern to your satisfaction, go up the chain of command or contact the **Compliance Officer at 212-337-5637 or email at suzanneh@villagecare.org**. If you wish to remain anonymous you may use the **Compliance Hotline at 1-877-777-8221**.

Failure to comply with the legal and ethical standards set forth in our Code of Conduct may result in serious consequences, both to you personally and to VillageCare. Adhering to our standards ensures that we help VillageCare maintain the trust of those it serves and lives up to its mission and principles.

II. RESPONSIBILITIES FOR IMPLEMENTATION OF THE CODE

A. Representatives Responsibilities

Representatives are responsible for complying with the Code of Conduct incorporates VillageCare Policies and Procedures and the laws and regulations that apply to their work.

Every representative has an obligation to alert VillageCare about any situation that he or she becomes aware of that involve an actual or suspected violation of a law, regulation or internal policy or procedure. VillageCare is committed to ensuring that Representatives are not subject to any discipline or retaliation as a result of a good faith effort to report an actual or suspected violation of this Code of Conduct. Any suggestion or action to the contrary itself is a violation of this Code of Conduct.

Each Representative will be given a copy of this Code of Conduct. Every current or prospective Representative will be required to acknowledge in writing that they have received, read and understand this Code or the Code of Conduct Pamphlet as a condition of continued association or as a precondition for association with VillageCare. VillageCare will maintain a record of such acknowledgement as a part of its Compliance or Human Resources files for all Representatives.

B. Management Responsibilities

Management is responsible for the enforcement of this Code of Conduct. For Representatives under their direction and control, managers have the responsibility to:

- ▶ Ensure that current and new Representatives participate in education and training regarding this Code of Conduct and VillageCare Policies and Procedures.
- ▶ Continually stress to all Representatives the need for a commitment to the principles of the Code of Conduct.
- ▶ Ensure that their departments operate in accordance with the highest principles of business ethics, VillageCare Policies and Procedures and in compliance with legal and regulatory requirements.
- ▶ Reinforce the lines of communication available to Representatives to resolve concerns relating to the Code of Conduct.
- ▶ Make the Compliance Manual including this Code of Conduct available for a review upon request by any Representative or vendor under their direction or control.

A VillageCare manager/manager/supervisor receiving a report of actual or alleged violation of this Code must promptly forward the report to the Compliance Officer. If

a manger/manager/supervisor believes it is necessary to review the conduct of one or more Representatives in response to an actual or suspected violation of this Code, he or she shall request the approval of the Compliance Officer or the CEO. Except for the Compliance Officer or the CEO no one shall independently undertake an internal investigation relating to this Code of Conduct.

C. Responsibilities of the Compliance Committee

The Compliance Committee is the management committee established to advise the Compliance Officer and assist in implementing, monitoring and overseeing the Compliance Program. The Compliance Officer is the Chair of the management level Compliance Committee which reports to the Audit Committee of the Board of Directors at least quarterly per year and at such other times as may be warranted. The Compliance Committee's responsibilities include:

- ▶ Analyzing the organization's regulatory environment, the legal requirements with which it must comply and specific risk areas.
- ▶ Assessing existing policies and procedures that address these areas for possible incorporation into the Compliance Program.
- ▶ Working with appropriate units within VillageCare to develop standards of conducts and policies and procedures that promote allegiance to VillageCare's Compliance Program.
- ▶ Recommending and monitoring, in conjunction with the relevant units within VillageCare, the development of internal systems and controls to carry out VillageCare's standards, policies and procedures as part of its daily operation.
- ▶ Determining the appropriate strategy/approach to promote compliance with the program and detection of any potential violations, such as through the Compliance Reporting Line.
- ▶ Developing a system to solicit, evaluate and respond to complaints and problems.
- ▶ Monitoring internal and external audits and investigations for the purpose of identifying troublesome issues and deficient areas and monitoring their correction.
- ▶ Review and determine the need for modification to the Compliance Program including the Code of Conduct as it becomes part of the overall operating structure and daily routine.

D. Responsibilities of the Compliance Officer

A Corporate Compliance Officer position has been established by the Board of Directors and filled by the CEO. The Compliance Officer's primary responsibilities include:

- ▶ Overseeing and monitoring the day to day operation of the Compliance Program.
- ▶ Reporting on a regular basis to the Compliance Committee, CEO, and to the Audit Committee of the Board of Directors.
- ▶ Periodically revising the Compliance Program in light of changes in VillageCare's needs and in the law, regulations, contractual obligations and requirements of public and private payors.
- ▶ Ensure that each Representative has certified that he or she has received, read and understood the code of conduct.
- ▶ Developing, coordinating and participating in a multifaceted educational and training program that focuses on the elements of the Compliance Program and seeking to ensure that all appropriate representatives are knowledgeable of, and comply with, pertinent Federal and State standards.
- ▶ Ensuring that Representatives do not appear in the Cumulative Sanction Report prepared by the Inspector General of the U.S. Department of Health and Human Services, the U.S. General Services Administration, and the New York State Office of Medicaid Inspector General.
- ▶ Performing Compliance and Internal Audit reviews to ensure effectiveness of the Compliance Program.
- ▶ Independently investigating and acting on matters related to compliance, including the flexibility to design and coordinate internal investigations (e.g., responding to reports of problems or suspected violations) and any corrective action with all units and programs of VillageCare.
- ▶ Developing policies and programs that encourage Representatives to report suspected fraud and other improprieties without fear of retaliation.
- ▶ Informing the CEO, and if appropriate, the chairman of the Audit Committee of the Board, concerning any investigation undertaken pursuant to a violation of the Code of Conduct.

The Compliance Officer shall seek advice from the General Counsel or outside counsel, as necessary. The Compliance Officer shall be responsible for maintaining a record of all inquiries pursuant to the Code of Conduct, and the disposition of all such inquiries. The Compliance Officer administratively reports to the CEO and functionally to the Audit Committee of the Board of Directors on the status of compliance.

III. STANDARDS OF CONDUCT

A. Relationships with Our Healthcare Partners

Patient Rights

We treat our residents, patients, clients and all those we serve (collectively, “patients”) with respect and dignity and provide care that is both necessary and appropriate. No distinction is made in the admission, transfer, discharge or care of individuals on the basis of race, creed, religion, national origin, gender, sexual orientation, source of payment or disability. Clinical care is provided based on identified healthcare needs, not on financial criteria, and no treatment or action is undertaken without the informed consent of the patient or an authorized representative. Residents of Rivington House, VillageCare Rehabilitation and Nursing Center and VillageCare at 46 & Ten are provided with a written statement of rights which conforms to all applicable laws, and their autonomy and privacy are respected within the context of a safe congregate setting.

Employees involved in patient care are expected to know and comply with all applicable laws and regulations and our policies and procedures governing their particular program.

Personal Health Information

We collect personal health information about our patients to provide the best possible care. We realize the sensitive nature of this information, and are committed to safeguarding our patients’ privacy. In order to ensure confidentiality is maintained, it is imperative that we adhere to our policies and procedures on privacy and security of protective health information, including the following rules:

- ▶ Do not discuss personal health information in public areas such as elevators or cafeterias
- ▶ Limit release of personal health information to the minimum reasonably necessary for the purpose of the disclosure
- ▶ Do not disclose personal health information without an appropriate consent or authorization signed by the patient or the legal authority. In an emergency situation, the patient’s consent may not be required when a healthcare provider treating the patient requests information, but the name and affiliation of the person requesting the information must be confirmed and documented in the medical record.
- ▶ Honor any restrictions on uses or disclosure of information placed by the patient
- ▶ Make sure personal health information stored in our computer systems is properly secured.
- ▶ Be familiar with and comply with the special confidentiality rules governing the disclosure of HIV/AIDS status and mental health substance abuse treatment.

Affiliated Healthcare Providers

Anti Kickback and Anti-Referral Statutes

Federal and state laws prohibit any form of kickback, bribe or rebate, either directly or indirectly, in cash or in kind, to induce the purchase or referral of goods, services or items paid for by Medicare or Medicaid. In order to ensure VillageCare does not violate these law, it is essential that everyone comply with the following rules:

We do not pay for referrals. We do not pay or offer to pay, directly or indirectly, anyone – employees, physicians, hospitals, community groups – for referring patients to our programs and facilities, or enter into relationships with healthcare providers on the basis of the volume or value of referrals. We accept referrals and admissions based solely on the referring entity’s independent clinical decision of the individual’s needs and our ability to render the needed services. Take care in structuring relationships with physicians and other healthcare providers so as not to create a situation whereby VillageCare appears to be offering to pay an improper inducement to those who may be in a position to refer or influence the referral of individuals to our programs and facilities, and properly document relationships with referral sources.

We do not accept payment for referrals that we make. Do not solicit or accept anything of value in exchange for referring our patients to a healthcare provider. Referrals are to be made solely on the basis of the patient’s needs for clinical and social services; the volume or value of referrals that the provider has made or may make to our programs and facilities plays no part in the decision making process.

We comply with self-referral laws. Self-referral laws prohibit a physician from referring a patient for certain types of health services to an entity with which the physician or members of his or her immediate family has a financial relationship. Physicians employed or affiliated with VillageCare are prohibited from referring our patients to an entity in which they or their immediate family members have a financial interest unless one of the law’s exceptions applies to the arrangement.

Since violations of these laws may subject both VillageCare and the individual involved to civil and criminal penalties and exclusion from government-funded healthcare programs, all proposed transactions with healthcare providers must be reviewed with the General Counsel.

Government and Private Payors

Coding and Billing for Services

VillageCare is committed to providing only those medical services that are properly authorized by a licensed physician or other qualified healthcare provider and that are reasonable and necessary for the patient’s care. Anything more may amount to medi-

cally unnecessary “over utilization” and result in inflated billing to the patient and to private and governmental third party payors.

We are equally committed to accurately billing the services we render based on adequate documentation of medical necessity and the actual care rendered. It is prohibited for any VillageCare employee or agent to knowingly present false, fictitious or fraudulent claims for payment, to misrepresent the type or level of service rendered, “default” to a particular billing code, upcode or inappropriately bundle services. We will promptly return to payors any payments which we determine do not conform to our policies and applicable laws.

All individuals who provide billing information and billing department employees who prepare or submit billing statements must comply with all applicable laws, rules and regulations and our policies. Outside companies may be retained to perform billing or coding services only if they have the necessary skills, quality assurance processes, systems and appropriate procedures to ensure that billings for government and commercial insurance programs are accurate and complete and comply with applicable laws and regulations and VillageCare’s policies and procedures for the prevention of fraud and abuse.

Since an erroneous bill could subject VillageCare to monetary penalties and other sanctions, do not hesitate to report any billing error or suspicion of a billing impropriety to your manager/supervisor or the Compliance Officer.

Cost Reports

As healthcare providers, our business involves reimbursement under government programs which require submission of certain reports of our costs of operations. VillageCare complies with all federal and state laws and regulations relating to cost reports, which define what costs are allowable and describe the appropriate methodologies to claim reimbursement for the cost of services provided to program beneficiaries. Given the complexity of this area, all issues related to the completion and settlement of cost reports must be communicated through or coordinated with the Chief Financial Officer.

B. Business Relationships and Practices

Relationships with Vendors and Suppliers

VillageCare is committed to employing the highest ethical standards in its relationships with vendors and suppliers with respect to source selection, negotiation, determination of contract awards and administration of purchasing activities. All vendors and suppliers are to be selected solely on the basis of objective criteria (quality, service, price, delivery capability and technical excellence); personal relationships and friendships play no part in the selection process. If the item or service has a value of more than \$5,000, our competitive bidding policy must be followed. Acceptance of bribes or kickbacks is strictly prohibited. We will not knowingly contract or do business with

a vendor that has been excluded from a government-funded healthcare program. As a healthcare provider, we must be careful not to accept anything from a vendor that might influence a professional judgment to use the vendor's goods or services. For example, goods or services offered by a pharmaceutical company or medical equipment supplier for free or priced below-market, or awards, discounts and prizes may be treated as an illegal "kickback" even if given as part of the vendor's promotional program. Employees with purchasing responsibilities should familiarize themselves with the rules and exceptions that govern this area and consult with the General Counsel if they have any questions.

Gifts, Favors & Gratuities

Since we are all responsible for avoiding even the appearance of a conflict of interest when dealing with third parties on VillageCare's behalf, it is generally best to refuse gifts from current or potential vendors, patients or residents. We recognize that vendors, often give token gifts around the holidays, or there may be occasions when accepting an invitation from a business associate to a social event may help further or develop your business relationship. In such cases you may accept the gift or the invitation so long as the value associated with it does not exceed \$300, but you may not, under any circumstances, accept cash or cash equivalents (such as gift certificates) from anyone -- including vendors, patients or their families or physicians, nor may you solicit a gift. Perishable or consumable gifts given to a department are not subject to any dollar limitations. (Keep in mind that the \$300 figure is a guideline for what is reasonable and accepted business practice. Even gifts or entertainment which have a value of less than \$300 are not permitted if they are intended to influence your business decision or, equally important, might appear to others as an attempt to influence your professional judgment.)

Conflicts of Interest

It is the responsibility and duty of each Representative to avoid any perceived or actual conflict of interest in dealing with suppliers, patients and all other entities on behalf of VillageCare. No Representative may use his or her position with VillageCare, or any information confidential or proprietary to VillageCare, to their personal advantage or in a manner that creates a conflict of interest or the appearance of a conflict of interest. Each Representative is required to fully disclose all personal and outside interests that may affect or be affected by VillageCare's operations or by decisions that the Representative makes on VillageCare's behalf. Each actual or potential conflict of interest that is disclosed by a Representative will be carefully examined and appropriate measures will be put into place to maintain the balance between ensuring fair and honest deliberations and encouraging participation of qualified Representatives in the operations of VillageCare.

The following activities would normally be considered a conflict of interest and should be avoided and when they exist should be fully disclosed:

- ▶ Direct supervision of or responsibility for the performance evaluations, pay, or benefits of any close relative.

- ▶ Selling anything to VillageCare or buying anything from VillageCare (except pursuant to any normal program of disposal of surplus VillageCare property, which is offered to all Representatives in general).
- ▶ Any outside activity that is so substantial that it may interfere with the Representative's ability to devote appropriate time and attention to his or her responsibilities with VillageCare.

All potential conflicts must be promptly disclosed to VillageCare consistent with the Conflict of Interest Policy on at least an annual basis. Notwithstanding the foregoing, in the absence of a substantial and continuing conflict of interest, a Representative may engage in outside activities provided that the outside activity has been disclosed to and approved by VillageCare, and provided further that the Representative excuses himself or herself from participating in the consideration or decision of any matter related to the outside activity.

A conflict of interest may arise if your outside activities or personal interests influence or appear to influence your ability to make objective decisions in the course of your job responsibilities, or the demands of your outside activities hinder or distract you from performing your job. Each one of us must ensure that we remain free of conflicts of interest in the performance of our duties at VillageCare.

Anyone with a direct (e.g., owner, partner, officer, director, licensee or agent) or indirect (e.g., through an immediate family member, which includes a spouse or significant other, parent, child, sibling, or in laws of any of them) financial or ownership interest in an entity which sells or provides goods, services or facilities to or competes with VillageCare must disclose the relationship and refrain from participating in a transaction with VillageCare without obtaining approval of the President/CEO or the Chairman of the Board. (You need not disclose ownership of publicly-traded stock so long as the combined holdings of you and your immediate family members do not exceed 5% of the outstanding shares).

For more information and guidance on what may constitute a conflict of interest, please refer to the Conflict of Interest Policy, you may can contact the Compliance Officer or the General Counsel.

Antitrust

Antitrust is a body of federal and state laws designed to create a level playing field in the marketplace and to promote fair competition. It is against the law for competitors to agree or act in such a way as to restrict competition, fix prices or otherwise control the marketplace. These laws could be violated by discussing with a competitor (e.g., another certified home health agency, nursing home or day program provider) such topics as how our rates are set, the terms of supplier relationships, salaries, allocation of markets or agreeing with a competitor to refuse to deal with a supplier.

Since violations of antitrust laws may have serious consequences for the individual as well as VillageCare, be alert to potential situations where it may not be appropriate for you to participate in discussions regarding prohibited subjects. For example, at professional and trade association meetings do not discuss with your peers the division of patient referrals, geographic areas, marketing strategies, salaries or the circumstances under which business will be conducted with suppliers, insurance companies, or patients. If a competitor raises a prohibited subject, end the conversation immediately. If minutes are being kept, document your refusal to participate in the conversation by requesting that your objection be reflected in the minutes, and notify the Compliance Officer of the incident.

Marketing/Advertising and Public Relations

We use marketing and advertising to educate the public, increase awareness of our services and recruit employees. All marketing and advertising materials must be truthful, fully informative and non-deceptive, and accurately describe our services and programs. In order to ensure that no incorrect information is disseminated, please coordinate all marketing and advertising materials with and direct all media requests to the VP of Corporate Communications.

C. Regulatory Compliance

Conditions of Medicare and Medicaid Participation

A substantial portion of the population we serve are beneficiaries of the Medicare and Medicaid programs. These programs are governed by complicated laws and regulations which impose strict requirements on providers. It is essential that each VillageCare program and facility which provides services to Medicare and Medicaid beneficiaries fully comply with the laws and regulations applicable to it, including, without limitation, types of services to be provided, staffing requirements, record-keeping and documentation, medical supervision and physical plant, equipment and sanitary conditions. Program and facility employees are responsible for being familiar with the Conditions of Participation for their particular program or facility.

Certificate of Need/Licensure and Accreditation

Our programs and facilities comply with all State licensing rules and regulations, including New York State's Certificate of Need laws regulating change of services, purchase of major medical equipment and significant capital expenditures. Employees whose responsibilities involve regulatory review should be familiar with the regulations governing their areas and stay current of new developments.

Prescription Drugs and Controlled Substances

Some employees routinely have access to prescription drugs, controlled substances and other medical supplies. In accordance with federal, state and local laws, it is strictly prohibited to divert prescription drugs and controlled substances to unauthorized individuals, to administer them without proper orders, to distribute adulterated, misbranded, mislabeled or expired drugs or devices or to fail to report significant adverse

events. If you become aware of a potential lapse in security or the improper diversion of drugs, report the incident immediately to your manager/supervisor or the Compliance Officer.

Representatives that have responsibility for or access to prescription drugs, controlled substances, hypodermic needles, drug samples and other regulated pharmaceuticals must:

- ▶ Distribute and handle pharmaceutical products consistent with applicable Federal, state and local laws and internal policies and procedures at all times when performing their assigned responsibilities. These laws and internal policies and procedures include prohibitions against diverting any prescription drug or controlled substance, including a drug sample, in any amount for any reason to an unauthorized individual or entity.
- ▶ Ensure that adulterated, misbranded, mislabeled, expired or diverted pharmaceuticals are not distributed in violation of federal, state and local laws for which severed civil and/or criminal penalties may be imposed on individual violators as well as on VillageCare.
- ▶ Limit all access to all controlled substances at all times to only authorized and properly licensed Representatives.
- ▶ Inform their manager/manager/supervisor and Compliance Officer concerning any known or suspected violations of law or internal policies and procedures involving controlled substances, pharmaceuticals and prescription drugs within the VillageCare work environment.
- ▶ Familiarize themselves with the laws and policies and procedures that apply to controlled substances and pharmaceuticals and prescription drugs is sufficiently enough to effectively perform their assigned responsibilities.
- ▶ Ensure that controlled substances, pharmaceuticals and prescription drugs are utilized only for patient care and only under the direction of a licensed physician.
- ▶ Inform their manager/manager/supervisor or the Compliance Officer of any known or suspected incidents involving an improper access, usage or distribution of controlled substances, pharmaceutical and prescription drugs.

Environmental Compliance

Improper handling and disposal of hazardous and medical waste can result in serious health hazards and is detrimental to the environment. It is VillageCare's policy to comply with applicable environmental laws and regulations and to operate all sites with the necessary permits, approvals and controls. Employees whose duties include handling, transporting, packaging and disposing of biomedical and hazardous waste and material, including blood and blood products, tissue, sharps and radioactive materials, must

be familiar with applicable policies and procedures. In order to ensure we meet our legal and ethical obligations, alert your manager/manager/supervisor or the Compliance Officer immediately to any situation regarding the discharge of a hazardous substance, improper disposal of medical waste or a condition which may be potentially damaging to the environment.

Educational Affiliations

Relationships with educational institutions which wish to send students to our facilities and programs for internships must be embodied in written agreements which define both parties' roles and specify that VillageCare retains responsibility for the quality of patient care.

Tax Exempt Status; Private Inurement

VillageCare and many of its affiliates are charities, exempt from taxation by federal, state and local governments. To maintain this critically important exemption, VillageCare must operate for the benefit of the community and must avoid what the tax law calls "private inurement" and "private benefit"; that is, the operation of a tax-exempt facility for the benefit of private individuals or entities. None of VillageCare's assets or income may be used to benefit a private individual and all activities of VillageCare must serve a public rather than a private interest. For example, all non-exempt individuals or entities must pay fair market value for the use of VillageCare's services or property and no non-exempt individual or entity may utilize VillageCare's premises for private activities.

Since violations of these regulations can jeopardize VillageCare's tax-exempt status and subject the individuals involved to financial penalties, please direct any questions to the General Counsel or the Finance Department, and review any proposed arrangement with third parties for the use of any portion of VillageCare properties with the General Counsel to ensure the proposed use does not violate any regulations or mortgage covenant by which VillageCare is bound.

Fund Raising

As a charity, VillageCare relies upon contributions from donors to support its activities. Employees and members of the Board of Directors are encouraged to support VillageCare's fundraising efforts in coordination with the Development Office.

Since charitable contributions from vendors may raise federal and state anti-kickback concerns, please review vendors' proposals with the General Counsel. Make sure that vendors who offer to make charitable contributions are not led to believe, either directly or indirectly, that the contribution will influence a professional decision to utilize the vendor's services. In no event may a contribution be solicited or accepted from an individual as a precondition to admission or continued stay at a VillageCare facility or program. All monies or other items received on behalf of VillageCare as gifts must be deposited promptly into VillageCare's accounts.

Research

VillageCare has created a Committee on Research Involving Human Subjects (also known as the Institutional Review Board) to establish and maintain research standards which protect patients and comply with applicable Federal and state laws. No one may conduct a research project involving human subjects without approval of the Committee. Persons participating in research projects must be fully informed of the procedures to be followed, any potential discomforts, the risks, expected benefits and available alternatives and any economic or personal interest the investigator may have with the funding source, and must be advised that their refusal to participate or continue in a research study will not compromise their access to care.

All personnel applying for or performing research must fully comply with VillageCare policies and procedures and applicable research guidelines. Researchers must disclose to the Committee any financial involvement or conflict of interest with the research funding source; if a conflict of interest cannot be resolved, the research project must be revised or withdrawn. Under no circumstances will scientific misconduct be tolerated, whether it take the form of fabrication, falsification or plagiarism, fiscal improprieties, unethical treatment of patients or a conflict of interest.

D. Business Information and Information Systems

Financial Reporting and Records

We must properly account for VillageCare assets and liabilities and comply with all tax and financial reporting requirements. VillageCare's books and records must reflect actual transactions accurately and completely, not omit any material information and conform to generally accepted accounting principles. It is strictly prohibited to establish an undisclosed or unrecorded corporate account, use any account to mislead or conceal a corporate resource, or falsify, alter or tamper with financial records. Payments to third parties must be supported by adequate documentation, made by checks issued by the Finance Department and promptly and properly recorded in VillageCare's books.

Accuracy, Retention and Disposal of Books and Records

Since our books and records serve as a basis for patient treatment decisions, a compilation of goods and services rendered for billing purposes and as a record of historical courses of treatment, it is mandatory that they be accurately completed and maintained. Changes to medical records may be made only by authorized individuals, in accordance with our policies. Records are to be retained for the periods required by law and our policies and, if they deal with matters which are the subject of a lawsuit or investigation, until the matter has been finally determined. Employees who handle records as part of their job duties should be familiar with VillageCare's health information and records management policy.

Confidential Information

Information about our strategies, operations, patients and personnel is confidential and should be protected. Do not disclose confidential information to anyone outside of VillageCare or your department unless the individuals have a legitimate need to know and have agreed to maintain the confidentiality of the information. Healthcare providers are responsible for protecting their passwords to medical information systems from unauthorized individuals, and employees with access to computer systems for properly securing confidential information. Under no circumstances may you use confidential information for your own benefit, even after you leave VillageCare.

It is equally important to honor the confidential information of third parties. Do not seek out such information if doing so would require someone to violate a confidentiality agreement with a prior employer. If the third party is willing to release the confidential information make sure the terms of its use have been embodied in a written agreement approved by the General Counsel.

More specifically, confidential proprietary information may include, but not limited to:

- ▶ All financial information concerning VillageCare and its residents, patients and clients and clients;
- ▶ Representative personnel and payroll records;
- ▶ Information that could help others commit fraud or sabotage, or misuse VillageCare's services, or damage VillageCare's business;
- ▶ Information, ideas or data developed or obtained by VillageCare, such as marketing and sales information, marketplace assessments, data on residents, patients and clients, business management systems, and other confidential information relating to the business of VillageCare ;
- ▶ Information not generally known to the public upon which the good will, welfare and competitive ability of VillageCare depends, information regarding product plans and design, marketing and sales plans, computer hardware, software, computer systems and programs, processing techniques and generated outputs;
- ▶ Information concerning VillageCare's business plans
- ▶ The files, manuals, reports, notes lists and other records or data of VillageCare and in any form.

Representatives with such information are required to:

- ▶ Keep confidential all VillageCare proprietary information that become known to them in the course of performing their assigned responsibilities both during and after the Representative's association with VillageCare except as required by appropriate court order following prior notice to

VillageCare.

- ▶ Obtain proper management authorization for disclosure of proprietary information before disclosing such information to unauthorized fellow Representatives or to persons or entities outside of VillageCare.
- ▶ Sign a confidentiality statement as a condition of employment or affiliation with VillageCare. Refusing to sign such a statement will constitute grounds for immediate dismissal or grounds for not hiring or accepting a position with VillageCare.

Electronic Media

All communication systems, including e-mail, Internet access and voice mail, are the property of VillageCare and are to be used for business purposes only. Be aware that communications over VillageCare's communications systems are not private and may be monitored by VillageCare. Make sure that confidential information, including patient-specific information, sent through the Internet is encrypted to maintain confidentiality and complies with all applicable laws, including HIPAA requirements.

It is prohibited to use VillageCare's communication systems to post, store, transmit, download or distribute material that is threatening, knowingly or intentionally false, obscene, harassing, or gives rise to a criminal offense or civil liability, or to send chain letters, personal broadcast messages, copyrighted documents not authorized for reproduction, or to conduct a job search or open misaddressed mail.

Software Information

Computer software is protected by copyright laws and in some instances by patent or trade secret laws. To protect VillageCare from trademark infringement actions, do not use a software program or database owned by a third party unless a license agreement governing its use has been approved by the Director of Information Systems and the General Counsel. Once you receive the software, comply with the terms of the license agreement governing its use and do not copy or distribute the program. Make sure that any software you purchase for your home computer is not copied into work you do for VillageCare or installed into your office computer. Forward all requests for new software or upgrades to the Information Systems Department.

E. Workplace Conduct and Employment Practices

Employment Practices

Our greatest strength lies in the talent and ability of our employees. VillageCare is committed to providing equal opportunity to all, without regard to race, creed, color, religion, age, sex, marital or veteran's status, genetic predisposition, sexual orienta-

tion, disability or national origin or ethnicity, and to maintaining a work environment which treats each and every person with fairness, respect and dignity. Harassment in any form including sexual harassment, discrimination based on the diverse characteristic or cultural backgrounds of our employees will not be tolerated.

Sexual Harassment/Discrimination

Each of us has the right to work in an environment free of harassment and to be treated with professional respect and courtesy. Harassment in any form or discrimination based on the diverse characteristics or cultural backgrounds of our employees will not be tolerated. Degrading or humiliating jokes, slurs, intimidation and verbal or physical conduct of a sexual nature that interferes with an individual's work performance or creates a hostile or offensive environment has no place on VillageCare's premises or in VillageCare sponsored settings. Retaliatory action against a co-worker who complains of sexual harassment or discrimination on the basis of race, creed, color religion, age, sex, sexual orientation, marital or veteran's status, genetic predisposition, sexual orientation, disability, national origin or ethnicity and for patients, residents, patients and clients source of payment is prohibited. If you observe or experience any form of sexual harassment or discrimination, report it to the Human Resources Department or the Compliance Officer promptly so that a thorough investigation can be conducted.

Workplace Violence

VillageCare will not allow any form of workplace violence. Fighting, stalking, violations of restraining orders, hate crimes or threats of violence, whether directed at co-workers, residents, clients or visitors, are strictly prohibited. Anyone who reports to work with guns, knives or other weapons is subject to immediate dismissal. If you observe or experience any form of workplace violence, report the incident immediately to the Human Resources Department, and in cases of immediate threat, call 911.

Employees with Disabilities

VillageCare complies with all applicable laws and regulations governing employment of individuals with physical and mental disabilities. Discrimination against an individual with a disability with respect to any offer, or term or condition, of employment is prohibited, and reasonable accommodations will be made to the known physical and mental disabilities of otherwise qualified individuals.

Health and Safety

VillageCare recognizes its obligation to maintain and promote workplace safety, and has developed policies to protect everyone from potential workplace hazards. Become familiar with how those policies apply to your specific job responsibilities. If you see a situation or condition that you think is a danger or may pose a safety hazard, advise your manager/manager/supervisor or the Compliance Officer so that the situation can

be corrected.

Health and safety laws and policies and procedures governing the work environment are designed to protect the well being of all persons at risk in the work environment – including representatives, vendors, guests, residents and patients. Accordingly, Representatives are required to:

- ▶ Follow all federal, state and local laws governing health and safety.
- ▶ Familiarize themselves with the laws and policies and procedures that apply to them in the normal course of performing their assigned responsibilities.
- ▶ Inform their manager/manager/supervisor and Compliance Officer concerning any known or suspected violations of law or internal policies and procedures involving the health and safety of Representatives within the VillageCare work environment.
- ▶ Follow instructions given by an authorized Representative during an emergency or trial run involving health and safety.

Substance and Alcohol Abuse

To protect the welfare and safety of those we serve as well as each other, all employees are expected to be free of the influence of alcohol and illegal drugs when performing their duties. If you report to work under the influence of any illegal drug or alcohol, have an illegal drug in your system, abuse prescription drugs or possess or sell illegal drugs while on VillageCare's property, you may be subject to immediate dismissal. VillageCare reserves the right to use drug testing as a means of enforcing this policy.

Labor and Employee Relations Matters

VillageCare fully complies with all applicable wage and hour laws and other statutes regulating the employer employee relationship, collective-bargaining agreements and the workplace environment. It is prohibited to pay or receive money or anything of value from any labor union that represents our employees or to interfere with or retaliate against a co-worker for exercising his or her rights under those laws. If you have questions on labor issues, please contact the Human Resources Department or the General Counsel.

Immigration

Federal law prohibits employers from hiring anyone who does not have proper authorization to work in the United States. All job candidates must present documentation of their eligibility to work. If you have questions on immigration issues, please contact

the Human Resources Department.

License and Certification Renewals; Employee Assessments

Employees and independent contractors in positions which require professional licenses, certifications or other credentials are responsible for maintaining the current status of their credentials and must comply with federal and state requirements applicable to their respective disciplines. No one, including independent contractors, may work without valid, current licenses or credentials. Employees who provide patient care will be reviewed annually to assure their continued competency.

Proper Use of VillageCare Assets

Each one of us is responsible for preserving VillageCare's assets, including time, materials, supplies, equipment and information, and for using VillageCare's assets for business-related purposes. Occasional use of copying facilities or telephones, where the cost to VillageCare is insignificant, is permitted. Any use, however, of VillageCare's name, tax-exemption number, materials or confidential information for personal use or personal financial gain unrelated to company business is strictly prohibited, nor may you use your position or information learned on the job to acquire, either directly or indirectly, any property (e.g., real property or patent rights) in which you know VillageCare has an interest.

Lobbying and Political Activities

VillageCare at times speaks out organizationally on issues of importance and encourages everyone to do so as well. It is important, however, to distinguish between personal and organizational political activities, as federal and state laws limit the nature and extent to which an organization may participate in the political process. Since VillageCare is prohibited by federal law from contributing funds or resources to political candidates or officeholders or for reimbursing employees for their personal contributions to political campaigns, you may not use company time or resources to support your political activities. Unless you are requested to represent VillageCare before legislative or other governmental bodies, take care to avoid giving the impression that you are speaking on behalf of VillageCare and clearly label any personal communications as your own views. If you are contacted by legislators or the media regarding VillageCare's position on public issues, refer them to the VP of Corporate Communications or the President/CEO.

Government Investigations and Inquiries

It is VillageCare's policy to cooperate with all governmental investigations and requests for documents. However, since unauthorized disclosures have potentially serious consequences, it is vital that such cooperation be on a coordinated basis and fol-

lows our policies.

If you receive a subpoena or governmental request for information regarding our business, contact the General Counsel immediately. Do not release any information or documents until you have consulted with the General Counsel. If you are contacted by telephone, get the name and affiliation of the caller and keep a detailed record of your telephone conversation. If you are contacted at your home by government investigators, you have the right to decline to speak to the investigator without the presence of an attorney and to refer them to the General Counsel. Notification will ensure that VillageCare is institutionally aware of the inquiry, properly responds to it and can take necessary action.

A Representative must never do any of the following during a government investigation or at other times:

- ▶ Destroy VillageCare documents in anticipation of a request for those documents from a government agency or court;
- ▶ Alter VillageCare documents or records;
- ▶ Lie or make misleading statements to governmental investigators during any investigation. Federal statutes make it illegal to make false statements to investigators under any circumstances.
- ▶ Pressure anyone to hide information from governmental investigators, or to provide false or misleading information; or
- ▶ Retaliate in any manner against any Representative for cooperating in an investigation.

To ensure that government agencies are provided with the information to which they are entitled on a timely basis and, at the same time, to prevent the improper disclosure of private information, it is imperative that the Compliance Officer and/or the General Counsel are contacted as promptly as possible after a Representative has received or complied with, any request for information from a government agency. In addition, the following protocol must be followed concerning request for information from any government agency:

- ▶ Obtain the name and VillageCare affiliation of all persons requesting access to information before any access is allowed;
- ▶ Maintain a written record of each and every document to which access is given;
- ▶ Keep a detailed record of all telephone contacts made, including specifically the name and affiliation of the parties to each conversation, the information requested and the response given during the conversation; and
- ▶ Do not provide information to any government agency unless and until its Representatives have presented proper identification.

IV. THE COMPLIANCE PROGRAM AT WORK

Our commitment to providing quality healthcare and conducting business in an environment of honesty and integrity exists throughout all levels of the organization, starting with the Board of Directors. The Board, senior management, the Compliance Officer and each of the individuals and groups charged with overseeing the compliance program are prepared to support you in meeting the standards sets forth in the Code of Conduct.

Where to Turn

The compliance program was designed to give you several options to turn to for guidance or to report a suspected violation. It is a good practice, when you are comfortable with it and think it appropriate under the circumstances, to raise concerns first with your manager/supervisor or department head. If this approach is uncomfortable or your believe inappropriate, contact the **Compliance Officer at 337-5637 or call the 24-hour, toll free hotline at -877-777-8221**. You may also contact the Departments listed in the Code for guidance on specific issues.

You may report your concerns to the Compliance Officer or the Compliance Hotline anonymously if you wish. No calls will be traced or recorded. If you choose to remain anonymous, please give a detailed explanation of your concern so that we have enough information to conduct a thorough investigation. If a caller's identity is learned as a result of an investigation we will make every effort to protect your anonymity to the extent feasible. No disciplinary or legal action will be taken based only on a call to the Compliance Hotline or the Compliance Officer. Only substantiated findings will result in action.

There will be no retaliation against anyone who makes a good-faith report of a possible violation. However, anyone who deliberately makes a false accusation in order to harm or retaliate against a colleague will be subject to disciplinary action, up to and including discharge.

Personal Obligation to Report

Each one of us has a responsibility to report any activity that appears to violate applicable laws, regulations or our standards. Violations of legal and ethical standards destroy our reputation and in turn can hurt you and your co-workers. That is why it is critical that you notify your manager/supervisor, a member of senior management or call the Compliance Hotline if you are aware of a work-related incident or believe a law or policy has been violated.

Investigation of Reports

Each reported concern will be investigated as promptly and confidentially as possible. Depending on the nature of the reported concern, the Compliance Officer will personally investigate the matter or assign it to the appropriate department for investiga-

tion. The Compliance Officer will coordinate any findings from the investigations and report such findings through the proper channels. Everyone is expected to cooperate with all investigation efforts.

Corrective Action

If an investigation substantiates a reported violation, we will take the steps necessary to correct the problem. Depending on the violation, corrective action may consist of disciplining the offender, paying back an insurer or payor any overpayment amounts incorrectly billed to the payor, or notifying the appropriate governmental agency.

Sometimes an investigation or internal audit uncovers a practice or procedure which creates the potential for violations. In those cases the Compliance Officer will work with the appropriate departments in proposing recommendations to correct the situation, which, depending on the situation, may include training, instituting new procedures or modifying existing ones or terminating a relationship with a vendor.

Discipline for Violations

Any employee found to have violated a law or an ethical standard will be appropriately disciplined. All disciplinary actions will be applied consistently and fairly, and will be determined on a case-by-case basis, based on the facts of each situation. Depending on the violation, disciplinary action may take the form of warnings, retraining or modification of job responsibilities, suspension without pay or termination.

Monitoring

An ongoing evaluation process is critical to a successful compliance program. VillageCare has established a Compliance Committee, drawn from all areas of the VillageCare family, to work with the Compliance Officer and senior management in identifying areas and practices that have regulatory or compliance implications to ensure continued adherence with applicable laws and ethical standards. Examples of areas which may be periodically reviewed include vendor relationships, billing and coding, claim development and submission, reimbursement and cost reporting, and subjects which are the focus of Medicare/Medicaid intermediaries or carriers and law enforcement agencies. Audits will be conducted on an ongoing basis both internally and by outside consultants, and may take the form of focused reviews (e.g., staff and management interviews; questionnaires; auditing claims for reimbursement and trending analyses) or random sampling.

Please contact the Compliance Officer with issues or practices you believe should be surveyed or reviewed to ensure that VillageCare is in compliance with the law.

FREQUENTLY ASKED QUESTIONS

The Code of Conduct is a general compilation of the laws and regulations that govern our industry and workplace. The Code of Conduct cannot address every situation you may encounter. But asking yourself the following questions BEFORE you act should help guide you in making the right decisions, such as:

- ▶ Is my action consistent with legal requirements, VillageCare’s policies and ethical conduct?
- ▶ Could someone’s life, health or safety be endangered by my action?
- ▶ Could my action appear improper to others?
- ▶ Have I witnessed an action that I believe violates the law or an ethical standard?

In addition, below are examples of scenarios that may help show you how to apply the Code of Conduct to your daily duties.

Ethics

My manager/supervisor has asked me to do something that I think violates the Code of Conduct or may be illegal. Should I do what my manager/supervisor asked?

No matter who asks you to do something, if you know or think it is wrong, you must refuse to do it. You must also immediately report the request to a level of management above your manager/manager/supervisor or to the Compliance Officer.

Reporting Concerns

If I report something suspicious and my suspicion turns out to be wrong, will I get in trouble?

As long as you honestly have a concern, you will not face any retaliation or disciplinary action. As a VillageCare representative, you have a responsibility to report suspected problems. In fact, you may be subject to disciplinary action if you witness something but do not report it. The only time someone will be disciplined for reporting misconduct is if he or she knowingly and intentionally makes a false or misleading report in order to harm someone else.

Conflict of Interest

I am the Director of a Program that is planning a reception for local community members where we will be serving food. May we hire my sister’s catering company if her prices are comparable to other caterers?

Possibly, on the condition that you disclose the relationship to your manager/supervisor and you are not the one with final decision-making responsibility for the selection of the caterer. If choosing the caterer is normally your responsibility, disclose the relationship to the Administrator or the Compliance Officer, who will make the final decision. Don’t be surprised if another caterer is selected, since we should be equally alert to avoiding even the appearance of impropriety.

Confidential Information

Occasionally a physician at the nursing home asks me to see the medical records of a resident whom the physician does not treat. Should we give the physician the records he requests?

No. Only the attending or consulting physician and other staff members who provide care may have access to the resident's medical records. Do not release a resident's medical record to unauthorized individuals and limit sharing patient-specific information on a "need to know" basis. The people we serve are entitled to confidentiality, and we are responsible for protecting their privacy.

Tax Exempt Status

I am planning a holiday party at my home and can obtain some items more cheaply if I purchase them with VillageCare's sales tax exemption number. May I order the items if I reimburse VillageCare?

No. You may not use VillageCare's tax-exempt status for personal benefit, even if you intend to reimburse VillageCare.

Accuracy, Retention and Disposal of Books and Records

In preparation for a Department of Health survey, my manager/manager/supervisor has asked me to review medical records and to fill in any missing signatures. May I do this?

No. It is absolutely wrong to sign another healthcare provider's name in the medical records. Our policy is to provide only complete and fully accurate information to accrediting, licensing and regulatory agencies. Immediately report the incident to the Administrator or Compliance Officer.

Gifts and Entertainment

The mother of a resident is very appreciative of the care our staff has extended to the resident and has singled me out in particular. Sometimes the mother sends me small gifts of toiletries, and on one occasion she sent me a \$300 Macy's gift certificate. May I accept the gifts?

You may NOT accept gifts or gratuities including cash or gift certificates (since that's the equivalent of cash) from residents, patients or clients. The prohibition against accepting gifts exceeding \$300 in value extends to anyone with whom VillageCare has a business relationship, including vendors and affiliated physicians.

Political Activities

I do volunteer work for a local candidate for office. May I use a VillageCare copier to make flyers?

No. You may not use VillageCare's time or resources to support your personal political activities.

Software Licensing

I bought a terrific software program for my home computer that I think will be helpful for my work at VillageCare. May I install the software program onto my office computer?

No. You may only use programs installed by the Information Systems Department. If you believe there may be value in such software, please make a request to the Information Systems Department.

Remember, failure to comply with the legal and ethical standards set forth in our Code of Conduct may result in serious consequences, both to you personally and to VillageCare. Adhering to our standards ensures that we help VillageCare maintain the trust of those it serves and lives up to its mission and principles.

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