

POLICY

It is the Policy of Otsego Memorial Hospital and its subdivisions, including McReynolds Hall, (collectively, the “Hospital”) to provide services and bill in compliance with all state and federal laws governing its operations, and consistent with the highest standards of business and professional ethics. This Compliance Plan is a solemn commitment to our patients, to our community, to those government agencies that regulate Otsego Memorial Hospital, and to each employee. To ensure that the Hospital's compliance policies are consistently applied, Otsego Memorial Hospital has established a legal and regulatory Compliance Program. A Compliance Team and a Compliance Officer, who are charged with reviewing our compliance policies and specific compliance situations that may arise, direct the program.

All Otsego Memorial Hospital employees, as well as those professionals who enjoy professional staff membership, must carry out their duties for Otsego Memorial Hospital in accordance with this policy. Any violation of applicable law, or deviation from appropriate ethical standards, will subject an employee or independent professional to disciplinary action, which may include oral or written warning, disciplinary probation, suspension, reduction in salary, demotion, dismissal from employment, or revocation of privileges. These disciplinary actions also may apply to an employee's supervisor who directs or approves of an employee's improper actions, or is aware of those actions but does not act appropriately to correct them, or who otherwise fails to exercise appropriate supervision.

This Compliance Plan includes statements of Otsego Memorial Hospital's policy in a number of specific areas. All employees and professional staff members must comply with these policies, which define the scope of Hospital employment and professional staff membership. Conduct that does not comply with our policies is not authorized by Otsego Memorial Hospital, is outside the scope of Hospital employment and professional staff membership, and may subject employees and professional staff members to disciplinary action. If a question arises as to whether any action complies with Hospital policies or applicable law, an employee should present that question to that employee's supervisor, or, if appropriate, directly to Otsego Memorial Hospital's Compliance Officer. All employees should review this Compliance Plan from time to time to make sure that these policies guide their actions on behalf of Otsego Memorial Hospital.

If, at any time, any employee or professional staff member becomes aware of any suspected violation of laws or regulations or Otsego Memorial Hospital's policies, he or she must report it to his or her supervisor or to the Compliance Officer. All persons making such reports are assured that such reports are treated as confidential. Such reports are critical for the purpose of maintaining compliance with laws and regulations and will be shared by Hospital administration only as required by federal or Michigan law and/or in the best interests of the Hospital and its patients. Otsego Memorial Hospital will take no adverse action against persons making such reports, whether or not the report ultimately proves to be well founded. If an employee or professional staff member does not report conduct violating Otsego Memorial Hospital's policies, that employee or professional staff member may be subject to disciplinary action, up to and including termination of employment or revocation of privileges.

The laws and regulations discussed in this Plan are complex and many of the concepts are developed in case-by-case determinations. In addition, this Plan deals only generally with some of the more important legal principles. Their mention is not intended to minimize the importance of other applicable laws, professional standards, or ethical principles, which may be covered in other Hospital policies. Consequently, any employee who is in doubt as to the propriety of a course of action must promptly communicate with his or her supervisor, or with the Compliance Officer, before taking action.

A. OBJECTIVES

The Corporate Compliance process is based on the following objectives and principles. The compliance process will:

1. Assist the Hospital in providing quality care to all patients and to operate the Hospital in a fiscally responsible manner
2. Display to employees and the community at large, the Hospital's strong commitment to honest, responsible, and legal business conduct.
3. Identify and prevent illegal and unethical conduct with an emphasis on prevention rather than detection.
4. Constantly improve the quality of patient care.
5. Develop a culture that encourages employees to report potential compliance violations without the fear of reprisal.
6. Develop and maintain policies and procedures that support prompt, thorough investigation of alleged misconduct by corporate officers, directors, employees, independent contractors, physicians, and other health care professionals and consultants.
7. Develop and maintain written standards of conduct.
8. Develop and maintain a system that initiates immediate and appropriate corrective actions to actual or potential illegal, and unethical, or improper conduct using audits and/or other evaluation techniques to monitor compliance and reduce potential identified problems.
9. Reduce the Hospital's exposure to federal, state and civil damages, penalties and/or criminal sanctions.
10. Develop and maintain a regular, effective education and training system for all Hospital employees.
11. Ensure the Hospital maintains its tax exempt status under IRC Sec. 501(c)(3).

B. RESPONSIBILITIES

Responsibility for compliance rests with each and every Hospital employee, volunteer, and independent professional who enjoys privileges at the Hospital. Furthermore, the success of the Hospital's compliance program depends upon active participation of the Hospital's leadership and management as outlined below. Through the dissemination of information and appropriate education and training, all employees, volunteers and contractors shall be fully advised regarding their responsibilities and the circumstances in which they should timely report with respect to matters subject to review under this compliance program.

1. BOARD OF DIRECTORS

The Board of Directors is ultimately responsible for ensuring an ongoing Corporate Compliance Program and has the final authority and responsibility for taking independent action on identified issues, concerns and recommendations. In support of the Corporate Compliance Program, the Board of Directors shall undertake, at a minimum, the following activities:

1. Resolve, in writing, the Hospital's commitment to a Corporate Compliance Program;
2. Incorporate the findings of the Corporate Compliance Team's activities in strategic, program, and resource planning;
3. Participate in education focusing on corporate compliance concerns and methods;
4. Commit to the provision of financial support for the process so that the necessary resources for education, equipment, information, and personnel required are available to support the Corporate Compliance Team's activities;
5. Foster the concept of ethical business practices through personal commitment to the success of the process;
6. Receive regular reports and recommendations of organization-wide compliance activities, and use this information to comply with the intent of the process and to effect constructive change;
7. Participate in a biennial review of the Corporate Compliance Program through receipt of annual education, regular written and/or verbal reports; and the recommendations of the Corporate Compliance team.
8. Resolve identified problems/concerns or empower the Corporate Compliance Team to resolve the identified problems/concerns.

2. CORPORATE COMPLIANCE OFFICER

The Corporate Compliance Officer is responsible for the day-to-day operation of the Corporate Compliance Program. The Compliance Officer shall be appointed by the CEO and approved by the Board. The Corporate Compliance Officer shall have the authority to inquire into any matter that may arise or appear to arise within the purview of this Compliance Program, including, but not limited to: illegal activity; unethical activity; irregular billing, claims or payments; and regulatory compliance. The Hospital shall provide the Corporate Compliance Officer with those resources necessary to carry out his/her responsibilities, including access to the Hospital's personnel, accountants and legal counsel. At a minimum, the Corporate Compliance Officer will be involved in the following activities:

1. Participate as a member of the Corporate Compliance Team;
2. Function as an employee liaison for compliance concerns;
3. Coordinate, review and oversee the formulation of policies and procedures within individual departments to ensure compliance with state and federal requirements;
4. Provide oversight and ensures that education is provided for employees regarding compliance issues and changes in state or federal requirements related to individual job responsibilities;
5. Ensure that compliance awareness exists throughout the organization and maintain documentation as to efforts to educate employees;
6. Oversee and implement a plan to ensure ongoing auditing and monitoring of compliance efforts throughout the organization;
7. Maintain a confidential "hotline" communication with employees as to compliance issues, including conducting investigations and responding to identify areas of potential violation;
8. Coordinate investigations with legal counsel in accordance with the investigation protocol established; and
9. Maintain documentation of any violations and the disciplinary action taken as a result of the violation.

3. CORPORATE COMPLIANCE TEAM

The Corporate Compliance Team is responsible for ensuring the participation of all corporate entities in the Corporate Compliance process. The Corporate Compliance Team shall be comprised of individuals with the professional knowledge, expertise and experience to best serve the Hospital and the purposes of the Compliance Program and the Hospital's Code of Conduct. The Corporate Compliance Team shall be appointed by the CEO and the Corporate Compliance Officer and approved by the Board. The Corporate Compliance Team shall meet at least quarterly. At a minimum, the Corporate Compliance Team will be involved in the following activities:

1. Monitor compliance activities to ensure that a continually effective Corporate Compliance Program and Code of Conduct exists and that the requisite policies, procedures and practices most appropriate for the Hospital are properly communicated, monitored and enforced on an ongoing basis.
2. Facilitate communication with the Corporate Compliance Officer;
3. Review recommendations for audits, and with the assistance of the Compliance Officer, initiate and monitor cross-functional audits;
4. Promote compliance awareness and monitors education;
5. Prioritize compliance issues and advises the CEO and Corporate Compliance Officer;
6. Gathers and communicates relevant information in a cooperative effort with specified departments and areas; and
7. Recommend a course of action to the Board of Directors

C. EDUCATION AND TRAINING

The Compliance Officer shall ensure a training program is developed to provide all employees with annual education sessions which include updated information pertaining to the Hospital's Compliance Program. The Compliance Officer also shall ensure that training is provided to all employees on a routine basis, including in-service training sessions related to individual job responsibilities and programs designed to address state and federal laws.

Otsego Memorial Hospital shall ensure that all new hires are provided information pertaining to the Hospital's commitment to compliance and, as part of each new employee's orientation, information shall be disseminated which explains the Hospital's commitment to ethical conduct.

Human Resources will ensure that documentation pertaining to employee participation in education sessions is maintained. The Compliance Officer shall ensure that all physicians are educated as to compliance requirements. Human Resources shall obtain documentation that each employee has been provided information pertaining to the Hospital's Compliance Program. By January 20th of each year, Human Resources will provide to the Compliance Officer information outlining the training employees have been provided for the previous year. Human Resources shall report by January 20th of each year that all new hires have been given compliance training.

D. AUDITING & MONITORING

All Department Directors are responsible for identifying and assessing compliance risks that are unique or relevant to their area. Based on the nature and significance of these risks, Directors must develop monitoring activities and other internal controls as necessary to prevent, detect and correct potential compliance issues. Day to day departmental monitoring activities are

supplemented by auditing activities (internal audits) conducted under the oversight of the Compliance Officer. The audits are conducted to verify that monitoring activities and other controls are in place. The Compliance Officer will assist Directors in developing monitoring and internal control activities relevant to their departments(s). The Compliance Team may also request monitoring and auditing activities with specific focus, and the Department Directors will provide to the Compliance Officer a quarterly report of the audit results. In addition, if a Department Director suspects a problem area, the Director will inform the Corporate Compliance Officer and conduct an initial assessment and report the findings to the Corporate Compliance Officer. If necessary, follow-up reports will be requested with content determined by the Compliance Officer and the reports shall be submitted for each quarter as follows: January 20th; April 20th; July 20th; and October 20th.

The Compliance Officer, with the assistance of legal counsel, as appropriate, will prioritize monitoring and internal audits. Internal audits shall be conducted only under the direction of the Compliance Officer and/or designated legal counsel.

The billing and coding departments shall be responsible for conducting independent reviews of charts to ensure compliance with all billing regulations. A quarterly report shall be submitted to the Compliance Officer identifying the following: (1) the number of charts reviewed; (2) any errors discovered; and (3) changes made as a result of the discovery.

The Compliance Officer shall prepare a biannual report of compliance activities for submission to the CEO and the Board.

E. REPORTS AND RECORDKEEPING

The Corporate Compliance Plan establishes and documents evidence of an on-going Corporate Compliance initiative including review and evaluation of department performance and services from a compliance perspective. This includes an overall evaluation and conclusion of departmental assessments of compliance risk, monitoring and other internal control activities. The Compliance Officer shall ensure that audits are documented and that changes in procedure or educational sessions resulting from such audits are documented and maintained.

1. CONFIDENTIALITY

All activities of the Corporate Compliance Program, including data, knowledge and reports are strictly privileged and confidential. To the extent that any committee, department, or individual participates in the Corporate Compliance Program, all communication, data, reports, and knowledge is to be considered confidential and shall be only available as required by federal or Michigan law and/or in the best interests of the Hospital and its patients. Information obtained via the Corporate Compliance Program shall not be furnished to attorneys, insurance companies, patients or their families, employees, consumer groups or other parties, without the expressed consent of the Board of Directors, or the Corporate Compliance Officer, or the Corporate Compliance Team.

2. RETENTION OF RECORDS

All minutes and corporate compliance reports maintained or created under the Hospital's Corporate Compliance Program shall be kept in their original form, or electronically as required by regulatory agencies, for a period of seven (7) years from their origin.

F. AMENDMENTS AND REVISIONS

This Corporate Compliance Plan may be amended or revised at any time as determined by the Corporate Compliance Team, Board of Directors or the Corporate Compliance Officer. The Corporate Compliance Plan shall be reviewed at least biennially and revised to conform with changing laws, regulations, and policies and procedures of the state and federal government, private payers and accrediting bodies and the changing needs of the Hospital.

Compliance Standards

A. PAYMENTS, DISCOUNTS, AND GIFTS

Otsego Memorial Hospital participates in the Medicare program, a federal program that provides health insurance to the aged and disabled, and the Medicaid program, a federal/state program that provides health care coverage to low-income persons. Federal law makes it illegal for the Hospital, its employees and medical staff to provide or accept "remuneration" in exchange for referrals of patients covered by Medicare or Medicaid. The law also bars the payment or receipt of such remuneration in return for directly purchasing, leasing, ordering, or recommending the purchase, lease, or ordering of any goods, facilities, services, or items covered under the benefits of Medicare or Medicaid.

The so-called "fraud and abuse" or "anti-kickback" laws are designed to prevent fraud in the Medicare and Medicaid programs and abuse of the public funds supporting the programs. Otsego Memorial Hospital is committed to carefully observing the anti-kickback rules and avoiding any practice that may be interpreted as abusive. Employees in the finance department, purchasing and facilities departments, laboratory, pharmacy, medical staff administration, and any department entering into personal service contracts are expected to be vigilant in identifying potential anti-kickback violations and bringing them to the attention of the Compliance Officer.

1. ANTI-KICKBACK LAWS

The federal and state anti-kickback laws are broadly written to prohibit Otsego Memorial Hospital and its representatives from knowingly and willfully offering, paying, asking for (soliciting), or receiving any money or other benefit, directly or indirectly, in return for obtaining business for which payment may be made under a federal health care program or obtaining favorable treatment in connection with the award of a government contract. The anti-kickback laws must be considered whenever something of value is given or received by the Hospital, or its

representatives or affiliates, that is in any way connected to patient services. This is particularly true when the arrangement could result in over-utilization of services or a reduction in patient choice. Even if only one purpose of a payment scheme is to influence referrals, and otherwise it appears to be a legitimate, appropriate business arrangement, the payment may be unlawful.

Many transactions may violate the anti-kickback laws. Accordingly, no individual acting on behalf of the Hospital may offer gifts, loans, rebates, services, or payment of any kind to a physician who refers patients to Otsego Memorial Hospital, or to a patient, without consulting the Compliance Officer or the CEO. The Compliance Officer should review any discounts offered to the Hospital by suppliers and vendors, as well as discounts offered by the Hospital to insurance companies or other third-party payers. Patient deductibles and co-payments may not be waived without the prior authorization of the Compliance Officer or the CEO. Rentals of space and equipment must be at fair market value, without regard to the volume or value of referrals that may be received by the Hospital in connection with the space or equipment. Fair market value should be determined through independent sources.

Agreements for professional services, management services, and consulting services must be in writing, have at least a one-year term, and specify the compensation in advance. Payment based on a percentage of revenue should be avoided in many circumstances. Any questions about these agreements should be directed to legal counsel or the Compliance Officer. Legal counsel or the Compliance Officer must review joint ventures with physicians or other health care providers, or investments in other health care entities.

The United States Department of Health and Human Services has described a number of payment practices that will not be subject to criminal prosecution under the anti-kickback laws. Those so-called safe harbors are intended to help providers protect against abusive payment practices while permitting legitimate ones. If an arrangement fits within a safe harbor it will not create a risk of criminal penalties or exclusion from the Medicare and Medicaid programs. However, the failure to satisfy every element of a safe harbor does not in itself make an arrangement illegal. Analysis of payment practice under the anti-kickback laws and the safe harbors is complex, and depends upon the specific facts and circumstances of each case. Employees should not make unilateral judgments on the availability of a safe harbor for a payment practice, investment, discount or other arrangement. These situations must be brought to the attention of the Compliance Officer for review with appropriate legal counsel.

Violations of the anti-kickback laws are a felony, punishable by a \$25,000 fine or imprisonment for up to five years, or both. Violation of the law could also mean that Otsego Memorial Hospital and/or a physician is excluded from participating in the Medicare or Medicaid program for up to five years.

2. ENTERTAINMENT AND GIFTS

Otsego Memorial Hospital recognizes that business dealings may include a shared meal or other similar social occasion, which may be proper business expenses and activities. More extensive entertainment, however, only rarely will be consistent with our policy and should be reviewed and approved in advance by the Compliance Officer. Otsego Memorial Hospital employees may not receive any gift under circumstances that could be construed as an improper attempt to influence the Hospital's or an employee's decisions or actions. When an employee

receives a gift that violates this policy, the gift should be returned to the donor and reported to the Compliance Officer. Employees may receive gifts when they are of such limited value that they could not reasonably be perceived by anyone as an attempt to affect the judgment of the recipient. (Please refer to OMH Policy and Procedure CC.1: Entertainment and Gifts). Token promotional gratuities from suppliers, such as advertising novelties (e.g., key chains) marked with the donor's name, are not prohibited under this policy.

Whenever an employee is not sure whether a gift is prohibited by this policy, the gift must be reported to the Compliance Officer upon its receipt.

B. BILLING AND CLAIMS

When claiming payment for hospital or professional services, Otsego Memorial Hospital has an obligation to its patients, third party payers, and the state and federal government to exercise diligence, care, and integrity in ensuring complete and accurate billing. The right to bill the Medicare and Medicaid programs, conferred through the award of a provider or supplier number, carries a responsibility that may not be abused. The Hospital is committed to maintaining the accuracy of every claim it processes and submits. Many people throughout the Hospital have responsibility for entering charges and procedure codes. Each of these individuals is expected to monitor compliance with applicable billing rules. Any false, inaccurate, or questionable claims should be reported immediately to a supervisor or to the Compliance Officer.

The Federal government has enacted the Federal False Claims Act, which is paralleled by the Michigan Medicaid False Claims Act. Under the terms of both Acts, health care providers and facilities can be prosecuted for conduct that leads to the submission of fraudulent claims to the Federal government or the State of Michigan. In addition, the Federal Civil False Claims Act has been enacted to enable the federal government to recover monetary damages from parties who file fraudulent claims for payment of funds by the federal government.

To encourage employees to come forward and report misconduct involving false claims, both the Federal government and the State of Michigan have supplemented their false claims and administrative remedies statutes with “qui tam” or whistleblower protections. The federal False Claims Act includes a provision protecting any employee who lawfully acts in investigation for, initiation of, testimony for, or assistance in a claim under the Act. The employee is protected against any acts of retribution or retaliation for reporting or assisting the government in any such investigation.

In addition, the “Michigan Whistleblower Protection Act” and the “Michigan Health Facility Whistleblower Protection Act” protect an employee who makes a report of a violation. Under the Michigan Health Facility Whistleblower Protection Act, an individual employed or under contract with a health facility and seeking to take action under the act, must give the facility sixty days written notice of any issues that may pose a compliance violation and the individual must not have a reasonable expectation that the facility had taken or would take timely action to address the issue. Persons reporting violations under either of these acts are assured that such reports will be treated as confidential and no adverse action will be taken against any person other than the alleged violator.

False billing is a serious offense. Medicare and Medicaid rules prohibit knowingly and willfully making or causing to be made any false statement or representation of a material fact in an application for benefits or payment. It is also unlawful to conceal or fail to disclose the occurrence of an event affecting the right to payment with the intent to secure payment that is not due. The Health Care Compliance Guidelines Manual identifies areas susceptible to abuse. Other examples of false claims include:

- Claiming reimbursement for services that have not been rendered;
- Filing duplicate claims;
- "Upcoding" to more complex procedures than were actually performed;
- Including inappropriate or inaccurate costs on cost reports;
- Falsely indicating that a particular health care professional attended a procedure or that services were otherwise rendered in a manner they were not;
- Billing for a length of stay beyond what is medically necessary;
- Billing for services for items that are not medically necessary;
- Failing to provide medically necessary services or items; or
- Billing excessive charges.

Otsego Memorial Hospital employees and agents who prepare or submit claims should be alert for these and other irregularities. It is important to remember that outside consultants only advise Otsego Memorial Hospital. The final decision on billing questions rests with the Hospital itself.

In compliance with federal and state law, Otsego Memorial Hospital does not permit charging for any Medicaid service at a rate higher than that approved by the state or accepting any payment as a precondition of admitting a Medicaid patient to the Hospital.

Otsego Memorial Hospital carefully follows the Medicare rules on assignment and reassignment of billing rights. If there is any question whether Otsego Memorial Hospital may bill for a particular service, either on behalf of a physician or on its own behalf, the question should be directed to the Compliance Officer for review. Employees should not submit claims for other entities or claims prepared by other entities, including outside consultants, without approval from the Compliance Officer. Special care should be taken in reviewing these claims, and billing staff shall request documentation from outside entities if necessary to verify the accuracy of the claims.

A provider or supplier who violates the false claims rules is guilty of a felony, and may be subject to fines of up to \$25,000 per offense, imprisonment for up to five years, or both. Other persons guilty of false claims may face fines of up to \$10,000 per offense, imprisonment for up to one year, or both. In addition to the criminal penalties, the federal False Claims Act permits substantial civil monetary penalties against any person who submits false claims. The Act provides a penalty of triple damages as well as fines up to \$10,000 for each false claim submitted. The person (as well as Otsego Memorial Hospital) may be excluded from participating in the Medicare and Medicaid programs. Violations of the assignment and reassignment rules are misdemeanors carrying fines of up to \$2,000 and imprisonment of up to six months, or both. Fines set by the Federal Government are subject to increase over time.

Numerous other federal laws prohibit false statements or inadequate disclosure to the government and mandate exclusion from the Medicare and Medicaid programs. For instance, neither Otsego Memorial Hospital nor its agents are permitted to make, or induce others to make, false statements in connection with Otsego Memorial Hospital's Medicare certification. Persons doing so are guilty of a felony and may be subject to fines of up to \$25,000 and imprisonment for up to five years. Fines set by the Federal Government are subject to increase over time. Otsego Memorial Hospital or individual health care providers will be excluded from the Medicare and Medicaid programs for at least five years if convicted of a Medicare or Medicaid related crime or any crime relating to patient abuse. Medicare and Medicaid exclusion may result if the Hospital or a provider is convicted of fraud, theft, embezzlement, or other financial misconduct in connection with any government-financed program.

It is illegal to make any false statement to the federal government, including statements on Medicare or Medicaid claim forms. It is illegal to use the U.S. mail in a scheme to defraud the government. Any agreement between two or more people to submit false claims may be prosecuted as a conspiracy to defraud the government.

Otsego Memorial Hospital promotes full compliance with each of the relevant laws by maintaining a strict policy of ethics, integrity, and accuracy in all its financial dealings. Each employee and professional, including outside consultants, who is involved in submitting charges, preparing claims, billing, and documenting services is expected to maintain the highest standards of personal, professional, and institutional responsibility.

C. PATIENT REFERRALS

Patient referrals are important to the delivery of appropriate health care services. Patients are admitted, or referred, to Otsego Memorial Hospital by their physicians. Patients leaving the Hospital may be referred to other facilities, such as skilled nursing or rehabilitation facilities. Patients may also need durable medical equipment, home care, pharmaceuticals, oxygen, and may be referred to qualified suppliers of these items and services. The Hospital's policy is that patients, or their legal representatives, are free to select their health care providers and suppliers subject to the requirements of their health insurance plans. The patient should make the selection of a hospital, a diagnostic facility, or a supplier, with guidance from his or her physician as to which providers are qualified and medically appropriate.

D. STARK LAW

A federal law known as the "Stark law" applies to any physician who has, or whose immediate family member has a "financial relationship" with an entity such as Otsego Memorial Hospital, and prohibits referrals by that physician to the Hospital for the provision of certain designated health services reimbursed by Medicare and Medicaid. If a financial relationship exists, referrals are prohibited unless a specific exception is met. The Hospital requires that each financial relationship with a referring physician or his or her family member fit within one of the exceptions to the Stark law. Although responsibility for evaluating financial relationships with physicians lies with the Compliance Officer, the Director of each department and the Physician

Practice Management staff are expected to monitor financial relationships and report any unexpected irregularities to the Compliance Officer.

The Stark law applies to the following types of services:

- Clinical laboratory services;
- Physical therapy, occupational therapy, and speech language pathology services;
- Radiology and certain other imaging services;
- Radiation therapy services and supplies;
- Durable medical equipment (DME) and supplies;
- Parenteral and enteral nutrients, equipment and supplies;
- Prosthetics, orthotics, and prosthetic devices;
- Home health services;
- Outpatient prescription drugs; and
- Inpatient and outpatient hospital services.

The Stark law specifies restrictions in leasing physician office space and in personal service contracts with physicians. To ensure compliance with current Stark law, Otsego Memorial will involve legal counsel for the following matters.

- All physician employment and independent contractor arrangements
- All group practice compensation arrangements, including all arrangements for the provision of ancillary services and all employment and independent contractor arrangements entered into by group practices with physicians.
- All space leases.
- Office sharing agreements and time-share arrangements.
- All economic relationships between physicians and the hospitals to which they make designated health service referrals, including loan agreements, hospital guaranties of physician obligations, physician recruitment arrangements, independent contractor arrangements and employment agreements.
- Practice acquisitions.

Penalties for violating the Stark law include: (i) no Medicare or Medicaid payment for the service referred illegally; (ii) a refund to the beneficiary of any amounts collected; (iii) fines of up to \$15,000 levied on both the physician and the entity for each service referred illegally, plus additional fines based on the amounts billed; (iv) civil monetary penalties of up to \$100,000 plus other assessments; and, (v) possible exclusion from the Medicare or Medicaid programs. Fines set by the Federal Government are subject to increase over time.

Otsego Memorial Hospital follows the Stark law and corresponding rules. If there is any question whether Otsego Memorial Hospital may be in violation of any of the Stark laws' prohibited referral provision, the question should be directed to the Compliance Officer for review.

E. PHYSICIAN RECRUITMENT

The recruitment and retention of physicians requires special care to comply with Otsego Memorial Hospital policy and applicable law. Physician recruitment has implications under the anti-kickback laws, the Stark law, and the IRS rules governing the Hospital's tax-exempt status. Each recruitment package or commitment should be in writing, consistent with guidelines established with Otsego Memorial Hospital. Legal counsel will review and approve new or unique recruitment arrangements. In general, support provided to a new physician is most likely to be acceptable if it is provided in order to persuade the physician to relocate to the Hospital's geographic service area in order to become a member of the professional staff, or if it is provided to a new physician completing his or her training. Support should be of limited duration. The physician cannot be required to refer patients to Otsego Memorial Hospital and the amount of compensation or support cannot be related to the volume or value of referrals. Income guarantees present special issues and should always be reviewed by legal counsel on a case-by-case basis.

F. PHYSICIAN PRACTICE ACQUISITION

To improve the delivery of health care services, Otsego Memorial Hospital may, from time-to-time, acquire physician practices. These acquisitions require special care to comply with applicable law because they have implications under the anti-kickback laws, the Stark law, and the IRS rules governing the Hospital's tax-exempt status.

1. ANTI-KICKBACK LAWS

As discussed above, federal law makes it illegal for the Hospital to provide or accept "remuneration" in exchange for referrals of patients covered by Medicare or Medicaid. Acquisitions of physician practices may implicate the anti-kickback laws because they may constitute illegal payments to induce the referral of Medicare or Medicaid patients.

Generally, acquisitions will comply with federal law when the amounts paid by Otsego Memorial Hospital reflect the fair market value of the acquired practice. Fair market value should be determined through an independent appraisal. Payments in excess of fair market value may violate the anti-kickback laws, particularly when there is an ongoing relationship between the Hospital and the acquired practice. Several specific types of payment are subject to scrutiny:

- Payment for good will;
- Payment for value of ongoing business unit;
- Payment for covenants not to compete;
- Payment for exclusive dealing agreements;
- Payment for patient lists; or
- Payment for patient records.

The "safe harbor" protections discussed above may also apply to a particular acquisition. Employees should not, however, make unilateral judgments on the availability of a safe harbor. These situations must be brought to the attention of the Compliance Officer for review with legal counsel. Any questions should be directed to the Compliance Officer, and the Compliance

Officer must review any proposed acquisition of a physician practice

Violation of the anti-kickback laws is a felony, punishable by a \$25,000 fine or imprisonment for up to five years, or both. Fines set by the Federal Government are subject to increase over time. Violation of the law could also mean that Otsego Memorial Hospital and/or physicians are excluded from participating in the Medicare and Medicaid programs for up to five years.

2. STARK LAW

Physician practice acquisitions also implicate the Stark law, discussed earlier. Because the law is particularly complex, to ensure compliance, the Compliance Officer and/or legal counsel must review all transactions.

3. IRS SCRUTINY

The IRS retains authority to audit the activities of tax-exempt organizations. In particular, the IRS may revoke Otsego Memorial Hospital's tax-exempt status if payments for the acquisition of group practices are deemed "excessive." While current independent appraisals are important, equally important are the rationale and support for the reasonableness of the assumptions on which the valuation is based. Any questions should be directed to the Compliance Officer for review with legal counsel.

G. PATIENT TRANSFERS

Operation of the emergency department is an integral part of Otsego Memorial Hospital's service to the community under its charitable mission. The emergency department is known as a place where any sick or injured person may come for care regardless of his or her ability to pay. The federal government has enacted an "anti-dumping" law to ensure that patients are not transferred from a hospital emergency room to another facility unless it is medically appropriate.

Prompt and effective delivery of emergency care may not be delayed in order to determine a patient's insurance or financial status. Each patient who presents at the emergency department must receive an appropriate medical screening examination. Patients with emergency medical conditions, and patients in active labor, must be cared for in Otsego Memorial Hospital's emergency department until their condition has stabilized. An emergency may include psychiatric disturbances, symptoms of substance abuse, or contractions experienced by pregnant women.

If necessary, the stabilized patient may be transferred to another hospital that is qualified to care for the patient, has space available, and has agreed to accept the transfer. Before transfer, Hospital staff shall provide the medical treatment, which minimizes the risks to the patient's health and, in the case of a woman in labor, the health of the unborn child. A physician must sign a certification that the medical benefits reasonably expected from treatment at another medical facility outweigh the increased risks to the patient (and, if appropriate, the unborn child). No physician will be penalized for refusing to authorize the transfer of an individual with an

emergency condition that has not been stabilized. Qualified personnel must perform the transfer and provide transportation equipment, including life support measures during transfer if medically appropriate. A copy of the patient's record, including complete records of the emergency department encounter and any other records that are available must be sent to the receiving hospital.

In rare instances, a patient who is not stabilized may be transferred (1) if after being informed of the Hospital's obligation to stabilize the patient and the risks of the transfer the patient or legally responsible person requests the transfer in writing, (2) a physician signs a certification that the reasonably expected medical benefits from the provision of appropriate medical treatment at another facility outweigh the increased risks of the transfer, or (3) in the absence of a physician available to make such a certification, a qualified medical person, in consultation with a physician, signs a certification that the reasonably expected medical benefits from the provision of appropriate medical treatment at another facility outweigh the increased risks of the transfer and the consulting physician subsequently countersigns the same certification.

The "anti-dumping" law carries reporting obligations. Any employee who believes that an emergency patient has been transferred improperly must report the incident to the Compliance Officer. No employee will be penalized for reporting a suspected violation of the patient transfer law. If an employee or professional staff member believes that an emergency patient has been transferred to Otsego Memorial Hospital improperly, the suspected violation must be reported to the Compliance Officer and to proper authorities within 72 hours of its occurrence. The name and address of any on-call physician who refuses or fails to appear within a reasonable time to provide necessary stabilizing treatment of an emergency medical condition or active labor is to be reported immediately to the Compliance Officer.

In addition to Otsego Memorial Hospital's medical records, the emergency department will maintain an on-call duty roster and a log documenting each individual who comes to the emergency department seeking assistance. The log must document whether the patient refused treatment or was refused treatment, transferred, was admitted and treated, stabilized and transferred, or discharged. When a patient or a patient's legal representative requests a transfer or refuses a transfer, the informed consent or refusal must be documented in writing. If there are questions about the records required under the patient transfer law, the Compliance Officer will answer them or refer them to counsel.

H. MARKET COMPETITION

Otsego Memorial Hospital is committed to complying with all state and federal antitrust laws. The purpose of the antitrust laws is to preserve the competitive free enterprise system. The antitrust laws in the United States are founded on the belief that the public interest is best served by vigorous competition, free from collusive agreements among competitors on price or service terms. The antitrust laws help preserve the country's economic, political, and social institutions; they apply fully to health care services provided by hospitals and physicians, and Otsego Memorial Hospital is firmly committed to the philosophy underlying those laws.

While the antitrust laws clearly prohibit most agreements to fix prices, divide markets, and boycott competitors (which are addressed below), they also proscribe conduct that is found to restrain competition unreasonably. This can include, depending on the facts and circumstances involved, certain attempts to tie or bundle services together, certain exclusionary activities, and certain agreements that have the effect of harming a competitor or unlawfully raising prices. Any questions that might arise should be addressed to the Compliance Officer.

1. DISCOUNTS

Hospital policy requires that the rates it charges for health care and related items and services, and the terms of its third party payer contracts, must be determined solely by Otsego Memorial Hospital. In independently determining prices and terms, we may take into account all relevant factors, including costs, market conditions, widely used reimbursement schedules, and prevailing competitive prices, to the extent these can be determined in the marketplace. There can be, however, no oral or written understanding with any competitor concerning prices, pricing policies, pricing formulas, bids, or bid formulas, or concerning discounts, credit arrangements, or related terms of sale or service. To avoid the possibility of misunderstanding or misinterpretation, the Hospital's policy prohibits any consultation or discussion with competitors relating to prices or terms which Otsego Memorial Hospital or any competitor charges or intends to charge. Joint ventures and affiliations that may require pricing discussions must be individually reviewed for antitrust compliance. Discussions with competitors concerning rationalization of markets, downsizing, or elimination of duplication ordinarily implies market division and must be avoided.

Hospitals are often asked to share information concerning employee compensation. Hospital policy prohibits the sharing with competing hospitals of current information or future plans regarding individual salaries or salary levels. Otsego Memorial Hospital may participate in and receive the results of general surveys, but these must conform to the guidelines for participation in surveys.

Similarly, Otsego Memorial Hospital policy prohibits consultation or discussion with competitors with respect to its services, selection of markets, territories, bids, or customers. Any agreement or understanding with a competitor to divide markets is prohibited. This includes an agreement allocating shares of a market among competitors, dividing territories, or dividing product lines or customers.

2. BOYCOTTS

Otsego Memorial Hospital policy prohibits any agreement with competitors to boycott or refuse to deal with a particular person or persons, such as a vendor, payer, or other provider. These agreements need not be written to be illegal; any understanding reached with a competitor (directly or indirectly) on such matters is prohibited. All negotiations by Otsego Memorial Hospital agents and employees must be conducted in good faith. Exclusive arrangements with payers, vendors, and providers must be approved by a Hospital officer or by the Compliance Officer based on an analysis of the relevant market.

3. PHYSICIAN SERVICES

Hospital credentialing and peer review activities also may carry antitrust implications. Because of the special training and experience of physicians, other physicians may best evaluate their skills. It is appropriate for physicians to review the work of their peers. Because the physicians reviewing a particular physician may, by virtue of their medical specialties, be the physician's competitors, special care must be taken to ensure that free and open competition is maintained. Therefore, credentialing, peer review and physician discipline at Otsego Memorial Hospital is conducted only through properly constituted committees. Physicians participating in these activities are expected to use objective medical judgment.

If any Hospital employee is involved in negotiating a contract of employment or a personal service contract with a physician or other health care provider, it is important to review with care any non-competition provisions incorporated in the agreement. The appropriate geographic scope and duration of a non-competition agreement may vary from case to case. Questions about the appropriateness of a non-competition provision should be directed to the Compliance Officer for review with legal counsel.

4. PENALTIES

Penalties for antitrust violations are substantial. Individuals and corporations can be fined \$350,000 and \$10,000,000 respectively, for each antitrust violation, and individuals can be sentenced for up to three years in prison for each offense. Fines set by the Federal Government are subject to increase over time. In addition, actions giving rise to antitrust violations may violate other federal criminal statutes, such as mail fraud or wire fraud, under which substantial fines and even longer prison sentences can be imposed.

Antitrust violations also create civil liability. Private individuals or companies may bring actions to enjoin antitrust violations and to recover damages for injuries caused by violations. If successful, private claimants are entitled to receive three times the amount of damages suffered, plus attorneys' fees. Moreover, if the antitrust violation was a conspiracy each member of that conspiracy may be liable for the entire damages caused by the conspiracy.

I. WASTE DISPOSAL

A hospital produces waste of various types. Otsego Memorial Hospital is committed to safe and responsible disposal of biomedical waste and other waste products. Compliance with applicable federal and state environmental regulations requires ongoing monitoring and care. Otsego Memorial Hospital uses a medical waste tracking system, biohazard labels, and biohazard containers for the disposal of infectious or physically dangerous medical or biological waste. Failure to follow the system could result in significant penalties to the Hospital. Employees who come into contact with biological waste should be familiar with the Hospital's medical waste policy and procedures, and should report any deviations from the policy to their supervisor or the Compliance Officer.

Otsego Memorial Hospital complies with the Clean Air Act, the Clean Water Act, the Resource Conservation and Recovery Act, and other federal and state laws and regulations governing the incineration, treatment, storage, disposal, and discharge of Hospital waste. If an employee suspects noncompliance or violation of any of these requirements, the circumstances should be reported to a supervisor or to the Compliance Officer. Spills and releases of hazardous materials must be reported immediately, so that necessary reports can be made and cleanup can be initiated.

Otsego Memorial Hospital supports ongoing legal and technical review to identify and correct environmental problems. The Hospital will initiate environmental assessments and compliance audits as appropriate. Failure to prevent, report, or correct environmental problems can result in criminal and civil penalties as high as \$50,000 per day per violation, imprisonment for up to two years, or both. Fines set by the Federal Government are subject to increase over time. Even merely negligent violations can result in imprisonment and substantial fines if they pose a serious threat to human health.

J. CONTROLLED SUBSTANCES

Otsego Memorial Hospital, through its pharmacy, is registered to compound and dispense narcotics and other controlled substances. Improper use or improper dispensing of these substances is illegal and extremely dangerous.

Otsego Memorial Hospital requires that its employees comply with the terms of the Hospital's controlled substances registration and with federal and state laws regulating controlled substances. Under Hospital policy, access to controlled substances is limited to persons who are properly licensed and who have express authority to handle them. No health care practitioner may dispense controlled substances except in conformity with state and federal laws and the terms of the practitioner's license. Employees should carefully follow record keeping procedures established by their departments and the pharmacy. Unauthorized manufacture, distribution, use, or possession of controlled substances by employees is strictly prohibited, and will be prosecuted to the full extent of the law. Any employee who knows of unauthorized handling of controlled substances is to provide the information immediately to his or her supervisor or the Compliance Officer.

Federal law may impose sentences of up to twenty years in prison and fines of up to \$1,000,000 if Otsego Memorial Hospital or its' employee is convicted under federal or state law of unlawfully manufacturing, distributing, prescribing, or dispensing a controlled substance. The Hospital can be excluded from the Medicare and Medicaid programs. Fines set by the Federal Government are subject to increase over time.

K. CONFIDENTIALITY

Otsego Memorial Hospital employees and health care professionals possess sensitive, privileged information about patients and their care. Patients properly expect that this information will be kept confidential. The Hospital takes very seriously any violation of a patient's confidentiality. Discussing a patient's medical condition, or providing any information

about patients to anyone other than Hospital personnel who need the information and other authorized persons, will have serious consequences for an employee. Employees should not discuss patients outside the Hospital or with their families. The Hospital will endeavor to comply with Health Insurance Portability and Accountability Act (HIPAA) Rules and Regulations as mandated.

The Hospital is the owner of the medical record, which documents a patient's condition and the services received by the patient at Otsego Memorial Hospital. Medical records are strictly confidential, which means that they may not be released except with the consent of the patient or in other limited circumstances. Special protections apply to mental health records, records of drug and alcohol abuse treatment, and records relating to HIV infection. Medical records should not be physically removed from Otsego Memorial Hospital, altered, or destroyed. Employees who have access to medical records must take pains to preserve their confidentiality and integrity, and no employee is permitted access to the medical record of any patient without a legitimate, Hospital-related reason for so doing. Any unauthorized release of or access to medical records should be reported to the Compliance Officer and/or the Hospital's Privacy Officer.

COMPUTER CRIME

In compliance with the law, Otsego Memorial Hospital prohibits unauthorized access to its computer system. An individual who does not have a legitimate password will be held to know that access is unauthorized. Otsego Memorial Hospital prohibits the destruction or corruption of electronically stored or processed data. Persons who violate these rules will be prosecuted to the fullest extent of the law.

L. DISCRIMINATION

Otsego Memorial Hospital and its affiliates are committed to a policy of nondiscrimination and equal opportunity for all qualified applicants and employees, without regard to race, color, sex, religion, age, national origin, familial status or marital status. Our policy of nondiscrimination extends to the care of patients. Discrimination may also violate state and/or federal anti-discrimination laws and trigger substantial civil penalties.

If an employee feels he or she or any patient has been discriminated against or harassed on the basis of his or her race, color, sex, or other protected category, he or she should contact Human Resources Director, the Compliance Officer or the CEO, so that an investigation may be initiated in accordance with Otsego Memorial Hospital policies and procedures. A patient who feels he or she has been the subject of unlawful discrimination or harassment is encouraged to contact the Charge Nurse or other appropriate management personnel, who will refer the matter to the appropriate Hospital personnel for investigation.

Otsego Memorial Hospital is also strongly committed to complying with other federal and state laws governing employment. These laws include, but are not limited to:

- The Americans with Disabilities Act;

- The Employee Retirement Income Security Act;
- The Occupational Safety and Health Act;
- The Labor Management Relations Act;
- The Age Discrimination in Employment Act;
- The Fair Labor Standards Act; and
- The Immigration Reform and Control Act.

The Compliance Officer, or the personnel in human resources, can provide employees with information on these laws and can direct questions to the proper person.

M. CONFLICTS OF INTEREST

Otsego Memorial Hospital employees should avoid all potential conflicts of interest. Adherence to this policy ensures that the Hospital's employees act with total objectivity in carrying out their duties for Otsego Memorial Hospital.

To this end, outside employment which interferes in any way with an employee's work schedule or the employee's ability to perform his/her job at Otsego Memorial Hospital will not be permitted. If Hospital management determines that an employee's outside work interferes with the employee's performance or the employee's ability to meet the requirements of the Hospital as they may be modified from time to time, the employee may be required to terminate the outside employment if he or she wishes to remain an employee of the Hospital.

Outside employment which in the judgment of Hospital management constitutes a conflict of interest is prohibited. A conflict can occur if the work performed on the outside is related to the employee's profession or activities for the Hospital, where knowledge obtained working at the Hospital would be useful to the outside employer, or where the employee or outside employer provides the same or similar services to any of those provided by the Hospital.

Situations which might be interpreted as conflict of interest must be evaluated by management to determine if the situation will be permitted. Employees are required to disclose any outside employment to their Department Manager. The Department Manager will then collaborate with the appropriate Administrative Representative to determine if the situation will be permitted. The Compliance Officer will be consulted as necessary. A written record will be placed in the employee's file indicating that the disclosure was made, what determination was made by management and the nature of any identified conflict.

Hospital employees may not invest in any payer, provider, supplier, or competitor (other than through mutual funds or through holdings of less than 0.5 percent of the outstanding shares of publicly traded securities) unless they first obtain written permission from the Compliance Officer.

Employees may not use Hospital assets for personal benefit or personal business purposes. Employees may not have an interest in or speculate in products or real estate the value of which may be affected by Otsego Memorial Hospital's business. Employees may not divulge or use Otsego Memorial Hospital's confidential information, such as financial data, payer

information, computer programs, and patient information, for their own personal or business purposes.

Any personal or business activities by an employee that may raise concerns along these lines must be reviewed with, and approved in advance, by the employee's immediate supervisor or the Compliance Officer.

In order for Otsego Memorial Hospital to comply with requirements of the Medicare program, every employee must notify a human resources supervisor or the Compliance Officer if he or she was at any time during the year preceding his or her employment with Otsego Memorial Hospital employed by the Medicare intermediary or carrier. An employee's failure to make this disclosure at the time of employment could cause Otsego Memorial Hospital to lose its right to participate in Medicare.

N. INDEPENDENT CONTRACTORS & VENDORS

Otsego Memorial Hospital purchases goods and services from many consultants, independent contractors, and vendors. The Hospital's policy is that all contractors and vendors who provide items or services to Otsego Memorial Hospital must comply with all applicable laws and Otsego Memorial Hospital's **Compliance Plan which supports identification and prevention of illegal and unethical conduct**. Each consultant, vendor, contractor, or other agent furnishing items or services worth at least \$25,000 per year shall be given **information included in** Otsego Memorial Hospital's Compliance Plan, **which explains the expectations**. Contractors should bring any questions or concerns about Hospital practice or their own operations to the Compliance Officer.

Additionally, as required by HIPAA, the Hospital shall have agreements with all business associates to identify the role of the business associate and their uses of the Hospital's patients' healthcare information.

Hospital employees who work with consultants, contractors, and vendors or who process their invoices should be aware that Otsego Memorial Hospital's compliance policies apply to those outside companies as well. Employees are encouraged to monitor carefully the activities of contractors in their areas. Any irregularities, questions, or concerns on those matters should be directed to the Compliance Officer.

O. REGULATIONS

Otsego Memorial Hospital operates in a highly regulated industry and must monitor compliance with a great variety of highly complex regulatory schemes. The Hospital needs the cooperation of employees and professional staff members in complying with these regulations and bringing lapses or violations to light. While the regulatory schemes may not carry criminal penalties, they control the licenses and certifications that allow the Hospital to deliver care to its patients. The Hospital's continued ability to operate and serve the community depends upon each employee's help in regulatory compliance.

Some of the regulatory programs which employees may deal with in the course of their duties include the following:

- Michigan hospital licensure
- Joint Commission accreditation
- Medicare certification and conditions of participation
- Certificate of Need
- Occupational Safety and Health regulation
- Building, safety, food service and fire codes
- Internal Revenue Code

The Compliance Officer can provide employees with information on these rules, and can direct questions or concerns to the proper person.

P. RESPONSE TO INVESTIGATIONS

State and federal agencies have broad legal authority to investigate Otsego Memorial Hospital and review its records. Otsego Memorial Hospital will comply with subpoenas and cooperate with governmental investigations to the fullest extent required by law. The Compliance Officer is responsible for coordinating Otsego Memorial Hospital's response to investigations and the release of any information.

If a department, an employee, or a professional staff member receives an investigative demand, subpoena, or search warrant involving Otsego Memorial Hospital, it should be brought immediately to the Compliance Officer. Do not release or copy any documents without authorization from the Compliance Officer or legal counsel. If an investigator, agent, or government auditor comes to Otsego Memorial Hospital, contact the Compliance Officer immediately. In the Compliance Officer's absence, contact Otsego Memorial Hospital's Administrator-on-Call. Ask the investigator to wait until the Compliance Officer or his designee arrives before reviewing any documents or conducting any interviews. The Compliance Officer, his designee, or legal counsel is responsible for assisting with any interviews, and Otsego Memorial Hospital will provide counsel to employees, where appropriate. If government investigators and agents approach employees, the employee has the right to insist on being interviewed only at Otsego Memorial Hospital, during business hours and with legal counsel present.

If a professional staff member receives an investigative demand at his or her private office and the investigation may involve Otsego Memorial Hospital, the professional staff member is asked to notify the Compliance Officer immediately.

During an investigation Hospital employees are not permitted to alter, remove, or destroy documents or records associated with the investigation. This includes paper, tape, and electronic records.

Subject to coordination by the Compliance Officer, Otsego Memorial Hospital and its employees will disclose information required by government officials, supply payment information, provide information on subcontractors, and grant authorized federal and state

authorities immediate access to Otsego Memorial Hospital and its personnel. Failure to comply with these requirements could mean that Otsego Memorial Hospital would be excluded from participating in the Medicare and Medicaid programs.

Subcontractors of Otsego Memorial Hospital who provide items or services in connection with the Medicare and/or Medicaid programs are required to comply with Otsego Memorial Hospital's policies on responding to investigations. Subcontractors must immediately furnish the Compliance Officer, legal counsel, or authorized government officials with information required in an investigation.

Revised by CC Team 8/16

Chief Executive Officer

Date

President Board of Directors

Date

EMPLOYEE CERTIFICATION AND AGREEMENT OF COMPLIANCE

I certify that I have read Otsego Memorial Hospital's "Compliance Plan," and fully understand the requirements set forth in that document. I agree specifically to act in accordance with the policies of Otsego Memorial Hospital set forth in that document and understand that I will be subject to disciplinary action, including termination, for violating those policies or failing to report violations of these policies. By signing this form, I acknowledge that Otsego Memorial Hospital has provided me with information and training regarding the federal False Claims Act, the Michigan Medicaid False Claims Act, and the rights of employees, agents or contractors to be protected as whistleblowers, and Otsego Memorial Hospital's policies and procedures for detecting and preventing healthcare fraud, waste and abuse.

Printed Name:

Title /Department:

Signature:

Date: