



# TABLE OF CONTENTS

---

EXECUTIVE LETTER .....	5	GATHERING INFORMATION ON COMPETITORS .....	19
<b>OUR CODE OF CONDUCT AND ETHICS</b>		MARKETING AND ADVERTISING .....	20
WE ARE LEADERS IN PROMOTING A CULTURE OF HONOR AND RESPONSIBILITY .....	7	PERSONAL USE OF COMPANY RESOURCES .....	20
OVERVIEW OF COMPLIANCE FUNCTIONS .....	8	MAINTAINING QUALITY RECORDS .....	20
<b>NEW DEVELOPMENTS FOR 2009</b>		COPYRIGHTS AND INTELLECTUAL PROPERTY .....	21
GENETIC INFORMATION NON-DISCRIMINATION ACT .....	9	POLITICAL ACTIVITIES .....	21
NEW PRIVACY REQUIREMENTS .....	9	ENVIRONMENTAL STEWARDSHIP .....	22
INFORMATION TECHNOLOGY .....	9	PERSONNEL FILES .....	23
<b>PATIENT SAFETY AND QUALITY</b>		<b>LAWS AND REGULATIONS</b>	
FIRST AND FOREMOST—CARING FOR PATIENTS .....	10	BILLING FOR SERVICES .....	24
PATIENT SAFETY ALWAYS COMES FIRST .....	10	BILLING FOR NEVER EVENTS .....	25
WE PROTECT OUR PATIENT’S PRIVACY .....	11	FALSE CLAIMS ACT .....	25
MORE ON HIPAA PRIVACY .....	11	GOVERNMENT AGENCIES, ACCREDITING ORGANIZATIONS AND INSURANCE COMPANIES .....	25
HIPAA QUESTIONS AND ANSWERS .....	12	GOVERNMENT INVESTIGATIONS .....	26
IDENTITY THEFT .....	13	PROFESSIONAL LICENSES .....	27
EMERGENCY MEDICAL TREATMENT AND ACTIVE LABOR ACT (EMTALA) .....	14	KICKBACKS AND REWARDS FOR REFERRALS .....	27
<b>WORKPLACE RULES</b>		<b>REPORTING INFRACTIONS AND CONCERNS</b>	
DISRUPTIVE BEHAVIOR .....	16	HOW TO REPORT INFRACTIONS OR CONCERNS .....	28
INFORMATION SYSTEMS .....	16	THE ETHICS LINE .....	29
OUTSIDE EMPLOYMENT .....	17	SUGGESTIONS FOR EFFECTIVE REPORTING .....	29
GIFTS FROM VENDORS AND OTHER EMPLOYEES .....	17	ACKNOWLEDGEMENT .....	30
CONFIDENTIALITY AND TRADE SECRETS .....	18	CONFLICTS OF INTEREST .....	30
ANTITRUST .....	18	2010 CALENDAR YEAR ACKNOWLEDGMENT .....	31
		APPENDIX .....	33-36

## DEAR EMPLOYEES AND BUSINESS ASSOCIATES:

The healthcare industry is one of the most regulated industries in the nation. Almost every healthcare activity, from dispensing drugs to serving meals to billing for services, is covered by laws and regulations at the city, county, state and federal level. In addition, our industry must adhere to standards set forth by our accrediting bodies, such as the Joint Commission.

To help you navigate the complex environment of laws and regulations, we have developed an Ethics and Compliance program that is intended to be both comprehensive in scope and educational in nature. Our goal is to assist you, our employees and business associates, to better understand the regulatory environment and to operate effectively within it. Our program is designed to be available to you.

We also understand that situations will arise where you may be asked to do something you are not comfortable doing or conversely; you may be asked not to do something that you think you should be doing. In some cases, you may have done something that you later learn might have been improper, but at the time you did not fully understand the applicable laws or regulations. To this end, Capella's Ethics and Compliance function is set up to discover and remedy instances of regulatory non-compliance and protect those individuals who report those instances to us.

We want to assure you that we are entirely committed to an effective Ethics and Compliance program that protects individuals who disclose compliance issues, promotes the highest level of regulatory compliance in our Company and is available to help you understand the legal environment. We expect that you will be equally committed to fostering an environment that treats others fairly and conducts business in accordance with the law.

<b>TONY FAY</b> <i>Ethics and Compliance Officer</i>	<b>DAN SLIPKOVICH</b> <i>Chief Executive Officer</i>	<b>TOM ANDERSON</b> <i>President</i>	<b>MICHAEL WIECHART</b> <i>Chief Operating Officer</i>
---	---	---	---

## **OUR CODE OF CONDUCT AND ETHICS**

---

**As an employee, business partner or stakeholder of Capella Healthcare, I will make the safety, comfort and well-being of our patients my top priority.**

**Further, I will . . . .**

- Be honest and truthful,
- Act with integrity,
- Respect the feelings and viewpoints of others, even if I do not agree with them,
- Be courteous to all,
- Use the resources of our Company wisely and respect the property rights of others,
- Abide by the laws, regulations and directives which govern our Company, and seek advice and counsel if I do not understand these,
- Report known violations or infractions of laws, regulations or directives in accordance with our Ethics and Compliance program.

**WE ARE LEADERS IN PROMOTING A CULTURE OF HONOR AND RESPONSIBILITY**

**While all Capella colleagues are obligated to follow the Code of Conduct, we expect our leaders to set the example and to be, in every respect, a role model.**

- We expect everyone in the organization with supervisory responsibility to exercise that responsibility in a manner that is sensitive, thoughtful and respectful.
- We expect each supervisor to create an environment where all team members feel free to raise concerns and propose ideas.
- We expect supervisors to provide their team with sufficient information to comply with laws, regulations, policies and the resources to resolve ethical dilemmas. Leadership means creating a culture within Capella which promotes the highest standards of ethics and compliance.

- We expect our culture to encourage everyone in the organization to share concerns when they arise. We must never sacrifice ethical and honest behavior in the pursuit of business objectives.

## OVERVIEW OF COMPLIANCE FUNCTIONS

### **ECO—Ethics & Compliance Officer**

Each hospital has an ECO that is charged with managing the Ethics & Compliance program.

### **AECO—Associate Ethics & Compliance Officer**

Each ECO has an AECO to assist with managing the Ethics & Compliance program.

### **FECC—Facility Ethics & Compliance Committee**

This committee meets regularly to ensure a properly functioning Ethics & Compliance program.

### **FPO—Facility Privacy Officer**

This person is charged with ensuring that patient privacy is protected.

### **FISO—Facility Information Security Officer**

This person is charged with ensuring our information systems are operating in an effective manner towards safeguarding patient information.

### **FIIO—Facility Identity Integrity Officer**

This person is charged with ensuring the financial information of our patients and employees is properly safeguarded against potential identity theft.

### **OIG—The federal Office of Inspector General**

This agency publishes federal requirements for an effective Ethics & Compliance program.

## **NEW DEVELOPMENTS FOR 2010**

### GENETIC INFORMATION NON-DISCRIMINATION ACT

The Genetic Non-Discrimination Act of 2008 (GINA) specifically prohibits discrimination against our current or potential employees on the basis of their genetic information. Further, we are prohibited from collecting or purchasing genetic information about a potential or current employee or their family members. Genetic information is defined as information about 1) genetic tests from a potential or current employee, 2) the genetic tests of people related to a potential or current employee, or 3) a disease or disorder in a person related to a potential or current employee.

### NEW PRIVACY REQUIREMENTS

The recently enacted HI-TECH (Health Information Technology) legislation establishes new and enhanced privacy protections for patients and new responsibilities. Under this new law, hospitals and physicians are required to fully encrypt electronic patient information that is portable, such as the information on a laptop or thumb drive. By encrypting this information, we will avoid having to contact each potential patient in case the data is lost or stolen. Encryption prevents the misuse of this data by unauthorized parties. Furthermore, hospitals and physician offices now must file an annual report with the Secretary of Health and Human services outlining all breaches of patient information for the calendar year.

### INFORMATION TECHNOLOGY

It will no longer be permissible for any of us to bring a home computer to work and ask the IT Department to examine or repair it. These repair matters should be referred to an outside repair service. In addition, it is not permissible to install software that is licensed in the Company's name on any personal or home computer that is not owned by the Company.

## **PATIENT SAFETY AND QUALITY**

### FIRST AND FOREMOST—CARING FOR OUR PATIENTS

#### **Admissions and Treatment**

**We will** treat all patients with compassion and respect.

**We will** provide quality healthcare that is necessary and appropriate.

**We will** not discriminate in the admission or treatment of patients, and we will not make any distinction based on a patient's age, gender, race, color, religion, national origin or any other legally prohibited basis.

**We will** admit only those patients who need and will benefit from our treatment.

**We will** respond quickly to patient complaints or concerns.

### PATIENT SAFETY ALWAYS COMES FIRST

**The safety, comfort and well-being of our patients is our top priority at Capella.**

We will always treat patients with respect and compassion.

**Any lapses in patient safety or endangerment to patients should be immediately reported to your supervisors or other parties as warranted.**

You can also report lapses in patient care to the Joint Commission:

- You can call them at **800/994-6610**
- You can send them an email at **complaints@joint commission.com**.
- Under our accreditation agreement with the Joint Commission, we will not take any retaliatory action against you for reporting to the Joint Commission.

## WE PROTECT OUR PATIENT'S PRIVACY

**Federal law** (Health Insurance Portability and Accountability Act of 1996) requires that we take broad measures to preserve patient privacy.

Capella has a **Notice of Privacy Practices** which all associates must understand and adhere to.

- Never discuss a patient's condition or illness with anyone unless it is for treatment or other healthcare purposes.
  - Never discuss private patient matters with anyone outside of the patient's sphere of caring. This includes friends, family members or even hospital personnel who do not have a "need to know".
- *Some patients may request that the fact that they are even in the hospital be kept quiet. We must honor this confidentiality.*

**Consider this:** Would you want people gossiping at the local cafe about your recent medical treatment?

### MORE ON HIPAA PRIVACY

#### **Patients' Right to Access**

Patients have a right to look at their records, some limitations apply.

#### **Patients' Right to Amend**

Patients can write a request to amend their records. Even if we do not agree, we still have to add the letter to the record.

#### **Right to Request Privacy Restrictions**

Patients can opt out of the hospital directory.

#### **Notice of Privacy Practices**

All patients must get this. This notice explains our privacy policy.

#### **Right to Request Confidential Communications**

Patients can stipulate how you contact them, for example, by phone only.

## **Accounting of Disclosures**

We must keep a record of the disclosures of private patient information made to third parties.

## **HIPAA QUESTIONS & ANSWERS**

### **May I look at my own medical record?**

Yes, by law you can view your own medical record; however, you must go through the formal process of requesting to view it. You cannot just pick it up or view it on the system without clearance from the HIM department.

### **May I take pictures of patients?**

Generally, the answer is no, unless the patient has signed a consent form to be photographed or the photograph is part of the patient care process.

### **May I use the camera on a camera phone in patient care areas?**

No, picture taking on camera phones or similar devices is strictly prohibited in the presence of patients.

### **Do I cooperate with law enforcement investigations that concern patient information?**

Yes, HIPAA is written so that law enforcement activities will not be hampered by patient privacy. However, you should ask that the Facility Privacy Officer be involved in the investigation.

### **May I discuss patient information with a representative of the patient's insurance company?**

Yes, insurance is part of the healthcare operations process and you can discuss patient information with an authorized representative of the patient's insurance company.

### **May I discuss a specific patient, by name, with my family at dinner?**

Absolutely never. You can say nothing that will give the name of the patient away. You could get sued or prosecuted by the federal government.

## **What are some of the common ways patient privacy gets breached?**

- Leaving part of a medical record in the copier,
- Accidentally dropping a form on the floor or leaving it in the break room, stairwell or cafeteria,
- Sending a fax containing patient information to the wrong doctor,
- Speaking too loud, either on the phone or in the hallway.

## **IDENTITY THEFT**

We have special procedures to prevent or detect identity theft. If you work with any information that is subject to identity theft, such as social security numbers, birthdates, etc., you must be trained and made familiar with the provisions of policy PA.015: Identity Theft and Patient Misidentification.

### **We have identified 5 "Red Flags" which may indicate an identity theft.**

#### **All employees should be aware of these flags.**

1. A photo ID that does not match the person,
2. Family members or friends calling the patient by another name than the name provided at registration or admission,
3. A Social Security number that is different than the one used in a previous visit,
4. A person giving personal information that conflicts with information on file,
5. A person presenting an identity that has been flagged in the system as a potential identity theft.

## EMERGENCY MEDICAL TREATMENT AND ACTIVE LABOR ACT (EMTALA)

**ALL patients that present in need of medical assistance must be provided a medical screening without regard to ability to pay.**

- Any patient in need of medical assistance (for example, who says “I need help” or “I have chest pain”) must be provided a medical screening exam promptly to determine the presence and extent of an emergent medical condition. In most cases, this applies even if the patient shows up somewhere other than the Emergency Department.
- If an emergency medical condition is present, the patient will be stabilized to the extent possible, without regard to ability to pay.
- A patient may be transferred if we do not have the ability to treat and the risk of the transfer does not outweigh the benefits of the transfer.
  - **We must stabilize** the patient prior to transfer to the best of the hospital’s abilities
  - **We may transfer** the patient to an appropriate facility if a transfer is warranted and the risk of the transfer does not outweigh the benefits of the transfer.
  - **We must coordinate** the transfer with the receiving facility.
  - **We must clearly document** in the medical record that all of this has been done.
  - **Patient requested transfers** may be granted as long as the physician agrees that it is in the best medical interest of the patient

For more information, refer to Capella’s detailed EMTALA policies which are indexed at LL.EM.001 through LL.EM.007.

## WORKPLACE RULES

---

**Capella associates have the right to work in an environment free of harassment and violence.**

**We will not tolerate any form of harassment**, sexual or otherwise, from anyone. Sexual harassment may include unwelcome sexual advances, requests for sexual favors in conjunction with employment decisions and verbal or physical conduct that creates an intimidating, hostile or offensive work environment or interferes with work performance. Degrading or humiliating jokes, slurs or intimidation will not be tolerated.

**We will maintain a violence-free work environment.** Workplace violence includes robbery, blackmail, violence directed at anyone, stalking, terrorism and hate crimes by current or former employees. No firearms or other weapons such as explosive devices, fireworks, lasers, Tasers or dangerous materials are allowed on the premises, except for law enforcement officers on duty.

**We will not discriminate** against individuals with disabilities in any offer, term or condition of employment.

**We will make reasonable accommodations** to the known physical and mental limitations of otherwise qualified individuals with disabilities.

**We will not** employ or conduct business with an individual who we know or have reason to believe has been excluded by the OIG from the Medicare program.

**We will perform appropriate background checks** on all new employees, contractors, vendors and physicians.

**We will** perform quarterly OIG background checks on all current employees, contractors, vendors and physicians.

**We will not tolerate a hostile workplace.** Any employee or associate who is actively contributing to workplace hostility through methods such as bullying, embarrassing, sabotaging work product or threatening retaliation, will be subject to disciplinary action up to and including dismissal.

**We will not tolerate the use of illegal drugs or alcohol** during work hours or being under the influence thereof.

- Capella's drug and alcohol policy is to perform pre-employment testing and to test in all cases where there is an accident/incident or strong suspicion of violation. If you are taking prescriptions that may influence your motor skills or judgments, advise your supervisor immediately.

► *If you experience or observe any form of harassment or violence, immediately report the incident to a supervisor, the Human Resources Department, the corporate compliance officer or call The Ethics Line.*

## DISRUPTIVE BEHAVIOR

We will not tolerate any form of disruptive behavior from employees, contractors or physicians. Disruptive behavior is described as a style of interaction with physicians, employees, patients, family members, or others that interferes with patient care and other work related activities; tends to cause distress among staff and affects overall morale within the work environment thus undermining productivity and possibly leading to high staff turnover or ineffective or substandard care. Disruptive behavior includes verbal or physical abuse and threatening behaviors.

## INFORMATION SYSTEMS

**Information systems** include computers, databases, handheld devices, email, phones, video monitoring systems, scanners, etc.

**You should never** login to any system with another person's login.

**Information systems are the property of Capella Healthcare.** Employees using information systems must adhere to certain policies:

- We will keep information confidential.
- We will use email, internet or phone systems for business purposes only. Minor personal use of email, internet or phone is permitted. **Emails and Internet are monitored by human and computer surveillance.**
- We will not use company emails or internet to:
  - View or transmit pornographic or offensive material,
  - Threaten, harass or spread rumors,
  - Send or receive restricted data, or
  - Engage in the purchase or sale of illegal goods or services.

► *It is a good idea to keep in mind that every email or internet view could be looked at by your supervisor.*

## OUTSIDE EMPLOYMENT

**No employee shall have any outside employment or any outside business activity, which:**

- Involves the use of Capella property or facilities;
- Materially diverts the employee's time, attention or energy away from Capella business; or
- Interferes with the performance of the employee's duties.

**You cannot** serve as an officer or director of a for-profit business entity or organization without the approval of the facility CEO or in the case of facility CEOs and corporate personnel, the company CEO.

**You cannot** own more than 1% of a healthcare company that competes with Capella.

**You can** own part or all of a business that does not compete with the hospital, for example, a dry cleaner or restaurant.

## GIFTS FROM VENDORS AND OTHER EMPLOYEES

As a rule, it is never a good idea to accept gifts from vendors or other employees. This can foster an expectation of "this for that" and could lead to the appearance of a conflict of interest. However, recognizing that meals and small gifts are part of the American free enterprise system, we have adopted the following policies regarding acceptable gifts:

- You may accept a gift from a vendor with a face value of up to \$100. The \$100 limit applies for the whole year with respect to that vendor.
- You may accompany a vendor to a restaurant or sporting event. If pertinent business is discussed, the \$100 limit does not apply.
- ▶ *You will need special permission from the facility ECO if you have been offered free lodging or travel by a vendor as part of a vendor promotional event.*
- You should never give your direct boss or any persons who directly report to you any gifts in excess of \$50 per year.
- You must never give or offer a gift to, or accept a gift from, an agent of any governmental or accrediting agency. This includes agents from Medicare, Joint Commission, OSHA, building inspectors, etc.

## CONFIDENTIALITY AND TRADE SECRETS

### **As a business enterprise, Capella must carefully guard its trade secrets and operating processes from competitors.**

Capella's associates **may not use or disclose** to others the following without written consent or as required by law.

- Information regarding the company's customers, pricing policies, methods of operation and proprietary computer systems;
- Financial data such as revenue, budget projections, profit margins, cost of goods, etc.;
- Acquisition and divestiture data including all data related to practice valuation, marketing plans, management agreements, etc.;
- All regulatory information and communications; and
- All other information related to the Company's business, management team and employees.

## ANTITRUST

**Capella competes with other companies in an ethical and legitimate manner. Federal and state antitrust laws are designed to create a level playing field in the marketplace and to promote fair competition. Antitrust violations include:**

- Illegal or deceptive marketing activities;
  - Price-fixing arrangements with competitors;
  - Conspiracies to limit employee salaries or benefits; and
  - Any activities that limit open business competition.
- **Antitrust laws could be violated** by discussing Capella business with a competitor, such as how our prices are set, how our wages are determined, etc.
  - **It is easy to get caught.** The injured party can file a complaint with the Federal Trade Commission or state Attorney General.
  - **Therefore, we must avoid** discussing sensitive topics with competitors or suppliers, unless we are proceeding on the advice of the legal counsel.

## GATHERING INFORMATION ON COMPETITORS

It is common practice to obtain public information about other organizations, including our competitors, through legal and ethical means such as public documents, public presentations, web searches, journal and magazine articles, and other published and spoken information. However, we must not seek or receive information about a competitor through other non-public means if they know or have reason to believe the information is proprietary or confidential.

For example:

- **We will not** engage in espionage and spying on other companies,
- **We will not** hire an employee of a competitor for the sole purpose of obtaining trade secrets,
- **We will not** offer gifts, meals or other items to a competitor's employees to obtain secret information,
- **We will not** sift through trash or other refuse to gain information.

*If an employee of another company volunteers information that you have not otherwise solicited, you should report this to your supervisor or the ECO.*

## MARKETING AND ADVERTISING

### All Capella advertising must be truthful, fully informative and not misleading.

- **We may use** marketing and advertising activities to educate the public, to provide information to the community, to market our services and to recruit employees.
- **We will not use** advertising or marketing that causes confusion about our services and those of our competitors, and we will not degrade our competitors' business or operations.
- **We will comply** with all state and federal requirements concerning truth in advertising.
- **We will not** make specific claims about the quality of our services without empirical evidence and all advertising about price must accurately reflect the true price to the patient for our services.

## PERSONAL USE OF COMPANY RESOURCES

We are all responsible for using company resources and assets wisely, including time, materials, equipment, supplies and information.

These resources are to be maintained and used for business purposes only.

- The **occasional use** of items that are negligible in cost, such as a local phone call and limited amounts of photocopying, are permitted.
- **We cannot** use company assets for personal financial gain.
- All employees must obtain **prior approval** from their supervisor to use company assets for charitable reasons.

## MAINTAINING QUALITY RECORDS

As a hospital company, **we must maintain vital records in an effective manner.** Employees must take great care not to damage or destroy vital records, whether these are paper, film, digital or imaged.

Non-vital records, such as your emails, magazines, to do lists, etc. should only be kept for as long as you need them.

Capella has a **record retention policy** that must be understood by department managers and followed explicitly.

- **We must** follow the retention policy which requires vital records to be properly indexed and stored.
- **We must** include a destruction date on all vital records sent to storage. The destruction date must conform to the published Capella retention policies contained in policy EC.014 Record Retention.
- Department managers **are encouraged** to dispose of non-vital records quickly as a means to control storage costs and free up storage space.

## COPYRIGHTS AND INTELLECTUAL PROPERTY

**Print and electronic materials (including audio, video and software) are usually protected by copyright laws.** Capella employees are expected to respect and comply with these laws, which ensure those who created these materials receive proper credit and compensation for their work. We will not reproduce articles, pamphlets, software or other electronic materials, without written permission from the writer or publisher.

- **We will** have proper licenses (such as BMI, ASCAP or MPAA) to play copyrighted music or video in public areas.
- **We will not** make copies of copyrighted magazines, books or other publications without having prior permission or a blanket license.
- **We will not** use trademarks or logos of other organizations without prior permission.
- **We will not** make copies of licensed software for distribution without having a license.
- **We will not** use photographs of people in our promotional publications without their written consent.

## POLITICAL ACTIVITIES

We encourage you to be active in the political process and exercise your right to vote and support candidates of your choice. However, complex laws govern campaign contributions by corporations such as Capella. Some definite federal prohibitions of political activity include:

- **We will not** make corporate or PAC contributions without first getting this cleared by corporate ECO.
- **We will not** conduct campaigns or hand out leaflets on company property.

- **We will not** include campaign contributions on our expense reports.
- **We will not** give gifts or other items of value to officeholders and candidates in the name of Capella or our hospital. (except for plaques and appetizers, as permissible under federal or state law)
- **We will not** use company resources, such as phones, copiers, email or postage, to support or oppose a candidate for office.
- **Under federal law**, corporations cannot spend corporate money or use resources to actively support or oppose a candidate for federal office.

## ENVIRONMENTAL STEWARDSHIP

**It is the policy of Capella to comply with all applicable federal, state and local environmental laws, including (at the facility level) laws regulating the removal and disposal of medical waste.**

As a hospital company, Capella handles hazardous materials including solvents, corrosives, needles, biohazards and human tissue. These hazards require special handling and are subject to strict regulations.

- **We will** commit to the proper handling, storage, use, shipment and disposal of all materials that are regulated under any applicable environmental law, and all employees will abide by such requirements.
- **We will** maintain all necessary environmental permits and approvals.
- **We will** always ask where and how to dispose of any waste material.
- **We will not** put hazardous materials in the drain or in general landfills.
- **We will not** throw biohazards, such as needles, in the trash.
- **We will not** exceed regulatory standards for air, water or soil pollution.

## PERSONNEL FILES

**Personnel files and related information are considered sensitive and confidential matters.**

**DO NOT** discuss your salary or employment terms with fellow employees, except your direct supervisor and the HR Department.

**DO NOT** leak or reveal any information outside of Capella about any employee's salary or compensation package.

**All requests for references from former employees** should be cleared by the HR Department. The HR Department will then decide whether to give you permission to respond to the request for reference.

Payroll records, personnel files, budgets, financial statements and other data that could disclose salary information are treated as **HIGHLY CONFIDENTIAL** and must be kept under lock and key and in a secure environment on the computer system.

## LAWS AND REGULATIONS

### BILLING FOR SERVICES

**We are committed to accuracy** in billing and coding practices and compliance with all governmental and third-party payor requirements.

**We will provide** employee orientation and training, and maintain accurate billing policies, audit procedures and billing controls to ensure each facility bills accurately for its services and only bills for services rendered.

**We will not allow** anyone to present or cause to be presented any false, fictitious or fraudulent claims.

**We will** return overpayments from any source (Medicare, Medicaid, insurance or patients). *Specific policy on how to return overpayments. See Policy EC.012.*

**We will** provide Medicare, Medicaid, private insurance companies and patients with truthful and accurate information in both written and oral statements.

**We will maintain accurate medical records.**

This includes anything that will become part of the medical record, such as lab results, nurses notes, doctors order, MAR's, etc.

**We expect** physicians and other healthcare professionals who treat patients in our facilities to provide accurate and complete information in a timely manner. Intentional false statements to a government agency or private insurance company are illegal and could lead to fines or criminal obstruction of justice charges.

**We will not** intentionally enter false information into any medical record, log, bill, statement, computer system, email, lab test, etc.

### BILLING FOR NEVER EVENTS

We will not bill for certain instances of sub-standard care, sometimes referred to as “never events.” We have detailed policies about billing for such care and detailed instructions from our Medicare, Medicaid and our insurance carriers on how to handle these situations. See policy PA.014, Billing for Never Events. If you are involved in billing or coding, you are responsible for becoming knowledgeable about these practices.

### FALSE CLAIMS ACTS

The U.S. False Claims Act allows individuals to sue, on behalf of the U.S. government, to recover amounts related to billing the government (e.g., Medicare and other federal programs) for services not provided or for substandard services.

Many states also have false claims laws for Medicaid programs.

More information about this can be found at  
<http://www.capellahealth.com/corporateEthics/>

### GOVERNMENTAL AGENCIES, ACCREDITING ORGANIZATIONS AND INSURANCE COMPANIES.

**Capella routinely deals with governmental agencies, accrediting organizations and insurance companies.**

- For example: Medicare, state licensing, JC, OSHA, Medicaid, Blue Cross, Aetna, CLIA (lab certification), food inspectors, tax assessors, elevator inspectors, EPA, FCC, child care regulators, etc.

**We will** deal with all accrediting bodies in a direct, open and transparent manner,

**We will not** mislead the surveyor or its survey teams, either directly or indirectly,

**In all communications** with any governmental agencies, accrediting organizations and insurance companies, we will not provide misleading information, and

**We will** work with the respective organization to make sure they have all the information they requested.

*You should always maintain a record, including a signed and dated copy, of any information provided to these investigators as a means of documenting that we have responded to their request.*

## GOVERNMENT INVESTIGATIONS

**Because the healthcare industry is highly regulated, it is quite common for a government agency to launch an informal or formal investigation. The investigation could involve a subpoena or conversations with law enforcement personnel.**

**We will not hide** anything during an investigation. **We will cooperate** fully in all legally authorized investigations. **We will** be as transparent as possible in our interaction with investigators.

**You should notify** the facility ECO or corporate ECO if you have been asked to participate in an investigation. Capella's policy is to provide legal representation, at no cost to you, as part of participating in an investigation.

Further, if you do notify Capella, **we will work with you** to be sure that your response to an investigation is complete and timely.

## PROFESSIONAL LICENSES

**Capella employees and individuals retained as independent contractors must maintain any professional license, certification or other accreditation required by state or federal law.**

- Examples include nursing licenses, medical licenses or professional certifications required by your occupation.
- Most licenses and certifications require continuing education. You should work with your supervisor to maintain your continuing education.

**You may not work for Capella** without a valid license or certification if it is required of your position.

*To ensure compliance, you are required to show proof of your current license status.*

## KICKBACKS AND REWARDS FOR REFERRALS

**The federal Anti-Kickback Statute is very specific that payments made to either induce or reward referrals are illegal and punishable by federal law.**

**We will not pay a kickback or reward** for a patient referral to anybody. This includes a doctor, a nursing home, an ambulance driver or another hospital or a relative or guardian of the patient.

Because of the strict prohibition against payments for referrals, we must avoid arrangements which might indirectly reward (or appear to reward) potential referral sources. These include items such as

- Free rent or services for physicians
- Free or discounted supplies for nursing homes
- Excessive meals or gifts to physicians
- Free gas to ambulance companies
- Excessive or lavish gifts from pharmaceutical representatives or device manufacturers

## REPORTING INFRACTIONS AND CONCERNS

Our Code of Conduct requires you to report infractions of our policies if you feel these infractions are going undetected, are the result of collusion or are being neglected by management. A few examples of infractions or concerns you should report, **without delay**, include:

- Patient safety concerns or patient endangerment
- Patient complaints and grievances
- Performing unnecessary procedures or surgeries
- EMTALA violations
- Billing or coding errors and lack of willingness to correct these
- Harassment, sexual or otherwise, creating a hostile workplace
- Stealing or other criminal acts
- Intentional non-compliance with internal control systems
- Breaches of patient privacy
- Substance abuse or being intoxicated at work
- Failure to safeguard narcotics

## HOW TO REPORT INFRACTIONS OR CONCERNS

Always consider reporting infractions first to your **direct supervisor**. If you are not comfortable doing this, the following suggestions will assist you in reporting infractions and concerns in an effective manner.

- Claims of a **human resource** nature, such as sexual harassment or a hostile workplace, should be reported to the facility Human Resources Director.
- Claims involving **breaches of patient privacy** should be reported to the Facility Privacy Officer.
- Claims involving potential identity theft should be reported to the Facility Identity Integrity Officer.
- Claims, other than human resources claims, should be reported to the facility or corporate ECO.

## THE ETHICS LINE 1-866-384-4276

The **Capella Ethics Line** is your opportunity to report concerns or infractions that you believe are not being handled properly by the facility or in cases where you are uncomfortable discussing these issues with facility personnel.

Your call will be handled by **EthicsPoint**, an outside firm based in Portland, Oregon, which is not connected to Capella. EthicsPoint serves a variety of major organizations and is staffed 24 hours a day, seven days a week. They will discuss your concern with you and provide the corporate ECO with a written synopsis. You will be given a case number which you can use to call back or login on the internet to get an update to your case. You can also report a concern via the internet by going to [www.capellahealth.com](http://www.capellahealth.com) and navigating to the Ethics page.

You **DO NOT** have to give your name and contact information, but if you do, it will allow the agents to contact you for follow up information.

**Capella will make no attempt** to determine who you are or where you are if you wish to remain anonymous.

**If you remain anonymous**, you will have no way of knowing if any follow up occurs because all investigations, including any disciplinary actions, will be kept strictly confidential.

## SUGGESTIONS FOR EFFECTIVE REPORTING

Whether you bring your concern to a person at the facility level, the Capella Ethics Line, or report via the internet, it is a good idea to have all your facts together.

**Gather documentation.** This could include:

- Copies of erroneous bills
- Examples of privacy breaches
- Evidence of theft or other illegal acts

**Organize your account of the situation.** Often times, there will be no physical evidence that you can easily obtain to demonstrate a concern. In this case, it is especially important that you organize the details of your concern. Writing out your story often helps you to think through the actual history of your concern.

## ACKNOWLEDGMENT OF THE CODE OF CONDUCT

Every year, Capella requires all employees to sign an acknowledgment confirming they have received the Code, understand that it represents mandatory policies of Capella and agree to abide by it. Employees should expect to complete the acknowledgment process annually, as the *Code of Conduct* is a living, changing document. New employees are required to sign this acknowledgment as a condition of employment and must receive *Code of Conduct* training within 30 days of employment.

## CONFLICTS OF INTEREST

We will avoid any activity that involves, or appears to involve, a conflict of interest with your obligations to Capella or the facility in which you work. You are expected to pursue the best interests of the company at all times and under all circumstances.

You may have a conflict of interest, or even the appearance of a conflict, if your outside activities or personal interests influence, or appear to influence, your ability to make objective decisions concerning your job. Outside activities that require so much time that your professional duties are negatively impacted may also cause a conflict of interest. It is your responsibility to remain free of conflicts of interest.

Conflicts of interest may also arise when you, or a family member, receive improper personal benefits, such as loans or discounts. You should immediately disclose any potential conflicts of interest involving you or your immediate family members to your supervisor.

## 2010 CALENDAR YEAR ACKNOWLEDGMENT

I have read and understand this Code of Conduct, and I agree to follow its policies and practices. I understand that my continued employment is predicated upon my adherence to the Code of Conduct and the associated Ethics & Compliance policies. I also understand that it is my responsibility to report any activity or behavior that violates this Code. All potential conflicts of interest are noted below on the disclosure form.

---

PRINT NAME HERE

---

SIGNATURE

---

DATE

## DISCLOSURE OF ACTUAL OR POTENTIAL CONFLICTS OF INTEREST

The following actual or potential conflicts of interest are being disclosed in accordance with provisions of this Code of Conduct:  
*(Note: you must disclose conflicts each year by means of this form.)*

---

---

---

---

---

---

---

---

---

---

Ethics Line (866) 384-4276

[www.capellahealth.com/ethics](http://www.capellahealth.com/ethics)

## LIST OF ETHICS & COMPLIANCE POLICIES

The material in the Code of Conduct is a brief summary of the Ethics & Compliance policies of Capella Healthcare.

### DESIGN AND CONSTRUCTION DC

DC.001	Environmental - General
DC.002	Environmental - Polychlorinated Biphenyls (PCBs) Handling
DC.003	Environmental - Indoor Air Quality
DC.004	Environmental - Air Pollutant Emission
DC.005	Environmental - Asbestos Containing Material (ACM) Management
DC.006	Environmental - Environmental Due Diligence for Property Transfer
DC.007	Environmental - Emergency Response
DC.008	Environmental - Biomedical Waste Management
DC.009	Environmental - Low-Level Radioactive Waste Management
DC.010	Environmental - Hazardous Waste Management
DC.011	Environmental - Fuel Storage Tank Management
DC.012	Environmental - Waste Oil Management
DC.013	Environmental - Wastewater Discharge
DC.014	Environmental - Potable (Drinking) Water Supply
DC.020	Plant Operations - Procuring Design and Construction Services for Hospital Managed Projects

### ETHICS AND COMPLIANCE EC

EC.001	Policy and Procedure Development
EC.002	Internal Handling of Ethics Line Calls
EC.004	Code of Conduct, Effective Date
EC.005	Business Courtesies to Potential Referral Sources
EC.006	Entertainment
EC.008	Approval of tokens of Appreciation in Recognition of Volunteer Efforts from Non-Referral Sources
EC.010	Ethics and Compliance Officer
EC.011	Code of Conduct Distribution and Training
EC.012	Correction of Errors Related to Federal Health Care Program Reimbursement
EC.013	Physician Access to the Internet
EC.014	Records Management
EC.015	Limitations on Gifts to Fiscal Intermediary Employees
EC.016	Ethics and Compliance Program Contracts
EC.017	Notification Regarding Certain Investigations or Legal Proceedings
EC.018	ECO Quarterly Reports
EC.021	Conflict of Interest
EC.022	Education Requirements of the Deficit Reduction Act of 2005
EC.023	Guidelines for Human Photography

**GOVERNMENT RELATIONS GR**

GR.001 Contributions to Political Campaigns  
 GR.002 Use of Outside Lobbyists

**HEALTH INFORMATION MANAGEMENT (HIM)**

HIM.COD.001 Coding Documentation for Inpatient Services  
 HIM.COD.002 Coding Documentation for Outpatient Services  
 HIM.COD.003 Coding References and Tools  
 HIM.COD.004 Coding Documentation for Inpatient Rehabilitation Facilities and Units  
 HIM.COD.005 Coding Orientation and Training  
 HIM.COD.006 Coding Continuing Education Requirements  
 HIM.COD.007 Reimbursement of Professional Exam Fees for Coding Personnel  
 HIM.COD.008 Additional Compensation Plans for Coding Personnel  
 HIM.COD.009 Prohibition of Contingency-Based Coding Arrangements  
 HIM.COD.011 Certified External Vendors for Coding Reviews and Related Ed.  
 HIM.GEN.001 Outpatient Services and Medicare Three Day Window

**HIPAA PRIVACY (HIM.PRI)**

HIM.PRI.001 Patient Privacy – Program Requirements  
 HIM.PRI.002 Privacy Official  
 HIM.PRI.003 Patient Privacy – Protection  
 HIM.PRI.004 Patient Privacy – Patients’ Right to Access  
 HIM.PRI.005 Patient Privacy – Patients’ Right to Amend  
 HIM.PRI.006 Patient Privacy – Right to Request Privacy Restrictions  
 HIM.PRI.007 Notice of Privacy Practices  
 HIM.PRI.008 Patient Privacy – Right to Request Confidential Communications  
 HIM.PRI.009 Patient Privacy – Accounting of Disclosures

**HUMAN RESOURCES HR**

HR.001 Background Investigations  
 HR.002 Equal Employment Opportunity  
 HR.003 Limitations on Employment  
 HR.004 Performance Management  
 HR.005 Non-Discrimination and Non-Harrasment

**INFORMATION TECHNOLOGY & SERVICES IS**

IS.SEC.001 Information Systems Security  
 IS.SEC.002 Electronic Communication  
 IS.SEC.003 PC Software License Management  
 IS.SEC.005 Information Confidentiality and Security Agreements  
 IS.SEC.006 Information Security – Facility Information Security Official  
 IS.SEC.007 Information Security - Multi-Facility Security Committee  
 IS.SEC.020 Information Security - Physicians and Physicians Office Staff  
 IS.SEC.021 Information Security - CPCS Conformance and Monitoring

**LABORATORY (LAB)**

LAB.001 Billing for Hematology Procedures  
 LAB.002 Billing for Urinalysis Procedures  
 LAB.003 Organ and Disease Panels  
 LAB.004 Billing for Outpatient Specimen Collection

LAB.005 Billing for Custom Profiles  
 LAB.006 Billing for Reference Laboratory Testing  
 LAB.007 Reflex Tests  
 LAB.008 Technical Component for Pathology Tests  
 LAB.009 Billing for Laboratory Services to SNFs  
 LAB.011 Standard Laboratory Charge Description Master

**LEGAL LL**

LL.001(a) Physician Relationship Checklist  
 LL.001 General Statement on Agreements with Referral Sources; Approval Process  
 LL.002 Professional Services Agreements  
 LL.003 Physician Recruiting Agreements  
 LL.004 Physician Equipment or Space Leases  
 LL.005 Physician Management Services Agreements/Business Office Services Agreements/HCAPS Contract Services  
 LL.006 Physician Employment  
 LL.009 Loans and Loan Guaranties  
 LL.010 Non-Employed Physician Education Expenses  
 LL.011 Providing Free and/or Discounted Training and Equipment to Referral Sources  
 LL.012 Physician Access to Vendor Agreements  
 LL.013 Physician Referral Services  
 LL.016 Discharge Planning & Referrals of Patients to Post Discharge Providers  
 LL.018 Professional Courtesy Discounts  
 LL.020 Physician Relationship Training  
 LL.021 Physicians Purchasing Items or Services from the Facility  
 LL.022 Reimbursement of Expenses and Extending Tokens Related to Voluntary Leadership Service by Potential Referral Sources  
 LL.023 Contract Review and Approval Process  
 LL.GEN.001 Waiver of Medicare Copays and Deductibles; Offering of Add. Benefits  
 LL.GEN.002 Copyright  
 LL.SEC.001 Securities Trading  
 LL.SEC.002 Corporate Disclosure Policy  
 LL.EM.001 EMTALA - Medical Screening  
 LL.EM.002 EMTALA - Stabilization  
 LL.EM.003 EMTALA - Transfer  
 LL.EM.004 EMTALA – Signage  
 LL.EM.005 EMTALA - Central Log  
 LL.EM.006 EMTALA - Duty to Accept  
 LL.EM.007 EMTALA - Provision of On-Call Coverage

**MATERIALS MANAGEMENT MM**

MM.001 Contracting with Ineligible Persons  
 MM.002 Vendor Relations  
 MM.003 Prohibition on Resale of Items Purchased Under Group Purchasing Contract  
 MM.004 Educational Funding From Vendors  
 MM.005 Research Grant Funding From Vendors  
 MM.006 Restocking of Third-Party Ambulances

**PATIENT ACCOUNTING (PA)**

PA.001	Billing Monitoring for Governmental Payors
PA.002	Ensuring Medical Necessary Services to Medicare Patients
PA.003	Advance Beneficiary Notices (ABNs) for Medicare Outpatient Services
PA.004	Orders for Outpatient Tests and Services
PA.005	Continuing Education Requirements for Billing Personnel
PA.006	Physician Certification and Recertification for Post Acute Services
PA.007	Medicare Outpatient Rehabilitation Services
PA.008	Outpatient Services and Medicare Three Day Window
PA.009	Collection of Financial Information under EMTALA
PA.010	Billing for Outpatient Self-Administered Drugs
PA.011	Confirming and Processing Overpayments
PA.012	Stat Fees, Call Back and Standby Charges
PA.013	Medicare Billing for Investigational Devices and Related Services
PA.014	Billing for Never Events
PA.015	Identity Theft and Patient Mis-Identification

**QUALITY MANAGEMENT QM**

QM.001	Regulatory Compliance Notification
QM.002	Licensure and Certification
QM.003	Patient Grievance and Complaint Management

**QUALITY MANAGEMENT: RESEARCH QM.RES**

QM.RES.001	IRB Guidance Policy
QM.RES.002	IRB Protocol - Initial and Continuing Review
QM.RES.003	Informed Consent IRB Review
QM.RES.004	Development of Local Standard Operating Procedures for IRB
QM.RES.005	Adverse Event Review
QM.RES.006	Use of Non-Local, Cooperative and Multi-Institutional IRB
QM.RES.007	Recruitment of Vulnerable Subject Populations

**REIMBURSEMENT RB**

RB.001	Reimbursement Manual
RB.002	Standardized Workpaper Package with Instructions
RB.003	Review of Cost Report
RB.004	Identification of Non-Allowable Costs
RB.005	Adequate Documentation
RB.006	Protested Items
RB.007	Submission of the Medicare Cost Report
RB.008	Disclosure Procedure
RB.009	Error in Reporting
RB.010	Fiscal Intermediary, Carrier and MAC Audits
RB.013	Arrangements with External Consultants
RB.014	Education and Training

**TREASURY TRE**

TRE.001	Medical Staff Funds
---------	---------------------