



<b>DEPARTMENT:</b> Ethics & Compliance	<b>POLICY DESCRIPTION:</b> Education Requirements of the Deficit Reduction Act of 2005
<b>REFERENCE NUMBER:</b> EC.022	<b>REPLACES POLICY DATED:</b> N/A
<b>APPROVED:</b> December 18, 2006	<b>RETIRED:</b> N/A
<b>EFFECTIVE DATE:</b> December 18, 2006	

**SCOPE:** This policy and procedure is applicable to Human Resources Departments and Ethics & Compliance Officers.

**PURPOSE:**

To provide information to the Company’s employees, vendors, contractors and other stakeholders about the U.S. False Claims Act and any applicable state False Claims Acts.

**BACKGROUND:**

Capella Healthcare is committed to preventing and deterring fraud, waste, and abuse within its Company. Our Ethics & Compliance Program is designed to provide a means of reporting actual or suspected violations of federal and state laws, and of our Code of Conduct, Corporate Ethics & Compliance Policies and Procedures, and Statements of Business Practice, including those concerning:

- The admission and referral of patients
- The billing and coding of medical services
- The provision and maintenance of a safe working environment
- The protection of the confidentiality of patient, business and personnel information
- The compliance with all laws, including the governance of federal-and state-funded healthcare programs and the requirements of third-party payors
- The provision and assurance that there will be no adverse consequences to reporting parties

Ethics and compliance issues are rooted in the values and daily operations of the Company. It is essential that everyone involved in these operations, including employees, medical staff, volunteers, third-party consultants, vendors, service providers and other contractors, have a

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meaningful involvement in our Ethics & Compliance Program.

Our employees, medical staff and contractors are required to comply with federal, state, and local laws and regulations, our Ethics & Compliance Program and our Code of Conduct.

It is a violation of the Federal False Claims Act for anyone to knowingly submit or cause another person or entity to submit false claims for payment of government funds. Examples of actions that violate the Federal False Claims Act include:

- Filing a claim for services that were not rendered
- Filing a claim for services that were rendered but not medically necessary
- Submitting a claim containing information known to be false

Penalties for such actions may be three times the government's damages plus civil penalties of \$5,500 to \$11,000 per false claim and/or up to five years in prison. Healthcare organizations can be excluded from participation in federal health care programs.

The Federal False Claims Act contains provisions that allow citizens with evidence of fraud against government contracts and programs to sue, on behalf of the government, in order to recover stolen funds. These individuals will be protected from harassment, demotion and wrongful termination.

In addition, certain states in which we operate have State False Claims laws.

**POLICY:**

As referenced in EC.002, *Internal Handling of Ethics Calls*, it is our policy that employees, vendors, contractors or other stakeholders have prompt and confidential access to a secure hotline to register their concerns, suspicions or complaints the Office of Ethics & Compliance. This policy, EC.022, further clarifies that employees, vendors, contractors or other stakeholders also have access to the courts to sue on behalf of the U.S. government or other governmental entities in situations in which fraud, waste or false claims are suspected. Moreover, this policy also clarifies there will be no retribution or punishment for pursuing remedies under any state or federal False Claims Act.

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**PROCEDURE:**

1. The Code of Conduct will include a brief narrative of the availability of remedies under various False Claims Acts. This narrative will also mention that citizens are protected under the federal False Claims Act and most state False Claims Acts from harassment, demotion and wrongful termination. Readers of the Code of Conduct will be directed to the Ethics & Compliance tab of the Company's website, where more current and detailed information will be made available to our employees, vendors, contractors and other stakeholders.
  
2. The website will be updated from time to time with the most current information on various False Claims Acts. As there has been no formal regulatory rule-making as of the date of this policy, we will make every effort to provide information that is detailed and a statement of the factual underpinnings of the various and respective statutes.

**REFERENCES:**

Deficit Reduction Act of 2005, P.L. 100-171, Section 6033, *et. seq.*