

COMPLIANCE AND ETHICS PROGRAM

OVERVIEW

WHAT ARE OUR KEY CORPORATE VALUES?

Performance.

We commit to deliver and demonstrate excellence in everything we do. We are accountable and responsible for fulfilling our pledge to safeguard the welfare of each resident in a lawful and principled manner.

Integrity.

We do not compromise ethics. We strive to maintain a culture of ethical behavior and a commitment to compliance with the law. We also strive to detect and prevent wrong-doing. We demand honest, honorable and effective behavior from every member of our team and anyone working at Haym Salomon Home for the Aged, LLC in any capacity.

Transparency.

We are all humans and sometimes make mistakes, but at Haym Salomon Home for the Aged, LLC, we have the courage to acknowledge our mistakes and do whatever is needed to address them. As such, we value open, honest and clear communication – up, down and sideways – and pledge to protect all those that are forthright from retaliation and/or intimidation.

WHAT IS IN OUR COMPLIANCE AND ETHICS PROGRAM?

Our compliance and ethics program (the “Program”) includes (i) a Code of Conduct, (ii) written policies and procedures, (iii) education and training programs, (iv) ongoing monitoring and auditing to assess compliance, (v) multiple ways for you to report incidents of noncompliance including anonymously and without threat of retaliation or intimidation, (vi) disciplinary actions that will be taken against individuals found violating the Program and (vii) oversight of the Program by the appointed committee members.

WHO HAS TO PARTICIPATE?

Every member of our team, regardless of salary, position or title, as well as any individual or company working at or with Haym Salomon Home for the Aged, LLC in any capacity, must participate in the Program.

IS PARTICIPATION VOLUNTARY?

This Program is not optional. Haym Salomon Home for the Aged, LLC, and in many cases the law, requires you to wholeheartedly participate in our Program.¹ The success and effectiveness of our Program depends on the commitment to its doctrines by every service provider, business associate and member of our workforce. We rely on your involvement in helping us identify and

¹ The Patient Protection and Affordable Care Act of 2010 (“PPACA”) Health Care Reform, for example, requires every skilled nursing facility to “have in operation a compliance and ethics program that is effective in preventing and detecting criminal, civil, and administrative violations ... and in promoting quality of care ...” by March 2013.

address illegal, unethical or other wrongful activity – past, present or future. All those employed by, or servicing, the Haym Salomon Home for the Aged, LLC are required to follow not only the particular provisions of the Program, but also its implicit ideals.

WHAT WILL HAPPEN IF I DON'T FOLLOW THE PROGRAM?

Failure to be compliant can result in sanctions against you, including termination of employment or relationship, civil or criminal fines, program exclusion and/or imprisonment.

WHY HAVE A COMPLIANCE AND ETHICS PROGRAM?

The Program helps provide an opportunity to improve the quality of care that residents receive. That is always our primary goal. It also helps us to operate lawfully, reduce liability and provides an effective way for us to demonstrate our commitment to first-rate care and lawful operation – much the same way good charting demonstrates the high level of care which we provide. We want employees, service providers, business associates, regulators, our potential referral base and residents and their loved ones to realize the good work we do.

WHY AM I RECEIVING A COMPLIANCE MANUAL?

The attached manual (the “Manual”) is designed to help us work together to be more ethical, compliant with regulations and to better detect and prevent illegal or unethical activity. The Manual is not a complete list of rules and regulations, nor is it intended to prescribe a specific response to every conceivable situation. It offers a framework of principles and minimum standards to assist you in recognizing ethical and regulatory compliance issues and in determining an appropriate response as specific situations arise. You must use your judgment in applying these guidelines to the unique circumstances you face. When unsure as to the proper way of dealing with a certain challenge that occurs, please consult with your supervisor, the Corporate Compliance Officer (the “CCO”), a member of the Compliance and Ethics Committee (the “Committee”) or call the Compliance and Ethics Hotline (the “Hotline”) for guidance.

The Manual is not an employment contract; its policies and directives do not create a contract with, nor are they intended to be relied upon by third parties.

LETTER FROM OWNER'S REPRESENTATIVE

Valued Staff,

At Haym Salomon Home for the Aged, LLC, our pursuit of providing high quality of care goes hand-in-hand with our unwavering commitment to compliance and ethics. Please do not jeopardize your integrity or that of Haym Salomon Home for the Aged, LLC. Faithfully follow our Compliance and Ethics Program. Help us to establish and maintain a culture where we are all accountable, strive to identify and correct errors as they are discovered, act proactively and foster honesty. We are driven by the belief that honor and virtue need not be compromised in the pursuit of excellence. Working together as a team, openly and honestly communicating with one another without fear of retribution, we will succeed.

We are all humans and sometimes make mistakes, but at Haym Salomon Home for the Aged, LLC, we have the courage to constantly attempt to improve acknowledge our mistakes and do whatever it takes to address them. As such, we value open, honest and clear communication, and pledge to protect all those that are forthright from retaliation.

This program is not optional. We rely on your involvement in helping us identify and address illegal, unethical or other wrongful activity. Failure to be compliant can result in sanctions against you, including termination of relationship, civil or criminal fines, program exclusion and/or imprisonment.

I, enthusiastically endorse Haym Salomon Home for the Aged, LLC's Compliance and Ethics Program, which embodies these values and charts a path to upholding them in practice, aiding Haym Salomon Home for the Aged, LLC to better detect and prevent illegal or unethical activity. On behalf of the Ownership and Leadership, I express my full support for this invaluable program and request that each of you review this manual thoroughly and incorporate its directives in carrying out your duties. Indeed, I expect no less from every member of our team and those providing services to Haym Salomon Home for the Aged, LLC.

Sincerely,


box SIGN 152JR23K-4Q6QW52Z

_____, Authorized Representative

Haym Salomon Home for the Aged, LLC
d/b/a Haym Salomon Home for the Aged

COMPLIANCE AND ETHICS MANUAL

Adherence to Haym Salomon Home for the Aged, LLC's Compliance and Ethics Program (the "Program") is mandatory and is a condition of employment and working at, or with, to Haym Salomon Home for the Aged, LLC in any capacity. Carefully review this Manual and seek guidance from Human Resources, the Corporate Compliance Officer, the Compliance Committee, or dial the Hotline, should you require any clarification regarding the Program or the law. Any staff member, service provider or business associate who has knowledge of, or suspects in good faith, a violation of the Program is required to report such incidents to Human Resources, the Corporate Compliance Officer, the Compliance Committee, directly or through the Hotline, in a timely manner. Should any staff member, service provider or business associate be found to have violated one or more of the terms of the Program – including, but not limited to, failing to report a known violation of the Program – he or she may face disciplinary action, up to and including termination of employment or relationship. Indeed, adherence to the Program will be a factor in performance evaluations and may affect advancement and compensation decisions, both positive and negative.

I. MISSION AND VALUES

Haym Salomon Home for the Aged, LLC ("Facility") is dedicated to providing services that assist each and every resident in attaining or maintaining his or her highest practicable physical, mental and psychosocial well-being. We are also dedicated to – and are committing significant resources to – promoting a culture of ethical behavior and a commitment to compliance with the law and detecting and preventing wrong-doing. The Facility holds its owners, operators, officers, managers, department heads, employees, members of the medical staff, vendors, suppliers, independent contractors, service providers, business associates and volunteers (collectively, "personnel" or "staff") to the highest ethical, legal and business standards in the performance of their respective duties. We demand honest, honorable and effective behavior from every member of our team and anyone associated with the Facility in any capacity.

II. CODE OF CONDUCT

The Facility has adopted the following Code of Conduct (the "Code") as part of the Program. The Code shall serve, in a sense, as the Facility's constitution – a foundational document that details the fundamental principles, ideals and framework for action within our organization. More specifically, the purpose of the Code is: to help fulfill our mission and values, in part, by defining ethics and compliance standards, spelling out compliance obligations and calling for honorable reporting; to make clear that we will not tolerate or permit employees, service providers or business associates to tolerate offenses or turn a blind eye; to serve as a tool for education and training; to permit fair enforcement and discipline; and to help ensure effective self-monitoring.

A. Compliance with the Law and the Program

As a means of ensuring the safety of residents and safeguarding the efficient use of taxpayer funds, among other important public interests, federal, state and local governments have enacted many regulations controlling nursing home operations. In Appendix A attached to this Program we provide an overview of some important federal and state statutes. In addition, certain federal and state laws are described in supplemental material that will be distributed and discussed in training and education sessions. Because these materials cannot possibly address every situation you may face, or cover all of the operative statutes and regulations, staff members are encouraged to consult

with their supervisors, the CCO, a member of the Committee or the Hotline for further guidance when one is unsure about the legality or appropriateness of a matter. Under no circumstances does omission of a provision excuse non-compliance.

All personnel and those interacting with us must obey all applicable federal, state and local laws and regulations. It is also extremely important that you are able to identify illicit activity conducted by others and that you appropriately report such activity immediately. The Code and the Program are designed to help prevent and detect such violations and to provide avenues through which personnel can report violations that they witness or suspect in good faith, without fear of retribution.

Violations of law may be punishable by, among other things, financial penalties, elimination from health care programs and/or incarceration and/or by disciplinary action up to and including termination of employment or relationship. As importantly, compliance helps demonstrate our commitment to providing residents with very high-quality care. Thus, strict compliance and full cooperation with the Code and the Program is absolutely necessary.

B. Transparency

The Facility strives to cultivate an environment of transparency. We are all humans, and we all make mistakes. It is only by analyzing errors or near-errors that we learn how to avoid similar mishaps in the future. Yet, in order to learn from mistakes, we must first identify them. Therefore, the effectiveness of the Program relies on the participation and cooperation of staff members by coming forward with questions and concerns, as well as reports, of suspected and known illegal or unethical behavior. The Facility *requires* all of its personnel, including those working at or with the Facility in any capacity, to be forthcoming when a mistake is realized or anticipated, or a reportable event occurs. Furthermore, when approached by any member of the compliance team, or someone acting with authority of the Committee, you are *required* to cooperate fully and truthfully and be completely candid with any informative knowledge you may have. Rest assured, the Committee is trained to protect employees who are working to support the Program.

C. No Retaliation/No Intimidation

The Facility has a strict No Retaliation/No Intimidation Policy, whereby staff members who report known or suspected violations of the Program or other illegal or unethical activity are protected from any retaliation, intimidation, coercion, discrimination or any other form of retribution or adverse employment action for coming forward. All Facility members, service providers or business associates should therefore feel comfortable discussing and/or reporting any and all compliance- or ethics-related questions, comments and concerns – whether it relates to a past error, an ongoing occurrence or the anticipation of prospective foul-play. Similarly, staff members should speak freely if approached by an internal investigator or auditor relating to happenings in the Facility. If for any reason you do not feel comfortable, you should report and explain the reason for your discomfort which, together with all reporting, can be done anonymously at any time of day or night through the Hotline.

D. Good Faith Reporting

The Facility recognizes the potential for abuse of this system of reporting; particularly the risk that a vindictive and unethical person could attempt to hide behind the anonymity and security that the Program provides to wrongfully and without basis inflict harm on others. Therefore, while we urge our staff to share pertinent information with the appropriate personnel and err on the side of over-

reporting, all reports, suspicions and concerns of compliance or ethical violations must be made in good faith. Anyone who abuses this process by submitting reports that are knowingly false or based on anything other than good faith threaten the integrity and effectiveness of this crucial Program and may themselves be violating the law and/or may be subject to discipline.

E. Cooperation with Investigations

We strive to appropriately and orderly cooperate with government investigations with the least disruption to care at the Facility possible under the circumstances. Because complex issues of privacy, confidentiality, privilege, the right to counsel and/or retention of records often arise, personnel should refer all communications with law enforcement agencies and/or all requests for records to the Committee and the Facility's General Counsel so all inquiries can be appropriately and timely addressed.

Examples of investigations with which you may be faced include inquiries into possible Medicare or Medicaid fraud and abuse, inappropriate third-party billing, or illegal kickbacks for patient referrals. The individuals who may approach you to conduct such investigations include members of an audit team (i.e. Zone Program Integrity Contractor ("ZPIC") auditors, Recovery Audit Program ("RAC") auditors, Medicare Administrative Contractor ("MAC") auditors); representatives of the state Attorney General's Office, including its Medicaid Fraud Control Unit; Investigators with the Office of the Inspector General; or law enforcement officials (i.e. Federal Bureau of Investigation ("FBI") or local police officers).

If any staff member is approached by a law enforcement official or government representative or is presented with a search warrant or receives a subpoena or any similar form of investigative communication relating to the Facility, its residents, its service providers, its business associates or its employees in any way – including notice of an in-person interview, deposition or interrogation or a demand for the immediate production or inspection of documents – the individual should politely inform such representative that he or she needs to contact the Committee and the Facility's General Counsel, who will properly assist the Facility in responding honestly, clearly and completely to the full extent of the law. The Committee, with the guidance of the Facility's legal counsel, will manage all responses and releases of information. All responses on behalf of the Facility should always be truthful and straightforward.

Nothing in this policy is intended to prevent, obstruct, mislead, or delay the proper communication of information or records to the appropriate authorities. Nor is this policy intended to prevent or discourage employees from properly participating in lawful investigations. Instead, with this policy, the Facility strives to ensure that all operative laws and regulations are dutifully followed, that all information is provided in an organized and forthright manner and that the rights of the Facility's residents, service providers, business associates and employees are duly protected.

F. Integrity of Program

The Facility has taken numerous steps to preserve the integrity of the Program. Some of these steps include: (i) the CCO has authority of Ownership and Management to gain unfettered access to all documents reasonably relevant to compliance activities; (ii) all personnel must cooperate fully with internal investigations and audits and to talk openly and honestly about compliance and ethics concerns to the CCO or those acting on behalf of the CCO; (iii) the CCO and the Committee shall maintain the necessary independence to properly monitor the goings-on at the Facility at all levels; and (iv) there shall be periodic audits of the Program and those who administer it.

III. PROCEDURES AND STANDARDS

As stated above, the rules and regulations governing nursing home operations are voluminous. The Procedures and Standards set forth herein are not intended to be a complete catalog of protocols, but an abstract of some central guidelines that relate to the Facility generally.

A. Procedures

i. *Distribution and Acknowledgment*

The CCO is responsible for distributing a copy of this Manual to all personnel, including service providers and business associates. The CCO is encouraged to have all personnel acknowledge receipt of the Manual, as well as personal responsibility for understanding and adhering to its guidelines, prior to beginning employment, or, at the discretion of the Facility, within 30 days of beginning employment. Such acknowledgement can be accomplished by the submission to HR or the CCO of an executed copy of the Compliance and Ethics Manual Receipt Certification and Acknowledgement Form that will be distributed along with this Manual, or by any other similar form of written acknowledgement. Submission of acknowledgment may be a precondition to certain employee privileges and/or the implementation of certain business arrangements as deemed appropriate by management, HR and/or the CCO.²

ii. *Accessibility*

The Manual must be accessible to all personnel, as well as residents and residents' families, responsible parties and vendors. The Manual and/or a synopsis thereof may also be posted in a conspicuous area in the Facility and/or on the Facility's website.

iii. *Training and Education*

In addition to receiving and reviewing this Manual, each new Facility staff member must complete an initial training and education program within 30 days of beginning his or her employment or initiation of services. The employee vested with the responsibility of the day-to-day operation of the Program is the Corporate Compliance Officer, [Name], [Position]. The CCO is encouraged to have all personnel acknowledge completion of the initial training and education program, as well as his or her understanding of the Program and his or her obligations thereunder. Such acknowledgement can be accomplished by the submission to HR or the CCO of an executed copy of the Compliance and Ethics In-Service Certification and Acknowledgement Form (Appendix D) that will be distributed in conjunction with the initial training and education program, or by any other similar form of written acknowledgement. Submission of acknowledgment may be a precondition to certain employee privileges and/or the implementation of certain business arrangements as deemed appropriate by management, HR and/or the CCO.

The Facility will provide Compliance training to all new employees within thirty (30) days of his or her employment or initiation of services, and periodically throughout the calendar year during which compliance representatives will review existing policies and introduce any changes to the Program. Training will include an overview of compliance expectations and will incorporate guidance on identifying and reporting potential compliance issues.

² Additional certifications may be required when the Program is amended, or at subsequent training and education sessions.

The primary focus of the Facility's Compliance Program is to ensure that a culture of compliance exists within the Facility at all levels. All staff have a fiduciary responsibility to report concerns which may rise to the level of a compliance violation.

There are a variety of avenues for reporting suspected compliance related issues. The Facility has established a toll-free Compliance and Ethics Hotline (the "Hotline") which provides all personnel, residents and their family members, an avenue through which to report ethics and compliance concerns. The Hotline number is posted throughout the Facility and permits the caller to remain anonymous, or to self-identify should the individual wish to receive follow-up information regarding the Facility's investigation. The Facility also provides an email address to which individuals can submit suspected compliance related issues. Additionally, the Corporate Compliance Officer's direct line and email are alternate pathways through which ethics and compliance related issues may be communicated. Finally, a fax line is available should an individual wish to submit a confidential report of a suspected ethics or compliance issue.

The specific pathways for reporting a compliance issue or concern are:

- Toll-Free Hotline: HotlineNumber
- Website: www.snfhotline.org
- E-mail: reports@snfhotline.org
- Fax: (516) 570-3434

Disciplinary policies and procedures are designed to encourage good faith reporting and ensure that discipline, secondary to a compliance related infraction, is fairly, firmly, and consistently enforced. Failure to report suspected compliance issues, or to assist in the resolution of compliance issues, may result in progressive disciplinary action up to and including termination. Participating in, or directing, encouraging, and/or facilitating others to participate in, violations of federal, state and local laws will result in discipline up to and including termination.

The Facility promotes an environment which does not tolerate any semblance of retaliation, intimidation or retribution towards any staff, vendor or provider for the good faith reporting of potential compliance issues or concerns.

The Facility takes a proactive approach in the operation of the Compliance Program to further ensure that its practices conform with federal, state and local laws governing the industry. To facilitate these efforts, the Facility will conduct periodic reassessment of the program, as well as internal audits designed to identify either problematic fields or potential at-risk areas for non-compliance. Included in this operation is the identification of historically high-risk focus areas that may warrant additional scrutiny, resulting in in-depth self-analysis. In the event that an issue is identified and a further audit is required, Facility's counsel may enter into an agreement with a third-party provider to conduct an external audit.

Upon the identification of a suspected or actual non-compliant situation, the Facility will promptly initiate an investigation and/or pursue a plan to correct the condition. The investigation may include interviews, document review, internal audit(s), and reviews of policies and procedures as necessary. The investigation will be guided by the Facility's CCO, or their designee, and will utilize techniques designed to respond promptly and thoroughly to any confirmed compliance problems. In addition, the methods employed are designed to reduce the likelihood of the reoccurrence of the issue identified.

Upon completion of the necessary investigation required to validate the existence of a compliance issue, any issue which must be reported to the State Department of Health and/or the Office the Inspector General, shall be so reported. In the event the Facility self-identifies a potential Medicaid overpayment, Facility will implement its policy and procedure designed to investigate the legitimacy of the claim and, if warranted, remediate the overpayment within the required timeframes once the Facility has quantified the overpayment.

The Compliance Program is designed to provide interaction directly with the Facility management, as well as the governing body of the Facility. Periodic reports are provided to the Facility's Chief Executive or his/her designee, as well as to the governing body by the Facility CCO.

Personnel must also complete annual refresher training sessions thereafter, in which the Facility compliance representatives will review existing policies and introduce and explain any additions and/or modifications to the Program. To further enhance the efficiency of these training sessions, the Facility may have multiple different classes tailored for the different employment fields and positions, as appropriate. In addition to annual seminars, training sessions may be conducted, as necessary, to address specific issues and concerns that may arise over the course of the year. All Facility personnel are expected to participate in all mandatory training sessions and to incorporate that training into day-to-day conduct.

The CCO is responsible of keeping track of attendance at training and education sessions, via sign-in sheets, evaluation forms or any other appropriate means. The CCO will also retain copies of education training materials distributed at such sessions.

iv. *Compliance and Ethics Committee and Corporate Compliance Officer/Reporting*

You can always report any ethical or compliance violation through the ordinary chain of command, but if the response is unsatisfactory or circumstances do not allow for such a path, please do not stop there. The Facility has appointed a Compliance and Ethics Committee, chaired by the Corporate Compliance Officer, bearing responsibility for, among other things, receiving, responding to and overseeing all compliance and ethics issues. All Facility personnel, including service providers and business associates, may contact the CCO or any Committee member, either in person, by telephone or in writing, with any compliance- or ethics-related questions, comments, or concerns, or, in the alternative, one can anonymously use the Hotline described in the next paragraph. Human Resource-type issues like questions about your paycheck, benefits or staffing preferences should still be directed to HR and all other issues should be addressed through the appropriate chain of command.

v. *Compliance and Ethics Hotline/Anonymous Reporting*

The Facility has established a toll-free Compliance and Ethics Hotline – in English, Spanish, and numerous other foreign languages as an alternate reporting tool. The Hotline provides Facility personnel, as well as residents and their family members, an avenue through which to report and/or discuss, anonymously or otherwise, compliance and ethics issues and concerns 24-hours-a-day; 365-days-a-year. To avoid the Hotline becoming clogged with extraneous issues, please restrict calls to compliance- and ethics-related issues only. The Hotline is administered by an outside company in part to avoid the possibility that the caller may be recognized and to help ensure the integrity of the system. Report logs are kept, issues raised are investigated and each mechanism is monitored by the CCO and by an independent agency, as appropriate, to help ensure that

effectiveness and confidentiality are properly maintained. The Hotline is also useful for those who have already reported a concern in person and desire follow-up. This system may be used anonymously (without leaving a name).

- Toll-Free Hotline: HotlineNumber
- Website: www.snfhotline.org
- E-mail: reports@snfhotline.org
- Fax: (516) 570-3434

vi. *Anonymity and Confidentiality*

All reports, regardless of how or to whom they are presented, may be done so anonymously, if so desired. (Leaving a name allows us to better request more information or clarification during the course of any investigation but is most certainly not required.) All reports will be held strictly confidential to the extent allowable by law. A person's identity will be kept confidential unless the matter is turned over to law enforcement or disclosure is required during a legal proceeding.

B. Standards

As expressed in the Code of Conduct, Facility is absolutely committed to adherence to all operative federal, state and local laws, rules and regulations. Violations of law are unacceptable, as is encouraging, directing, facilitating or permitting unlawful behavior. Anyone found to be in violation of any applicable federal, state or local law, rule or regulation, shall be subject to appropriate disciplinary action. Disciplinary policies and procedures are designed to encourage good faith reporting and ensure that discipline, secondary to a compliance related infraction, is fairly, firmly, and consistently enforced. While an itemized description of relevant federal and state statutes is set forth in Appendix A hereto, some policies that relate to regulations are set forth herein for emphasis.

i. *Quality of Care*

1. Clinically-Driven Care

All decisions regarding resident care shall be driven by the honest assessment of each resident's clinical needs.

2. Residents' Rights

Outstanding personalized care and services is foremost among the Facility's objectives. Accordingly, the Facility has adopted the residents' rights principles set forth in Appendix B hereto as part of the Program.

3. Comprehensive Care Plans

The Facility shall develop a comprehensive care plan for each resident that addresses his or her individual medical, nursing, mental and psychosocial needs, using, among other things, the Resident Assessment Instrument (RAI), and includes all disciplines involved in the resident's care and, when possible, the resident and/or the resident's family members. The Facility shall also evaluate with the attending physician how best to ensure physician participation, whether via consultation and post-meeting debriefing or telephone or personal attendance at meetings. The duration and content of care plan meetings, as well as attendance and the status of clinical

assessments at the time of such meetings,³ should be properly documented, as such records may assist the Facility in demonstrating compliance.

4. Medication Management

The Facility shall employ or obtain the services of a licensed pharmacist. Facility and consultant pharmacist should work together to achieve proper medication management at Facility, by, among other things, ensuring compliance with operative quality and safety standards, including monitoring the prescription drugs prescribed to residents and keeping residents' drug regimens free from unnecessary medications.

5. Psychotropic Drugs

The Facility must ensure that psychopharmacological practices comport with governmental regulations and generally accepted professional standards. For example, no medications – especially atypical antipsychotic medications – should be used as a means of chemical restraint for purposes of discipline or convenience.

6. Promoting Resident Safety

Residents have a legal right to be free from abuse and neglect under all circumstances. Residents are also entitled to be free from preventable adverse incidents and temporary harm events. Accordingly, the Facility shall take steps to ensure that it is protecting its residents from these risks. Of particular concern is harm caused by staff and fellow residents. Heightened awareness and monitoring for abuse and neglect are crucial to the success of our Program.

7. Background Checks

The Facility shall not employ nor contract with individuals found guilty of abusing, neglecting or mistreating residents or individuals with a finding entered into a state nurse aid registry concerning abuse, neglect, mistreatment of residents or misappropriation of residents' property. Furthermore, if an individual or entity contracts or does business with or is employed by an individual or entity that is excluded from participation in the Medicare or Medicaid programs – or a non-excluded entity which is controlled by an excluded individual – it may be subject to penalties.

In light of the foregoing, background checks may be conducted on all personnel, specifically those who are licensed health care providers and those with direct resident access, as required under operative federal and state law. The background check, at the time of employment and periodically thereafter, may include searches of state and federal criminal history records, a review of the Office of Inspector General's List of Excluded Individuals/Entities and other recognized registries and methods of investigation such as fingerprint checks. Specifically, criminal background checks may be conducted annually, and exclusion checks may be conducted monthly or more frequently as required by law or circumstances. Furthermore, all employees are required to inform the Facility if they become excluded, debarred, suspended or otherwise ineligible to participate in federal or commercial health care programs or if they are convicted of a crime while working at or with Facility or if they become aware that another person or entity with whom the Facility conducts business is excluded or employs or contracts with excluded individuals or entities.

³ Clinical assessments should be completed *prior* to care plan meetings.

All service providers and business associates must conduct the background checks discussed above on all of their employees who work at or with the Facility in any capacity.

Should a background check reveal that an individual or entity has been convicted of a felony or was excluded from participation in health care programs, the Facility shall refrain from employing or contracting with such individual or entity, at a minimum to the extent required by law. Furthermore, if such individual or entity is employed by or contracting with Facility at the time such conviction or exclusion is discovered, the Facility will immediately work to determine the appropriate action based on the circumstances, including possible termination of the relationship and/or reversal of payment received for services rendered by the individual or entity while excluded.

8. Employee Qualifications

All Facility personnel shall obtain and maintain proper credentials, certifications and licenses as required to carry out their respective jobs. In addition, all staff members should fulfill any applicable continuing education requirements. At a minimum, the Facility and any entity doing business with it in any capacity shall check qualifications as required by law.

9. Staffing

Staffing levels shall not fall below any applicable federal or state requirements. The Facility shall assess its staffing pattern regularly to evaluate whether it has sufficient staff members who are competent to care for the unique acuity levels of our residents. Assessment of staffing patterns should take into account resident case mix, staff skill levels, staff-to-resident ratios, staff turnover, staffing schedules, disciplinary records, payroll records, timesheets and adverse events reports (e.g. falls, adverse drug events, etc.), as well as interviews with staff, residents and/or residents' families or legal guardians.⁴

ii. *Billing Practices*

All staff members should be particularly cautious with the accuracy of billing information, as reckless misstatements to government agencies or other payers can result in criminal prosecution, forfeiture of reimbursement and/or the imposition of civil monetary penalties imposed against an individual and/or Facility.

1. Accurate Documentation and Submission of Claims

Honesty and meticulousness in writing is just as important as it is in verbal communication. Facility demands that all personnel, including anyone working at or with the Facility in any capacity, maintain the highest level of integrity regarding documentation by maintaining proper records in accordance with all relevant laws. The Facility strictly prohibits tainting the accuracy of medical, financial or billing records by, among other things, forging another's signature; back-dating; falsifying, misrepresenting, altering or exaggerating entries; or submitting a document that one has reason to believe is false, erroneous or inadequate. As an additional safeguard, the Facility may institute monitoring and auditing systems aimed at detecting inaccurate billing and reimbursements. Should any staff member discover a billing error – including but not limited to the receipt of an overpayment (an amount of money the Facility receives in excess of the amount

⁴ Whenever possible actual “on-the-floor” staff rather than theoretical “on-paper” staff should be examined when assessing staffing; that is, payroll records are better than scheduling records.

due and payable under health care program requirements) – he or she should immediately advise a supervisor or a Committee member of the error to ensure that proper corrective action is taken.

2. General Billing Practices

Personnel must adhere to all operative laws, rules and regulations governing billing procedures, submission of reimbursement claims and filing of cost reports. The Facility must submit accurate claims and desires only to bill for services that were actually provided, medically necessary and properly authorized. As such, do not submit a false claim or cause a false claim to be submitted. By way of example, no member of our team, or anyone working at or with the Facility in any capacity, should: bill for items or services not rendered or provided as claimed; submit claims for equipment, medical supplies and services that are medically unnecessary; submit claims to Medicare Part A for residents who are not eligible for Part A coverage, particularly regarding hospice care; duplicate bill; fail to identify and refund credit balances; bill for unallowable claims related to communicable disease care; submit claims for items or services not ordered; knowingly bill for inadequate or substandard care; provide misleading information about a resident's medical condition on the MDS or otherwise provide inaccurate or incomplete information used to determine the Resource Utilization Group ("RUG") assigned to the resident; improperly utilize therapy services to inflate the severity of RUG classifications and obtain additional reimbursement; over-utilize Medicare Part B services; upcode the level of service provided; bill for individual items or services when they either are included in the Facility's per diem rate or are of the type of item or service that must be billed as a unit and may not be unbundled; bill residents for items or services that one included in the per diem rate or otherwise covered by a third-party payer; alter documentation or forge a physician's signature on documents used to verify the services were ordered; fail to maintain sufficient documentation to support the diagnosis, justify treatment, support the course of treatment and results and promote continued care; or create or submit false cost reports. Furthermore, the Facility will require the payment of insurance copayments and deductibles barring a determination that a resident lacks the funds for such payment or some other legitimate exception.

3. Restorative and Personal Care Services

Residents shall receive appropriate restorative and personal care services to allow residents to attain and maintain their highest practicable level of functioning. These services include, among others, care to avoid pressure ulcers, active and passive range of motion, ambulation, fall prevention, incontinence management, bathing, dressing and grooming activities. Health care programs may not reimburse for restorative and personal care services that were not provided or were so wholly deficient that they amounted to no care at all.

4. Document Retention

The Facility requires the retention of all generated and received recorded information – electronic and paper – related to financial, medical or legal issues for the applicable period required by law, if any.⁵ All records should be kept in their original form or a suitable alternative form for storage for the duration of the period, at which time such records should be destroyed. In the event a legal hold notice – requiring retention of certain records that may be relevant to matters that are the

⁵ HIPAA, for example, requires that certain documentation be retained for 6 years.

subject of litigation, investigations or audits – is issued, the terms of such notice should be carefully observed, superseding normal document retention practices.

5. Excluded Individuals/Entities

The Facility shall not employ, contract with or bill for services provided by individuals or entities excluded from participation in a federal, state or commercial health care program.

iii. *Kickbacks*

The Anti-Kickback Statute is a criminal prohibition against remuneration (any form of payment, whether direct or indirect) made to induce or reward the referral or generation of health care program business. To that end, unless an exception or Safe Harbor applies, the acceptance, offer, payment or solicitation of money or anything else of value by, from or to any vendor, supplier or health care provider or beneficiary by, from or to a Facility staff member in exchange for any referral, recommendation or inducement of any business is strictly prohibited. Examples may include discounts, special deals, perks or gifts (i.e. free office space, commissions, expensive travel or entertainment arrangements, etc.). The offer to or acceptance from vendors of nominal gifts – such as inexpensive pens, small pads of paper or modest meals – in line with commonly accepted practices, may be acceptable when such gifts are not given or accepted for the purpose of inducing the referral or generation of business and such gifts do not create the appearance of impropriety. However, Facility personnel shall not offer or accept any tip or gift to or from any prospective or current resident or on behalf of any resident in any way related to health care services rendered or to be rendered. In addition, we request that personnel report any occurrence of a staff member being offered or accepting any free or non-fair market value goods or services from anyone with whom the Facility does or might do business, as such activity may create heightened risk.

The Anti-Kickback Statute is an intent-based statute and is complex in nature. Staff members must seek guidance from a Committee member and/or Facility's counsel whenever the Anti-Kickback Statute is potentially implicated.

iv. *Anti-Supplementation*

The Facility must accept the applicable Medicare or Medicaid payment (including any beneficiary co-payment authorized under those programs), respectively, for covered items and services as the complete payment and may not charge the beneficiary, or any other person, any amount in addition to what is otherwise required to be paid under those programs.

v. *Fair Competition*

While we strive for excellence in the industry, we do so only while competing fairly with others. Determination to succeed does not excuse unfair competition. The Facility is committed to carrying on its business within the parameters of relevant regulations and proper practices. As such, the Facility forbids the engagement in any activity that produces monopolies or suppresses competition. We ban the use or sharing of proprietary or confidential information from or with competitors, as well as the utilization of deceptive or illegal means to obtain classified information. It is likewise prohibited to violate trademarks or other intellectual property rights (e.g., copyrights, patents and service marks) of others.

vi. *No Discrimination*

Respect for the dignity of others is the guiding principle for our professional relationships. Do not discriminate in admissions, retention, treatment, or employment decisions based on race, color, religion, sex, national origin or any other characteristic prohibited by law or engage in sex-based wage discrimination or discrimination against qualified individuals with disabilities or discriminate in employment based upon genetic information about an applicant, employee or former employee.

vii. *Advertising and Marketing*

The content and dissemination of advertising and marketing materials and compensation arrangements for marketers and sales representatives shall accord with any and all relevant laws, rules and regulations. Specifically, all advertising and marketing materials shall be truthful and non-deceptive and shall be distributed in a manner that abides by HIPAA privacy rules. Moreover, compensation arrangements for marketers and sales representatives shall steer clear of potential issues of fraud, waste and kickbacks.

viii. *Conflicts of Interest*

The Facility's interests must supersede all personal interests in our staff members' actions in their professional capacity. Personal interests must not interfere with the Facility's interests in any way. Therefore, all Facility personnel must disclose existing potential and perceived conflicts of interest – including their or their family member's or close friend's participation or ownership in or employment with any contractor or party with which the Facility does business or conducting outside business other than that which is being done on behalf of the Facility with any of its vendors, suppliers or contractors, or any of their officers or employees – and avoid entering into any relationship that may compromise their responsibility to the Facility going forward. Those staff members who work regularly with third parties on the Facility's behalf should report any actual or potential conflicts of interest on no less than an annual basis or whenever the conflict first arises.

ix. *Proprietary, Privileged and Confidential Information*

Disclosure or sharing of proprietary, privileged and/or confidential information – including health information, personal data and classified business records – is strictly regulated. Facility personnel, including anyone working at or with the Facility in any capacity, have an affirmative duty to protect confidential and privileged resident, employee and business information; accessing and sharing such material only as warranted by operative laws, rules and regulations, some of which are summarized in Appendix A hereto. Regarding protected patient information – data, including demographic data, that relates to the individual's past, present or future physical or mental health or condition, the provision of health care to the individual or the past, present or future payment for the provision of health care to the individual, that identifies the individual or for which there is a reasonable basis to believe can be used to identify the individual – foremost among these statutes are HIPAA⁶ and HITECH.⁷ Proprietary information and intellectual property may include ideas,

⁶ Health Insurance Portability and Accountability Act of 1996 ("HIPAA"), P.L. 104-19.

⁷ Health Information Technology for Economic and Clinical Health ("HITECH") Act, P.L. 111-5.

inventions, software, books, new ways of doing things, financial statements, plans, discussions, customer lists or anything else that a business would not want a competitor to know.

Some practical examples of protective care include refraining from discussing private information in public areas, sharing sensitive information only with appropriate individuals who need to know the information to do their jobs, properly indicating the sensitivity of confidential written material, delivering such material to designated recipients directly rather than leaving it at an unoccupied desk, refraining from leaving the machine unattended while making copies of such material and shredding or otherwise destroying waste copies. To further assist in ensuring such security, the Facility may institute other policies to safeguard confidentiality.

Given the complex technical regulations related to the release of proprietary, privileged and/or confidential material to others, staff members, service providers and business associates should refer all requests for information to the Committee and the Facility's General Counsel. Only such trained professionals should attempt to handle issues of privilege and the release of confidential patient and business information outside the organization.

Should a breach of unsecured protected health information occur, the Facility will provide all appropriate notification in accordance with the HITECH guidelines.

IV. COMPLIANCE OFFICERS

The Facility has established a Compliance and Ethics Committee, comprised of high-level health care professionals representing operational and programmatic spheres, serving as compliance officers. The Committee, chaired by the Corporate Compliance Officer, has been afforded the authority and resources necessary to carry out its duty to ensure regulatory and ethics compliance. A complete list of the members of the Compliance Committee, as well as each member's contact information, is annexed hereto as Appendix C.

The CCO, with the assistance of the Committee, is tasked with assisting Facility in its endeavor to develop a culture that values compliance from the top down and fosters compliance from the bottom up and helping to implement the Program by, among other things:

- Identifying, evaluating and prioritizing the greatest areas of compliance risk, based on, among other things, OIG Work Plans, Compliance Alerts, survey and audit findings (past and present), payer denials, and/or discussions with and reports from staff members and managers;
- Creating an annual compliance work plan, along with anticipated budgetary needs, and presenting such blueprint to the CEO, Ownership and/or the Governing Body as appropriate;
- Efficiently utilizing the resources given to [him/her] and requesting more resources when necessary;
- Ensuring that the Manual is distributed to all staff members and collecting each member's executed acknowledgment form;
- Developing, coordinating, implementing and overseeing the Program, including the training and education of Facility personnel;
- Accessing and reviewing any and all documents that are relevant for effective compliance activities;

- Monitoring the Program to ensure that it is up-to-date with any and all modifications to legal and regulatory standards as well as the evolving realities and needs of the Facility and amending the Program appropriately;
- Ensuring that all legally required background checks are conducted, and that OIG's List of Excluded Individuals/Entities is reviewed periodically to confirm that the Facility does not employ or contract with anyone who has been excluded from participating in government or commercial health care programs and/or convicted of certain crimes in violation of law;
- Investigating compliance and ethics issues that arise to determine whether (i) a violation has, in fact, occurred; (ii) disciplinary action is required; and (iii) all reasonable steps to respond appropriately to a violation and to prevent similar violations have been taken;
- Aiding supervisors, Committee members and/or the Facility's General Counsel in developing and implementing resolutions to compliance issues that arise, including recommending and assessing punishments, overpayment returns, whether or not voluntary disclosure is appropriate and other corrective actions for violations;
- Following up, as appropriate, with personnel regarding reports they have filed, thereby generating confidence in the Program by exhibiting the seriousness with which compliance issues are handled;
- Reviewing previous citations and survey tags for potential patterns of deficiency to ensure that recurring problems are addressed more urgently and with greater resolve;
- Acting with management's (Ownership, the CEO and/or the Governing Body) implied or express authority and commitment to the integrity of the Program, when necessary;
- Maintaining the Hotline, including ensuring a log of reports is properly kept, and safeguarding the integrity and effectiveness of these mechanisms, including the retention of external monitors as needed;
- Coordinating efforts and sharing of information between the Committee, the Facility's lawyers and internal and/or external auditors and monitors, as necessary;
- Analyzing audit findings, with the assistance of legal counsel as appropriate, and advising management on remedial options so they can properly decide what course to pursue; and
- Periodically assessing the effectiveness of the Program as a means of improvement, by evaluating the implementation of policies and procedures, employee awareness vis-à-vis the Program and other appropriate methods.

The CCO shall be on par with the Facility's management and is not subordinate to the General Counsel or the Chief Financial Officer. The CCO and/or the Committee will report to Ownership, the CEO/Operator and/or the Governing Body directly no less than on an annual basis and more frequently, as necessary. These in-person meetings may be accompanied by a written report and shall address the performance of the Program in the prior period, any ongoing compliance issues of concern and the Program's objectives and work plan for the coming period. Those to whom the CCO reports shall work to ensure that the Program is effective and current and is endowed with the resources and authority needed to achieve its objectives. These executives are also tasked with ensuring that the CCO is duly performing [his/her] responsibilities. As such, they shall review internal controls and audits, assess risk management and retain external auditors if necessary.

V. DUE CARE IN DELEGATION OF AUTHORITY

The Facility has used due care in its delegation of discretionary authority, granting such influence only to qualified and accomplished staff members. Aside from the standard background checks, those in positions of authority may be subject to more careful personal and professional scrutiny and are only granted discretionary authority upon reliable recommendation.

VI. EDUCATION AND TRAINING

While the Manual is an educational tool, the Facility recognizes the need to further train and educate staff members. At a minimum, each incoming staff member is required to complete an initial training program within 30 days of his or her employment or initiation of services. In addition, the Facility has instituted annual refresher training sessions for all staff members in which the Facility compliance representatives will review existing policies and introduce and explain any additions and/or modifications to the Program. The training sessions may be conducted by duly qualified Facility personnel, outside trainers or both and may include live lectures, videos, computer programs and/or online interactive sessions. To further enhance the efficiency of these sessions, Facility may have multiple different classes tailored for the different employment fields and positions concentrating on the issues that are most relevant to the particular group of personnel. There may also be programs to address specific issues and concerns that may arise over the course of the year.

VII. STEPS TAKEN TO ACHIEVE COMPLIANCE

The appropriate practical action the Facility has taken to achieve compliance with the Program's standards is reflected in several techniques set forth in this Manual. Foremost among these measures is the Facility's comprehensive reporting system, whereby staff members, including service providers and business associates, are provided multiple avenues of communicating concerns and incidents involving compliance and ethics issues. Personnel are encouraged to communicate freely with supervisors, the CCO or a Committee member either in person or by email, or anonymously via the toll-free Hotline – with operators able to converse in English, Spanish and numerous other foreign languages. If any staff member feels that he or she received an inadequate response for an in-person report, the Hotline should be utilized to address the issue. The Facility's strict No Retaliation/No Intimidation Policy ensures that personnel are protected from any retribution for coming forward with reports of known or suspected illicit activity. The workings and importance of the reporting system is conveyed to all personnel upon their joining the Facility and periodically thereafter vis-à-vis annual training and education courses. Furthermore, the Facility endeavors to follow up with staff members who file reports, as appropriate and practicable, as a means of conveying our sincere commitment to addressing compliance matters and concerns.

Another attempt to achieve compliance lies in the Facility's multiple investigative and oversight tools to monitor and audit regulatory and ethics issues. Through internal controls and internal and external audits, among other things, we strive to bring all of the Facility's goings on in line with current regulatory and ethical standards and ensure that the Program itself is as effective and efficient as possible. Specifically, audits may focus on hot-button issues (identified as such based on OIG Work Plans, Compliance Alerts and previous surveys and audits and payer denials or any other issue deemed appropriate or advisable by the Facility) such as billing, coding, medical necessity, referrals and other claims-related issues; hospital readmissions and hospitalizations, staffing patterns, communicable disease care, rates of adverse events, plans of care and related

quality matters; and compliance concerns, including professional review of training and education classes and material and the use of interviews, surveys and other established methods to get feedback from staff members on the effectiveness of policies, ways in which procedures can be improved and employees' perspectives on their relationship with management. The Facility may also use exit interviews with outgoing personnel to glean information as to how operations and compliance can be improved. Follow-up monitoring, as well, may be conducted to help ensure an effective and enduring resolution of noncompliance findings.

VIII. CONSISTENT DISCIPLINARY ENFORCEMENT

The Facility recognizes that the consistent enforcement of this Program is critical for its authenticity. Therefore, the Facility will enforce the principles of this Program and appropriately discipline anyone who knowingly and willingly – or, in some instances, even recklessly or negligently – violates its principles, either actively or passively.

IX. APPROPRIATELY RESPONDING TO OFFENSES

If an alleged violation of the Program or an operative law, rule or regulation is brought to the attention of a supervisor, the CCO or a Committee member – or if the offense is otherwise detected – a formal investigation may commence. The CCO may manage a suitable inquiry into the matter – including, as appropriate, interviews of people who may have knowledge of the alleged conduct; reviews of relevant documentation; and preparation of a report of the investigation – and may make a determination whether and to what extent a violation has taken place. Should the CCO, with the assistance of the Committee and in consultation with counsel, if necessary, conclude that a violation was committed, any and all available reasonable remedies will be pursued in a timely manner. This may include the repayment of ill-gotten funds via over-payments, duplicate billings or improper compensations. The CCO, along with the Committee and legal counsel, may also determine that voluntary disclosure to government authorities and/or payers may be appropriate. Required disclosures and submissions, such as correction plans for deficiencies identified during surveys, will also be duly performed. Furthermore, the Committee may review identified violations in search of possible lessons to be learned in order to prevent such infringements from reoccurring and help develop a corrective action plan accordingly. Any modifications to the Program that may help prevent such reoccurrence or assist in the detection of such a violation will be implemented as soon as practicable. Additional training may also be provided, as appropriate.

Another means of averting future violations is to deter the perpetrator and others from lax compliance with the Program. To that end, should a determination be made upon appropriate investigation that a Facility staff member, including anyone working at or with the Facility in any capacity, knowingly and willingly – or, in certain circumstances, even recklessly or negligently – violated the Program or an operative law, rule or regulation, recommendation for disciplinary action may be made to HR, who is responsible for determining the proper punishment. HR shall then instruct the appropriate supervisor or manager what disciplinary action should be taken. All disciplinary action shall be enforced by supervisors and/or managers. Available disciplinary actions – to be meted out according to the seriousness and prevalence of the offense – include verbal warnings, written warnings, suspension, modification of compensation, privilege revocation, financial penalty and termination of employment or relationship. Where appropriate, referrals for further disciplinary action by law enforcement authority may be made. Facility disciplinary action shall be taken under the guidance and supervision of legal counsel, as needed. The disciplinary process will be enforced in a timely, decisive and public manner and each step of

the process will be well documented. It will be made clear to the staff and everyone who comes in contact with the Facility that we take regulatory and ethics compliance very seriously.

X. PERIODIC REASSESSMENT OF THE PROGRAM

An effective and efficient compliance and ethics program must remain current, properly reflecting contemporary laws and policies; existing conditions in the greater industry as well as the specific Facility; and the latest focus trends of regulatory enforcement agencies. Periodic reassessment of the Program is necessary. Thus, the Facility shall undertake to internally monitor and audit the Program as appropriate. The Committee will have applicable federal, state and local rules, laws, alerts and regulations monitored for changes that are relevant to the Facility. The Committee may also manage a reassessment, enlisting the assistance of various staff members to study the latest compliance developments and identify areas of the Program that require modification. These efforts are in addition to, rather than in place of, reviews of the fundamental effectiveness of the Program systems and structures and assessments of the overall success of the Program in general, as well as each of its basic elements. Facility also recognizes the need for ongoing external auditing and monitoring to ensure objectivity in implementing, enforcing and updating a proper compliance program. As such, the Committee may procure the services of independent third-party consultants, as needed. These efforts will help the Program remain relevant and useful in effectively guiding the Facility to achieve full regulatory and ethics compliance.

XI. CONCLUSION

Our priority is and should always remain providing the highest level of care practicable to our residents. The Facility appreciates the pivotal role an effective and efficient compliance and ethics program plays in achieving our mission. We count on your full support of our compliance efforts and look forward to working with you in making this Program an enduring success.

Appendix A

Federal & State

Compliance Statutes

Complete Copies of **Appendix A** – containing certain Compliance statutes – are available for your review in the Human Resources office and the Administrator’s office.

Appendix B

Federal & State **Resident Rights**

Complete Copies of **Appendix B** – containing certain Resident's Rights statutes – are available for your review in the Human Resources office.

Appendix C

Compliance and Ethics Committee

Name	Telephone	Email
Rytes Company	888-99-RYTES	info@rytescompany.com
* Corporate Compliance Officer		

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Appendix D
Compliance and Ethics In-Service
Certification and Acknowledgement

I certify as follows:

I have received Haym Salomon Home for the Aged, LLC’s Compliance and Ethics Manual (the “Manual”);

I completed Compliance and Ethics Training;

I understand that Haym Salomon Home for the Aged, LLC takes compliance and ethics very seriously;

Neither Ownership nor Management desires for me to act in violation of law for any reason;

I will faithfully follow the code of conduct and directives set forth in the Manual;

I will report any suspected unlawful or inappropriate conduct to the Corporate Compliance Officer or a member of the Compliance and Ethics Committee (the “Committee”) or anonymously through the Compliance and Ethics Hotline (the “Hotline”) or the Compliance and Ethics Online System (the “Online System”);

I understand that Haym Salomon Home for the Aged, LLC has a strict No Retaliation/No Intimidation Policy whereby staff members who report known or suspected violations of the Compliance and Ethics Program or other illegal or unethical activity are protected from any retaliation, intimidation, coercion, discrimination or any other form of retribution or adverse employment action for coming forward; and

Violation of any of these obligations, including the obligation to report suspected violations to a member of the Committee or through the Hotline or Online System, can result in disciplinary action up to and including termination and/or civil or criminal legal action against me and/or Haym Salomon Home for the Aged, LLC.

Signature

Date

Printed Name