



 **CODE OF CONDUCT**
CORPORATE COMPLIANCE



AVALON
HEALTH CARE
MANAGEMENT



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Letter from the Chairman



Over 30 years ago, Lewis Garrett and I formed what today is Avalon Health Care Management, Inc. and its affiliate companies (“Avalon” or “Avalon Health Care” or “company”) to create a post-acute continuum that would provide best practice care in the setting most befitting our patients or residents. Lewis has since passed away, but Avalon keeps that goal and vision today. The foundational belief that “**we embrace a reverence for life and a heart for healing**” guides the way our employees conduct our operations and care for our patients and residents.

Avalon Health Care is committed to providing professional and compassionate healthcare. The commitment is demonstrated by employing skilled and compassionate staff. Our Code of Conduct, which serves as the foundation for our Compliance Program, articulates our standards as we approach our work in caring for the people that need our services. Every employee, regardless of job title, length of service, or responsibilities has a fundamental role in carrying out our mission. Our Code of Conduct is your guide to ensure that you are making the right decisions. It supports you in performing your job responsibilities in a manner that complies with our policies and company expectations. It also ensures that we comply with all applicable laws and regulations.

Today, Avalon Health Care continues to grow as we care for seniors or others by providing post-acute care through a diversified platform that includes skilled nursing, assisted living, and senior housing. Avalon is a multi-state service organization primarily on the west coast.

Our responsibility to our residents and patients requires that each employee adhere to the highest standards of ethical and legal conduct. The success of the business depends on trust. Our employees’ ethical conduct is the foundation upon which trust is built. Every employee has the opportunity and responsibility to promote an ethical culture by serving our patients and residents with integrity and respect. Our culture allows employees to report concerns without fear of retaliation. Our Code of Conduct helps guide us in decision-making. It is the conscience of our company – offering the appropriate guidance to handle potentially difficult situations or conflicts that may arise.

The **following principles** and values are crucial to Avalon;

Integrity:	We are honest and professional.
Trust:	We can depend on each other.
Excellence:	We do our best and strive to do even better.
Accountability:	We accept responsibility for our actions.
Mutual Respect:	We treat others the way we want to be treated.

These core values are the basis of how we conduct business. They are the framework for how we interact with each other and our residents and patients.

Together, as we strive to care for our patients and residents and each other with respect, compassion, excellence and team work, I want to emphasize it is our responsibility to operate with the highest principles and ethical business standards.

My expectation is that you will read the Code of Conduct and adhere to the guidelines. You should have the same expectation of your leaders and colleagues. If you have any questions about anything you read in this Code of Conduct, please ask your supervisor or contact our Compliance Department.

Best regards,
Randy Kirton, Chairman



Mission Statement, Values, and Introduction to our Code of Conduct

Our Mission

Our mission at Avalon Health Care is to embrace a reverence for life and a heart for healing as well as produce value and dignity for each patient and resident we serve. We are dedicated to providing quality post-acute care and related services for the patients and residents that we serve.

Our Values

- Make integrity, trust, and accountability your pledge.
- Share our drive for excellence.
- Be adamant in conveying mutual respect.

Introduction to our Code of Conduct

Avalon Health Care appreciates and acknowledges our responsibilities to provide quality care, to respect the dignity and privacy of our patients, to act in accordance with our values and to comply with all applicable laws and regulations. Our mission requires each of us to “Embrace a Reverence for Life and a Heart for Healing”.

Health care laws and regulations are evolving. Ethical situations are not always clear. It is sometimes difficult to know how to handle certain situations. That is the reason we have developed our Code of Conduct and provided you with resources to help you understand our expectations, and to help you to make good decisions for the company, for our patients, and for you.

To Whom This Code Applies

This Code of Conduct (“Code”) provides the ethical guidelines and expectations for conducting business on behalf of Avalon Health Care. Board members, officers, employees, contractors, subcontractors, vendors, or other entities or persons with whom Avalon has entered a contract or other arrangement to conduct business on behalf of the Company must each review and observe the Code of Conduct to ensure that all actions are consistent with Avalon’s values and principles. The conduct and behavior of vendors can affect the company and its reputation. Therefore, our vendors are expected to conduct their businesses in a legal and ethical manner and to meet all applicable contractual obligations.



Compliance Program

Compliance Program

Avalon's Compliance Program ("Program") has been developed to support our mission statement to "Embrace a Reverence for Life and a Heart for Healing" and our commitment to providing excellent patient care. Avalon's Compliance Program has been designed to assist employees and business partners to integrate these values, ethics, and principles within our Code of Conduct into all aspects of our operations.

We have a Chief Compliance Officer ("CCO") to have overall authority and responsibility to oversee compliance standards and expectations for all employees, contractors, and vendors. The CCO reports directly to the Board of Directors. The Compliance Department functions independently of the operating divisions. The goal of the CCO is to maintain a structure and process that promotes ethical behavior and compliance with legal requirements and company policies, resulting in quality care, accurate financial practices, and organizational excellence.

Accountability

This Code of Conduct identifies the basic principles and values for action within our organization. It sets guidelines and standards to help guide your behavior and actions in common situations. It states our basic commitment to compliance. Each of us is accountable for our own behavior. Compliance with this Code of Conduct is a condition of employment at Avalon. Failure to follow the principles will result in disciplinary action up to and including termination.

Neither this Code of Conduct nor our overall Compliance Program can cover every situation that you might encounter. If you are unsure of what the proper course of conduct might be in a specific situation, or if you believe that any of our standards of conduct or procedures (whether set forth in this manual, policies and procedures, or elsewhere) have been violated, you are urged to contact the Compliance Department and speak with the Chief Compliance Officer.

Not a Contract

Nothing in this Code of Conduct creates any contract rights or responsibilities between Avalon and any employee, vendor, patient, client, or other third person.



Compliance Program

Reporting

Avalon Health Care and its managed skilled nursing facilities are committed to ensuring that it properly addresses suspected violations of law, regulation, policy, procedure, and/or the Code of Conduct.

The company has the opportunity to improve each time you ask a question or raise a concern. When you question a policy or report a concern, you are helping to protect the interests of our patients and employees, and the reputation of Avalon Health Care. An issue cannot be handled unless it is brought to someone's attention. Reporting your concerns is an important part of the effectiveness of the compliance program.

If you have a concern, you can talk to your supervisor. If you are uncomfortable addressing the issue with your supervisor, talk with your supervisor's supervisor, the administrator, or your Human Resources representative. If you believe the matter cannot be handled at the local level, you are encouraged to speak with the Regional Vice President or your Department Vice President. If none of these steps resolves your questions or concerns, or if you prefer, you can call the Compliance Hotline, call the Compliance Department, send an email, or file a report online.



Regardless of how you report a concern, you may remain anonymous, if you wish. Anonymous calls, however, may make it more difficult to investigate and resolve your concern if you fail to provide enough information. To the extent possible, Avalon will maintain confidentiality, consistent with the need to investigate the matter.

Federal Law and our company require all employees who have knowledge of any suspected abuse, neglect, mistreatment, or misappropriation, or who have reasonable suspicion that a crime has been committed, to report the incident within the company and to the appropriate outside agencies. If you experience or observe conduct that you believe, in good faith, is contrary to the Code of Conduct, the law or company policy, you have an obligation to report your concerns through the process identified above or by contacting the Compliance Hotline. The failure to report is a violation of this Code. Failure to report could result in disciplinary action up to and including termination. Failure to report could affect your rights in pursuing legal action.

Q: *I feel like my supervisor doesn't do anything when I report potential misconduct to him, such as intentional short staffing. When my friends have reported to him, he has made things difficult for them. Now, I have a co-worker that I believe is engaging in unethical conduct. What should I do?*

A: You are required to report misconduct. Although we encourage starting with your supervisor, if you do not believe that is appropriate or you are uncomfortable, you can report to your supervisor's supervisor, your HR representative, your Regional or Department VP, or the Compliance Hotline, the Compliance Email, the Compliance Web, or via telephone.

Q: *I think someone is calling the Compliance Hotline on me to get me in trouble. What can I do if I am being falsely accused?*

A: The company follows up on calls. If someone uses the Compliance Hotline maliciously to spread lies or threats, or try to get someone fired, that person will be subject to disciplinary action up to and including termination.



Retaliation and Compliance Training

Retaliation

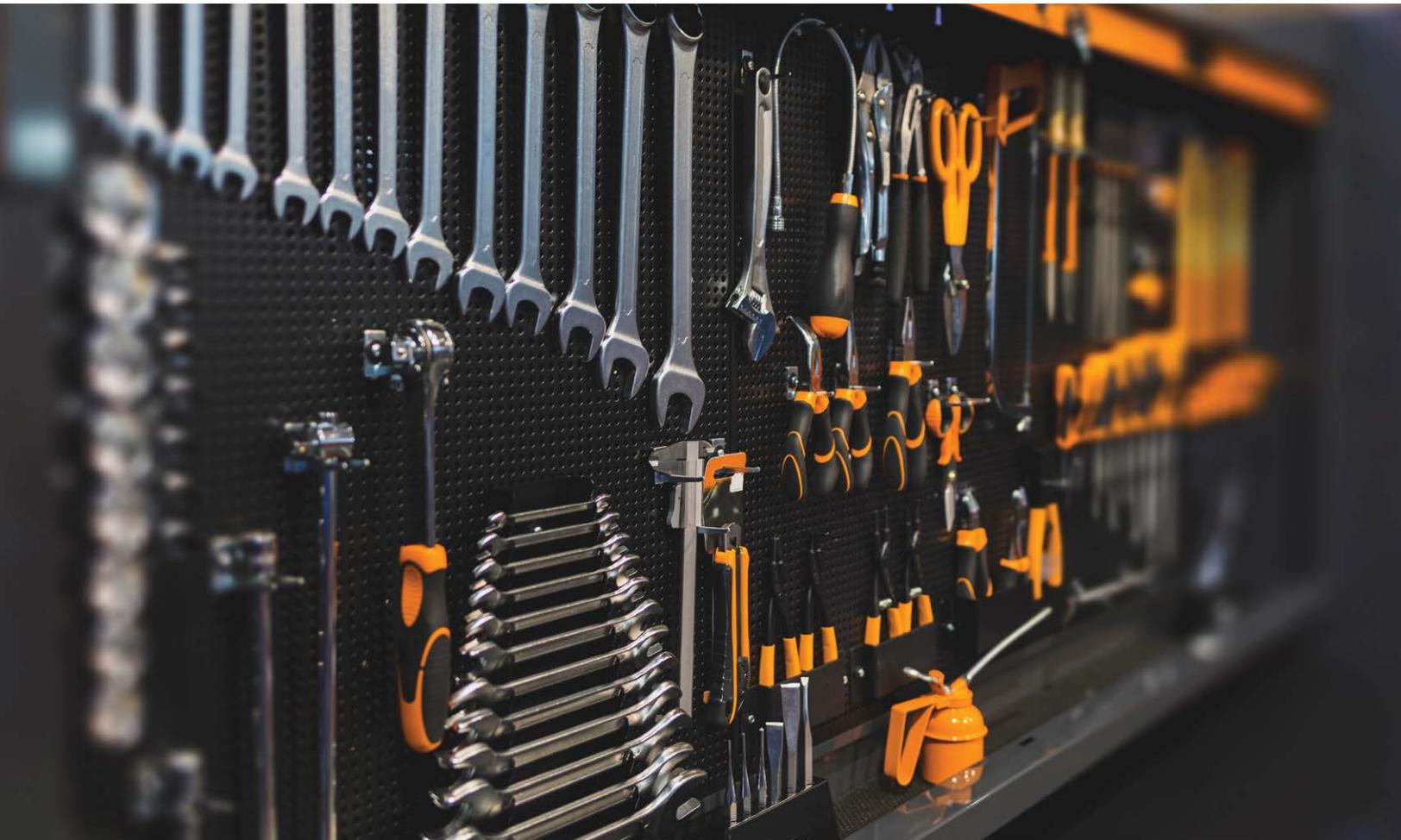
Avalon Health Care prohibits retaliation against anyone who makes, in good faith, a report of an alleged violation of the law, this Code, or the company policies and procedures. All claims of or reasonable fear of retaliation will be taken seriously and will be investigated. If the claim is substantiated, the retaliator will be disciplined up to and including termination. If you believe you have been the subject of retaliation, you should report the action.

Q: *I think my supervisor may be engaged in unethical conduct. I know I am supposed to report my suspicions, but I'm afraid that my supervisor will find out I reported him and fire me. What should I do?*

A: You are required to report misconduct. In this type of situation, calling the Compliance Hotline is a good option. Someone will be assigned to investigate. We may need to discuss this with you to gather additional information. If you call and remain anonymous, no one will try to learn your identity, and we will protect the information you provide. If you do experience retaliation after making the report, you should report to the Compliance Department or Human Resources. All claims of retaliation are taken seriously. If the claim of retaliation is substantiated, the retaliator will be disciplined up to and including termination.

Training

Avalon provides compliance and other training programs annually. As an employee, you will be responsible for ensuring that you comply with all mandated compliance trainings and other educational programs.



Workplace Conduct and Employment Practices

Avalon recognizes that the greatest strength of our organization lies in the effort and talent of our employees, who create our success and our reputation. We treat each other with respect, dignity, and courtesy.

Employees must be honest and lawful in all their business dealings and avoid doing anything that could create even the appearance of impropriety. Employees must comply with the Code of Conduct and report any action they think may be unlawful.

Employees are required to cooperate with all compliance-related inquiries and actively work to correct any unethical, illegal, or improper practices that are identified.

We do not employ or do business with people who have been sanctioned by any regulatory agency and are not able to perform the designated responsibilities. We do not employ or contract with vendors who are excluded from participation in the Medicare and Medicaid programs.

Employee Responsibilities

Employees have certain responsibilities:

- Act in a professional, honest, and ethical manner when acting on behalf of the company.
- Be educated on the Code of Conduct and company policies.
- Complete all required trainings, including compliance, in a timely manner and apply it in your job.
- Promptly report concerns about possible violations of laws, regulations, the Code of Conduct, and policies and procedures.
- Cooperate and be truthful in investigations and audits.
- If you are in a job that requires a license or certification, you are responsible to maintain current certification and/or licensure and provide that information to the company in a timely manner prior to the expiration date. The failure to maintain current certification and/or licensure is a violation of the Code of Conduct and the employee may be subject to disciplinary action.
- Maintain accurate and complete records for all business purposes, and never alter or destroy records in response to an investigation or audit, or when an investigation or audit is anticipated.
- Notify your supervisor within three (3) days if any restriction is placed upon your license or certification.
- Notify your supervisor within three (3) days if you are convicted of criminal conduct, and/or are excluded or prohibited from participating in a federally funded program.
- Acknowledge your acceptance of the Code of Conduct by signing the form and returning it to your supervisor.

Responsibilities of Leadership

Supervisors are expected to meet additional responsibilities:

- Lead by example. Leaders should demonstrate the highest standards of ethical business conduct.
- Communicate to employees and business partners the contents of the Code of Conduct and policies and procedures and how these apply to their daily work.
- Create an environment where compliance is recognized and valued and where everyone is comfortable asking questions, raising concerns, and reporting potential violations of the Code of Conduct and policies.
- Do not ask or pressure anyone to do something that you would be prohibited from doing yourself.
- Delegate authority only where it is permissible.
- Ensure that your employees, vendors, and business partners understand their compliance obligations.
- Leaders that have direct reports in a job that requires a current certificate and/or license are responsible for ensuring that the employee maintains current certification and/or licensure information and the information is current in the company systems. Leaders should not schedule hours/shifts for anyone who does not have a current valid certificate and/or license on file if the position requires it. The failure to comply with this will be considered a violation of the Code of Conduct and you may be subject to disciplinary action.



Making the Best Decision

Making the right decision is not always easy. There are times when you will be under stress or unsure about how to handle something. When you have a tough decision to make, your colleagues and the resources cited throughout this Code of Conduct are available to help.

When you confront a difficult compliance or ethics question, it may help to stop and ask yourself some questions:

- Is it the right thing to do?
- Is it legal?
- Is it ethical?
- Is it consistent with the Code of Conduct?
- Is it consistent with our policies and procedures?
- Have I considered all my options?
- Would I be embarrassed if others learned of my decision?
- What impact can my decision have on others?

Q: *I have business goals I am expected to achieve. I sometimes feel that I can't meet the goals if I don't go around the Code of Conduct. Can I act contrary to the Code of Conduct if I am trying to meet an expected business goal?*

A: No. Businesses frequently set high goals. However, you should not violate the law, this Code, or our policies to achieve your goals. Your goals should be achieved with integrity.

Q: *I'm a supervisor. What am I expected to do if someone comes to me with an allegation that involves a senior leader?*

A: You are expected to report the allegation, regardless of who is involved in the allegation. There are several avenues for reporting concerns. You can speak with any of the resources identified in this Code or report through the Compliance Hotline, the Compliance email, or the Compliance web. An investigation will be conducted. Our duty to achieve results with integrity applies to everyone in the organization.



Responsibilities to Colleagues & the Company / Accountability & Discipline

Responsibilities to Colleagues and the Company

Employees should treat their colleagues with respect. Each employee should be valued for what (s)he has to contribute. Diversity is an important asset. It takes effort to maintain a diverse workforce where personnel are hired, retained, compensated, disciplined, and promoted solely on the basis of their contribution to the company and their performance. Backgrounds and points of view help to promote improvement.

Avalon is an equal opportunity company that offers employment prospects to qualified individuals, regardless of race, color, gender, religion, marital status, sexual orientation, gender identity, national origin, age, veteran status, disability – or any other category protected under law or by company policy. Avalon Health Care does not tolerate discrimination or harassment based on these or any other legally protected categories.

Supervisors should assess employees on performance. On-the-job decision making and assignment of work should be made solely on the basis of qualifications, abilities, and potential. Do not introduce unrelated considerations into your decisions.

For more information, please refer to the Equal Employment Opportunity policy.

Accountability and Discipline

The Code of Conduct states Avalon's commitment to compliance. Every employee shares accountability for maintaining our culture and values. The company has procedures to audit and monitor performance and to report, without fear of retaliation, any credible evidence of misconduct. Prompt reporting of concerns helps the Compliance Department address and remedy the problem. In consultation with Human Resources, policies and procedures are also in place to discipline those who are found to have violated the law, this Code, or our policies and procedures.



Quality of Care and Services

Our patients are the heart of our business. We respect the dignity, comfort, and privacy of every resident while providing them with courtesy and respect. We provide appropriate and timely care by qualified healthcare professionals without regard to race, color, religion, sex (including pregnancy), gender/gender identity, sexual orientation, nationality, age (40 or older), physical or mental disability, or genetic information.

We maintain complete and thorough medical records and business records of resident information and protect the privacy of our resident's health records to fulfill the requirements set forth in applicable policies and procedures and federal and state laws including but not limited to, HIPAA and the HITECH Act.

Everything we do should advance our commitment to deliver quality care to our residents and patients. We make every effort to provide every resident and patient with the best possible care to reach optimal recovery.

We strive to ensure that the patient care we provide is:

- **SAFE** – avoiding injuries to patients from the care that is intended to help them.
- **EFFECTIVE** – providing services based on scientific knowledge, best practice and cost-effectiveness.
- **PATIENT-CENTERED** and family-centered – Providing care that is respectful of and responsive to individual patient and family preferences, needs, and values, to ensure the patient's values guide all clinical decisions.
- **TIMELY** – reducing waits and sometimes harmful delays of both those who receive and provide care.
- **EFFICIENT** – avoiding waste, including waste of equipment, supplies, and energy.
- **EQUITABLE** – providing care that does not vary in quality because of personal characteristics such as gender, ethnicity, geographical location, socioeconomic status, sexual orientation, or perceived disability.



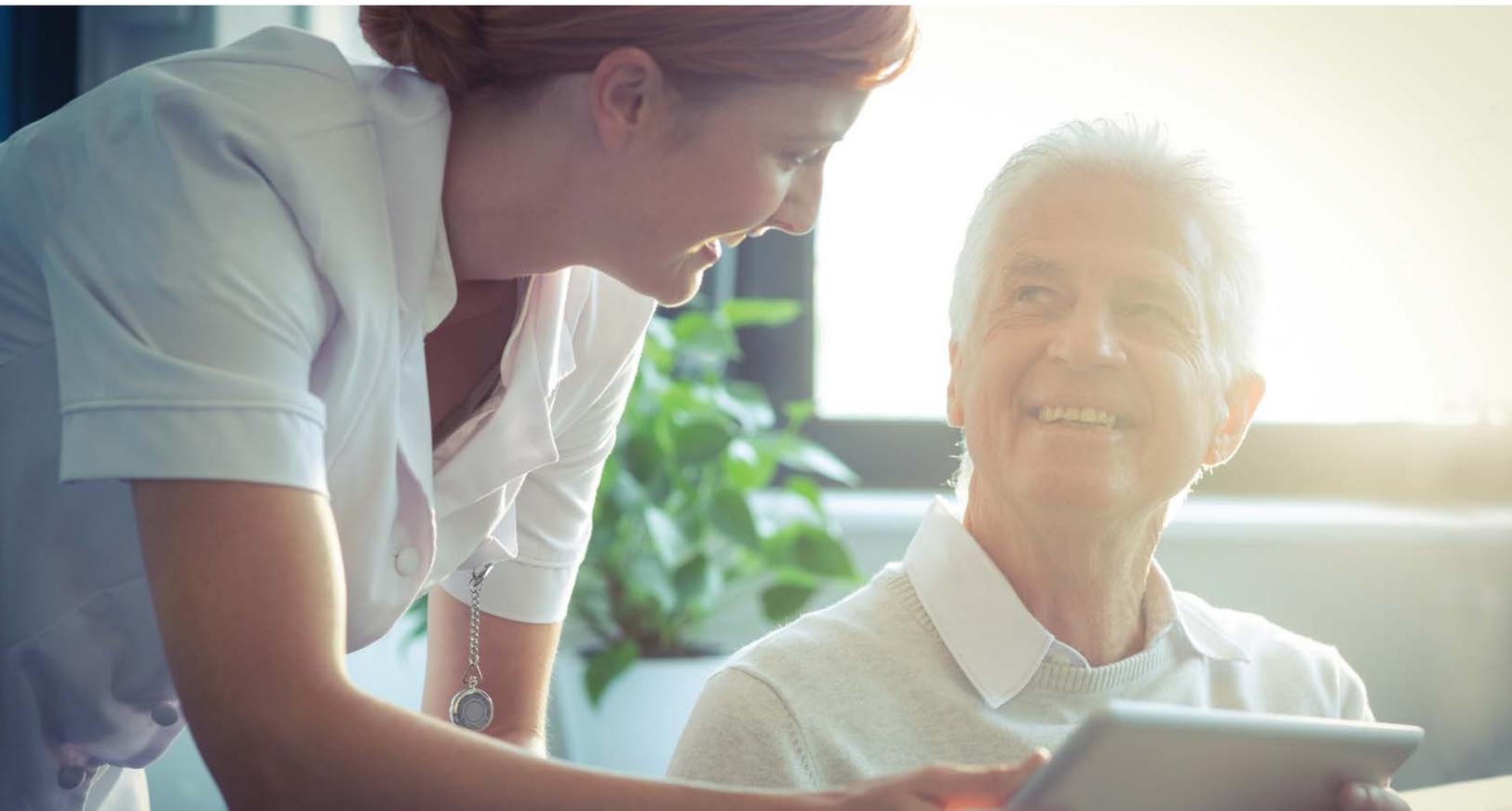
Responsibilities to our Patients and Employee Solicitation

Responsibilities to our Patients

- Treat patients and residents professionally and with respect.
- Make reasonable efforts to accommodate their needs and preferences and honor their rights.
- Maintain an atmosphere free from physical, verbal, sexual, and mental abuse; corporal punishment; and involuntary seclusion.
- Keep the patient care environment safe at all times.
- Protect the funds of our patients and residents. Any employee who is found to have tampered with or stolen a patient's fund – whether from the trust account, a separate account, or directly from the patient – will be subject to disciplinary action up to and including termination.
- Do not date or have any sexual contact with patients, even if consensual. Any employee who violates this policy will be subject to disciplinary action up to and including termination.
- Keep patient information private. Do not share patient information without the proper authorization.
- Immediately report any concerns involving abuse, neglect, misappropriation, mistreatment, or misappropriation to the appropriate authorities.
- Immediately report any reasonable suspicion of a crime to the appropriate authorities.

Employee Solicitation

Because of the nature of Avalon's business, Avalon's employees are an integral part of Avalon's business. Because of their importance, it is necessary to afford fair protection to Avalon from the loss of its employees. Accordingly, as part of Avalon's Code of Conduct, Avalon employees and vendors shall not hire or solicit any Avalon employee or encourage any Avalon employee to leave Avalon's employment or hire any such employee who has left Avalon's employment, except pursuant to a general solicitation which is not directed specifically to any such employees; provided, that nothing in this paragraph shall prevent the hiring of any employee (i) whose employment was terminated by Avalon pursuant to a general reduction in force or position elimination or (ii) any former employee who has not been employed by Avalon for a period of at least 180 days.



Privacy and Confidentiality

The employees are expected to respect and protect the privacy of our residents and patients. One of the ways we respect our patients is to protect their privacy, which includes, but is not limited to, safeguarding their medical records, their personal information, and their identity.

Patient information is protected by federal and state privacy laws. This includes the Health Insurance Portability and Accountability Act ("HIPAA"). The employees are required to comply with HIPAA privacy and security laws.

The employees should not discuss residents, patients, or employees in any public area, including elevators, hallways, stairwells, restrooms, lobbies, and dining areas or in any other area where conversation may be overheard. Employees are required to keep this information confidential.

Protected health information should not be left exposed for others to see. For example, medical records should not be left out in the open unattended at the nurses' station for unauthorized persons to see. Computer screens with protected health information on them should not be left unattended. The computer screens should be locked if the computer is being left unattended. If you believe that a HIPAA law has been violated, please contact the Chief Compliance Officer.

Care should be exercised to ensure that confidential and proprietary information is maintained and managed to protect its value. Confidential information refers to sensitive information such as personal resident data, patient clinical information, clinical quality data, patient financial information, social security numbers, passwords, pricing and cost data, information pertaining to acquisitions, strategic plans, marketing strategies and techniques, and proprietary computer software.

Individuals or entities may request and receive a copy of the medical records if the proper consent and/or authorization is obtained from the patient or his/her legally authorized representative. If there is a question about the patient's capacity to authorize the release of records, or whether the individual or entity requesting the records is entitled to have them, contact the Legal Department before providing the requested records.

Residents and patients have a right to privacy and dignity. No one should photograph or videotape residents or patients. Information about residents and patients should never be shared on social media, regardless of the type of information that is being shared. Anyone who photographs or videotapes a resident and/or posts information about a resident on social media is subject to disciplinary action up to and including termination.

If a facility wishes to use a personal image or testimonial to produce company communication materials, including community relations initiatives, social events, announcements, social outreach, or other community activities, please contact the Legal Department for the appropriate authorizations.



Privacy and Confidentiality DOs and DON'Ts

- Give consideration about where, when, and how you discuss patients' information. Do not have discussions in areas where you may be overheard.
- Share patients' confidential information only with those who need to know it for clinical or business purposes.
- Do not use patients' confidential information, identity, or image for your own personal use, including but not limited to social media.
- Do not remove medical records from the facility without the approval of the Compliance Department and the Legal Department.
- Do not allow patients or patients' information to be the subject of experimental research or treatment without the patient's informed written consent. Any experimental research or treatment must be authorized by the Chief Compliance Officer and the Chief Medical Officer in accordance with the Health Insurance Portability and Accountability Act.
- Properly label confidential information to reflect how it should be managed, distributed, and destroyed.
- Do not send confidential information to unattended fax machines or printers.
- Immediately report all privacy and HIPAA violations to the Chief Compliance Officer.

Q: *Our facility is having a barbecue for residents, employees, and families. My daughter is close with a resident and I would like to take her picture with the resident and post it on social media. I wouldn't identify the resident by name. Is this acceptable?*

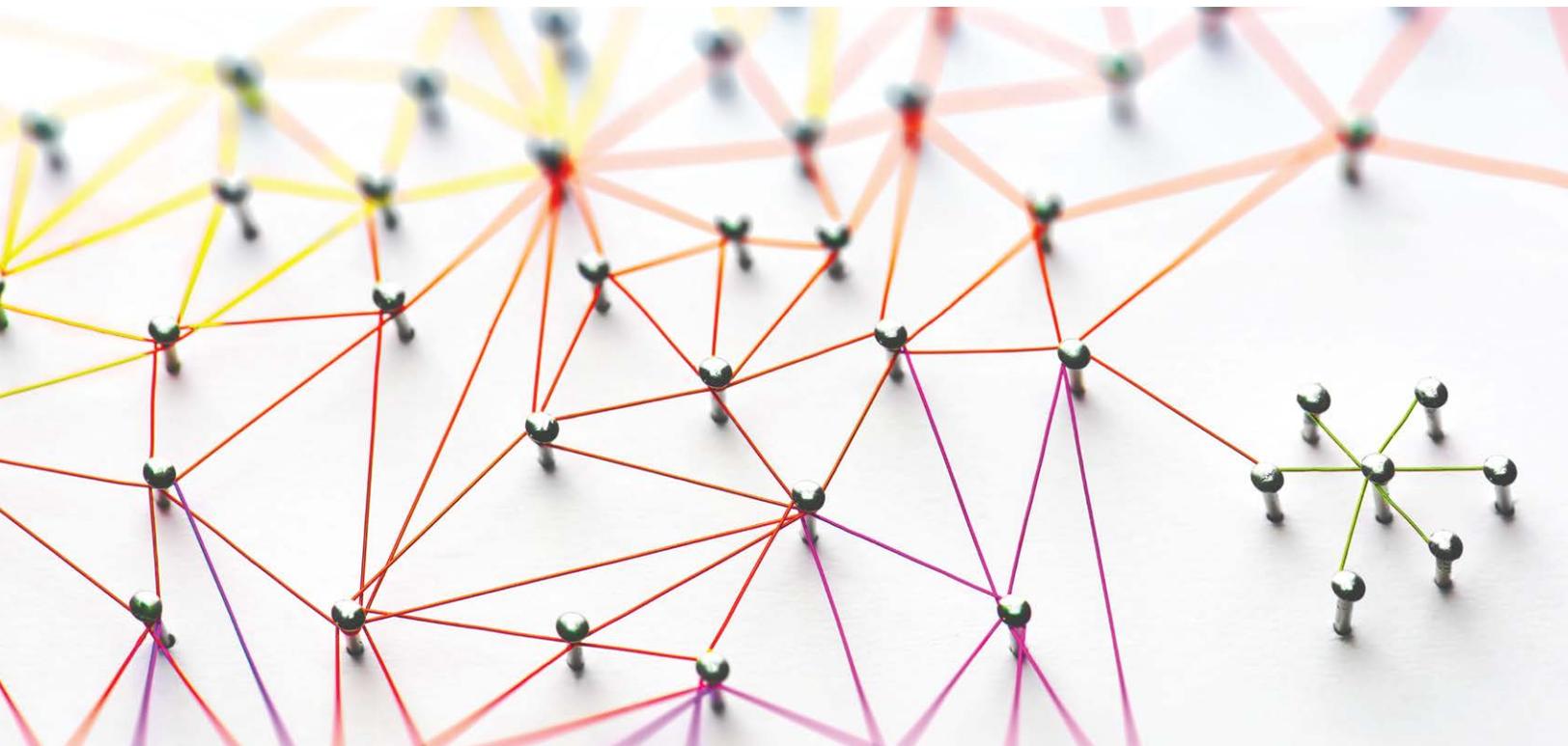
A: No, employees should not take photographs or videotapes with residents and/or post any information about a resident on social media.



Electronic Networks and Systems

Avalon provides electronic technologies, including computers, related software and hardware, printers, voicemail, email, and Internet access to authorized employees to enable them in performing their job.

- Email must be written in a manner consistent with Avalon's policies.
- All email that contains Electronic Protected Health Information that is sent outside the company must be encrypted before sending.
- Email should only be used for legitimate business purposes or for communications that are protected by statute.
- Employees are not permitted to send company information electronically to their personal accounts.
- Employees who have been issued laptops and mobile devices are responsible for the care and physical security of the laptop and mobile device.
- Employees shall not photograph residents or anything inside the facility using a personal mobile device.
- Employees are expected to keep their password(s) confidential. They should not be stored in an area accessible to others and should not be shared with others.
- Employees who leave their work station, even temporarily, are expected to lock the computer by pressing Windows Key + L. Or press CTRL + ALT + DEL and select lock computer before leaving your seat. Employees shall not store files, including photos, videos, Protected Health Information, business files, etc. on any local storage device, local hard drive, or any removal media of any computer or other electronic device provided by the company or personal devices. All files should be saved on the local network drive home folder, network shared drive or Microsoft OneNote.,



Electronic Networks and Systems

- Employees shall not copy software provided by the company to any storage media or transfer it to another computer.
- Employees should not put software on any company-owned computer or other electronic equipment without prior permission and review from the IT Department.
- Employees that are provided with a workstation, mobile device, or laptop to perform company business must not use the company equipment for personal or commercial use outside the boundaries provided by your supervisor, the Information Technology Department, and company policies.
- Employees shall not send chain emails, jokes, and non-business-related images through the company's email system.
- Emails are a method of communication. They are not a permanent business record. The email system should not be used for filing important business information. Email will be routinely and regularly deleted.
- Employees shall not use the company email system for solicitation with the exceptions of statutorily protected solicitations or for an approved charity.
- Employees are expected to know and follow the privacy and security policies regarding electronic technology.
- Employees shall not save any business files, protected health information, or other company documents to removable storage. This includes, but is not limited to, flash drives and discs.
- When your employment with the company ends, you must return all electronic and paper copies of company information, reports, manuals and other items developed by or furnished to you while you were employed at or managed by Avalon Health Care.
- All electronic equipment, including but not limited to, cell phones and computers, that is the property of Avalon Health Care should be returned to the IT Department. Employees may contact the IT Department to obtain shipping information to return the equipment.
- Employees shall not use their personal computing devices for any business use. However, employees that have an Avalon issued email address may use their personal mobile device for email, if their manager permits their use.

Avalon Health care reserves the right to access any file, information, data or other items on or in Avalon property, whether in hard copy or electronic format and whether in active, stored, or deleted files. Email messages and voicemail messages are provided for business use only and are considered the property of Avalon Health Care.

Q: *Sometimes I get behind at work and need to work at home. I would like to send the electronic documents to my home email address or copy them to a flash drive, so I can work on them later. Is this permitted?*

A: No. Employees are not permitted to forward Avalon documents to their personal email accounts or store them on removable drives. This could result in a breach of confidentiality and a data security issue. Usage that might lead to loss or damage is to be avoided. Do not use laptops, computers, iPads, and other electronic devices that were not supplied by Avalon Health Care to conduct company business.



No Gifts, Tips, or Loans / Signatures on Documents

No Gifts, Tips, or Loans

Patients and their families sometimes wish to give gifts to show appreciation to employees. They may have the best of intentions. However, accepting a gift could give the impression that you favor that patient.

Employees are prohibited from soliciting, accepting or offering tips, gifts, or loans from residents, family members, or from anyone with whom the company does business.

- Gifts of cash or cash equivalents are not allowed.
- Do not request or solicit personal gifts, entertainment, or services.
- If a resident has personal property (s)he wishes to sell, and an employee wishes to purchase it, the employee must receive approval from the Chief Compliance Officer, the purchase must be made in an open-market setting with all details disclosed, and the purchase must be made at fair market value.
- Employees and agents of the company are prohibited from soliciting or accepting offers of loans from residents, family members of residents, or vendors regardless of amount or intent to repay.
- Employees may not accept favors, gifts, or tips from residents, family members of residents or others that compensate or reward an individual employee.

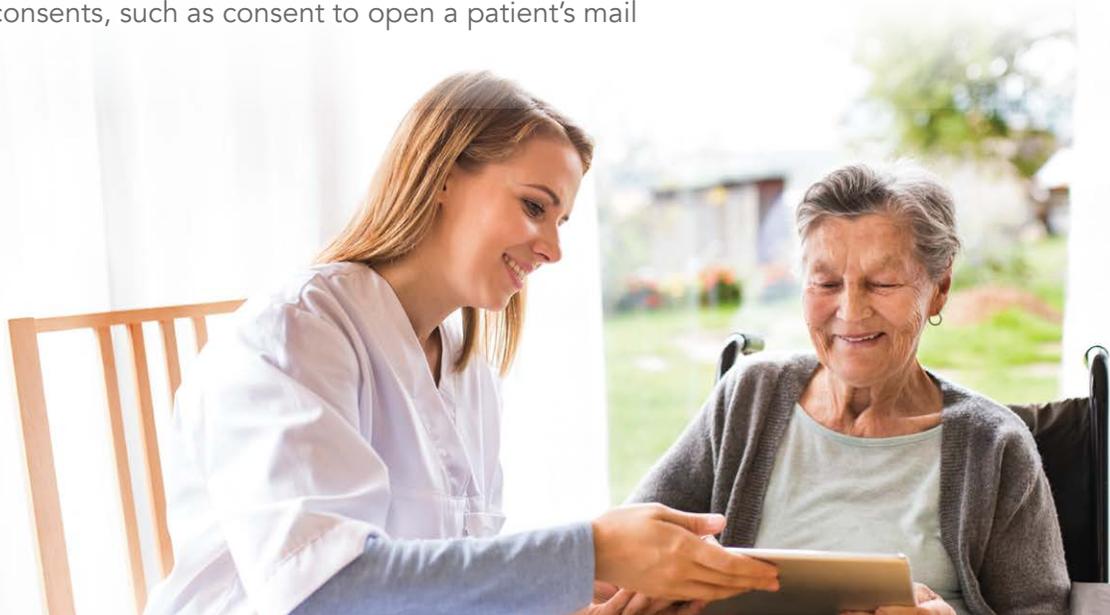
Signatures on Documents

Employees who are not acting in the official capacity of a notary public shall not serve as witness for any legal documents concerning a resident's wishes regarding:

- Disposition of property or aspects
- Termination of treatment or any other aspect of care
- Control of property or other assets

Employees may witness:

- The signing of admission paperwork
- Disbursements from the resident trust accounts
- The inventory sheets
- The deposit to and/or removal from the safekeeping of the facility of a patient's valuables
- Other routine consents, such as consent to open a patient's mail



Creating and Maintaining Clinical and Business Records

Healthcare professionals, government authorities, and others need to be able to rely on the integrity of clinical and business records. Timely and accurate information is also necessary so that the healthcare professionals can make good clinical decisions about their patients.

Avalon Health Care is committed to making accurate, timely and understandable disclosure on all aspects of the business including clinical documentation, billing, cost reports, payroll records, contracts, expense reports, receipts, and financial reports that are filed with or submitted to regulatory authorities.

Each employee contributes to the process of recording patient information, business results, and maintaining documents. Everyone is responsible for ensuring that the information that is recorded is accurate and complete.

Management of Records

- Be accurate, complete, and truthful when documenting in the clinical record.
- Be accurate, complete, and truthful when submitting financial results.
- Do not make false statements on an expense report, time sheet, staffing roster, the medical record, cost report, patient assessment, plan of correction, or other business record.
- Do not change or edit information that has been entered into any record. Follow the company's policies and legal requirements when amending records of any kind.
- Never sign a blank order, form, note, or other document if you suspect that information will be added later above your signature. Do not accept a pre-signed document, including physician's orders, from anyone, and report the matter immediately to your supervisor and to the Compliance Department.
- Do not sign contracts unless approved by the Legal Department.
- Only sign documents that you are authorized to sign and that are truthful and accurate.
- Do not sign a document or record for another employee.
- Monitor contract termination dates and renew or cancel in a timely manner to prevent using services for which there is no legal agreement or to prevent an automatic renewal for services that are no longer necessary.
- Maintain and store the records of Avalon Health Care in accordance with our business needs and in compliance with applicable regulations.
- Keep records organized so that they can be located and retrieved when necessary.
- Confidential documents should be kept in a designated secure storage location when not in use.
- Retrieve documents from printers, copiers, and fax machines in a timely manner.
- Dispose of sensitive information by depositing it in a designated location for removal and destruction.
- Records should only be destroyed in accordance with our records retention policy.
- Do not destroy records in anticipation of litigation, an investigation, an audit, a claim, a lawsuit, or an arbitration.

Contact the Compliance or Legal Department if there is any doubt about the appropriateness of record destruction.



False Claims Act ("FCA")

False Claims Act ("FCA")

Only those medical services that are consistent with accepted standards of medical care may be billed. Billing and coding must always be based on adequate documentation of the medical justification for the service provided and for the bill submitted. The medical documentation must comply with all applicable regulations. Only those codes that correspond to the service rendered and documented should be utilized. Avalon Health Care believes that the claims we submit for payment are accurate when the employees follow the policies and procedures and utilize our systems.

The federal False Claims Act protects the Government from being overcharged or sold shoddy goods or services. The Act prohibits knowingly submitting a false claim to a payer for reimbursement. A "false claim" could include:

- Making a false statement regarding a claim for payment
- Falsifying information in the medical record
- Double billing for items or services
- Billing for services not performed or finished or items not delivered
- Submitting claims that are related to other violations of laws or rules, such as anti-kickback laws

The term "knowingly" means that the person either had actual knowledge the claim was false, deliberately acted in ignorance of the truth or falsity of the claim or acted in reckless disregard of the claim's truth or falsity. The term "claim" includes any request or demand for money that is submitted to the U.S. government or its contractors.

Any person may bring an action under this law on behalf of the government (called a "qui tam" or "whistle-blower"). This allows private persons to file lawsuits in the name of the government for violations of the Act. The government makes the decision whether to act on the information. If the government does not act, the individual can pursue the action independent of the government. If an entity is found in violation of the Act, the individual who brought the action may be entitled to a percentage of the recovery.

If you have a concern regarding a submission of a claim for payment, there are many ways you can bring it to the attention of the Company. The qui tam provisions of the False Claims Act do not require an individual to report concerns to the entity before they bring them forward in the name of the government. However, Avalon Health Care encourages employees to report concerns to the company so that it can review the information, investigate, and clarify or correct the situation promptly and appropriately.

Deficit Reduction Act ("DRA")

The Deficit Reduction Act ("DRA") of 2005 requires Avalon Health Care to have written policies to educate employees, contractors, and agents about false claims, false statements, and whistleblower protections under applicable federal and state fraud laws. If you have any questions about the federal FCA, or any similar state law, contact the Legal Department.



Definitions

Abuse

“Abuse” can occur in financial or non-financial settings. It refers to practices that are inconsistent with sound business or professional practices that result in increased costs to any governmental payment program. It may include reimbursement for services that are excluded under applicable coverage guidelines or of excessive length or intensity.

Waste

“Waste” refers to the thoughtless or careless expenditure, mismanagement, or abuse of resources to the detriment (or potential detriment) of the U.S. Government. Waste also includes incurring unnecessary costs resulting from inefficient or ineffective practices, systems or controls.

Any questions about this area of the law should be referred to the Legal Department.

Anti-Kickback Statute

The federal Anti-Kickback Statute bans giving, receiving, offering, or requesting anything of value in return for referrals. This Code of Conduct, along with our policies and procedures, contain rules about business transactions, gifts, conflicts of interest, record keeping, and documentation. Relationships and arrangements with referral sources must be evaluated to ensure there are no kickbacks for the referral of patients. It is against the law for you to take money or other items of value from vendors in return for the referral of your patients. In addition, it is against the law for you to pay others to refer their Medicare and Medicaid patients to you. If you have any questions about any arrangement with you have a vendor, please contact the Legal Department.

Legal Department

The healthcare industry is subject to many laws and regulations. Avalon Health Care will comply with all laws that pertain to its business. Some of the laws and regulations may be difficult to understand. The Legal Department should be consulted when there is any question about the Company's legal rights and obligations.

No employee should threaten to sue another company or an individual on behalf of the Company or initiate litigation without first consulting the Legal Department.

The Company's attorneys are the only employees that may retain outside legal counsel for any purpose.

Whenever there is a threat of legal action against the Company or when there is an unusual event that could result in legal action involving the Company, contact the Legal Department.

Contract Management

The Legal Department has standard agreements for many situations. It is our policy to use these agreements whenever possible. The Legal Department must approve any modifications or amendments. Any customized contracts, such as vendor or supplier agreements, must be reviewed and approved by the Legal Department prior to execution. The Legal Department will maintain a database of all contracts. To request a contract or review of a contract or if you have any questions as to who should sign a contract, please contact the Legal Department.

All contracts are subject to the following standards:

- All agreements must be in writing. There should not be any oral side agreements.
- Once prepared by or approved by the Legal Department, all executed contracts, including Business Associate Agreements, must be provided to the Legal Department.
- All notices involving a contract matter must be immediately forwarded to the Legal Department.



Definitions

Government Investigations

It is the policy of Avalon Health Care to cooperate with reasonable requests made by federal, state, and local authorities seeking information regarding our operations and related compliance matters. However, our company is also entitled to the protections provided by law, including representation by legal counsel.

Government authorities may request information. You should notify the government representative who makes the request that the company intends to cooperate, but that the matter must first be discussed with the Legal Department. Any request for information, whether oral or written, should be sent to the Legal Department. The exception is that surveyors conducting licensure and certification surveys should have access to routine information. If you have any questions during a survey as to requests made by the surveyor, contact the Legal Department for advice.

When there is an external investigation or lawsuit, relevant documents may need to be retained. You will be notified of any actions you need to take.

Vendor Relations

The vendors and suppliers which whom we do business make important contributions. Our vendors are selected based on need, quality, service, price, regulatory and legal compliance and terms and condition. If possible, we use a competitive bidding process.

The Company has standard contracts that cover a variety of areas and that can be used in many contracting situations. These agreements may not be modified without the approval of the Legal Department. Vendor contracts, when required, must be reviewed and approved by the Legal Department prior to execution.

- Communicate our standards for excellent performance in compliance to our vendors.
- Observe for signs that our business partners are violating applicable laws or regulations. Require an accurate accounting of time and materials and acceptance of deliverables on time that meet our standards.
- Notify the Legal Department if suppliers fail to meet our standards.
- If there appears to be a conflict of interest, disclose the potential conflict and remove yourself from making or influencing a purchasing decision.
- Do not give or accept any kickbacks, bribes, or other improper payments. Federal and state laws make it a crime for anyone to offer or accept a bribe, kickback or anything of value for referring patients or other business.



Definitions

Conflicts of Interest

All employees are to disclose to the Chief Compliance Officer any conflicts of interest in outside companies, entities, or concerns. Conflicting interests can include both financial interest and nonfinancial relationships with entities that compete or do business with Avalon Health Care, and include any interest that otherwise could create an appearance that the employee's conduct may be compromised in some way by the competing interest. Conflicts must be reported.

A conflict of interest is a situation in which a person is in a position to derive personal benefit from actions or decisions made in their official capacity. Conflicts of interest involve dual relationships; one person in a position in one relationship and a relationship in another situation. A conflict of interest can exist in many different situations.

Types of activities that can create a possible conflict of interest include:

- Nepotism is the practice of giving favors to relatives and close friends, often by hiring them or awarding contracts to relatives and close friends or their employers.
- Self-dealing is a situation in which someone in a position of responsibility in an organization has outside conflicting interests and acts in their own interest rather than the interest of the organization.

Here are some examples of conflicts of interest in the workplace:

- An employee may work for one company but (s)he may have a side business that competes with the employer.
- A manager may have a married or dating relationship with an employee. This is a conflict because the manager has the power to give raises or promotions to the employee.
- An employee may have a friendship with a vendor and allows that vendor to go around the bidding process or gives the supplier the bid.
- A former employee may take his former company's customer list and directly compete for the same clientele.

Outside Employment

Employment outside the company can create conflicts. Employment outside Avalon, including self-employment, may interfere with your ability to fulfill your responsibilities to Avalon Health Care, or there may be risk that the outside employment leads to a disclosure of confidential information, or the activity could adversely affect Avalon's reputation.

Because of the potential for conflicts, permission to provide services to others similar to those you provide for Avalon Health Care should be obtained from your supervisor and must be approved by the Chief Compliance Officer.

Investments and Ownership Interests

Employees may not own, either directly or indirectly, a significant interest (i.e., in excess of a 5% interest) in any business that does or seeks to do business with, or is in competition with, Avalon Health Care without written approval from the Chief Compliance Officer.

Board of Directors

Unless requested by Avalon Health Care management to do so, you should not accept a seat on the board of directors or advisory board of any of our competitors, suppliers, patients' businesses, partners' businesses, especially if your current position gives you the ability to influence our relationship with them.

Positions with educational, charities, and other nonprofit entities need not be disclosed unless the company has been asked or will be asked to contribute to such entity.



Definitions

Family Members

Relatives should never be hired into a position within the company that creates a conflict of interest. The term “relative” includes an employee’s parent, child, spouse, significant other, sister, brother, or any person related by blood or marriage including, without limitation, step relationships. Conflicts of interest are created when:

- You have direct supervisory authority over a relative
- You have bookkeeping or payroll responsibilities over a relative
- You may significantly influence the pay, benefits, career progression, or performance of a relative

Furthermore, employees should not enter contractual relationships with relatives or incur any financial or personal obligation that may affect, or appear to affect, their judgment in dealing with other employees or without outside businesses or individuals.

Dating Relationships

These types of dating relationships are prohibited:

- The employee is in your reporting or supervisory chain
- You have bookkeeping or payroll responsibility for that person or vice versa
- The terms or conditions of employment may be influenced by the relationship

If there is a situation that could be viewed as a violation of this standard, the employees must disclose the relationship to management. Reasonable efforts will be made to reassign or transfer one of the employees to avoid any actual or perceived conflict of interest.

- Avoid conflicts of interest.
- Disclose full details of any situation that could be perceived as a potential conflict of interest.
- Reassess your situation on a regular basis to determine if there is a potential or actual conflict of interest.

If you are in a potential conflict of interest situation, please complete the Conflicts of Interest Disclosure form and discuss it with your supervisor. Two steps may be necessary to resolve a conflict: 1) disclose the conflict or perceived conflict and 2) remove yourself from participating in any decisions regarding the competing interest. Send the completed Conflict of Interest Disclosure form to the Chief Compliance Officer.

Gifts and Entertainment

Gifts and entertainment are customary in other businesses. However, in healthcare, stringent laws and policies apply. The failure to comply with these rules can damage our reputation and harm our business. In some cases, this may even be illegal. Employees are not permitted to give or accept gifts or entertainment to improperly influence a business decision.

No gifts – not even gifts of nominal value – can be accepted from or offered to anyone who refers or might refer patients or other reimbursable business to or from our company.

Gifts are only to be given or accepted if ALL the following conditions are met:

- The gift cannot be reasonably construed as payment or consideration for influence or reward for a decision or action;
- It does not violate applicable law;
- It would not embarrass you or the company if it was disclosed to the public;
- It is of nominal value; AND
- It can be shared with other employees.



Definitions

Giving or accepting modest reasonably priced refreshments as part of an educational meeting or giving promotional items such as a coffee mug with a logo, where not otherwise prohibited by law may be appropriate when developing business relationships. However, they must never be routine, lavish, or contrary to Avalon Health Care policies.

Unless the Chief Compliance Officer has specifically approved the request, never offer or accept goods or services for free or buy or sell them at less than fair market value as an inducement to obtain contracts or any other services.

Involvement in Politics

The political process requires the action participation of its citizens. Avalon Health Care believes in the right of employees to participate in the process as individual citizens on their own time and at their own expense.

Employees should be clear that their views and actions are their own and not those of Avalon Health Care. Company funds, assets, services or facilities should not be used to support any political party or candidate unless specifically permitted by law and authorized by the Government Relations Department.

Social Media

Avalon Health Care recognizes that people use social media for fun and a way to share their life and thoughts with others. However, certain responsibilities are attached because of the risks it represents.

You are responsible for what you post online. Therefore, you may want to spend some time considering the benefits and risks of doing so. If any of your conduct or postings adversely affects your job performance, the performance of the other employees, customers, vendors, people who work on behalf of Avalon Health Care, or the company's business interests, disciplinary action up to and including termination may result.

Postings that include discriminatory statements, harassment, threats of violence, or similar inappropriate or unlawful conduct are prohibited and may subject you to disciplinary action up to and including termination.

If you have work related disputes or complaints, consider talking directly with your co-workers or supervisor in lieu of posting complaints online. However, if you make the decision to post a complaint or a criticism, avoid using statements, photographs, video, or audio that could be viewed as malicious, obscene, threatening, that disparage patients, customers, employees, or suppliers or that might constitute harassment or bullying. The posts could contribute to a hostile work environment based on race, sex, sexual orientation, gender identity, age, disability, religion, veteran, genetic information, or any other status protected by law or company policy.

Employees may not post pictures or videos of patients or residents unless specifically authorized by the Company to do so AND have obtained written authorization from the patients or residents.

Nothing in this policy is intended to prohibit employees from engaging in concerted activity to improve the terms and conditions of their employment as allowed by Section 7 of the National Labor Relations Act.



Acknowledgment of Receipt

Code of Conduct and Conflict of Interest Disclosure Form

Agreement

I have read the entire Code of Conduct and Business Ethics.

I have had the opportunity to ask questions regarding the contents of the Code of Conduct and Business Ethics, and I understand how the contents relate to my position with the company.

I agree to abide by the principles of the Code of Conduct and Business Ethics, and understand how to access this handbook for future reference.

I agree to inform my supervisor or contract manager within five (5) days of receipt if, during my employment or association with this company, I receive a notice of exclusion or sanction or if I am convicted of a crime.

I am aware of no possible or actual conflicts of interest between the company and me, as defined in the section titled "Conflicts of Interest," except as shown on this form.

Conflicts of Interest

Are you aware of any interest(s) or position(s) involved or held by you or a close family member that would likely constitute a conflict of interest with the company? No Yes

If Yes, please describe the situation:

Note: For examples of situation that could give rise to conflicts of interest, and for a definition of "close family member," see the Code of Conduct and Business Ethics section titled "Definitions: Conflicts of Interest."

Certification

I hereby certify that the information supplied on this form is true, correct, and complete to the best of my knowledge and belief.

Company Name

Facility Number

Employee Name (Printed)

Employee Signature

Date Signed

Instructions: Complete this form promptly and give it to your supervisor. It will be included in your personnel records. You must submit a new form each time a situation arises that would be a potential conflict of interest.

Resolution of Conflicts of Interest Situations

Your supervisor, your Compliance Liaison, and the company Compliance Officer will review potential conflicts of interest situations. The resolution of the situation will be documented and included in your personnel file.

Reviewed/Approved (by Supervisor)

Date

Reviewed/Approved (by Compliance Liaison)

Date

Reviewed/Approved (by Compliance Officer)

Date



Federal False Claims Act

Policy Statement

Avalon Health Care Management, Inc., and its affiliated facilities and entities (“Avalon”) are subject to both federal and state laws designed to prevent fraud and abuse in government programs including Medicare and Medicaid and in federally funded contracts. Avalon, in conjunction with the appropriate government agencies, actively pursues all suspected fraud and abuse. As part of Avalon’s corporate compliance program for the prevention of fraud, waste and abuse, Avalon complies with all state and federal requirements for government sponsored programs and federally funded contracts, including the Federal False Claims Act, the Deficit Reduction Act of 2005, the American Recovery and Reinvestment Act of 2009, the Patient Protection and Affordable Care Act (“PPACA”) of March 2010, applicable Whistleblower Protection laws, and any state false claims statutes.

Purpose

To identify the requirements of the Federal False Claims Act, the administrative remedies for false claims and statements and any applicable state laws pertaining to civil or criminal penalties for false claims and statements, including the remedies and whistleblower protections under these laws.

Scope

This policy applies to all of Avalon’s employees, managements, contractors, and agents.

Policy

1. Avalon will abide by all federal and state laws to effectively implement and enforce procedures to detect and prevent fraud, waste, and abuse in receiving payments from federal health care programs.
2. Avalon will educate and train employees about fraud and abuse, including the detailed provisions of the False Claims Act, state laws regarding civil or criminal penalties and qui tam provision through compliance training.
3. All employees, management, contractors, and agents will be knowledgeable and aware of laws regarding false or fraudulent claims.
4. The Compliance Officer will ensure that any incidents are appropriately handled by qualified personnel, discussed, and reported to the appropriate law enforcement agency. If the Compliance Officer or legal counsel identifies any incidents of fraud and abuse, the organization will implement systematic changes and corrective action initiatives to prevent further offenses.
5. All employees will conduct themselves in an ethical and legal manner, including maintaining accurate records related to the rendering of items or services payable by federal health care programs.
6. Avalon will cooperate with federal and state agencies that conduct health care fraud and abuse investigations.
7. All employees, contractors, and agents will be responsible for reporting potential or suspected incidents of fraud and abuse and/or other wrongdoing directly to their supervisor and/or executive management or by using the compliance hotline or the compliance email system.
8. Avalon will protect all employees from retaliation and retribution when they report suspected wrongdoing through any reporting method.
9. The Compliance Officer, in consultation with legal counsel, will be responsible for receiving and acting upon all information suggesting possible fraud, abuse, or wrongdoing, and for directing all investigations.



Federal False Claims Act

10. The Compliance Officer, in consultation with legal counsel, will conduct an investigation into any allegations of suspected violations of any criminal, civil, or administrative law.
11. Avalon will include False Claims Act policies and procedures in the Code of Conduct and Compliance Policy and Procedure Manual and distribute all information to contractors and agents in accordance with the Deficit Reduction Act of 2005.

Procedures

1. Avalon will provide training on the False Claims Act to all employees.
2. To the extent practical or allowed by law, the Compliance Officer will maintain the confidentiality or anonymity of any employee when requested.
3. Avalon will prohibit retaliation or retribution against any employee who reports in good faith.
4. Employees, contractors, and agents with knowledge of potential fraud and abuse situations will report them by notifying:
 - a. Their supervisor
 - b. Any supervisor or member of management
 - c. The Compliance Officer or Compliance Department
 - d. The Compliance Hotline
 - e. Any person who receives a report of fraud (e.g., management, Human Resources, legal counsel, etc.) will immediately inform the Compliance Officer, who will conduct an initial investigation before any other action is taken. No supervisor or manager should directly confront the employee alleged to have committed a fraud, or otherwise discuss the issue with anyone suspected of engaging in fraudulent or abusive practices without prior approval from the Compliance Officer.
 - f. The Compliance Officer will direct or conduct fraud and abuse investigations. In doing so, the Compliance Officer will gather facts of the incidents as promptly as possible.
 - g. If the Compliance Officer determines that there is sufficient evidence to support an allegation of violation of law or regulation, he/she will consult with legal counsel on further investigation, and whether legal counsel should conduct or direct the additional investigations. If an allegation is a criminal violation of law, the Compliance Officer will immediately refer the case to legal counsel.
 - h. Avalon will take appropriate disciplinary and enforcement action (i.e., corrective actions, employment termination, contract termination) against employees, providers, contractors, subcontractors, consultants, and agents found to have committed fraud and abuse violations.

Laws

The following explains the laws available to federal and state agencies, as well as to Avalon and its affiliated facilities, to fight fraud, waste, and abuse in the administration of federal and state health programs and the role these tools play in preventing and detecting fraud, waste and abuse in federal and state health-care programs.

Specifically, the following laws will be summarized below:

- The Federal False Claims Act;
- The federal administrative remedies for false claims and statements;
- The federal whistleblower laws; and
- State laws regarding false claims, false statements, and whistleblower protection.



Federal False Claims Act

The Federal False Claims Act, 31 U.S.C. § 3729 – 3733

Initially passed during the Civil War to fight fraud in military purchasing, the Federal False Claims Act (the “FCA”) is now a broad federal statute that prohibits fraud in any federally funded contract or program, including Medicare and Medicaid. The FCA established liability for any person who knowingly presents, or causes to be presented, a false or fraudulent claim to the U.S. government for payment.

The term “knowingly” means that the person either had actual knowledge the claim was false, deliberately acted in ignorance of the truth or falsity of the claim, or acted in

reckless disregard of the claim’s truth or falsity. The term “claim” includes any request or demand for money that is submitted to the U.S. government or its contractors.

False claims for health-care providers can take a variety of forms. Examples include falsifying billing records, double-billing for items or services, overcharging for items or services, billing for services never performed or items never delivered, billing for delivering less than promised, and charging for one thing while providing another.

The Federal Administrative Remedies For False Claims And Statements

The penalties for violating the FCA are severe. Violators may be subjected to a civil penalty ranging from \$10,957 to \$21,916 for each false claim submitted (as adjusted from time to time for inflation). In addition, the violator can be required to pay three (3) times the amount of damages sustained by the government for each false claim. In addition, the Office of Inspector General (the “OIG”) – the agency within the Department of Health and Human Services charged with investigating fraud and abuse – may seek exclusion of a convicted health-care provider or supplier from further participation in any federal health-care program. A violator can also be held liable to the government for costs associated with any civil action that seeks to recover penalties or damages. There are also criminal consequences under federal law for intentional participation in the submission of a false claim.

Federal Whistleblower Provisions

Any person may bring a civil action under this law on behalf of the government (called a “qui tam” or “whistleblower” suit) in federal court. The case is initiated by causing a copy of the complaint and all available relevant evidence to be served on the federal government. The case will remain sealed for at least sixty (60) days and will not be served on the defendant so the government can investigate the complaint. The government may obtain additional time for good cause. The government on its own initiative may also initiate a case under the FCA. After the 60-day period (or any extensions) has expired, the government may pursue the matter in its own name or decline to proceed. If the government declines to proceed, the person bringing the action has the right to conduct the action on his or her own in federal court.

If the government proceeds with the case, the qui tam whistleblower bringing the action will receive between 15% and 25% of any proceeds, depending on the contributions of the individual to the success of the case. If the government declines to pursue the case and the whistleblower chooses to pursue the matter legally, the whistleblower will be entitled to between 25% and 30% of the proceeds of the case, plus reasonable expenses, attorney’s fees, and costs awarded against the defendant.

Antidiscrimination /Anti-Retaliation

According to Avalon’s Code of Conduct and the provisions of this law, anyone initiating a complaint or reporting a violation may not be discriminated or retaliated against or harassed in any manner by his/her employer. The employee is authorized under the FCA to initiate court proceedings to be made whole for any job-related losses resulting from any such discrimination or retaliation, including reinstatement, back pay, and other appropriate compensation.



Federal False Claims Act

Program Fraud Civil Remedies Act

The Program Fraud Civil Remedies Act (the "PFCRA") expands the capability of the government to deter and recover losses from false, fictitious or fraudulent claims and statements.

The PFCRA is quite similar to the FCA in many respects but is somewhat broader and more detailed, with differing penalties. It deals with submission of improper "claims" or "written statements" to a federal agency.

Specifically, a person violates this act if he/she knows, or has reason to know, he/she is submitting a claim that is:

- False, fictitious, or fraudulent;
- Includes, or is supported by, written statements that are false, fictitious, or fraudulent;
- Includes, or is supported by, a written statement that omits a material fact, or the statement is false, fictitious, or fraudulent because of the omission, and the person submitting the statement has a duty to include the omitted facts; or for payment for property or services not provided as claimed.

A violation of this prohibition carries a \$5,000 civil penalty for each such wrongfully filed claim. In addition, an assessment of two (2) times the amount of the claim may be made, unless the claim has not actually been paid.

A person also violates this act if he/she submits a written statement that he/she knows or should know:

- Asserts a material fact which is false, fictitious, or fraudulent; or
- Omits a material fact and is false, fictitious, or fraudulent because of the omission. In this situation, there must be a duty to include the fact and the statement submitted contains a certification of the accuracy or truthfulness of the statement. A violation of the prohibition for submitting an improper statement carries a civil penalty of up to \$5,000.

Procedures

Avalon's existing procedures for detecting and preventing fraud, waste and abuse are also found in Avalon's Code of Conduct. Employees should observe the policy and report any departure from it, as set forth herein.

As with Avalon's Code of Conduct, the Chief Compliance Officer is responsible for administration of Avalon's Compliance program, including this policy. As part of its commitment to ethical and legal conduct, Avalon expects its employees to bring information regarding violations of the Code of Conduct to the attention of their immediate supervisor, another supervisor in their chain of command, or the Compliance department. Employees who have questions regarding the applicability or interpretation of this policy or who desire to report fraud, false claims, waste, abuse, or a violation of the Code of Conduct should discuss the matter with their supervisor or another supervisor in their chain of command or contact the Compliance department by calling 1-801-596-8844 or via the Hotline by calling 877-874-8416.

Written correspondence relating to the Code of Conduct or this policy may also be sent to: Chief Compliance Officer, 206 North 2100 West, Salt Lake City, UT 84116 and should be marked Confidential: "To be opened by the Chief Compliance Officer".

Reports, whether verbal or written, shall remain confidential to the extent permitted by law and Avalon's policies, and to the extent that it is possible and practical. If any report is made by a staff member, he or she will be given the opportunity to receive information relative to the outcome of any investigation conducted by the Compliance Department.



Federal False Claims Act

State Laws Relating to False Claims Recovery and Whistleblowers

Many states have enacted statutes directed at prosecuting Medicaid fraud. Avalon currently operates in 6 states, and any false claims and whistleblower laws in those states will govern the company's operations in these states. Many of them are based on the provisions of the federal laws outlined above, and a portion of the DRA has established a procedure to encourage states to adopt such laws if they do not currently have them, or to model their law's minimum requirements after the federal law. The OIG outlines the elements these state laws must contain. See Federal Register, Vol. 71, No. 161, pages 48552_48554.

The applicable laws in the states in which Avalon operates are described below.

California

California has a state FCA that is very similar to the federal FCA insofar as it is actionable to: knowingly submit a false claim for payment; make or use a false record or statement to get a claim paid; conspire to make a false claim or get one paid; or make or use a false record to avoid repayments to the government. However, under the California FCA, a person or entity may also be liable if he or she is a beneficiary of an inadvertent submission of a false claim to the state, subsequently discovers that the claim is false, and fails to disclose the false claim to the state within a reasonable time after discovery of the false claim.

The California FCA also differs from the federal FCA in that it does not apply to any claim of less than \$500 in value or claims involving workers' compensation, records or statements made under the Revenue and Taxation Code or claims for the assets of a person that have been transferred to the Commissioner of Insurance.

Penalties range from \$5,500 to the maximum per claim penalty of \$11,000. In addition, the person who commits a violation of the California FCA is also liable for three (3) times the amount of damages that the state or political subdivision sustained because of the act and the costs of a civil action brought to recover any of the penalties or damages.

California's FCA has a qui tam provision which allows for individuals to bring claims on behalf of the state and receive between 15% to 33% of any amount recovered in a successful action in which the state or political subdivision proceeded with an action brought by a qui tam plaintiff. If the state or political subdivision does not proceed with the action, the qui tam plaintiff is entitled to receive 25% - 50% of the proceeds of the action or settlement.

Like the federal FCA, the whistleblower protection provisions contained in the California FCA prevent employers from retaliating against employees who report to the government their employer's false claims. However, if the court finds that the action was brought by a person who planned and initiated the violation of the FCA, then the court may reduce the share of the proceeds of the action that the person would otherwise receive, after considering various factors.

California's Penal Code §72 imposes criminal penalties for presenting false or fraudulent claims to state or local government entities. False or fraudulent claims applies to every person who, with intent to defraud, presents for allowance or payment any state board or office, or to any county, city, or district board or officer, authorized to allow or pay the same if genuine, any false or fraudulent claim, bill, account, voucher, or writing. Any violator may be punished by:

- Imprisonment in the county jail for a period not more than one (1) year;
- A fine not exceeding \$1,000;
- Both imprisonment and fine;
- Imprisonment in county jail for a period of two (2) to three (3) years;
- A fine not exceeding \$10,000.

Legal Citations: CA Government Code Article 9 §§12650-12656; CA Penal Code §72



Federal False Claims Act

Hawaii

Hawaii's FCA is nearly identical to the federal FCA with actions and conduct that trigger penalties that are substantially similar to those that trigger penalties under the federal FCA. Specifically, these include: knowingly submits a false claim for payment; knowingly makes or uses a false record or statement material to a false or fraudulent claim; misappropriate government property; fail to report the discovery of an inadvertently submitted false claim; or deceptively conceal or avoid payment of obligations. The Hawaii FCA does not apply to any false claim of less than \$500.00.

"Knowing" and "knowingly" means that a person has actual knowledge of the information; acts in deliberate ignorance of the truth or falsity of the information; or acts in reckless disregard of the truth or falsity of the information. No proof of specific intent to defraud is required.

Civil penalties under the law include three times actual damages plus a monetary fine between \$5,500 and \$11,000 per false claim.

Hawaii's criminal Medicaid fraud statute makes it a felony to knowingly or willfully make or cause to be made a false statement or representation of a material fact in any application for a Medicaid benefit or payment, or to obtain more Medicaid compensation than that the person is legally entitled to receive, or to obtain Medicaid authorization to furnish supplies or services.

Hawaii's FCA also has a whistleblower or qui tam provision similar to the FCA. Whistleblowers may recover between 15% to 25% of amounts recovered if the State of Hawaii or the county intervenes in the matter, and between 25% to 30% of the recovery in matters where the State and the county fail to intervene and the whistleblower prosecutes the action on his or her own. If the court finds that the person bringing the action is convicted of criminal conduct arising from the person's role in the violation of the FCA, the violator shall not receive any share of the proceeds of the action.

Like the federal FCA, the whistleblower protection provisions contained in the Hawaii FCA prevent employers from retaliating against employees who report to the government their employer's false claims.

Legal Citations: HRS §§661-21 to 661-31; HRS §§46-171 to 46-181; HRS §346-43.5

Nevada

Nevada's FCA is similar to the federal FCA with actions and conduct that trigger penalties that are substantially similar to those that trigger penalties under the federal FCA. Specifically, these include: knowingly submitting a false or fraudulent claim for payment or approval; knowingly making or using a false record or statement that is material to a false or fraudulent claim; knowingly making or using a false record or statement that is material to an obligation to pay or transmit money or property to the State or a political subdivision; knowingly concealing and improperly avoiding or decreasing an obligation to pay money to the state; or conspiring in any of these activities. Furthermore, under the Nevada FCA, a person may also be liable if he or she is a beneficiary of an inadvertent submission of a false claim to the state, subsequently discovers that the claim is false, and fails to disclose the false claim to the state within a reasonable time after discovery of the false claim.

"Knowingly" means the person has actual knowledge of the information, acts in deliberate ignore of whether the information is true or false, or acts in reckless disregard of the truth or falsity of the information.

Civil penalties include a penalty of not less than \$5,500 or more than \$11,000. (as adjusted for inflation). In addition, the person that commits the violation is also liable for three times the amount of damages sustained by the State or political subdivision and the costs of a civil action brought to recover the damages.



Federal False Claims Act

Nevada's FCA also has a whistleblower or qui tam provision similar to the FCA. Whistleblowers may recover a reasonable amount for expenses that were incurred, including reasonable costs, attorney's fees, and the fees of expert consultants and expert witnesses. In addition, the whistleblower may recover between 15% to 25% of amounts recovered if the State of Nevada or the county intervenes in the matter, and between 25% to 30% of the recovery in matters where the State and the county fail to intervene and the whistleblower prosecutes the action on his or her own. If the court finds that the person bringing the action is convicted of criminal conduct arising from the person's role in the violation of the FCA, the person shall not receive any share of the proceeds of the action.

The Nevada FCA has a qui tam whistleblower provision permitting a person to bring a suit on behalf of the government that is very similar to the federal FCA qui tam provisions. The whistleblower may recover between 15% to 25% of the award if the government intervenes and between 25% to 30% if the government does not intervene. Like the federal FCA, the whistleblower protection provisions contained in the Nevada FCA prevent employers from retaliating against employees who report to the government their employer's potentially false claims.

Legal Citations: NRS Chapter 357 §§357.010 – 357.250

Oregon

Oregon has a False Claims for Health Care Payments Act. This works to fight false claims for health care payments.

A person commits the crime of making a false claim for health care payment when the person: knowingly makes or causes to be made a claim for health care payment that contains any false statement or false representation of a material fact in order to receive a health care payment; or knowingly conceals from or fails to disclose to a health care payor the occurrence of any event or the existence of any information with the intent to obtain a health care payment to which the person is not entitled, or to obtain or retain a health care payment in an amount greater than that to which the person is or was entitled.

Oregon laws prohibit employers from retaliating, discriminating, or harassing employees because of their good faith disclosure of information about a violation of a law or rule or a violation that poses a risk to public or patient health, safety, or welfare, or their refusal to assist employers in activity that the employee reasonably believes is in violation of a law or rule such as Oregon's False claims for Health Care Payments law.

Unlike the federal FCA, in Oregon, false claims can only be enforced by the Oregon attorney general. The Oregon laws do not contain qui tam or relator provisions. There are no provisions for a private citizen to share a percentage of any monetary recoveries.

Making a false claim for health care payment is a Class C felony punishable by up to five (5) years in prison and a fine of up to \$125,000. There is a five (5) year statute from the time of the claim.

Legal Citations: ORS §§ 165.690 – 165.698, ORS §165.990, ORS §161.605, ORS §§659A.200 – 659A.224 & 659A.230, ORS §§180.750-180.785



Federal False Claims Act

Utah

Utah's FCA is similar to the federal FCA with actions and conduct that trigger penalties that are substantially similar to those that trigger penalties under the federal FCA. Specifically, these include: knowingly submitting, or causing to be submitted, a false claim for payment; making or using a false record or statement to get a claim paid; conspiring to make a false claim or get one paid; or making or using a false record to avoid repayment to the government.

"False statement" or "false representation" means a wholly or partially untrue statement or representation which is knowingly made and a material fact with respect to the claim.

For a criminal violation of the FCA, excluding for kickbacks and bribes, the person must act knowingly, intentionally, or recklessly. Criminal penalties are determined by the cumulative value of the funds or other benefits received or claimed in the commission of all violations of a similar nature. Such penalties range from 2nd and 3rd degree felonies to Class A and B misdemeanors.

A civil violation means that the person must act knowingly which means that the person had actual knowledge of the information, acted in deliberate ignorance of the truth or falsity of the information; or acted in reckless disregard of the truth or falsity of the information. Civil penalties require the individual who violates the FCA to: 1) make full and complete restitution to the state of all damages that the state sustained because of the violation; 2) pay to the state its cost of enforcement, including the cost of investigators, attorneys, and other public employees; and 3) pay to the state a civil penalty equal to three times the amount of damages that the state sustained and not less than \$5,000 or more than \$10,000 for each claim filed or done in violation of the FCA.

The Utah FCA does not provide for a private right of action. Nor does it have a whistleblower protection provision. The Medicaid Fraud Department is responsible for investigating and prosecuting suspected civil violations of the FCA or referring suspected civil violations to the attorney general and referring suspected criminal violations to the attorney general for criminal investigation and prosecution.

Legal Citations: UCA §§26-20-1 – 26-20-15.

Washington

The Washington Medicaid FCA, like the federal FCA, prohibits the knowing submission of false or fraudulent claims to the Medicaid program. Actions and events that trigger penalties under the federal FCA are the same as those that trigger penalties under the Washington FCA. Specifically, these include: knowingly submitting or causing to be submitted a false claim for payment; knowingly making or using or causing to be made or used a false record or statement to get a claim paid; conspiring to make a false claim or get one paid; or knowingly making or using or causing to be made a false record to avoid repayments to the government.

Knowing" and "knowingly" mean that a person, with respect to information: (i) has actual knowledge of the information; (ii) acts in deliberate ignorance of the truth or falsity of the information; or (iii) acts in reckless disregard of the truth or falsity of the information.

Those who violate the Washington FCA are liable for a civil penalty of between \$10,957 to \$21,916 per false claim, as adjusted under the federal FCA for inflation, plus three (3) times the damages sustained by the government. If certain conditions are met, the court may assess not less than two (2) times the amount of damages the government entity sustains. In addition, the violator is liable for the costs of a civil action brought to recover any such penalty or damages.



Federal False Claims Act

The FCA provides for qui tam private rights of action under which a person may file a lawsuit on behalf of the government and share in the monetary recovery. Where the state proceeds with the action, the qui tam relator or whistleblower will receive at least 15%, but no more than 25% of the proceeds of the action or settlement of the claim, depending on his/her contribution to the prosecution of the action. If the state does not intervene in the action, the relator will receive between 25% to 30% of the proceeds of the action. Whistleblowers are protected under the Washington FCA, which prohibits employers from discriminating or retaliating against an employee who reports alleged false claims or assists in an FCA action.

Other Washington state laws include provisions that create liability for false claims submitted to a broad range of health care payors, including Medicaid. Any person who knowingly makes a false claim or false representation related to a health care payment or conceals the occurrence of any event affecting the right to a health care payment may be guilty of a Class C felony and subject to various sanctions, including disgorgement of funds plus interest, civil penalties in the amount of three (3) times the excess payment, and/or a fine of \$25,000. These state laws also afford whistleblower protection to employees under certain circumstances. Washington common law recognizes actions against employers for wrongful discharge in violation of public policy. Furthermore, the Washington State Department of Health's laws contain whistleblower protections for those that report fraud in connection with quality of care. In addition, there are several Washington laws that protect state and local employees from retaliation related to whistleblowing.

Legal Citations: RCW §74.66.005 et seq.; RCW §74.09.230; RCW §74.09.210; RCW §48.40.010; RCW §43.70.075.



State and Federal Laws Governing Compliance

Note: All references to applicable law are cited below. Please feel free to contact our Chief Compliance Officer (801-596-8844), should you have any questions regarding such regulations.

Table of Statutes

- California

Reference: CA. GOVT. CODE §§ 12650 to 12656.

- Hawaii

Reference: HAW. REV. STAT. §§ 661-21 TO 661-29; HAW. REV. STAT. §§ 378-61 TO 378-69; HAW. REV. STAT. §§ 46-171 TO 46-179.

- Nevada

Reference: NRS Chapter 357 §§357.010-357.250

- Oregon

Reference: Or. Rev. Stat. §§ 165.690 to 165.698; Or. Rev. Stat. §§659A.200 to 659A.224; Or. Rev. Stat. § 441.057; Or. Rev. Stat. § 659A.230; Or. Rev. Stat §§ 180.750 – 180.785.

- Utah

Reference: UTAH CODE ANN. §§ 26-20-1 et seq.; UTAH CODE ANN. §§ 67-21-1 et seq.

- Washington

Reference: RCW § 74.66.005 et seq.; RCW § 74.09.230; RCW §74.09.210; RCW § 48.80.010; RCW § 43.70.075; RCW § 49.60; RCW § 42.40; RCW § 42.41

- Civil FCA 31 United States Code (U.S.C.) Sections 3729-3733

Reference: <https://www.gpo.gov/fdsys/pkg/USCODE-2015-title31/pdf/USCODE-2015-title31-subtitleIII-Chap37-subchapIII.pdf>

- Civil Monetary Penalties Inflation Adjustment

Reference: <https://www.gpo.gov/fdsys/pkg/FR-2016-06-30/pdf/2016-15528.pdf>

- Criminal FCA 18 U.S.C. Section 287

Reference: <https://www.gpo.gov/fdsys/pkg/USCODE-2015-title18/pdf/USCODE-2015-title18-partI-chap15-sec287.pdf>

- AKS 42.U.S.C. 1320a-7b(b)

Reference: <https://www.gpo.gov/fdsys/pkg/USCODE-2015-title42/pdf/USCODE-2015-title42-chap7-subchapXI-partA-sec1320a-7b.pdf>

- Regulatory Safe Harbors 42 Code of Federal Regulations (CFR) Section 1001.952

Reference: <https://www.gpo.gov/fdsys/pkg/CFR-2015-title42-vol5/pdf/CFR-2015-title42-vol5-sec1001-952.pdf>

- Physician Self-Referral Law 42 U.S.C. Section 1395nn

Reference: <https://www.gpo.gov/fdsys/pkg/USCODE-2015-title42/pdf/USCODE-2015-title42-chap7-subchapXVIII-partE-sec139nn.pdf>



State and Federal Laws Governing Compliance

- Criminal Health Care Fraud 18 U.S.C. Section 1347

Reference: <https://www.gpo.gov/fdsys/pkg/USCODE-2015-title18/pdf/USCODE-2015-title18-part1-chap63-sec1347.pdf>

- Exclusion 42 U.S.C. Section 1320a-7

Reference: <https://www.gpo.gov/fdsys/pkg/USCODE-2015-title42/pdf/USCODE-2015-title42-chap7-subchapXI-partA-sec1320a-7.pdf>

- Civil Monetary Penalties Law 42 U.S.C Section 1320a-7a

Reference: <https://www.gpo.gov/fdsys/pkg/USCODE-2015-title42/pdf/USCODE-2015-title42-chap7-subchapXI-partA-sec1320a-7a.pdf>

- Health Insurance Portability and Accountability Act (HIPAA) 42 U.S.C. § 300gg and 29 U.S.C. § 1181 et seq. and 42 USC 1320d et seq.

Reference: Adjustment of Civil Monetary Penalties for inflation
<https://www.gpo.gov/fdsys/pkg/FR-2016-09-06/pdf/2016-18680.pdf>

- 45 CFR 160.103 Purpose & Definitions
- 45 CFR 146 Requirements for Group Health Ins.
- 45 CFR 160 General Adm. Requirements
- 45 CFR 162 Transaction Standards and Security Regulations
- 45 CFR 164 Security and Privacy Regulations

Reference: <https://www.hhs.gov/ocr/hipaafinalreg.html>



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