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DEAR ASSOCIATES

We are privileged to be able to spend our lives in the service of others as we seek to help individuals and communities manage health and illness. Whether it was a childhood dream of yours to become a healthcare professional, or whether you came to this career later in life, you are no doubt aware of how very challenging it has become to manage the business of healthcare.

In fact, the healthcare industry is probably the single most regulated industry in the nation. Almost every healthcare activity, from dispensing drugs to serving meals to billing for services, is covered by laws and regulations at the city, county, state and federal level. In addition, our industry must adhere to standards set forth by numerous licensing and accrediting bodies, such as The Joint Commission (TJC) and the Centers for Medicaid and Medicare Services (CMS).

It is our goal to guide you in navigating this complex environment of laws and regulations so that it will be easier for you to take care of patients, their families and our communities. This is why we maintain a strong Ethics and Compliance program that is both comprehensive in scope and educational in nature. Our goal is to assist you, our employees and business associates, to better understand the regulatory environment and to operate effectively within it.

You may know that of the millions of stars in the sky, Capella is known as the brightest star closest to the celestial north pole. In that position, it serves as a reliable guidepost in the night sky, pointing the way to True North. And, although it appears to be a single star to the naked eye, it is actually a system with several stars. Like our name, we want our Company to be a reliable and constant resource, stronger and brighter because we are working together helping each other deliver the best possible care while navigating the complex and ever-changing world of healthcare delivery. This is why our commitment to our Ethics and Compliance program includes:

- Promoting the highest level of regulatory compliance throughout our company;
- Protecting individuals who disclose issues or problems; and
- Being readily available to help you understand the continually changing legal environment.

We are equally committed to fostering an environment that treats others fairly and conducts business in accordance with the laws and regulations that our communities and our country have established.

DAN SLIPKOVICH

Chief Executive Officer

MICHAEL WIECHART

Chief Operating Officer

TONY FAY

Ethics & Compliance Officer

OUR CODE OF CONDUCT AND ETHICS

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

Further, I will...

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

WE ARE LEADERS IN PROMOTING A CULTURE OF PERSONAL RESPONSIBILITY AND ACCOUNTABILITY.

All Capella associates are obligated to follow the Code of Conduct. We also expect our leaders to set the example and to be, in every respect, a role model.

- We expect everyone in the organization to exercise these responsibilities in a manner that is sensitive, thoughtful and respectful.
- We expect each supervisor to create an environment where all team members are comfortable raising concerns and proposing ideas.
- We expect supervisors to provide their team with sufficient information to comply with laws, regulations, policies and the resources to resolve ethical concerns. Leadership means creating a culture within Capella which promotes the highest standards of Ethics and Compliance.
- We expect our culture to encourage everyone in the organization to share concerns when they arise. We must never sacrifice ethical and honest behavior in the pursuit of business objectives.

DEFINITIONS RELATED TO COMPLIANCE FUNCTIONS

ECO—Ethics & Compliance Officer

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

AECO—Associate Ethics & Compliance Officer

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

FECC—Facility Ethics & Compliance Committee

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

FPO—Facility Privacy Officer

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

FISO—Facility Information Security Officer

This person is charged with ensuring our information systems and processes are operating in an effective manner to safeguard our patients' information.

FIIO—Facility Identity Integrity Officer

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

OIG—The federal Office of Inspector General

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

Workforce—Under HIPAA, the Workforce is defined to include not only employees, but also medical staff members, volunteers, trainees, contracted personnel, business associates and other persons who perform work for a covered entity, whether or not they are paid by the covered entity.

While we only require employees to sign the official acknowledgement, Capella Healthcare's Code of Conduct applies to all Workforce members.

The word "Associate" is also used throughout this document to denote "Workforce" member.

PATIENT SAFETY AND QUALITY

FIRST AND FOREMOST—CARING FOR OUR PATIENTS

Our Commitment to Care

We will treat all patients with compassion and respect.

We will provide quality healthcare that is necessary and appropriate.

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

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

We will respond quickly to patient complaints or concerns.

PATIENT SAFETY ALWAYS COMES FIRST

The safety, comfort and well-being of our patients is our top priority. We will always treat patients with respect and compassion. Any lapses in patient safety or endangerment to patients should be immediately reported to your supervisors or other parties as warranted.

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

- You can call them at **(800) 994-6610**
- You can send them an email at **complaints@JointCommission.org**.
- Under our accreditation agreement with the Joint Commission, we will not take any retaliatory action against you for reporting to the Joint Commission.
- Patients should be made aware that they can file a formal complaint with the hospital Chief Quality Officer.

For more information, see our Quality Management policies, QM.001 through QM.003.

WE PROTECT OUR PATIENTS' PRIVACY

Federal law (Health Insurance Portability and Accountability Act of 1996) requires that we take comprehensive measures to preserve patient privacy. Capella has a **Notice of Privacy Practices (NPP)** which all employees and business associates must understand and follow.

- We should never discuss a patient's condition or illness with anyone unless it is for treatment or other healthcare purposes.
- We should never discuss private patient matters with anyone outside of the patient's sphere of caring. This includes friends, family members or even hospital personnel who do not have a "need to know".

MORE ON HIPAA PRIVACY

Patients' Right to Access

Patients have the right to examine or get a copy of their own medical record by completing an authorization form. Some limitations apply.

Patients' Right to Amend

Patients may request to amend their records. Even if the healthcare provider does not agree, we are still required to add the letter to the record and respond, in writing, to the patient.

Right to Request Privacy Restrictions

Patients have a right to opt out of the hospital directory if they want their visit to be completely confidential.

Notice of Privacy Practices (NPP)

All patients receive a copy of the NPP at the time of admission or registration. This notice explains our privacy policy.

Right to Request Confidential Communications

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

Accounting of Disclosures

We must keep a record of the disclosures of private patient information made to third parties that are not a part of the patient's treatment or related to the patient's bill.

Breaches of Patient Information

All breaches of patient information must be reported to the Office of Civil Rights for the U.S. Department of Health & Human Services and the patients whose information was breached must be notified by us in writing. Moreover, breaches involving 500 or more patients must be reported to the news media.

For more information, refer to our HIPAA policies, HIM.PRI.001 through HIM.PRI.010

HIPAA QUESTIONS & ANSWERS

As an employee, may I look at my own medical record since I have access to it on the computer?

By law you are permitted to view your own medical record; however, you will be required to go through the same process as any patient, by going through the HIM Department who will grant you the appropriate access. You cannot just pick it up or view it on the system without clearance from the HIM department.

May I take pictures of patients?

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

May I use the camera on my phone in patient care areas?

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

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

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

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

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

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

No, this would be a direct violation of HIPAA and could subject you to fines and possible prosecution. You can say nothing that will give the name or identity of the patient away.

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

- Leaving part of a medical record in the copier,
- Accidentally dropping a form on the floor or leaving it in a break room, stairwell or cafeteria,
- Sending a fax containing patient information to the wrong doctor,
- Speaking too loudly, either on the phone or in the hallway.
- Texting patient information, even to another caregiver. Texting is not a secure (private) form of communication.
- Posting patient information on social media, such as Facebook or Twitter. Even if the name is not disclosed, it is still considered a HIPAA violation to release patient information into the public domain.

SOCIAL MEDIA

Many of us use Social Media tools, such as Blogs, Facebook, Twitter, LinkedIn, Tumblr and MySpace at home and during our personal time. Although personal participation in Social Media networks is in no way prohibited under our Code of Conduct, there are some rules you must follow so you do not end up violating HIPAA or civil slander laws.

- You should **NEVER** post any information regarding any patient, past or present, who has been in our hospital or any other affiliated healthcare facility. Even acknowledging that you know someone has been a patient may be an unacceptable disclosure of patient-identifying information under HIPAA.
- You should **NEVER** post any photographs or other images (such as caricatures or X-rays) of any patient. Whether or not the photo or image has a name on it, it is still considered private protected information under HIPAA.

If you post pictures of any employee or other associate of the hospital, you must have their explicit consent to post any photographs of them and you must take them down if they ask you to.

- **You should NEVER post any information that disparages the hospital or any of its employees, physicians or other Workforce members.**

Anyone in a supervisory role must thoughtfully consider whether there may be any appearance of impropriety or favoritism if they “friend” a team member via a Social Media site.

For more information, see policies EC.023 *Guidelines for Human Photography* and EC.024 *Use of Social Media by Company Personnel*.

SECURING ELECTRONIC INFORMATION

The recently enacted HI-TECH (Health Information Technology) legislation establishes new and enhanced privacy protections for patients as well as new responsibilities for care providers. Under this new law, hospitals and physicians are required to fully encrypt electronic patient information that is portable, such as the information on a laptop, external hard drive, or thumb (flash) drive. By encrypting this information, we will avoid having to contact each potential patient in case the data is lost or stolen. Encryption prevents the misuse of this data by unauthorized parties.

For more information, see policy IT.SEC.001, IT Security Program Requirements

IDENTITY THEFT

We have special procedures to prevent or detect identity theft. If you work with any information that is subject to identity theft, such as social security numbers, birthdates, etc., you must be trained and made familiar with our Identity Theft policies.

We have identified 5 “Red Flags” which may indicate an identity theft. All employees should be aware of these flags.

1. A photo ID that does not match the person;

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

For more information, see policy PA.015 *Identity Theft and Patient Mis-Identification*.

GENETIC INFORMATION NON-DISCRIMINATION ACT

The Genetic Non-Discrimination Act of 2008 (GINA) specifically prohibits discrimination against our current or former employees and new applicants on the basis of their genetic information. Further, we are prohibited from collecting or purchasing genetic information about a potential or current employee or their family members. Genetic information is defined as information about

- genetic tests from a potential or current employee,
- the genetic tests of people related to a potential or current employee; or
- a disease or disorder in a person related to a potential or current employee.

EMERGENCY MEDICAL TREATMENT AND ACTIVE LABOR ACT (EMTALA)

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

- Anyone who expresses a need for medical assistance who comes to us must be provided a medical screening exam promptly to determine the presence and extent of an emergent medical condition. In most cases, this applies even if the patient shows up somewhere other than our Emergency Department. For example, if someone comes into our front lobby and says “I have chest pain” or into our PT Department and says “I need help,” we need to get them to our ED for a medical screening.

- If an emergency medical condition is present, the patient must be stabilized to the extent possible and to the best of our hospital's abilities, without regard to their ability to pay.
- A patient may be transferred if we do not have the ability to treat them AND the risk of the transfer does not outweigh the benefits of the transfer.
- **We must coordinate** the transfer with the receiving facility.
- **We must clearly document** in the medical record that all of these requirements have been performed.
- **Patient-requested transfers** may be granted as long as the physician agrees that it is in the best medical interest of the patient

For more information, refer to Capella's detailed EMTALA policies, LL.EM.001 through LL.EM.007.

WORKPLACE RULES

Capella workforce members have the right to work in an environment free of harassment and violence.

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

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

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

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

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

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

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

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

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

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

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

For more information, see our *Human Resources* policies, HR.001 through HR.005

CONFLICTS OF INTEREST

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

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

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

For more information, see policy EC.021, *Conflicts of Interests*.

DISRUPTIVE BEHAVIOR

We will not tolerate any form of disruptive behavior from any member of the Workforce. Disruptive behavior is described as a style of interaction that interferes with patient care and other work-related activities, including verbal or physical abuse and threatening behaviors. It can be any type of behavior that causes distress among staff and affects overall morale within the work environment thus undermining productivity and possibly leading to high staff turnover or ineffective or substandard care.

INFORMATION SYSTEMS

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

You must never login to any system with another person's login (user name and password).

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

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

► **Keep in mind that every email or internet view could be looked at by your supervisor.**

It is not permissible for any workforce member to bring a home computer to work, either to access the internet or network or to ask the IT Department to examine or repair it. These repair matters should be referred to an outside repair service.

For more information, see policy IT.SEC.002 *Electronic Communications*

OUTSIDE EMPLOYMENT

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

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

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

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

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

GIFTS FROM VENDORS AND OTHER EMPLOYEES

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

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

For more information, see policy EC.005, *Entertainment* and policy EC.015, *Limitations on Gifts to Government Employees and Agents*.

CONFIDENTIALITY AND TRADE SECRETS

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

Workforce members **may not use or disclose** to others the following without consent or as required by law.

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

ANTITRUST

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

- Illegal or deceptive marketing activities;
- Price-fixing arrangements with competitors;
- Conspiracies to limit employee salaries or benefits; and
- Any activities that limit open business competition.
- Antitrust laws could easily and inadvertently be violated (or appear to be violated) by discussing Company or Hospital business with a Competitor.
- When someone perceives that an antitrust law may have been violated, the injured party can easily file a complaint with the Federal Trade Commission or state Attorney General.
- We must avoid discussing sensitive topics with competitors or suppliers, unless we are proceeding on the advice of the legal counsel.

GATHERING INFORMATION ON COMPETITORS

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

For example:

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

MARKETING AND ADVERTISING

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

- **We may use** marketing and advertising activities to educate the public, to provide information to the community, to promote our services and to recruit employees, physicians and volunteers.
- **We will not use** advertising or marketing that causes confusion about our services and those of our competitors, and we will not degrade our competitors' business or operations.
- **We will comply** with all state and federal requirements, including those concerning truth in advertising, copyright issues, and the improper inducement of patients or referral sources.
- **We will not** make specific claims about the quality of our services without empirical evidence.

PERSONAL USE OF COMPANY RESOURCES

We are all responsible for using company resources and assets wisely, including time, materials, equipment, supplies and information. These resources are to be maintained and used for business purposes only.

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

MAINTAINING QUALITY RECORDS

As a hospital company, **we must maintain vital records in an effective manner.** Workforce members must take great care not to damage or destroy vital records, whether these are paper, film, digital or imaged. Non-vital records, such as your emails, magazines, task lists, etc. should only be kept for as long as you need them, unless directed otherwise by the corporate Legal Department.

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

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

COPYRIGHTS AND INTELLECTUAL PROPERTY

Print and electronic materials (including photography, audio recordings, video recordings and software) are usually protected by copyright laws.

Capella workforce members are expected to respect and comply with these laws, which ensure those who created these materials receive proper credit and compensation for their work. We will not reproduce articles, pamphlets, software or other electronic materials, without written permission from the writer or publisher.

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

For more information, see policy LL.GEN.002, *Copyrights*

POLITICAL ACTIVITIES

We encourage workforce members to be active in the political process, exercise their right to vote and support candidates of their choice. However, complex laws govern campaign contributions by corporations and businesses. Some definite federal prohibitions of political activity include:

- **We will not** make corporate or PAC contributions without first getting this cleared by the corporate ECO.
- **We will not** conduct campaigns or hand out leaflets on company property.
- **We will not** include campaign contributions on our personal expense reports.
- **We will not** give gifts or other items of value to officeholders and candidates in the name of Capella or our hospital (except for plaques and appetizers, as permissible under federal or state law)
- **We will not** use company resources, such as phones, copiers, email or postage, to support or oppose a candidate for office.

For more information see policy GR.001, *Contributions to Political Campaigns* and GR.002, *Use of Outside Lobbyists*.

ENVIRONMENTAL STEWARDSHIP

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

Our work requires the handling of hazardous materials including solvents, corrosives, needles, biohazards and human tissue. These hazards require special handling and are subject to strict regulations.

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

For more information, see policies ENV.001 through ENV.018.

PERSONNEL FILES

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

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

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

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

Payroll records, personnel files, budgets, financial statements and other

data that could disclose salary information are treated as **HIGHLY CONFIDENTIAL** and must be kept under lock and key and/or in a secure environment on the computer system.

LAWS AND REGULATIONS

BILLING FOR SERVICES

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

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

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

We will return overpayments from any source (Medicare, Medicaid, insurance or patients). *See Policy EC.012, Correction of Errors to Federal Programs.*

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

We will maintain accurate medical records.

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

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

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

BILLING FOR NEVER EVENTS

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

For more information, see policy PA.014, *Billing for Never Events*.

FALSE CLAIMS ACTS

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

Many states also have false claims laws for Medicaid programs.

More information about this can be found at www.capellahealthcare.com/ethics

GOVERNMENTAL AGENCIES, ACCREDITING ORGANIZATIONS AND INSURANCE COMPANIES.

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

- Some of these include the Center for Medicaid and Medicare Services (CMS), , state licensing boards, The Joint Commission (TJC), the Occupational Safety and Health Administration (OSHA), the Office of the Inspector General (OIG) Blue Cross Blue Shield, Aetna, the Clinical Laboratory Improvement Act (CLIA), food inspectors, tax assessors, elevator inspectors, Environmental Protection Agency, Federal Communication Commission, child care regulators, etc.

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

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

In all communications with any governmental agencies, accrediting organizations and insurance companies, we will provide complete and accurate information.

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

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

For more information, see policy QM.001, *Regulatory Compliance Notifications*.

GOVERNMENT INVESTIGATIONS

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

We will cooperate fully in all legally authorized investigations.

We will be as transparent as possible in our interaction with investigators.

We will not hide anything or providing misleading information during an investigation.

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

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

For more information, see policy EC.017, *Notification Regarding Investigations or Legal Proceedings*.

PROFESSIONAL LICENSES

Capella workforce members must maintain any professional license, certification or other accreditation required by state or federal law.

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

You may not work for Capella without a valid license or certification if it is required of your position. To ensure compliance, you are required to show proof of your current license status.

For more information, see policy QM.002, *Licensure and Certification of Practitioners*

KICKBACKS AND REWARDS FOR REFERRALS

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

We will not pay a kickback or reward for a patient referral to anyone. This includes physicians, nursing homes, ambulance drivers, other hospitals or a relative or guardian of the patient. Because of the strict prohibition against payments for referrals, we must avoid arrangements which might indirectly reward (or appear to reward) potential referral sources. These include items such as

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

For more information, see policy LL.001, *General Statement on Agreements With Referral Sources*.

REPORTING INFRACTIONS AND CONCERNS

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

- Patient safety concerns or patient endangerment
- Patient complaints and grievances
- Performance of unnecessary procedures or surgeries
- EMTALA violations
- Billing or coding errors and lack of willingness to correct these
- Harassment or a hostile workplace environment
- Stealing or other criminal acts
- Intentional non-compliance with internal control systems
- Breaches of patient privacy

- Substance abuse or someone who is intoxicated at work
- Failure to safeguard narcotics

HOW TO REPORT INFRACTIONS OR CONCERNS

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

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

**THE ETHICS LINE: 1-866-384-4276
or www.capellahealthcare.com/ethics**

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

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

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

Neither Capella nor any of its affiliates will make any attempt to determine who you are or where you are if you wish to remain anonymous. If you remain anonymous, you will have no way of knowing if any follow-up occurs because all investigations, including any disciplinary actions, will be kept strictly confidential.

SUGGESTIONS FOR EFFECTIVE REPORTING

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

Gather documentation. This could include:

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

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

ACKNOWLEDGMENT OF THE CODE OF CONDUCT

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

2011 CALENDAR YEAR ACKNOWLEDGMENT

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

PRINT NAME HERE

SIGNATURE

DATE

DISCLOSURE OF ACTUAL OR POTENTIAL CONFLICTS OF INTEREST

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

Ethics Line (866) 384-4276
www.CapellaHealthcare.com/ethics

Appendix

LIST OF ETHICS & COMPLIANCE POLICIES

The material in the Code of Conduct is a brief summary of the Ethics & Compliance policies of Capella Healthcare. These policies can be found on the corporate “Z” drive. Please contact your facility Informations Systems Director for access.

ENVIRONMENTAL (ENV)

ENV.001	Environmental - General
ENV.002	Environmental - Polychlorinated Biphenyls (PCBs) Handling
ENV.003	Environmental - Indoor Air Quality
ENV.004	Environmental - Air Pollutant Emission
ENV.005	Environmental - Asbestos Containing Material (ACM) Management
ENV.006	Environmental - Environmental Due Diligence for Property Transfer
ENV.007	Environmental - Emergency Response
ENV.008	Environmental - Biomedical Waste Management
ENV.009	Environmental - Low-Level Radioactive Waste Management
ENV.010	Environmental - Hazardous Waste Management
ENV.011	Environmental - Fuel Storage Tank Management
ENV.012	Environmental - Waste Oil Management
ENV.013	Environmental - Wastewater Discharge
ENV.014	Environmental - Potable (Drinking) Water Supply
ENV.015	Environmental – Infection Control Risk Assessment
ENV.016	Environmental – Universal Waste Management
ENV.017	Environmental – Management of Lead (Pb) Materials
ENV.018	Environmental – Environmental Self Audit of Facilities

ETHICS AND COMPLIANCE (EC)

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

EC.021	Conflict of Interest
EC.022	Education Requirements of the Deficit Reduction Act of 2005
EC.023	Guidelines for Human Photography
EC.024	Use of Social Media by Company Personnel

GOVERNMENT RELATIONS (GR)

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

HEALTH INFORMATION MANAGEMENT (HIM)

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

HIPAA PRIVACY (HIM.PRI)

HIM.PRI.001	Patient Privacy – Program Requirements
HIM.PRI.002	Privacy Official
HIM.PRI.003	Patient Privacy – Protection
HIM.PRI.004	Patient Privacy – Patients’ Right to Access
HIM.PRI.005	Patient Privacy – Patients’ Right to Amend
HIM.PRI.006	Patient Privacy – Right to Request Privacy Restrictions
HIM.PRI.007	Notice of Privacy Practices
HIM.PRI.008	Patient Privacy – Right to Request Confidential Communications
HIM.PRI.009	Patient Privacy – Accounting of Disclosures
HIM.PRI.010	Patient Privacy – Notification of Breaches of Protected Health Information

HUMAN RESOURCES (HR)

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

INFORMATION TECHNOLOGY & SECURITY (IT.SEC)

IT.SEC.001	Information Systems Security
IT.SEC.002	Electronic Communication
IT.SEC.003	PC Software License Management
IT.SEC.005	Information Confidentiality and Security Agreements
IT.SEC.006	Information Security – Facility Information Security Official

IT.SEC.008	Information Security – Physician Access to the Facility Information Systems
IT.SEC.009	Information Security – IT Project Request Approval
IT.SEC.010	Information Security – Destruction of Computer Equipment, Media and Data
IT.SEC.011	Information Security – Third-Party Access Procedure
IT.SEC.012	Information Security – IT Security Risk Assessment
IT.SEC.014	Information Security – Global E-Mail Distribution List
IT.SEC.015	Information Security – Network Resources
IT.SEC.017	Information Security – Network Security
IT.SEC.018	Information Security – Data Security (Classification)
IT.SEC.019	Information Security – User Access (Security)
IT.SEC.020	Information Security - Physicians and Physicians Office Staff (Meditech only)
IT.SEC.021	Information Security - CPCS Conformance and Monitoring (Meditech only)

LABORATORY (LAB)

LAB.001	Billing for Hematology Procedures
LAB.002	Billing for Urinalysis Procedures
LAB.003	Organ and Disease Panels
LAB.004	Billing for Outpatient Specimen Collection
LAB.005	Billing for Custom Profiles
LAB.006	Billing for Reference Laboratory Testing
LAB.007	Reflex Tests
LAB.008	Technical Component for Pathology Tests
LAB.009	Billing for Laboratory Services to SNFs
LAB.011	Standard Laboratory Charge Description Master

LEGAL (LL)

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

EMTALA

LL.EM.001	EMTALA - Medical Screening
LL.EM.002	EMTALA - Stabilization
LL.EM.003	EMTALA - Transfer
LL.EM.004	EMTALA – Signage
LL.EM.005	EMTALA - Central Log
LL.EM.006	EMTALA - Duty to Accept
LL.EM.007	EMTALA - Provision of On-Call Coverage

MATERIALS MANAGEMENT (MM)

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

PATIENT ACCOUNTING (PA)

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

QUALITY MANAGEMENT (QM)

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

QUALITY MANAGEMENT: RESEARCH (QM.RES)

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

REIMBURSEMENT (RB)

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

TREASURY (TRE)

TRE.001	Medical Staff Funds
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