

CORPORATE INTEGRITY AGREEMENT
BETWEEN THE
DEPARTMENT OF SOCIAL SERVICES
AND
MASONICARE

I. PREAMBLE

Masonicare hereby agrees to enter into this Corporate Integrity Agreement (“Agreement”) with the Connecticut Department of Social Services (“the Department”) to provide for the establishment of a Corporate Integrity Program which ensures compliance with the billing and reimbursement requirements of the State Medicaid Program and Medical Assistance Program (as defined in Conn. Gen. Statutes §17-311-52, the “State Medical Assistance Program”) by Masonicare, its affiliates, and each of its employees, contractors and agents actively engaged during the term of this Agreement to act as billing and/or reimbursement consultants for Masonicare (“Covered Persons”). For purposes of this Agreement, affiliates shall not include Masonic Charity Foundation of Connecticut, Inc. and Ashlar Village, Inc.

The terms of this Corporate Integrity Agreement shall be maintained so as to ensure that Masonicare and each of the Covered Persons comply with the program requirements of the State Medical Assistance Program, and that Masonicare’s billing, (“billing” means requesting reimbursement for services which should be billed to the State Medical Assistance Program on a fee-for-services basis, rather than on a cost report basis, in accordance with the State Medical Assistance Program’s regulations), requests for reimbursable expenses are in compliance with all applicable statutes, and regulations and the terms of this Agreement. Masonicare is contemporaneously entering into a settlement agreement with the Department and this Agreement is incorporated by reference therein (the “Settlement Agreement”).

Prior to the execution of this Agreement, Masonicare developed and began implementing a corporate compliance program (“CCP”), which provides for corporate integrity policies and procedures and which, as represented by Masonicare in this Agreement, is aimed at ensuring that its participation in the State Medical Assistance Program (which includes any requests for payment or reimbursement from the State Medical Assistance Program) is in conformity with the statutes and regulations applicable to the State Medical Assistance Program. Therefore, pursuant to this Agreement, Masonicare hereby agrees to maintain in full operation the CCP for the term of this Agreement. The CCP may be modified by Masonicare as appropriate, but, at a minimum, shall always comply with the integrity obligations enumerated in this Agreement. Masonicare shall notify the Department of any substantive changes to its integrity obligations as set in this CCP within thirty (30) days of making such changes. Masonicare shall notify the Department of any other changes to its CCP which do not impact the requirements hereunder upon filing its Annual Compliance Report described herein.

II. TERMS OF THE AGREEMENT

The period of compliance obligations assumed by Masonicare under this Agreement and pursuant to its Settlement Agreement with the Department which is herein incorporated by reference shall be five (5) years from the effective date of this Agreement. The effective date will be the date on which the final signatory of this Agreement executes this Agreement (“the Effective Date”).

III. CORPORATE INTEGRITY OBLIGATIONS

During the term of to this Agreement, Masonicare will incorporate following integrity obligations as permanent features of its CCP, which shall be established in accordance with the requirements set forth below:

A. CORPORATE COMPLIANCE OFFICER

Masonicare has represented to the Department that it has created a Compliance Officer position and that individual is working as of the Effective Date of this Agreement to serve in that capacity. Accordingly, Masonicare shall formally maintain the appointment of an individual to serve as the Compliance Officer. At a minimum, the Compliance Officer must continuously be charged with the responsibility for the day-to-day compliance activities in furtherance of the integrity obligations assumed herein, as well as for any reporting obligations established under this Agreement. The Compliance Officer must report directly to the Chief Executive Officer (“CEO”) of Masonicare and to the Chairman of Masonicare’s Board of Trustees and shall have unrestricted access to the Board of Trustees for Masonicare. The Compliance Officer shall make regular (at least quarterly) reports regarding compliance matters relating to the Department and the Department’s Medical Assistance Program directly to Masonicare’s CEO and/or to the Board of Trustees of Masonicare. These reports shall be sent to the Director of Quality Assurance. When the identity of the Compliance Officer changes, Masonicare shall notify, in writing, the Department within fifteen (15) days of such change. All other matters affecting the Compliance Officer shall be reported in accordance with Section VI below.

While it is acknowledged that each of Masonicare’s affiliates may designate their own corporate compliance officers, this Agreement shall only require Masonicare and its affiliates to create one corporate compliance officer as described herein.

B. COMPLIANCE COMMITTEE

Masonicare has represented to the Department that, pursuant to its Program, it will create a Compliance Committee and, within ninety (90) days of the Effective Date of this Agreement, appoint individuals to serve on the Compliance Committee. Accordingly, Masonicare shall ensure that the Compliance Committee is continuously composed of representatives of multiple disciplines and segments of Masonicare's operations. At a minimum, the Compliance Committee shall include the Compliance Officer and any other appropriate officers as necessary to meet the requirements of this Agreement (e.g., senior executives of each major department, such as third party reimbursement, billing, clinical, human resources, audit, and operations). The Compliance Officer shall chair the Compliance Committee and the Committee shall support the Compliance Officer in fulfilling his/her responsibilities.

Any changes in the composition of the Compliance Committee, or any actions or changes that would affect the Compliance Committee's ability to perform the duties necessary to meet the obligations in this Agreement, must be reported to the Department, in writing, within fifteen (15) days of such a change.

While it is acknowledged that each of Masonicare's affiliates may designate their own corporate compliance committees, this Agreement shall only require Masonicare to create one corporate compliance committee to serve itself and its affiliates as described herein.

C. WRITTEN STANDARDS

1. *Code of Conduct.* Masonicare has represented to the Department that it is in the process of adopting its Code of Conduct and is implementing its CCP. Accordingly, Masonicare shall completely adopt its written Code of Conduct and begin implementing its CCP within ninety (90) days of the Effective Date of this Agreement. Specifically, Masonicare shall implement written standards, which at a minimum, include the following:
 - a. Masonicare's commitment to full compliance with all applicable statutes, regulations, and the Department provider agreement, including but not limited to, preparing and submitting accurate cost reports and documenting costs and expenses submitted on those cost reports for reimbursement in accordance with all such requirements;
 - b. Masonicare's requirement that all Covered Persons shall be expected to comply with all State Medical Assistance Program requirements and with Masonicare's own Policies and Procedures as defined herein (including the requirements of this Agreement);

- c. The requirement that all of Masonicare's Covered Persons shall be expected to report to the Compliance Officer or other individual designated by Masonicare suspected violations of any State Medical Assistance Program requirements or of Masonicare's own Policies and Procedures; and
- d. The possible consequences to both Masonicare and to any Covered Persons of failure to comply with all State Medical Assistance Program requirements and with Masonicare's own Policies and Procedures or of failure to report such non-compliance; and
- e. The right of all individuals to use the confidential disclosure program as described in section III.F, and Masonicare's commitment to maintain the reporter's confidentiality, as appropriate, and non-retaliation with respect to disclosures.

Compliance staff or supervisors should be available to explain any and all of the Code of Conduct. Masonicare shall distribute any changes to its Code of Conduct to all Covered Persons with whom Masonicare may choose to engage to act as billing or reimbursement agents or consultants for Masonicare whose positions are impacted by the changes.

Within ninety (90) days of the effective date of the Agreement, a summary of Masonicare's Code of Conduct shall be distributed by Masonicare to all Covered Persons. Each employee shall certify, in writing, on an annual basis, that he or she has read, understands, and will abide by Masonicare's CCP. New employees shall receive a summary of Masonicare's CCP within one week after commencement of their employment. Within thirty (30) days of the beginning of their employment, these individuals shall certify, in writing, that they have read, understand and will abide by Masonicare's CCP.

At least annually (and more frequently if appropriate), Masonicare shall assess and update as necessary the Policies and Procedures described below. All proposed material revisions to the Policies and Procedures shall be sent to the Department for review and comment. Within thirty (30) days of the effective date of any revisions, the relevant portions of any such revised Policies and Procedures shall be distributed to all individuals whose job functions are related to those Policies and Procedures.

While it is acknowledged that each of Masonicare's affiliates may develop its own corporate compliance standards, this Agreement shall only require Masonicare to create a Code of Conduct as described herein. Notwithstanding, the Masonicare Code of Conduct shall be applicable to all of its affiliates.

2. *Policies and Procedures.* Within one hundred and twenty (120) days of the Effective Date of this Agreement, Masonicare shall adopt implementation of written Policies and Procedures regarding the operation of Masonicare's CCP and its compliance with the State Medical Assistance Program. The Policies and Procedures shall, at a minimum, incorporate the following requirements:
 - a. The requirement that Masonicare staff follows proper procedures for claiming reimbursement from the State Medical Assistance Program;
 - b. The requirement that all cost reports shall be submitted in accordance with all applicable Medicaid statutes, regulations and the Department Provider Agreements; and
 - c. The requirement that the Policies and Procedures shall include procedures and methods for employees to make disclosures or otherwise report on compliance issues to Masonicare management or the Compliance Officer through the Confidential Disclosure Program required by section III.F.

Within one hundred and twenty (120) days of the Effective Date of the Agreement, the relevant portions of the Policies and Procedures shall be made available to all Covered Persons. Compliance staff or supervisors should be available to explain any and all Policies and Procedures.

Masonicare shall assess and update as necessary the Policies and Procedures at least annually and more frequently, as appropriate. All proposed material revisions to the Policies and Procedures shall be sent to the Department for review and comment. Within thirty (30) days of the Policy and Procedures being sent to the Department (unless an immediate change is required due to modifications in the applicable law, or immediate corrective action is necessary), the relevant portions of any such revised Policies and Procedures shall be distributed to all individuals whose job functions are related to those Policies and Procedures. A summary of the Policies and Procedures shall be provided to the Department in the Implementation Report. The Policies and Procedures shall be available to the Department upon request.

While it is acknowledged that each of Masonicare's affiliates may develop its own corporate compliance policies and procedures, this Agreement shall only require Masonicare to create Policies and Procedures as described herein for itself and its affiliates.

D. TRAINING AND EDUCATION

1. *General Training.* General Corporate Compliance training with respect to the Code of Conduct and overall CCP shall be provided to: (i) 50% of the Covered Persons within one hundred twenty days (120) days of the Effective Date of this Agreement, (ii) 75% of the Covered Persons within one hundred and fifty (150) days of the Effective Date of this Agreement; and (iii) 100% of the Covered Persons within one hundred eighty (180) days of the Effective Date of this Agreement. This training shall provide at least one (1) hour of general training to each Covered Person. This training shall cover, at a minimum, the following:
 - a. Masonicare's obligations under this Agreement; and
 - b. Masonicare's overall CCP, including its Code of Conduct and the Policies and Procedures as they pertain to general compliance issues.

All training materials shall be made available to the Department, upon request for review and comment. New Covered Persons shall receive the general training described above within thirty (30) days of becoming a Covered Person or within ninety (90) days after the Effective Date of this Agreement, whichever is later. After receiving the initial training described above, each Covered Person shall receive at least one hour of general training in corporate compliance issues annually.

While it is acknowledged that each of Masonicare's affiliates may conduct its own corporate compliance training, this Agreement shall only require Masonicare to conduct the training described herein for itself and its affiliates.

2. *Specific Training.* Within ninety (90) days of the Effective Date of this Agreement, each Covered Person who is involved in the submission of cost reports for reimbursement from the State Medical Assistance Program (hereinafter referred to as "Relevant Covered Persons") shall receive at least three (3) hours of specific training in addition to the general training required above. This specific training shall include a discussion of:
 - a. The submission of accurate cost reports for services rendered to Medicaid health care program recipients;
 - b. Policies, procedures and other requirements applicable to the documentation of costs included in cost reports;
 - c. The personal obligation of each individual involved in the collection and preparation of information submitted in the cost reports to ensure that such

reimbursement submissions are accurate and claims for reimbursement contain only reimbursable costs;

- d. Applicable reimbursement statutes, regulations and policies;
- e. The legal sanctions for improper submission of cost reports;
- f. Examples of proper and improper cost reporting;
- g. Guidance on State Medical Assistance Program regulations involving submitting bills for medical services and supplies rendered to Medicaid health care program recipients; and
- h. Applicable State Medical Assistance Program regulations governing related party transactions.

All training materials shall be made available to the Department, upon request. Persons providing the training must be knowledgeable about the subject area.

Relevant Covered Persons shall receive this training within thirty (30) days of the beginning of their employment or becoming Relevant Covered Persons or within ninety (90) days of the Effective Date of this Agreement, whichever is later. A Masonicare employee who has completed the specific training shall review a new Relevant Covered Person's work, to the extent that the work relates to the delivery of patient care items or services and/or in the preparation or submission of claims for reimbursement from any State Medical Assistance Program, until such time as the new Relevant Covered Person completes applicable training. Masonicare may demonstrate that some of the Relevant Covered Persons have received the training described herein within six (6) months of the Effective Date and upon the Department's approval, shall not be required to repeat training for the first year of this Agreement.

After receiving the initial training described in this section, every Relevant Covered Person shall receive at least three (3) hours of specific training annually.

While it is acknowledged that each of Masonicare's affiliates may conduct its own specific corporate compliance training, this Agreement shall only require Masonicare to conduct the training described herein for itself and its affiliates.

3. *Certification.* Each individual who is required to attend training shall certify, in writing, or in electronic form, if they have computerized training that he or she has received the required training. The certification shall specify the type of training received and the date received. The Compliance Officer (or his or her designee) shall

retain the certifications, along with all course materials five (5) years from the date of training. These shall be made available to the Department, upon request.

E. REVIEW PROCEDURES

Masonicare shall engage an independent review organization, such as an accounting, auditing or consulting firm (the "Independent Review Organization") acceptable to the Department, which approval shall not be unreasonably withheld, to perform review procedures to assist Masonicare in assessing the adequacy of its billing, reimbursement and compliance practices pursuant to this Agreement. This shall be an annual requirement and shall cover a twelve (12) month period with the first report covering October 1, 2000 through September 30, 2001. The Independent Review Organization must have expertise in the billing, cost reporting and other requirements of the State Medical Assistance Program from which Masonicare seeks reimbursement. The Independent Review Organization must be retained to conduct the audit of the first year within ninety (90) days of the effective date of this Agreement.

The Independent Review Organization will conduct two (2) separate reviews. One will be an analysis of Masonicare's compliance with the applicable statutes and regulations relating to billing and cost reporting to the State Medical Assistance ("Cost Reporting Engagement"). The second engagement will determine whether Masonicare is in compliance with the corporate integrity obligations for Masonicare as set forth in this Agreement ("Compliance Engagement").

Any costs associated with the Independent Review Organization shall not be claimed in any cost report filed with this or any other state or federal government.

1. *Cost Reporting.* The cost reporting engagement shall consist of a review of a representative sample of cost report expenditures that can be projected to the total cost report expenditures for the subject review period.

Each annual cost reporting engagement analysis shall address, at a minimum, the following components:

- a. *Cost Reporting Engagement Objective:* A clear statement of the objective intended to be achieved by the cost reporting engagement and the process or combination of processes that will be applied to achieve the objective.
- b. *Cost Reporting Engagement Population:* Identify the fair rent claims, related party transactions and cost centers, which are the groups about which information is needed. Explain the methodology used to develop the analysis for fair rent

expenditures, related party transactions and cost centers and provide the basis for this determination.

- c. Sources of Data: Provide a full description of the source of the information upon which the cost reporting engagement conclusions will be based, including the legal or other standards applied, documents relied upon, payment data, and/or any contractual obligations.

The Cost Reporting Engagement shall provide:

- a. Findings regarding Masonicare's billing operation (including, but not limited to, the operation of the reimbursement process, strengths and weaknesses of this system, internal controls, effectiveness of the system);
 - b. Findings regarding whether Masonicare is submitting accurate cost reports for services reimbursable by the State Medical Assistance Program;
 - c. Findings regarding Masonicare procedures to correct inaccurate cost reporting to the State Medical Assistance Program;
 - d. Findings regarding Masonicare's billing to the State Medical Assistance Program for supplies and other services rendered to Medicaid health care program recipients;
 - e. Findings regarding the steps Masonicare is taking to bring its operations into compliance or to correct problems identified in any audit by the Department; and
 - f. Findings regarding the allocation of expenditures among Masonicare and its affiliates, including but not limited to MGHC, Connecticut VNA, Inc., Ashlar of Newtown, Inc., Masonic Management Services, Inc., and The Connecticut VNA, SE, Inc.
2. *Compliance Engagement.* An Independent Review Organization shall also conduct a Compliance Engagement, which shall provide findings regarding whether Masonicare's program, policies, procedures, and operations comply with the terms of this Agreement. This engagement shall include section by section findings regarding the requirements of this Agreement. Based on the results of the first three (3) years of the Compliance Engagement and on the results of the first three (3) years of Cost Reporting Engagement for the first three (3) years of the term of this Agreement, the Department may, at its sole discretion, relieve Masonicare of its obligation to retain an

Independent Review Organization to conduct a Compliance Engagement for the fourth and fifth years of this Agreement.

A complete copy of the Independent Review Organization's cost reporting and Compliance Engagement shall be submitted to the Department by March 31st of each year, with the first report being due March 31, 2002.

While it is acknowledged that each of Masonicare's affiliates may engage its own IRO, this Agreement shall only require Masonicare to engage an Independent Review Organization as set forth herein as it relates to itself and MGHC.

3. *Verification/Validation.* In the event that the Department determines that it is necessary to conduct an independent review excluding its routine audits, to determine whether or the extent to which Masonicare is complying with its obligations under this Agreement, Masonicare agrees to pay for the reasonable cost of any such review or engagement by the Department or any of its designated agents. Such Verification/Validation Review, may in the sole discretion of the Department, substitute for the upcoming Independent Review Organization Report as required hereunder.

F. CONFIDENTIAL DISCLOSURE PROGRAM

Within ninety (90) days after the Effective Date of this Agreement, Masonicare shall establish a Confidential Disclosure Program ("CDP"), which must include measures (e.g., a toll-free compliance telephone line) to enable employees, contractors, agents, anonymous callers or other individuals to disclose, to the Compliance Officer or some other person who is not in the reporting individual's chain of command, any identified issue or question associated with Masonicare's policies, procedures or practices with respect to Medicaid or any other state health care program, alleged by the individual to be inappropriate.

Masonicare's CDP shall emphasize a non-retribution, non-retaliation policy, and shall include a reporting mechanism for anonymous, confidential communication. Masonicare's Compliance Officer upon receipt of a complaint shall gather information in such a way as to elicit all relevant information from individuals reporting alleged misconduct. The Compliance Officer and/or Compliance Committee shall make a preliminary good faith inquiry into the allegations to ensure that it has obtained all of the information necessary to determine whether it should conduct a review. Moreover, Masonicare shall, as part of its CDP, require the internal review of any disclosure that is sufficiently specific so that it: (1) permits a determination of the appropriateness of the conduct alleged to be involved; and

(2) reasonably permits corrective action to be taken and ensures that proper monitoring of the alleged conduct is performed.

The Compliance Officer also shall maintain a confidential disclosure log, which shall include a record of each allegation received, status of the investigation of the allegation, and any corrective action taken in response to the investigation.

While it is acknowledged that each of Masonicare's affiliates may each implement their own confidential disclosure program, this Agreement acknowledges that the Confidential Disclosure Program described hereunder shall satisfy the obligations of Masonicare hereunder, including as it relates to its affiliates.

G. INELIGIBLE PERSONS

1. *Definition.* For purposes of this Agreement, an "Ineligible Person" shall be a Covered Person who: (a) is currently excluded, debarred, suspended or otherwise ineligible to participate in the Medicaid or State health care programs or in Medicaid and state procurement or non-procurement programs; or (b) has been convicted of a criminal offense related to the provision of health care items or services, but has not yet been excluded, debarred or otherwise declared ineligible.
2. *Screening Requirements.* Masonicare shall not hire any Ineligible Person as a Covered Person. To prevent hiring or contracting with any Ineligible Person, Masonicare shall screen all Covered Persons prior to engaging their services by: (a) requiring applicants to certify under oath whether they are Ineligible Persons; and (b) reviewing the HHS/OIG List of Excluded Individuals/Entities (available through the Internet at <http://www.hhs.gov/oig>) these lists will hereinafter be referred to as the "Exclusion Lists"). For purposes of this Agreement, if Masonicare reviews the HHS/OIG List of Excluded Individuals/Entities, it shall be deemed to have satisfied the requirements for screening of Ineligible Persons.
3. *Review and Removal Requirement.* Within ninety (90) days of the Effective Date of this Agreement, Masonicare shall review its list of current Covered Persons against the Exclusion Lists. Thereafter, Masonicare shall review the list annually. In addition, Masonicare shall require employees and contractors to disclose immediately any debarment, exclusion or other event that makes the employee an Ineligible Person. With respect to the review, if Masonicare is engaging an entity as a Covered Person, Masonicare must conduct a review to determine: (i) whether the entity is excluded; and (ii) whether the individuals directly involved in the engagement are excluded.

If Masonicare has notice that an employee or contractor has become an Ineligible Person, Masonicare shall remove such person from responsibility for or involvement

with, Masonicare's business operations related to the Medicaid or State health care programs and shall remove such person from any position for which the person's salary or the items or services rendered, ordered, or prescribed by the person are paid in whole or part, directly or indirectly, by Medicaid or State health care programs or otherwise with Medicaid funds at least until such time as the person is reinstated into participation in the state health care programs.

4. *Pending Charges and Proposed Exclusions.* If Masonicare has sufficient and reliable information to constitute notice that a Covered Person is charged with a criminal offense related to any state health care program, or is proposed for exclusion during his or her engagement with Masonicare, Masonicare shall take all appropriate actions to ensure that the responsibilities of that employee or contractor have not and shall not adversely affect the quality of care rendered to any beneficiary, patient or resident, or the accuracy of any claims or information submitted to any state health care program.

While it is acknowledged that each Masonicare's affiliates may conduct its own verification of ineligible persons, this Agreement shall only require Masonicare to conduct the verification described herein for itself and its affiliates.

H. REPORTING

1. *Material Deficiencies/ Overpayments*

- a. *Definition of Material Deficiency.* For purposes of this Agreement, a "Material Deficiency" means anything that involved:
 - (i) A substantial overpayment; (substantial overpayment is any amount in excess of \$10,000) and
 - (ii) A matter that a reasonable person would consider a potential violation of criminal, civil, or administrative laws applicable to any federal health care program for which penalties, exclusions or any administrative sanction may be imposed.

A Material Deficiency may be the result of an isolated event or a series of occurrences.

- b. *Reporting of Material Deficiencies.* If Masonicare determines that there is a Material Deficiency, Masonicare shall notify the Department, in writing, within thirty (30) days of making the determination that the Material Deficiency exists. The report to the Department shall include the following information:

If the Material Deficiency results in an overpayment, the report to the Department shall include all of the required information, as well as:

- (i) The contact person to whom the overpayment was sent to at Masonicare; and
- (ii) The date of the check and identification number (or electronic transaction number) on which the overpayment was repaid/refunded;
- (iii) A complete description of the Material Deficiency, including the relevant facts, persons involved, and legal and State health care program authorities implicated;
- (iv) A description of Masonicare's actions taken to correct the Material Deficiency; and
- (v) Any further steps Masonicare plans to take to address the Material Deficiency and prevent it from recurring.

While it is acknowledged that each of Masonicare's affiliates may report Material Deficiencies, this Agreement shall only require Masonicare to report Material Deficiencies related to itself and its affiliates.

I. NOTIFICATION OF GOVERNMENT INVESTIGATION OR LEGAL PROCEEDINGS.

Within thirty (30) days of discovery, Masonicare shall notify the Department, in writing, of any ongoing criminal or civil inquiry, investigation or legal proceeding conducted or brought by a governmental entity or its agents involving an allegation that Masonicare has committed a crime or has engaged in fraudulent activities. This notification shall include a description of the allegation, the identity of the investigation or prosecuting agency, and the status of such investigation or legal proceeding. Masonicare shall also provide written notice to the Department within thirty (30) days of the resolution of the matter, and shall provide the Department with a description of the findings and/or results of the proceedings, if any.

IV. THE DEPARTMENT INSPECTION, AUDIT AND REVIEW RIGHTS

In addition to any other rights the Department may have by statute, regulation, contract or pursuant to this Agreement, the Department or its duly authorized representative(s) or agents may examine Masonicare's books, records, and other documents and supporting materials for the purpose of verifying and evaluating; (i) Masonicare's compliance with the terms of this Agreement; and (ii) Masonicare's compliance with the requirements of the State Medical Assistance Program. The documentation described above shall be made available by Masonicare at all reasonable times for inspection, audit or reproduction.

Furthermore, for purposes of this provision, the Department or its duly authorized representative(s) may interview any of Masonicare's employees who consent to be interviewed at the employee's place of business during normal business hours or at such other place and time as may be mutually agreed upon between the employee and the Department. Masonicare agrees to assist the Department in contacting and arranging interviews with such employees upon the Department's request. Masonicare employees may elect to be interviewed with or without a representative of Masonicare present.

V. IMPLEMENTATION AND COMPLIANCE ANNUAL REPORTS

A. Implementation Report. Within one-hundred and twenty (120) days after the execution of this Agreement, Masonicare shall submit a written report to the Department summarizing the status of implementation of the requirements of this Agreement. This implementation report shall include:

1. The name, address, telephone number and position description of the Compliance Officer as required in III.A.;
2. The names and positions of the members of the Compliance Committee required by section III.B.;
3. A copy of Masonicare's Code of Conduct required by section III.C.1;
4. The summary of the Policies and Procedures required by section III.C.2;
5. A description of the training required by section III.D, including a description of the targeted audiences, length of sessions, which sessions were mandatory and for whom, percentage of attendance, and a schedule of when the training sessions were held;
6. A certification by the Compliance Officer that:
 - a. The Policies and Procedures required by section III.C.2 have been developed, are being implemented, and have been distributed to all appropriate Covered Persons;
 - b. All Covered Persons have completed the Code of Conduct certification required by section III.C.1; and
 - c. All Covered Persons have completed the applicable training and executed the certification(s) required by section III.D.

The documentation supporting this certification shall be available to the Department, upon request.

7. Description of the Confidential Disclosure Program required by section III.F;
8. The identity of the IRO(s) and the proposed start and completion dates of the first annual review;
9. A summary of personnel actions taken pursuant to section III.G.; and
10. A list of all of Masonicare's and its affiliates' locations (including locations and mailing addresses), the corresponding name under which each location is doing business, the corresponding phone numbers and fax numbers.

B. Annual Compliance Reports. Masonicare shall submit to the Department an Annual Compliance Report with respect to the status of and findings of Masonicare's compliance activities for each of the five (5) one-year periods beginning on the Effective Date of the Agreement. The first Annual Compliance Report shall be received by the Department no later than one year and sixty (60) days after the end of the first Reporting Period (i.e., October 30, 2002). The Department shall receive subsequent Compliance Reports no later than the anniversary date of the due date of the first Annual Compliance Report. (The one year period covered by each Annual Compliance Report shall be referred to as "the Reporting Period").

Each Annual Compliance Report shall include:

1. Any change in the identity or position description of the Compliance Officer and/or members of the Compliance Committee described in sections III.A and III.B;
2. A certification by the Compliance Officer that:
 - a. All Covered Persons have completed the annual Code of Conduct certification required by section III.C.1;
 - b. All Covered Persons have completed the applicable training and executed the certification(s) required by section III.C;
 - c. Masonicare has complied with its obligations under the Settlement Agreement and Consent Order: not to charge to or otherwise seek payment from Medicaid or State payors for unallowable costs (as defined in the Settlement Agreement) and to identify and adjust any past charges or claims for unallowable costs;

The documentation supporting this certification shall be available to the Department, upon request.

3. A summary of any significant changes or amendments to the Policies and Procedures required by section III.C.2 and the reasons for such changes (only with respect to changes that affect obligations hereunder);
4. A description of the training required by section III.D conducted during the Reporting Period, including a description of the targeted audiences, length of sessions, which sessions were mandatory and for whom, percentage of attendance, and a schedule of when the training sessions were held;
5. A complete copy of all reports prepared pursuant to the IRO's Cost Reporting and Compliance Engagements, along with a copy of the IRO's engagement letter;
6. Masonicare's response and corrective action plan(s) related to any issues raised by the IRO(s);
7. A summary of Material Deficiencies (as defined in III.H1) identified during the Reporting Period and the status of any corrective and preventive action relating to all such Material Deficiencies as it relates to the Reimbursement Dispute as defined herein and in the Settlement Agreement;
8. A report of the aggregate overpayments (as defined in III.H1) that have been returned to the State Medical Assistance Program. Overpayment amounts should be broken down by type of claim i.e. by entity and by reimbursement being claimed);
9. A summary of the disclosures in the confidential disclosure log required by section III.F that relate to the State Medical Assistance Program;
10. Subject to applicable state and federal employment law, a description of any personnel actions (other than hiring) taken by Masonicare as a result of the obligations in section III.G, and the name, title, and responsibilities of any person that falls within the ambit of section III.G.4, and the actions taken in response to the obligations set forth in that section;
11. A summary describing any ongoing government or legal proceeding required to have been reported pursuant to section III.I. The summary shall include a description of the allegation, the identity of the investigating or prosecuting agency, and the status of such investigation or legal proceeding; and

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VII. DOCUMENT AND RECORD RETENTION

Masonicare shall retain for inspection all documents and records relating to reimbursement from the State Medical Assistance Program or with this Agreement for the longer of one year after the termination of this Agreement or for the period required by applicable law, including but not limited to Regulations of Connecticut State Agencies § 17-311-56.

VIII. BREACH AND DEFAULT PROVISIONS

Masonicare is expected to fully comply with all of its obligations under this Agreement in a timely manner.

A. STIPULATED AMOUNTS FOR FAILURE TO COMPLY WITH CERTAIN OBLIGATIONS

As a contractual remedy, Masonicare and the Department hereby agree that failure to comply with certain obligations set forth in its Agreement will harm the Department and the calculation of the amount of the harm may be difficult to readily ascertain. Consequently the Department in accordance with the following provisions may impose the amounts below.

1. A Stipulated Amount of \$2,500 (which shall begin to accrue on the day after the date the obligation became due) for each day Masonicare fails to have in place any of the following:
 - a. A Compliance Officer as defined by section III.A;
 - b. A Compliance Committee as described by section III.B;
 - c. A written Code of Conduct as described by section III.C.1;
 - d. Written Policies and Procedures as described by section III.C.2;
 - e. A requirement that Covered Persons be trained as described in section III.D; and
 - f. A Confidential Disclosure Program as described in section III.F.

2. A Stipulated Amount of \$2,500 (which shall begin to accrue on the day after the date the obligation became due) for each day Masonicare fails to retain an IRO, as required in section III.E.
3. A Stipulated Amount of \$2,500 (which shall begin to accrue on the day after the date the obligation became due) for each day Masonicare fails to meet any of the deadlines for the submission of the Implementation Report or the Annual Compliance Reports to the Department.
4. A Stipulated Amount of \$2,500 (which shall begin to accrue as of the date the failure to comply began) for each day Masonicare employs or contracts with an Ineligible Person and that person: (i) has responsibility for, or involvement with, Masonicare's business operations related to the State Medical Assistance Program; or (ii) is in a position for which the person's salary or the items or services rendered, ordered, or prescribed by the person are paid in whole or part, directly or indirectly, by State Medical Assistance Program or otherwise with state funds (the Stipulated Amount described in this paragraph shall not be demanded for any time period during which Masonicare can demonstrate that it did not discover the person's exclusion or other ineligibility after making a reasonable inquiry (as described in section III.G) as to the status of the person). This amount shall be in addition to and not in lieu of recovery of any amount wrongfully paid out for goods or services provided by the ineligible person.
5. A Stipulated Amount of \$1,500 for each day Masonicare fails to grant access to the information or documentation as required in section IV of this Agreement. (This Stipulated Amount shall begin to accrue on the date Masonicare fails to grant access.)
6. A Stipulated Amount of \$1,000 for each day Masonicare fails to comply fully and adequately with any obligation of this Agreement not already covered in paragraphs 1-5. In its notice to Masonicare, the Department shall state the specific grounds for its determination that Masonicare has failed to comply fully and adequately with the Agreement obligation(s) at issue and steps that Masonicare must take to comply with the Agreement. (This Stipulated Amount shall begin to accrue ten (10) days after the date that Masonicare receives notice from the Department of the failure to comply.)

B. TIMELY WRITTEN REQUESTS FOR EXTENSIONS.

Masonicare may, in advance of the due date, submit a timely written request to the individual noted in Section VI for an extension of time to perform any act or file any notification or report required by this Agreement. Notwithstanding any other provision in this section, if the Department grants the timely written request with respect to an act, notification, or report, Stipulated Amounts for failure to perform the act or file the

notification or report shall not begin to accrue until one day after Masonicare fails to meet the revised deadline set by the Department. If Masonicare experiences reasonable difficulties in attempting to act as prescribed by this agreement, the Department, in its own discretion, shall grant Masonicare additional time for its requested extension. Notwithstanding any other provision in this section, if the Department denies such a timely written request, for an extension, Stipulated Amounts for failure to perform the act or file the notification or report shall not begin to accrue until five business days after Masonicare receives the Department's written denial of such request or the original due date, whichever is later. A "timely written request" is defined as a request in writing received by the Department at least five (5) business days prior to the date by which any act is due to be performed or any notification or report is due to be filed.

C. PAYMENT OF STIPULATED AMOUNTS.

1. *Demand Letter.* The Department may notify in writing Masonicare if the Department determines that Masonicare has failed to comply with any of the obligations described in section VIII.A specifying: (a) Masonicare's failure to comply; and (b) the Department's exercise of its contractual right to demand payment of the Stipulated Amounts; and (c) the sum of the Stipulated Amount that the Department has determined to be appropriate (this notification is hereinafter referred to as the "Demand Letter").
2. *Response to Demand Letter.* Within fifteen (15) days of the receipt of the Demand Letter, Masonicare shall either: (a) cure the breach to the Department's satisfaction and pay the applicable Stipulated Amounts; or (b) request a hearing before the Department's hearing officer to dispute the Department's determination of noncompliance, pursuant to the agreed upon provisions set forth below in section VIII.E. In the event Masonicare elects to request a hearing, the Stipulated Amounts shall not continue to accrue once Masonicare either cures, or the Department's Hearing Officer issues a ruling regarding the alleged breach in dispute. Failure to respond to the Demand Letter in one of these two manners within the allowed time period shall be considered a material breach of this Agreement and may be grounds for exclusion under section VIII.D.
3. *Form of payment.* Payment of the Stipulated Amounts shall be made by recoupment or direct offset of future payments or other options available to the Department or by certified, cashier's check, payable to: "Commissioner of Social Services," and submitted to the Department at the address set forth in section VI.
4. *Independence from Material Breach Determination.* Payment of any stipulated amount pursuant to this section shall not in any way limit any remedy available to the Department and the Department remains free to pursue any and all remedies

authorized by law, the sole exception being that payment of a stipulated amount arising solely from the failure to respond to a Demand Letter in accordance with section VIII.D.1.c shall be fully resolved by payment of the stipulated amount associated with the failure to respond to such Demand Letter.

D. EXCLUSION FOR MATERIAL BREACH OF THIS AGREEMENT

1. *Definition of Material Breach.* A material breach of this Agreement means:
 - a. A failure by Masonicare to report a material deficiency, take corrective action and make the appropriate refunds, as required in section III.H, or
 - b. A repeated or flagrant violation of the obligations under this Agreement, including, but not limited to, the obligations addressed in section VIII.A; or
 - c. A failure to respond to a Demand Letter concerning the payment of Stipulated Penalties in accordance with section VIII.C; or
 - d. A failure to retain and use an Independent Review Organization in accordance with section III.E.
2. *Notice of Material Breach and Intent to Exclude.* The parties agree that a material breach of this Agreement by Masonicare constitutes an independent basis for Masonicare's suspension from participation in the State Medical Assistance Program. Upon a determination by the Department that Masonicare has materially breached this Agreement and that suspension should be imposed, the Department shall notify Masonicare of: (a) Masonicare's material breach; (b) the Department's intent to exercise its contractual right to impose suspension (this notification is hereinafter referred to as the "Notice of Material Breach and Intent to Suspend"); and (c) Masonicare's right to a hearing in accordance with VIII.E. of this Agreement provided that Masonicare requests such hearing in writing within ten (10) business days of Notice of Material Breach.
3. *Opportunity to Cure.* Masonicare shall have thirty (30) days, or a longer period as agreed upon by the Department, from the date of receipt of the Notice of Material Breach and Intent to Suspend to demonstrate to the Department's satisfaction that:
 - a. Masonicare is in full compliance with this Agreement;
 - b. The alleged material breach has been cured; or

- c. The alleged material breach cannot be cured within the thirty (30) day period, but that: (i) Masonicare has begun to take action to cure the material breach; (ii) Masonicare is pursuing such action with due diligence; and (iii) Masonicare has provided to the Department a reasonable timetable for curing the material breach.
4. *Suspension Letter.* If at the conclusion of the thirty (30) day period, Masonicare fails to satisfy the requirements of section VIII.D.3, the Department may suspend Masonicare from participation in the State Medical Assistance Program. The Department will notify Masonicare in writing of its determination to suspend Masonicare (this letter shall be referred to hereinafter as the "Suspension Letter"). The suspension shall go into effect thirty (30) days after the date of the Suspension Letter unless Masonicare requests a hearing in writing within ten (10) days of receipt of the Suspension Letter. Reinstatement to program participation is not automatic. If at the end of the period of suspension, Masonicare wishes to apply for reinstatement, Masonicare must submit a written request for reinstatement in accordance with the provisions at Regulations of Connecticut State Agencies. § 17-83k-7.

E. STIPULATED AMOUNTS.

1. Notwithstanding any provision of Regulations of Connecticut State Agencies. § 17-83k et seq., the only issues in a proceeding for Stipulated Amounts under this Agreement shall be: (a) whether Masonicare was in full and timely compliance with the obligations of this Agreement for which the Department demands payment; and (b) the period of noncompliance. Masonicare shall have the burden of proving its full and timely compliance, or its good faith effort to cure, or that its failure to cure in a timely manner was due to reasons beyond its control, and the steps taken to cure the noncompliance, if any. If a hearing officer agrees with the Department with regard to a finding of a breach of this Agreement and orders Masonicare to pay Stipulated Amounts, such Stipulated Amounts shall become due and payable twenty (20) days after an impartial hearing officer issues such a decision. If, however, Masonicare requests, in writing, a review of the hearing officer's decision by the Commissioner of the Department (the "CDSS"), within said twenty (20) day period, a review of the hearing officer's decision shall be conducted by the CDSS. If the CDSS upholds the determination of the Department, the Stipulated Amounts shall become due and payable twenty (20) days after the CDSS issues his/her decision in writing.
2. *Exclusion Review.* In accordance with the Regulations of Connecticut State Agencies § 17-83k-3, Masonicare agrees that any of the following will constitute a violation subjecting Masonicare to sanction proceedings as set forth in the pertinent Connecticut regulations:

- a. Masonicare was in material breach of this Agreement;
- b. Such breach was continuing on the date of the Suspension Letter; and

IX. EFFECTIVE AND BINDING AGREEMENT

Consistent with the provisions in the Settlement Agreement pursuant to which this Agreement is entered, and into which this Agreement is incorporated, Masonicare and the Department agree as follows:

- A.** This Agreement shall be binding on the successors and assigns of Masonicare;
- B.** This Agreement shall become final and binding on the date the final signature is obtained on the Agreement;
- C.** Any modifications to this Agreement shall be made with the prior written consent of the parties to this Agreement; and
- D.** The undersigned Masonicare signatories represent and warrant that they are authorized to execute this Agreement. The undersigned the Department signatory represents that he is signing this Agreement in his official capacity and that he is authorized to execute this Agreement.

IN WITNESS WHEREOF, the parties hereto affix their signatures:

MASONICARE

Date

Carleton V. Erickson
Chairman, Board of Directors
Masonicare

Date

Barry M. Spero
Chief Executive Officer
Masonicare

DEPARTMENT OF SOCIAL SERVICES

Date

Michael P. Starkowski
Deputy Commissioner
Department of Social Services

OFFICE OF THE ATTORNEY GENERAL

Date

Richard Blumenthal
Attorney General

CORPORATE INTEGRITY AGREEMENT
BETWEEN THE
DEPARTMENT OF SOCIAL SERVICES
AND
MASONICARE

I. PREAMBLE

Masonicare hereby agrees to enter into this Corporate Integrity Agreement (“Agreement”) with the Connecticut Department of Social Services (“the Department”) to provide for the establishment of a Corporate Integrity Program which ensures compliance with the billing and reimbursement requirements of the State Medicaid Program and Medical Assistance Program (as defined in Conn. Gen. Statutes §17-311-52, the “State Medical Assistance Program”) by Masonicare, its affiliates, and each of its employees, contractors and agents actively engaged during the term of this Agreement to act as billing and/or reimbursement consultants for Masonicare (“Covered Persons”). For purposes of this Agreement, affiliates shall not include Masonic Charity Foundation of Connecticut, Inc. and Ashlar Village, Inc.

The terms of this Corporate Integrity Agreement shall be maintained so as to ensure that Masonicare and each of the Covered Persons comply with the program requirements of the State Medical Assistance Program, and that Masonicare’s billing, (“billing” means requesting reimbursement for services which should be billed to the State Medical Assistance Program on a fee-for-services basis, rather than on a cost report basis, in accordance with the State Medical Assistance Program’s regulations), requests for reimbursable expenses are in compliance with all applicable statutes, and regulations and the terms of this Agreement. Masonicare is contemporaneously entering into a settlement agreement with the Department and this Agreement is incorporated by reference therein (the “Settlement Agreement”).

Prior to the execution of this Agreement, Masonicare developed and began implementing a corporate compliance program (“CCP”), which provides for corporate integrity policies and procedures and which, as represented by Masonicare in this Agreement, is aimed at ensuring that its participation in the State Medical Assistance Program (which includes any requests for payment or reimbursement from the State Medical Assistance Program) is in conformity with the statutes and regulations applicable to the State Medical Assistance Program. Therefore, pursuant to this Agreement, Masonicare hereby agrees to maintain in full operation the CCP for the term of this Agreement. The CCP may be modified by Masonicare as appropriate, but, at a minimum, shall always comply with the integrity obligations enumerated in this Agreement. Masonicare shall notify the Department of any substantive changes to its integrity obligations as set in this CCP within thirty (30) days of making such changes. Masonicare shall notify the Department of any other changes to its CCP which do not impact the requirements hereunder upon filing its Annual Compliance Report described herein.

II. TERMS OF THE AGREEMENT

The period of compliance obligations assumed by Masonicare under this Agreement and pursuant to its Settlement Agreement with the Department which is herein incorporated by reference shall be five (5) years from the effective date of this Agreement. The effective date will be the date on which the final signatory of this Agreement executes this Agreement (“the Effective Date”).

III. CORPORATE INTEGRITY OBLIGATIONS

During the term of to this Agreement, Masonicare will incorporate following integrity obligations as permanent features of its CCP, which shall be established in accordance with the requirements set forth below:

A. CORPORATE COMPLIANCE OFFICER

Masonicare has represented to the Department that it has created a Compliance Officer position and that individual is working as of the Effective Date of this Agreement to serve in that capacity. Accordingly, Masonicare shall formally maintain the appointment of an individual to serve as the Compliance Officer. At a minimum, the Compliance Officer must continuously be charged with the responsibility for the day-to-day compliance activities in furtherance of the integrity obligations assumed herein, as well as for any reporting obligations established under this Agreement. The Compliance Officer must report directly to the Chief Executive Officer (“CEO”) of Masonicare and to the Chairman of Masonicare’s Board of Trustees and shall have unrestricted access to the Board of Trustees for Masonicare. The Compliance Officer shall make regular (at least quarterly) reports regarding compliance matters relating to the Department and the Department’s Medical Assistance Program directly to Masonicare’s CEO and/or to the Board of Trustees of Masonicare. These reports shall be sent to the Director of Quality Assurance. When the identity of the Compliance Officer changes, Masonicare shall notify, in writing, the Department within fifteen (15) days of such change. All other matters affecting the Compliance Officer shall be reported in accordance with Section VI below.

While it is acknowledged that each of Masonicare’s affiliates may designate their own corporate compliance officers, this Agreement shall only require Masonicare and its affiliates to create one corporate compliance officer as described herein.

B. COMPLIANCE COMMITTEE

Masonicare has represented to the Department that, pursuant to its Program, it will create a Compliance Committee and, within ninety (90) days of the Effective Date of this Agreement, appoint individuals to serve on the Compliance Committee. Accordingly, Masonicare shall ensure that the Compliance Committee is continuously composed of representatives of multiple disciplines and segments of Masonicare's operations. At a minimum, the Compliance Committee shall include the Compliance Officer and any other appropriate officers as necessary to meet the requirements of this Agreement (e.g., senior executives of each major department, such as third party reimbursement, billing, clinical, human resources, audit, and operations). The Compliance Officer shall chair the Compliance Committee and the Committee shall support the Compliance Officer in fulfilling his/her responsibilities.

Any changes in the composition of the Compliance Committee, or any actions or changes that would affect the Compliance Committee's ability to perform the duties necessary to meet the obligations in this Agreement, must be reported to the Department, in writing, within fifteen (15) days of such a change.

While it is acknowledged that each of Masonicare's affiliates may designate their own corporate compliance committees, this Agreement shall only require Masonicare to create one corporate compliance committee to serve itself and its affiliates as described herein.

C. WRITTEN STANDARDS

1. *Code of Conduct.* Masonicare has represented to the Department that it is in the process of adopting its Code of Conduct and is implementing its CCP. Accordingly, Masonicare shall completely adopt its written Code of Conduct and begin implementing its CCP within ninety (90) days of the Effective Date of this Agreement. Specifically, Masonicare shall implement written standards, which at a minimum, include the following:
 - a. Masonicare's commitment to full compliance with all applicable statutes, regulations, and the Department provider agreement, including but not limited to, preparing and submitting accurate cost reports and documenting costs and expenses submitted on those cost reports for reimbursement in accordance with all such requirements;
 - b. Masonicare's requirement that all Covered Persons shall be expected to comply with all State Medical Assistance Program requirements and with Masonicare's own Policies and Procedures as defined herein (including the requirements of this Agreement);

- c. The requirement that all of Masonicare's Covered Persons shall be expected to report to the Compliance Officer or other individual designated by Masonicare suspected violations of any State Medical Assistance Program requirements or of Masonicare's own Policies and Procedures; and
- d. The possible consequences to both Masonicare and to any Covered Persons of failure to comply with all State Medical Assistance Program requirements and with Masonicare's own Policies and Procedures or of failure to report such non-compliance; and
- e. The right of all individuals to use the confidential disclosure program as described in section III.F, and Masonicare's commitment to maintain the reporter's confidentiality, as appropriate, and non-retaliation with respect to disclosures.

Compliance staff or supervisors should be available to explain any and all of the Code of Conduct. Masonicare shall distribute any changes to its Code of Conduct to all Covered Persons with whom Masonicare may choose to engage to act as billing or reimbursement agents or consultants for Masonicare whose positions are impacted by the changes.

Within ninety (90) days of the effective date of the Agreement, a summary of Masonicare's Code of Conduct shall be distributed by Masonicare to all Covered Persons. Each employee shall certify, in writing, on an annual basis, that he or she has read, understands, and will abide by Masonicare's CCP. New employees shall receive a summary of Masonicare's CCP within one week after commencement of their employment. Within thirty (30) days of the beginning of their employment, these individuals shall certify, in writing, that they have read, understand and will abide by Masonicare's CCP.

At least annually (and more frequently if appropriate), Masonicare shall assess and update as necessary the Policies and Procedures described below. All proposed material revisions to the Policies and Procedures shall be sent to the Department for review and comment. Within thirty (30) days of the effective date of any revisions, the relevant portions of any such revised Policies and Procedures shall be distributed to all individuals whose job functions are related to those Policies and Procedures.

While it is acknowledged that each of Masonicare's affiliates may develop its own corporate compliance standards, this Agreement shall only require Masonicare to create a Code of Conduct as described herein. Notwithstanding, the Masonicare Code of Conduct shall be applicable to all of its affiliates.

2. *Policies and Procedures.* Within one hundred and twenty (120) days of the Effective Date of this Agreement, Masonicare shall adopt implementation of written Policies and Procedures regarding the operation of Masonicare's CCP and its compliance with the State Medical Assistance Program. The Policies and Procedures shall, at a minimum, incorporate the following requirements:
 - a. The requirement that Masonicare staff follows proper procedures for claiming reimbursement from the State Medical Assistance Program;
 - b. The requirement that all cost reports shall be submitted in accordance with all applicable Medicaid statutes, regulations and the Department Provider Agreements; and
 - c. The requirement that the Policies and Procedures shall include procedures and methods for employees to make disclosures or otherwise report on compliance issues to Masonicare management or the Compliance Officer through the Confidential Disclosure Program required by section III.F.

Within one hundred and twenty (120) days of the Effective Date of the Agreement, the relevant portions of the Policies and Procedures shall be made available to all Covered Persons. Compliance staff or supervisors should be available to explain any and all Policies and Procedures.

Masonicare shall assess and update as necessary the Policies and Procedures at least annually and more frequently, as appropriate. All proposed material revisions to the Policies and Procedures shall be sent to the Department for review and comment. Within thirty (30) days of the Policy and Procedures being sent to the Department (unless an immediate change is required due to modifications in the applicable law, or immediate corrective action is necessary), the relevant portions of any such revised Policies and Procedures shall be distributed to all individuals whose job functions are related to those Policies and Procedures. A summary of the Policies and Procedures shall be provided to the Department in the Implementation Report. The Policies and Procedures shall be available to the Department upon request.

While it is acknowledged that each of Masonicare's affiliates may develop its own corporate compliance policies and procedures, this Agreement shall only require Masonicare to create Policies and Procedures as described herein for itself and its affiliates.

D. TRAINING AND EDUCATION

1. *General Training.* General Corporate Compliance training with respect to the Code of Conduct and overall CCP shall be provided to: (i) 50% of the Covered Persons within one hundred twenty days (120) days of the Effective Date of this Agreement, (ii) 75% of the Covered Persons within one hundred and fifty (150) days of the Effective Date of this Agreement; and (iii) 100% of the Covered Persons within one hundred eighty (180) days of the Effective Date of this Agreement. This training shall provide at least one (1) hour of general training to each Covered Person. This training shall cover, at a minimum, the following:
 - a. Masonicare's obligations under this Agreement; and
 - b. Masonicare's overall CCP, including its Code of Conduct and the Policies and Procedures as they pertain to general compliance issues.

All training materials shall be made available to the Department, upon request for review and comment. New Covered Persons shall receive the general training described above within thirty (30) days of becoming a Covered Person or within ninety (90) days after the Effective Date of this Agreement, whichever is later. After receiving the initial training described above, each Covered Person shall receive at least one hour of general training in corporate compliance issues annually.

While it is acknowledged that each of Masonicare's affiliates may conduct its own corporate compliance training, this Agreement shall only require Masonicare to conduct the training described herein for itself and its affiliates.

2. *Specific Training.* Within ninety (90) days of the Effective Date of this Agreement, each Covered Person who is involved in the submission of cost reports for reimbursement from the State Medical Assistance Program (hereinafter referred to as "Relevant Covered Persons") shall receive at least three (3) hours of specific training in addition to the general training required above. This specific training shall include a discussion of:
 - a. The submission of accurate cost reports for services rendered to Medicaid health care program recipients;
 - b. Policies, procedures and other requirements applicable to the documentation of costs included in cost reports;
 - c. The personal obligation of each individual involved in the collection and preparation of information submitted in the cost reports to ensure that such

reimbursement submissions are accurate and claims for reimbursement contain only reimbursable costs;

- d. Applicable reimbursement statutes, regulations and policies;
- e. The legal sanctions for improper submission of cost reports;
- f. Examples of proper and improper cost reporting;
- g. Guidance on State Medical Assistance Program regulations involving submitting bills for medical services and supplies rendered to Medicaid health care program recipients; and
- h. Applicable State Medical Assistance Program regulations governing related party transactions.

All training materials shall be made available to the Department, upon request. Persons providing the training must be knowledgeable about the subject area.

Relevant Covered Persons shall receive this training within thirty (30) days of the beginning of their employment or becoming Relevant Covered Persons or within ninety (90) days of the Effective Date of this Agreement, whichever is later. A Masonicare employee who has completed the specific training shall review a new Relevant Covered Person's work, to the extent that the work relates to the delivery of patient care items or services and/or in the preparation or submission of claims for reimbursement from any State Medical Assistance Program, until such time as the new Relevant Covered Person completes applicable training. Masonicare may demonstrate that some of the Relevant Covered Persons have received the training described herein within six (6) months of the Effective Date and upon the Department's approval, shall not be required to repeat training for the first year of this Agreement.

After receiving the initial training described in this section, every Relevant Covered Person shall receive at least three (3) hours of specific training annually.

While it is acknowledged that each of Masonicare's affiliates may conduct its own specific corporate compliance training, this Agreement shall only require Masonicare to conduct the training described herein for itself and its affiliates.

3. *Certification.* Each individual who is required to attend training shall certify, in writing, or in electronic form, if they have computerized training that he or she has received the required training. The certification shall specify the type of training received and the date received. The Compliance Officer (or his or her designee) shall

retain the certifications, along with all course materials five (5) years from the date of training. These shall be made available to the Department, upon request.

E. REVIEW PROCEDURES

Masonicare shall engage an independent review organization, such as an accounting, auditing or consulting firm (the "Independent Review Organization") acceptable to the Department, which approval shall not be unreasonably withheld, to perform review procedures to assist Masonicare in assessing the adequacy of its billing, reimbursement and compliance practices pursuant to this Agreement. This shall be an annual requirement and shall cover a twelve (12) month period with the first report covering October 1, 2000 through September 30, 2001. The Independent Review Organization must have expertise in the billing, cost reporting and other requirements of the State Medical Assistance Program from which Masonicare seeks reimbursement. The Independent Review Organization must be retained to conduct the audit of the first year within ninety (90) days of the effective date of this Agreement.

The Independent Review Organization will conduct two (2) separate reviews. One will be an analysis of Masonicare's compliance with the applicable statutes and regulations relating to billing and cost reporting to the State Medical Assistance ("Cost Reporting Engagement"). The second engagement will determine whether Masonicare is in compliance with the corporate integrity obligations for Masonicare as set forth in this Agreement ("Compliance Engagement").

Any costs associated with the Independent Review Organization shall not be claimed in any cost report filed with this or any other state or federal government.

1. *Cost Reporting.* The cost reporting engagement shall consist of a review of a representative sample of cost report expenditures that can be projected to the total cost report expenditures for the subject review period.

Each annual cost reporting engagement analysis shall address, at a minimum, the following components:

- a. *Cost Reporting Engagement Objective:* A clear statement of the objective intended to be achieved by the cost reporting engagement and the process or combination of processes that will be applied to achieve the objective.
- b. *Cost Reporting Engagement Population:* Identify the fair rent claims, related party transactions and cost centers, which are the groups about which information is needed. Explain the methodology used to develop the analysis for fair rent

expenditures, related party transactions and cost centers and provide the basis for this determination.

- c. Sources of Data: Provide a full description of the source of the information upon which the cost reporting engagement conclusions will be based, including the legal or other standards applied, documents relied upon, payment data, and/or any contractual obligations.

The Cost Reporting Engagement shall provide:

- a. Findings regarding Masonicare's billing operation (including, but not limited to, the operation of the reimbursement process, strengths and weaknesses of this system, internal controls, effectiveness of the system);
 - b. Findings regarding whether Masonicare is submitting accurate cost reports for services reimbursable by the State Medical Assistance Program;
 - c. Findings regarding Masonicare procedures to correct inaccurate cost reporting to the State Medical Assistance Program;
 - d. Findings regarding Masonicare's billing to the State Medical Assistance Program for supplies and other services rendered to Medicaid health care program recipients;
 - e. Findings regarding the steps Masonicare is taking to bring its operations into compliance or to correct problems identified in any audit by the Department; and
 - f. Findings regarding the allocation of expenditures among Masonicare and its affiliates, including but not limited to MGHC, Connecticut VNA, Inc., Ashlar of Newtown, Inc., Masonic Management Services, Inc., and The Connecticut VNA, SE, Inc.
2. *Compliance Engagement.* An Independent Review Organization shall also conduct a Compliance Engagement, which shall provide findings regarding whether Masonicare's program, policies, procedures, and operations comply with the terms of this Agreement. This engagement shall include section by section findings regarding the requirements of this Agreement. Based on the results of the first three (3) years of the Compliance Engagement and on the results of the first three (3) years of Cost Reporting Engagement for the first three (3) years of the term of this Agreement, the Department may, at its sole discretion, relieve Masonicare of its obligation to retain an

Independent Review Organization to conduct a Compliance Engagement for the fourth and fifth years of this Agreement.

A complete copy of the Independent Review Organization's cost reporting and Compliance Engagement shall be submitted to the Department by March 31st of each year, with the first report being due March 31, 2002.

While it is acknowledged that each of Masonicare's affiliates may engage its own IRO, this Agreement shall only require Masonicare to engage an Independent Review Organization as set forth herein as it relates to itself and MGHC.

3. *Verification/Validation.* In the event that the Department determines that it is necessary to conduct an independent review excluding its routine audits, to determine whether or the extent to which Masonicare is complying with its obligations under this Agreement, Masonicare agrees to pay for the reasonable cost of any such review or engagement by the Department or any of its designated agents. Such Verification/Validation Review, may in the sole discretion of the Department, substitute for the upcoming Independent Review Organization Report as required hereunder.

F. CONFIDENTIAL DISCLOSURE PROGRAM

Within ninety (90) days after the Effective Date of this Agreement, Masonicare shall establish a Confidential Disclosure Program ("CDP"), which must include measures (e.g., a toll-free compliance telephone line) to enable employees, contractors, agents, anonymous callers or other individuals to disclose, to the Compliance Officer or some other person who is not in the reporting individual's chain of command, any identified issue or question associated with Masonicare's policies, procedures or practices with respect to Medicaid or any other state health care program, alleged by the individual to be inappropriate.

Masonicare's CDP shall emphasize a non-retribution, non-retaliation policy, and shall include a reporting mechanism for anonymous, confidential communication. Masonicare's Compliance Officer upon receipt of a complaint shall gather information in such a way as to elicit all relevant information from individuals reporting alleged misconduct. The Compliance Officer and/or Compliance Committee shall make a preliminary good faith inquiry into the allegations to ensure that it has obtained all of the information necessary to determine whether it should conduct a review. Moreover, Masonicare shall, as part of its CDP, require the internal review of any disclosure that is sufficiently specific so that it: (1) permits a determination of the appropriateness of the conduct alleged to be involved; and

(2) reasonably permits corrective action to be taken and ensures that proper monitoring of the alleged conduct is performed.

The Compliance Officer also shall maintain a confidential disclosure log, which shall include a record of each allegation received, status of the investigation of the allegation, and any corrective action taken in response to the investigation.

While it is acknowledged that each of Masonicare's affiliates may each implement their own confidential disclosure program, this Agreement acknowledges that the Confidential Disclosure Program described hereunder shall satisfy the obligations of Masonicare hereunder, including as it relates to its affiliates.

G. INELIGIBLE PERSONS

1. *Definition.* For purposes of this Agreement, an "Ineligible Person" shall be a Covered Person who: (a) is currently excluded, debarred, suspended or otherwise ineligible to participate in the Medicaid or State health care programs or in Medicaid and state procurement or non-procurement programs; or (b) has been convicted of a criminal offense related to the provision of health care items or services, but has not yet been excluded, debarred or otherwise declared ineligible.
2. *Screening Requirements.* Masonicare shall not hire any Ineligible Person as a Covered Person. To prevent hiring or contracting with any Ineligible Person, Masonicare shall screen all Covered Persons prior to engaging their services by: (a) requiring applicants to certify under oath whether they are Ineligible Persons; and (b) reviewing the HHS/OIG List of Excluded Individuals/Entities (available through the Internet at <http://www.hhs.gov/oig>) these lists will hereinafter be referred to as the "Exclusion Lists"). For purposes of this Agreement, if Masonicare reviews the HHS/OIG List of Excluded Individuals/Entities, it shall be deemed to have satisfied the requirements for screening of Ineligible Persons.
3. *Review and Removal Requirement.* Within ninety (90) days of the Effective Date of this Agreement, Masonicare shall review its list of current Covered Persons against the Exclusion Lists. Thereafter, Masonicare shall review the list annually. In addition, Masonicare shall require employees and contractors to disclose immediately any debarment, exclusion or other event that makes the employee an Ineligible Person. With respect to the review, if Masonicare is engaging an entity as a Covered Person, Masonicare must conduct a review to determine: (i) whether the entity is excluded; and (ii) whether the individuals directly involved in the engagement are excluded.

If Masonicare has notice that an employee or contractor has become an Ineligible Person, Masonicare shall remove such person from responsibility for or involvement

with, Masonicare's business operations related to the Medicaid or State health care programs and shall remove such person from any position for which the person's salary or the items or services rendered, ordered, or prescribed by the person are paid in whole or part, directly or indirectly, by Medicaid or State health care programs or otherwise with Medicaid funds at least until such time as the person is reinstated into participation in the state health care programs.

4. *Pending Charges and Proposed Exclusions.* If Masonicare has sufficient and reliable information to constitute notice that a Covered Person is charged with a criminal offense related to any state health care program, or is proposed for exclusion during his or her engagement with Masonicare, Masonicare shall take all appropriate actions to ensure that the responsibilities of that employee or contractor have not and shall not adversely affect the quality of care rendered to any beneficiary, patient or resident, or the accuracy of any claims or information submitted to any state health care program.

While it is acknowledged that each Masonicare's affiliates may conduct its own verification of ineligible persons, this Agreement shall only require Masonicare to conduct the verification described herein for itself and its affiliates.

H. REPORTING

1. *Material Deficiencies/ Overpayments*

- a. *Definition of Material Deficiency.* For purposes of this Agreement, a "Material Deficiency" means anything that involved:
 - (i) A substantial overpayment; (substantial overpayment is any amount in excess of \$10,000) and
 - (ii) A matter that a reasonable person would consider a potential violation of criminal, civil, or administrative laws applicable to any federal health care program for which penalties, exclusions or any administrative sanction may be imposed.

A Material Deficiency may be the result of an isolated event or a series of occurrences.

- b. *Reporting of Material Deficiencies.* If Masonicare determines that there is a Material Deficiency, Masonicare shall notify the Department, in writing, within thirty (30) days of making the determination that the Material Deficiency exists. The report to the Department shall include the following information:

If the Material Deficiency results in an overpayment, the report to the Department shall include all of the required information, as well as:

- (i) The contact person to whom the overpayment was sent to at Masonicare; and
- (ii) The date of the check and identification number (or electronic transaction number) on which the overpayment was repaid/refunded;
- (iii) A complete description of the Material Deficiency, including the relevant facts, persons involved, and legal and State health care program authorities implicated;
- (iv) A description of Masonicare's actions taken to correct the Material Deficiency; and
- (v) Any further steps Masonicare plans to take to address the Material Deficiency and prevent it from recurring.

While it is acknowledged that each of Masonicare's affiliates may report Material Deficiencies, this Agreement shall only require Masonicare to report Material Deficiencies related to itself and its affiliates.

I. NOTIFICATION OF GOVERNMENT INVESTIGATION OR LEGAL PROCEEDINGS.

Within thirty (30) days of discovery, Masonicare shall notify the Department, in writing, of any ongoing criminal or civil inquiry, investigation or legal proceeding conducted or brought by a governmental entity or its agents involving an allegation that Masonicare has committed a crime or has engaged in fraudulent activities. This notification shall include a description of the allegation, the identity of the investigation or prosecuting agency, and the status of such investigation or legal proceeding. Masonicare shall also provide written notice to the Department within thirty (30) days of the resolution of the matter, and shall provide the Department with a description of the findings and/or results of the proceedings, if any.

IV. THE DEPARTMENT INSPECTION, AUDIT AND REVIEW RIGHTS

In addition to any other rights the Department may have by statute, regulation, contract or pursuant to this Agreement, the Department or its duly authorized representative(s) or agents may examine Masonicare's books, records, and other documents and supporting materials for the purpose of verifying and evaluating; (i) Masonicare's compliance with the terms of this Agreement; and (ii) Masonicare's compliance with the requirements of the State Medical Assistance Program. The documentation described above shall be made available by Masonicare at all reasonable times for inspection, audit or reproduction.

Furthermore, for purposes of this provision, the Department or its duly authorized representative(s) may interview any of Masonicare's employees who consent to be interviewed at the employee's place of business during normal business hours or at such other place and time as may be mutually agreed upon between the employee and the Department. Masonicare agrees to assist the Department in contacting and arranging interviews with such employees upon the Department's request. Masonicare employees may elect to be interviewed with or without a representative of Masonicare present.

V. IMPLEMENTATION AND COMPLIANCE ANNUAL REPORTS

A. Implementation Report. Within one-hundred and twenty (120) days after the execution of this Agreement, Masonicare shall submit a written report to the Department summarizing the status of implementation of the requirements of this Agreement. This implementation report shall include:

1. The name, address, telephone number and position description of the Compliance Officer as required in III.A.;
2. The names and positions of the members of the Compliance Committee required by section III.B.;
3. A copy of Masonicare's Code of Conduct required by section III.C.1;
4. The summary of the Policies and Procedures required by section III.C.2;
5. A description of the training required by section III.D, including a description of the targeted audiences, length of sessions, which sessions were mandatory and for whom, percentage of attendance, and a schedule of when the training sessions were held;
6. A certification by the Compliance Officer that:
 - a. The Policies and Procedures required by section III.C.2 have been developed, are being implemented, and have been distributed to all appropriate Covered Persons;
 - b. All Covered Persons have completed the Code of Conduct certification required by section III.C.1; and
 - c. All Covered Persons have completed the applicable training and executed the certification(s) required by section III.D.

The documentation supporting this certification shall be available to the Department, upon request.

7. Description of the Confidential Disclosure Program required by section III.F;
8. The identity of the IRO(s) and the proposed start and completion dates of the first annual review;
9. A summary of personnel actions taken pursuant to section III.G.; and
10. A list of all of Masonicare's and its affiliates' locations (including locations and mailing addresses), the corresponding name under which each location is doing business, the corresponding phone numbers and fax numbers.

B. Annual Compliance Reports. Masonicare shall submit to the Department an Annual Compliance Report with respect to the status of and findings of Masonicare's compliance activities for each of the five (5) one-year periods beginning on the Effective Date of the Agreement. The first Annual Compliance Report shall be received by the Department no later than one year and sixty (60) days after the end of the first Reporting Period (i.e., October 30, 2002). The Department shall receive subsequent Compliance Reports no later than the anniversary date of the due date of the first Annual Compliance Report. (The one year period covered by each Annual Compliance Report shall be referred to as "the Reporting Period").

Each Annual Compliance Report shall include:

1. Any change in the identity or position description of the Compliance Officer and/or members of the Compliance Committee described in sections III.A and III.B;
2. A certification by the Compliance Officer that:
 - a. All Covered Persons have completed the annual Code of Conduct certification required by section III.C.1;
 - b. All Covered Persons have completed the applicable training and executed the certification(s) required by section III.C;
 - c. Masonicare has complied with its obligations under the Settlement Agreement and Consent Order: not to charge to or otherwise seek payment from Medicaid or State payors for unallowable costs (as defined in the Settlement Agreement) and to identify and adjust any past charges or claims for unallowable costs;

The documentation supporting this certification shall be available to the Department, upon request.

3. A summary of any significant changes or amendments to the Policies and Procedures required by section III.C.2 and the reasons for such changes (only with respect to changes that affect obligations hereunder);
4. A description of the training required by section III.D conducted during the Reporting Period, including a description of the targeted audiences, length of sessions, which sessions were mandatory and for whom, percentage of attendance, and a schedule of when the training sessions were held;
5. A complete copy of all reports prepared pursuant to the IRO's Cost Reporting and Compliance Engagements, along with a copy of the IRO's engagement letter;
6. Masonicare's response and corrective action plan(s) related to any issues raised by the IRO(s);
7. A summary of Material Deficiencies (as defined in III.H1) identified during the Reporting Period and the status of any corrective and preventive action relating to all such Material Deficiencies as it relates to the Reimbursement Dispute as defined herein and in the Settlement Agreement;
8. A report of the aggregate overpayments (as defined in III.H1) that have been returned to the State Medical Assistance Program. Overpayment amounts should be broken down by type of claim i.e. by entity and by reimbursement being claimed);
9. A summary of the disclosures in the confidential disclosure log required by section III.F that relate to the State Medical Assistance Program;
10. Subject to applicable state and federal employment law, a description of any personnel actions (other than hiring) taken by Masonicare as a result of the obligations in section III.G, and the name, title, and responsibilities of any person that falls within the ambit of section III.G.4, and the actions taken in response to the obligations set forth in that section;
11. A summary describing any ongoing government or legal proceeding required to have been reported pursuant to section III.I. The summary shall include a description of the allegation, the identity of the investigating or prosecuting agency, and the status of such investigation or legal proceeding; and

Wallingford, CT 06492
Phone: 203-679-5900
Fax: 203-679-5917

VII. DOCUMENT AND RECORD RETENTION

Masonicare shall retain for inspection all documents and records relating to reimbursement from the State Medical Assistance Program or with this Agreement for the longer of one year after the termination of this Agreement or for the period required by applicable law, including but not limited to Regulations of Connecticut State Agencies § 17-311-56.

VIII. BREACH AND DEFAULT PROVISIONS

Masonicare is expected to fully comply with all of its obligations under this Agreement in a timely manner.

A. STIPULATED AMOUNTS FOR FAILURE TO COMPLY WITH CERTAIN OBLIGATIONS

As a contractual remedy, Masonicare and the Department hereby agree that failure to comply with certain obligations set forth in its Agreement will harm the Department and the calculation of the amount of the harm may be difficult to readily ascertain. Consequently the Department in accordance with the following provisions may impose the amounts below.

1. A Stipulated Amount of \$2,500 (which shall begin to accrue on the day after the date the obligation became due) for each day Masonicare fails to have in place any of the following:
 - a. A Compliance Officer as defined by section III.A;
 - b. A Compliance Committee as described by section III.B;
 - c. A written Code of Conduct as described by section III.C.1;
 - d. Written Policies and Procedures as described by section III.C.2;
 - e. A requirement that Covered Persons be trained as described in section III.D; and
 - f. A Confidential Disclosure Program as described in section III.F.

2. A Stipulated Amount of \$2,500 (which shall begin to accrue on the day after the date the obligation became due) for each day Masonicare fails to retain an IRO, as required in section III.E.
3. A Stipulated Amount of \$2,500 (which shall begin to accrue on the day after the date the obligation became due) for each day Masonicare fails to meet any of the deadlines for the submission of the Implementation Report or the Annual Compliance Reports to the Department.
4. A Stipulated Amount of \$2,500 (which shall begin to accrue as of the date the failure to comply began) for each day Masonicare employs or contracts with an Ineligible Person and that person: (i) has responsibility for, or involvement with, Masonicare's business operations related to the State Medical Assistance Program; or (ii) is in a position for which the person's salary or the items or services rendered, ordered, or prescribed by the person are paid in whole or part, directly or indirectly, by State Medical Assistance Program or otherwise with state funds (the Stipulated Amount described in this paragraph shall not be demanded for any time period during which Masonicare can demonstrate that it did not discover the person's exclusion or other ineligibility after making a reasonable inquiry (as described in section III.G) as to the status of the person). This amount shall be in addition to and not in lieu of recovery of any amount wrongfully paid out for goods or services provided by the ineligible person.
5. A Stipulated Amount of \$1,500 for each day Masonicare fails to grant access to the information or documentation as required in section IV of this Agreement. (This Stipulated Amount shall begin to accrue on the date Masonicare fails to grant access.)
6. A Stipulated Amount of \$1,000 for each day Masonicare fails to comply fully and adequately with any obligation of this Agreement not already covered in paragraphs 1-5. In its notice to Masonicare, the Department shall state the specific grounds for its determination that Masonicare has failed to comply fully and adequately with the Agreement obligation(s) at issue and steps that Masonicare must take to comply with the Agreement. (This Stipulated Amount shall begin to accrue ten (10) days after the date that Masonicare receives notice from the Department of the failure to comply.)

B. TIMELY WRITTEN REQUESTS FOR EXTENSIONS.

Masonicare may, in advance of the due date, submit a timely written request to the individual noted in Section VI for an extension of time to perform any act or file any notification or report required by this Agreement. Notwithstanding any other provision in this section, if the Department grants the timely written request with respect to an act, notification, or report, Stipulated Amounts for failure to perform the act or file the

notification or report shall not begin to accrue until one day after Masonicare fails to meet the revised deadline set by the Department. If Masonicare experiences reasonable difficulties in attempting to act as prescribed by this agreement, the Department, in its own discretion, shall grant Masonicare additional time for its requested extension. Notwithstanding any other provision in this section, if the Department denies such a timely written request, for an extension, Stipulated Amounts for failure to perform the act or file the notification or report shall not begin to accrue until five business days after Masonicare receives the Department's written denial of such request or the original due date, whichever is later. A "timely written request" is defined as a request in writing received by the Department at least five (5) business days prior to the date by which any act is due to be performed or any notification or report is due to be filed.

C. PAYMENT OF STIPULATED AMOUNTS.

1. *Demand Letter.* The Department may notify in writing Masonicare if the Department determines that Masonicare has failed to comply with any of the obligations described in section VIII.A specifying: (a) Masonicare's failure to comply; and (b) the Department's exercise of its contractual right to demand payment of the Stipulated Amounts; and (c) the sum of the Stipulated Amount that the Department has determined to be appropriate (this notification is hereinafter referred to as the "Demand Letter").
2. *Response to Demand Letter.* Within fifteen (15) days of the receipt of the Demand Letter, Masonicare shall either: (a) cure the breach to the Department's satisfaction and pay the applicable Stipulated Amounts; or (b) request a hearing before the Department's hearing officer to dispute the Department's determination of noncompliance, pursuant to the agreed upon provisions set forth below in section VIII.E. In the event Masonicare elects to request a hearing, the Stipulated Amounts shall not continue to accrue once Masonicare either cures, or the Department's Hearing Officer issues a ruling regarding the alleged breach in dispute. Failure to respond to the Demand Letter in one of these two manners within the allowed time period shall be considered a material breach of this Agreement and may be grounds for exclusion under section VIII.D.
3. *Form of payment.* Payment of the Stipulated Amounts shall be made by recoupment or direct offset of future payments or other options available to the Department or by certified, cashier's check, payable to: "Commissioner of Social Services," and submitted to the Department at the address set forth in section VI.
4. *Independence from Material Breach Determination.* Payment of any stipulated amount pursuant to this section shall not in any way limit any remedy available to the Department and the Department remains free to pursue any and all remedies

authorized by law, the sole exception being that payment of a stipulated amount arising solely from the failure to respond to a Demand Letter in accordance with section VIII.D.1.c shall be fully resolved by payment of the stipulated amount associated with the failure to respond to such Demand Letter.

D. EXCLUSION FOR MATERIAL BREACH OF THIS AGREEMENT

1. *Definition of Material Breach.* A material breach of this Agreement means:
 - a. A failure by Masonicare to report a material deficiency, take corrective action and make the appropriate refunds, as required in section III.H, or
 - b. A repeated or flagrant violation of the obligations under this Agreement, including, but not limited to, the obligations addressed in section VIII.A; or
 - c. A failure to respond to a Demand Letter concerning the payment of Stipulated Penalties in accordance with section VIII.C; or
 - d. A failure to retain and use an Independent Review Organization in accordance with section III.E.
2. *Notice of Material Breach and Intent to Exclude.* The parties agree that a material breach of this Agreement by Masonicare constitutes an independent basis for Masonicare's suspension from participation in the State Medical Assistance Program. Upon a determination by the Department that Masonicare has materially breached this Agreement and that suspension should be imposed, the Department shall notify Masonicare of: (a) Masonicare's material breach; (b) the Department's intent to exercise its contractual right to impose suspension (this notification is hereinafter referred to as the "Notice of Material Breach and Intent to Suspend"); and (c) Masonicare's right to a hearing in accordance with VIII.E. of this Agreement provided that Masonicare requests such hearing in writing within ten (10) business days of Notice of Material Breach.
3. *Opportunity to Cure.* Masonicare shall have thirty (30) days, or a longer period as agreed upon by the Department, from the date of receipt of the Notice of Material Breach and Intent to Suspend to demonstrate to the Department's satisfaction that:
 - a. Masonicare is in full compliance with this Agreement;
 - b. The alleged material breach has been cured; or

- c. The alleged material breach cannot be cured within the thirty (30) day period, but that: (i) Masonicare has begun to take action to cure the material breach; (ii) Masonicare is pursuing such action with due diligence; and (iii) Masonicare has provided to the Department a reasonable timetable for curing the material breach.
4. *Suspension Letter.* If at the conclusion of the thirty (30) day period, Masonicare fails to satisfy the requirements of section VIII.D.3, the Department may suspend Masonicare from participation in the State Medical Assistance Program. The Department will notify Masonicare in writing of its determination to suspend Masonicare (this letter shall be referred to hereinafter as the "Suspension Letter"). The suspension shall go into effect thirty (30) days after the date of the Suspension Letter unless Masonicare requests a hearing in writing within ten (10) days of receipt of the Suspension Letter. Reinstatement to program participation is not automatic. If at the end of the period of suspension, Masonicare wishes to apply for reinstatement, Masonicare must submit a written request for reinstatement in accordance with the provisions at Regulations of Connecticut State Agencies. § 17-83k-7.

E. STIPULATED AMOUNTS.

1. Notwithstanding any provision of Regulations of Connecticut State Agencies. § 17-83k et seq., the only issues in a proceeding for Stipulated Amounts under this Agreement shall be: (a) whether Masonicare was in full and timely compliance with the obligations of this Agreement for which the Department demands payment; and (b) the period of noncompliance. Masonicare shall have the burden of proving its full and timely compliance, or its good faith effort to cure, or that its failure to cure in a timely manner was due to reasons beyond its control, and the steps taken to cure the noncompliance, if any. If a hearing officer agrees with the Department with regard to a finding of a breach of this Agreement and orders Masonicare to pay Stipulated Amounts, such Stipulated Amounts shall become due and payable twenty (20) days after an impartial hearing officer issues such a decision. If, however, Masonicare requests, in writing, a review of the hearing officer's decision by the Commissioner of the Department (the "CDSS"), within said twenty (20) day period, a review of the hearing officer's decision shall be conducted by the CDSS. If the CDSS upholds the determination of the Department, the Stipulated Amounts shall become due and payable twenty (20) days after the CDSS issues his/her decision in writing.
2. *Exclusion Review.* In accordance with the Regulations of Connecticut State Agencies § 17-83k-3, Masonicare agrees that any of the following will constitute a violation subjecting Masonicare to sanction proceedings as set forth in the pertinent Connecticut regulations:

- a. Masonicare was in material breach of this Agreement;
- b. Such breach was continuing on the date of the Suspension Letter; and

IX. EFFECTIVE AND BINDING AGREEMENT

Consistent with the provisions in the Settlement Agreement pursuant to which this Agreement is entered, and into which this Agreement is incorporated, Masonicare and the Department agree as follows:

- A.** This Agreement shall be binding on the successors and assigns of Masonicare;
- B.** This Agreement shall become final and binding on the date the final signature is obtained on the Agreement;
- C.** Any modifications to this Agreement shall be made with the prior written consent of the parties to this Agreement; and
- D.** The undersigned Masonicare signatories represent and warrant that they are authorized to execute this Agreement. The undersigned the Department signatory represents that he is signing this Agreement in his official capacity and that he is authorized to execute this Agreement.

IN WITNESS WHEREOF, the parties hereto affix their signatures:

MASONICARE

Date

Carleton V. Erickson
Chairman, Board of Directors
Masonicare

Date

Barry M. Spero
Chief Executive Officer
Masonicare

DEPARTMENT OF SOCIAL SERVICES

Date

Michael P. Starkowski
Deputy Commissioner
Department of Social Services

OFFICE OF THE ATTORNEY GENERAL

Date

Richard Blumenthal
Attorney General

CORPORATE INTEGRITY AGREEMENT
BETWEEN THE
DEPARTMENT OF SOCIAL SERVICES
AND
MASONICARE

I. PREAMBLE

Masonicare hereby agrees to enter into this Corporate Integrity Agreement (“Agreement”) with the Connecticut Department of Social Services (“the Department”) to provide for the establishment of a Corporate Integrity Program which ensures compliance with the billing and reimbursement requirements of the State Medicaid Program and Medical Assistance Program (as defined in Conn. Gen. Statutes §17-311-52, the “State Medical Assistance Program”) by Masonicare, its affiliates, and each of its employees, contractors and agents actively engaged during the term of this Agreement to act as billing and/or reimbursement consultants for Masonicare (“Covered Persons”). For purposes of this Agreement, affiliates shall not include Masonic Charity Foundation of Connecticut, Inc. and Ashlar Village, Inc.

The terms of this Corporate Integrity Agreement shall be maintained so as to ensure that Masonicare and each of the Covered Persons comply with the program requirements of the State Medical Assistance Program, and that Masonicare’s billing, (“billing” means requesting reimbursement for services which should be billed to the State Medical Assistance Program on a fee-for-services basis, rather than on a cost report basis, in accordance with the State Medical Assistance Program’s regulations), requests for reimbursable expenses are in compliance with all applicable statutes, and regulations and the terms of this Agreement. Masonicare is contemporaneously entering into a settlement agreement with the Department and this Agreement is incorporated by reference therein (the “Settlement Agreement”).

Prior to the execution of this Agreement, Masonicare developed and began implementing a corporate compliance program (“CCP”), which provides for corporate integrity policies and procedures and which, as represented by Masonicare in this Agreement, is aimed at ensuring that its participation in the State Medical Assistance Program (which includes any requests for payment or reimbursement from the State Medical Assistance Program) is in conformity with the statutes and regulations applicable to the State Medical Assistance Program. Therefore, pursuant to this Agreement, Masonicare hereby agrees to maintain in full operation the CCP for the term of this Agreement. The CCP may be modified by Masonicare as appropriate, but, at a minimum, shall always comply with the integrity obligations enumerated in this Agreement. Masonicare shall notify the Department of any substantive changes to its integrity obligations as set in this CCP within thirty (30) days of making such changes. Masonicare shall notify the Department of any other changes to its CCP which do not impact the requirements hereunder upon filing its Annual Compliance Report described herein.

II. TERMS OF THE AGREEMENT

The period of compliance obligations assumed by Masonicare under this Agreement and pursuant to its Settlement Agreement with the Department which is herein incorporated by reference shall be five (5) years from the effective date of this Agreement. The effective date will be the date on which the final signatory of this Agreement executes this Agreement (“the Effective Date”).

III. CORPORATE INTEGRITY OBLIGATIONS

During the term of to this Agreement, Masonicare will incorporate following integrity obligations as permanent features of its CCP, which shall be established in accordance with the requirements set forth below:

A. CORPORATE COMPLIANCE OFFICER

Masonicare has represented to the Department that it has created a Compliance Officer position and that individual is working as of the Effective Date of this Agreement to serve in that capacity. Accordingly, Masonicare shall formally maintain the appointment of an individual to serve as the Compliance Officer. At a minimum, the Compliance Officer must continuously be charged with the responsibility for the day-to-day compliance activities in furtherance of the integrity obligations assumed herein, as well as for any reporting obligations established under this Agreement. The Compliance Officer must report directly to the Chief Executive Officer (“CEO”) of Masonicare and to the Chairman of Masonicare’s Board of Trustees and shall have unrestricted access to the Board of Trustees for Masonicare. The Compliance Officer shall make regular (at least quarterly) reports regarding compliance matters relating to the Department and the Department’s Medical Assistance Program directly to Masonicare’s CEO and/or to the Board of Trustees of Masonicare. These reports shall be sent to the Director of Quality Assurance. When the identity of the Compliance Officer changes, Masonicare shall notify, in writing, the Department within fifteen (15) days of such change. All other matters affecting the Compliance Officer shall be reported in accordance with Section VI below.

While it is acknowledged that each of Masonicare’s affiliates may designate their own corporate compliance officers, this Agreement shall only require Masonicare and its affiliates to create one corporate compliance officer as described herein.

B. COMPLIANCE COMMITTEE

Masonicare has represented to the Department that, pursuant to its Program, it will create a Compliance Committee and, within ninety (90) days of the Effective Date of this Agreement, appoint individuals to serve on the Compliance Committee. Accordingly, Masonicare shall ensure that the Compliance Committee is continuously composed of representatives of multiple disciplines and segments of Masonicare's operations. At a minimum, the Compliance Committee shall include the Compliance Officer and any other appropriate officers as necessary to meet the requirements of this Agreement (e.g., senior executives of each major department, such as third party reimbursement, billing, clinical, human resources, audit, and operations). The Compliance Officer shall chair the Compliance Committee and the Committee shall support the Compliance Officer in fulfilling his/her responsibilities.

Any changes in the composition of the Compliance Committee, or any actions or changes that would affect the Compliance Committee's ability to perform the duties necessary to meet the obligations in this Agreement, must be reported to the Department, in writing, within fifteen (15) days of such a change.

While it is acknowledged that each of Masonicare's affiliates may designate their own corporate compliance committees, this Agreement shall only require Masonicare to create one corporate compliance committee to serve itself and its affiliates as described herein.

C. WRITTEN STANDARDS

1. *Code of Conduct.* Masonicare has represented to the Department that it is in the process of adopting its Code of Conduct and is implementing its CCP. Accordingly, Masonicare shall completely adopt its written Code of Conduct and begin implementing its CCP within ninety (90) days of the Effective Date of this Agreement. Specifically, Masonicare shall implement written standards, which at a minimum, include the following:
 - a. Masonicare's commitment to full compliance with all applicable statutes, regulations, and the Department provider agreement, including but not limited to, preparing and submitting accurate cost reports and documenting costs and expenses submitted on those cost reports for reimbursement in accordance with all such requirements;
 - b. Masonicare's requirement that all Covered Persons shall be expected to comply with all State Medical Assistance Program requirements and with Masonicare's own Policies and Procedures as defined herein (including the requirements of this Agreement);

- c. The requirement that all of Masonicare's Covered Persons shall be expected to report to the Compliance Officer or other individual designated by Masonicare suspected violations of any State Medical Assistance Program requirements or of Masonicare's own Policies and Procedures; and
- d. The possible consequences to both Masonicare and to any Covered Persons of failure to comply with all State Medical Assistance Program requirements and with Masonicare's own Policies and Procedures or of failure to report such non-compliance; and
- e. The right of all individuals to use the confidential disclosure program as described in section III.F, and Masonicare's commitment to maintain the reporter's confidentiality, as appropriate, and non-retaliation with respect to disclosures.

Compliance staff or supervisors should be available to explain any and all of the Code of Conduct. Masonicare shall distribute any changes to its Code of Conduct to all Covered Persons with whom Masonicare may choose to engage to act as billing or reimbursement agents or consultants for Masonicare whose positions are impacted by the changes.

Within ninety (90) days of the effective date of the Agreement, a summary of Masonicare's Code of Conduct shall be distributed by Masonicare to all Covered Persons. Each employee shall certify, in writing, on an annual basis, that he or she has read, understands, and will abide by Masonicare's CCP. New employees shall receive a summary of Masonicare's CCP within one week after commencement of their employment. Within thirty (30) days of the beginning of their employment, these individuals shall certify, in writing, that they have read, understand and will abide by Masonicare's CCP.

At least annually (and more frequently if appropriate), Masonicare shall assess and update as necessary the Policies and Procedures described below. All proposed material revisions to the Policies and Procedures shall be sent to the Department for review and comment. Within thirty (30) days of the effective date of any revisions, the relevant portions of any such revised Policies and Procedures shall be distributed to all individuals whose job functions are related to those Policies and Procedures.

While it is acknowledged that each of Masonicare's affiliates may develop its own corporate compliance standards, this Agreement shall only require Masonicare to create a Code of Conduct as described herein. Notwithstanding, the Masonicare Code of Conduct shall be applicable to all of its affiliates.

2. *Policies and Procedures.* Within one hundred and twenty (120) days of the Effective Date of this Agreement, Masonicare shall adopt implementation of written Policies and Procedures regarding the operation of Masonicare's CCP and its compliance with the State Medical Assistance Program. The Policies and Procedures shall, at a minimum, incorporate the following requirements:
 - a. The requirement that Masonicare staff follows proper procedures for claiming reimbursement from the State Medical Assistance Program;
 - b. The requirement that all cost reports shall be submitted in accordance with all applicable Medicaid statutes, regulations and the Department Provider Agreements; and
 - c. The requirement that the Policies and Procedures shall include procedures and methods for employees to make disclosures or otherwise report on compliance issues to Masonicare management or the Compliance Officer through the Confidential Disclosure Program required by section III.F.

Within one hundred and twenty (120) days of the Effective Date of the Agreement, the relevant portions of the Policies and Procedures shall be made available to all Covered Persons. Compliance staff or supervisors should be available to explain any and all Policies and Procedures.

Masonicare shall assess and update as necessary the Policies and Procedures at least annually and more frequently, as appropriate. All proposed material revisions to the Policies and Procedures shall be sent to the Department for review and comment. Within thirty (30) days of the Policy and Procedures being sent to the Department (unless an immediate change is required due to modifications in the applicable law, or immediate corrective action is necessary), the relevant portions of any such revised Policies and Procedures shall be distributed to all individuals whose job functions are related to those Policies and Procedures. A summary of the Policies and Procedures shall be provided to the Department in the Implementation Report. The Policies and Procedures shall be available to the Department upon request.

While it is acknowledged that each of Masonicare's affiliates may develop its own corporate compliance policies and procedures, this Agreement shall only require Masonicare to create Policies and Procedures as described herein for itself and its affiliates.

D. TRAINING AND EDUCATION

1. *General Training.* General Corporate Compliance training with respect to the Code of Conduct and overall CCP shall be provided to: (i) 50% of the Covered Persons within one hundred twenty days (120) days of the Effective Date of this Agreement, (ii) 75% of the Covered Persons within one hundred and fifty (150) days of the Effective Date of this Agreement; and (iii) 100% of the Covered Persons within one hundred eighty (180) days of the Effective Date of this Agreement. This training shall provide at least one (1) hour of general training to each Covered Person. This training shall cover, at a minimum, the following:
 - a. Masonicare's obligations under this Agreement; and
 - b. Masonicare's overall CCP, including its Code of Conduct and the Policies and Procedures as they pertain to general compliance issues.

All training materials shall be made available to the Department, upon request for review and comment. New Covered Persons shall receive the general training described above within thirty (30) days of becoming a Covered Person or within ninety (90) days after the Effective Date of this Agreement, whichever is later. After receiving the initial training described above, each Covered Person shall receive at least one hour of general training in corporate compliance issues annually.

While it is acknowledged that each of Masonicare's affiliates may conduct its own corporate compliance training, this Agreement shall only require Masonicare to conduct the training described herein for itself and its affiliates.

2. *Specific Training.* Within ninety (90) days of the Effective Date of this Agreement, each Covered Person who is involved in the submission of cost reports for reimbursement from the State Medical Assistance Program (hereinafter referred to as "Relevant Covered Persons") shall receive at least three (3) hours of specific training in addition to the general training required above. This specific training shall include a discussion of:
 - a. The submission of accurate cost reports for services rendered to Medicaid health care program recipients;
 - b. Policies, procedures and other requirements applicable to the documentation of costs included in cost reports;
 - c. The personal obligation of each individual involved in the collection and preparation of information submitted in the cost reports to ensure that such

reimbursement submissions are accurate and claims for reimbursement contain only reimbursable costs;

- d. Applicable reimbursement statutes, regulations and policies;
- e. The legal sanctions for improper submission of cost reports;
- f. Examples of proper and improper cost reporting;
- g. Guidance on State Medical Assistance Program regulations involving submitting bills for medical services and supplies rendered to Medicaid health care program recipients; and
- h. Applicable State Medical Assistance Program regulations governing related party transactions.

All training materials shall be made available to the Department, upon request. Persons providing the training must be knowledgeable about the subject area.

Relevant Covered Persons shall receive this training within thirty (30) days of the beginning of their employment or becoming Relevant Covered Persons or within ninety (90) days of the Effective Date of this Agreement, whichever is later. A Masonicare employee who has completed the specific training shall review a new Relevant Covered Person's work, to the extent that the work relates to the delivery of patient care items or services and/or in the preparation or submission of claims for reimbursement from any State Medical Assistance Program, until such time as the new Relevant Covered Person completes applicable training. Masonicare may demonstrate that some of the Relevant Covered Persons have received the training described herein within six (6) months of the Effective Date and upon the Department's approval, shall not be required to repeat training for the first year of this Agreement.

After receiving the initial training described in this section, every Relevant Covered Person shall receive at least three (3) hours of specific training annually.

While it is acknowledged that each of Masonicare's affiliates may conduct its own specific corporate compliance training, this Agreement shall only require Masonicare to conduct the training described herein for itself and its affiliates.

3. *Certification.* Each individual who is required to attend training shall certify, in writing, or in electronic form, if they have computerized training that he or she has received the required training. The certification shall specify the type of training received and the date received. The Compliance Officer (or his or her designee) shall

retain the certifications, along with all course materials five (5) years from the date of training. These shall be made available to the Department, upon request.

E. REVIEW PROCEDURES

Masonicare shall engage an independent review organization, such as an accounting, auditing or consulting firm (the "Independent Review Organization") acceptable to the Department, which approval shall not be unreasonably withheld, to perform review procedures to assist Masonicare in assessing the adequacy of its billing, reimbursement and compliance practices pursuant to this Agreement. This shall be an annual requirement and shall cover a twelve (12) month period with the first report covering October 1, 2000 through September 30, 2001. The Independent Review Organization must have expertise in the billing, cost reporting and other requirements of the State Medical Assistance Program from which Masonicare seeks reimbursement. The Independent Review Organization must be retained to conduct the audit of the first year within ninety (90) days of the effective date of this Agreement.

The Independent Review Organization will conduct two (2) separate reviews. One will be an analysis of Masonicare's compliance with the applicable statutes and regulations relating to billing and cost reporting to the State Medical Assistance ("Cost Reporting Engagement"). The second engagement will determine whether Masonicare is in compliance with the corporate integrity obligations for Masonicare as set forth in this Agreement ("Compliance Engagement").

Any costs associated with the Independent Review Organization shall not be claimed in any cost report filed with this or any other state or federal government.

1. *Cost Reporting.* The cost reporting engagement shall consist of a review of a representative sample of cost report expenditures that can be projected to the total cost report expenditures for the subject review period.

Each annual cost reporting engagement analysis shall address, at a minimum, the following components:

- a. *Cost Reporting Engagement Objective:* A clear statement of the objective intended to be achieved by the cost reporting engagement and the process or combination of processes that will be applied to achieve the objective.
- b. *Cost Reporting Engagement Population:* Identify the fair rent claims, related party transactions and cost centers, which are the groups about which information is needed. Explain the methodology used to develop the analysis for fair rent

expenditures, related party transactions and cost centers and provide the basis for this determination.

- c. Sources of Data: Provide a full description of the source of the information upon which the cost reporting engagement conclusions will be based, including the legal or other standards applied, documents relied upon, payment data, and/or any contractual obligations.

The Cost Reporting Engagement shall provide:

- a. Findings regarding Masonicare's billing operation (including, but not limited to, the operation of the reimbursement process, strengths and weaknesses of this system, internal controls, effectiveness of the system);
 - b. Findings regarding whether Masonicare is submitting accurate cost reports for services reimbursable by the State Medical Assistance Program;
 - c. Findings regarding Masonicare procedures to correct inaccurate cost reporting to the State Medical Assistance Program;
 - d. Findings regarding Masonicare's billing to the State Medical Assistance Program for supplies and other services rendered to Medicaid health care program recipients;
 - e. Findings regarding the steps Masonicare is taking to bring its operations into compliance or to correct problems identified in any audit by the Department; and
 - f. Findings regarding the allocation of expenditures among Masonicare and its affiliates, including but not limited to MGHC, Connecticut VNA, Inc., Ashlar of Newtown, Inc., Masonic Management Services, Inc., and The Connecticut VNA, SE, Inc.
2. *Compliance Engagement.* An Independent Review Organization shall also conduct a Compliance Engagement, which shall provide findings regarding whether Masonicare's program, policies, procedures, and operations comply with the terms of this Agreement. This engagement shall include section by section findings regarding the requirements of this Agreement. Based on the results of the first three (3) years of the Compliance Engagement and on the results of the first three (3) years of Cost Reporting Engagement for the first three (3) years of the term of this Agreement, the Department may, at its sole discretion, relieve Masonicare of its obligation to retain an

Independent Review Organization to conduct a Compliance Engagement for the fourth and fifth years of this Agreement.

A complete copy of the Independent Review Organization's cost reporting and Compliance Engagement shall be submitted to the Department by March 31st of each year, with the first report being due March 31, 2002.

While it is acknowledged that each of Masonicare's affiliates may engage its own IRO, this Agreement shall only require Masonicare to engage an Independent Review Organization as set forth herein as it relates to itself and MGHC.

3. *Verification/Validation.* In the event that the Department determines that it is necessary to conduct an independent review excluding its routine audits, to determine whether or the extent to which Masonicare is complying with its obligations under this Agreement, Masonicare agrees to pay for the reasonable cost of any such review or engagement by the Department or any of its designated agents. Such Verification/Validation Review, may in the sole discretion of the Department, substitute for the upcoming Independent Review Organization Report as required hereunder.

F. CONFIDENTIAL DISCLOSURE PROGRAM

Within ninety (90) days after the Effective Date of this Agreement, Masonicare shall establish a Confidential Disclosure Program ("CDP"), which must include measures (e.g., a toll-free compliance telephone line) to enable employees, contractors, agents, anonymous callers or other individuals to disclose, to the Compliance Officer or some other person who is not in the reporting individual's chain of command, any identified issue or question associated with Masonicare's policies, procedures or practices with respect to Medicaid or any other state health care program, alleged by the individual to be inappropriate.

Masonicare's CDP shall emphasize a non-retribution, non-retaliation policy, and shall include a reporting mechanism for anonymous, confidential communication. Masonicare's Compliance Officer upon receipt of a complaint shall gather information in such a way as to elicit all relevant information from individuals reporting alleged misconduct. The Compliance Officer and/or Compliance Committee shall make a preliminary good faith inquiry into the allegations to ensure that it has obtained all of the information necessary to determine whether it should conduct a review. Moreover, Masonicare shall, as part of its CDP, require the internal review of any disclosure that is sufficiently specific so that it: (1) permits a determination of the appropriateness of the conduct alleged to be involved; and

(2) reasonably permits corrective action to be taken and ensures that proper monitoring of the alleged conduct is performed.

The Compliance Officer also shall maintain a confidential disclosure log, which shall include a record of each allegation received, status of the investigation of the allegation, and any corrective action taken in response to the investigation.

While it is acknowledged that each of Masonicare's affiliates may each implement their own confidential disclosure program, this Agreement acknowledges that the Confidential Disclosure Program described hereunder shall satisfy the obligations of Masonicare hereunder, including as it relates to its affiliates.

G. INELIGIBLE PERSONS

1. *Definition.* For purposes of this Agreement, an "Ineligible Person" shall be a Covered Person who: (a) is currently excluded, debarred, suspended or otherwise ineligible to participate in the Medicaid or State health care programs or in Medicaid and state procurement or non-procurement programs; or (b) has been convicted of a criminal offense related to the provision of health care items or services, but has not yet been excluded, debarred or otherwise declared ineligible.
2. *Screening Requirements.* Masonicare shall not hire any Ineligible Person as a Covered Person. To prevent hiring or contracting with any Ineligible Person, Masonicare shall screen all Covered Persons prior to engaging their services by: (a) requiring applicants to certify under oath whether they are Ineligible Persons; and (b) reviewing the HHS/OIG List of Excluded Individuals/Entities (available through the Internet at <http://www.hhs.gov/oig>) these lists will hereinafter be referred to as the "Exclusion Lists"). For purposes of this Agreement, if Masonicare reviews the HHS/OIG List of Excluded Individuals/Entities, it shall be deemed to have satisfied the requirements for screening of Ineligible Persons.
3. *Review and Removal Requirement.* Within ninety (90) days of the Effective Date of this Agreement, Masonicare shall review its list of current Covered Persons against the Exclusion Lists. Thereafter, Masonicare shall review the list annually. In addition, Masonicare shall require employees and contractors to disclose immediately any debarment, exclusion or other event that makes the employee an Ineligible Person. With respect to the review, if Masonicare is engaging an entity as a Covered Person, Masonicare must conduct a review to determine: (i) whether the entity is excluded; and (ii) whether the individuals directly involved in the engagement are excluded.

If Masonicare has notice that an employee or contractor has become an Ineligible Person, Masonicare shall remove such person from responsibility for or involvement

with, Masonicare's business operations related to the Medicaid or State health care programs and shall remove such person from any position for which the person's salary or the items or services rendered, ordered, or prescribed by the person are paid in whole or part, directly or indirectly, by Medicaid or State health care programs or otherwise with Medicaid funds at least until such time as the person is reinstated into participation in the state health care programs.

4. *Pending Charges and Proposed Exclusions.* If Masonicare has sufficient and reliable information to constitute notice that a Covered Person is charged with a criminal offense related to any state health care program, or is proposed for exclusion during his or her engagement with Masonicare, Masonicare shall take all appropriate actions to ensure that the responsibilities of that employee or contractor have not and shall not adversely affect the quality of care rendered to any beneficiary, patient or resident, or the accuracy of any claims or information submitted to any state health care program.

While it is acknowledged that each Masonicare's affiliates may conduct its own verification of ineligible persons, this Agreement shall only require Masonicare to conduct the verification described herein for itself and its affiliates.

H. REPORTING

1. *Material Deficiencies/ Overpayments*

- a. *Definition of Material Deficiency.* For purposes of this Agreement, a "Material Deficiency" means anything that involved:
 - (i) A substantial overpayment; (substantial overpayment is any amount in excess of \$10,000) and
 - (ii) A matter that a reasonable person would consider a potential violation of criminal, civil, or administrative laws applicable to any federal health care program for which penalties, exclusions or any administrative sanction may be imposed.

A Material Deficiency may be the result of an isolated event or a series of occurrences.

- b. *Reporting of Material Deficiencies.* If Masonicare determines that there is a Material Deficiency, Masonicare shall notify the Department, in writing, within thirty (30) days of making the determination that the Material Deficiency exists. The report to the Department shall include the following information:

If the Material Deficiency results in an overpayment, the report to the Department shall include all of the required information, as well as:

- (i) The contact person to whom the overpayment was sent to at Masonicare; and
- (ii) The date of the check and identification number (or electronic transaction number) on which the overpayment was repaid/refunded;
- (iii) A complete description of the Material Deficiency, including the relevant facts, persons involved, and legal and State health care program authorities implicated;
- (iv) A description of Masonicare's actions taken to correct the Material Deficiency; and
- (v) Any further steps Masonicare plans to take to address the Material Deficiency and prevent it from recurring.

While it is acknowledged that each of Masonicare's affiliates may report Material Deficiencies, this Agreement shall only require Masonicare to report Material Deficiencies related to itself and its affiliates.

I. NOTIFICATION OF GOVERNMENT INVESTIGATION OR LEGAL PROCEEDINGS.

Within thirty (30) days of discovery, Masonicare shall notify the Department, in writing, of any ongoing criminal or civil inquiry, investigation or legal proceeding conducted or brought by a governmental entity or its agents involving an allegation that Masonicare has committed a crime or has engaged in fraudulent activities. This notification shall include a description of the allegation, the identity of the investigation or prosecuting agency, and the status of such investigation or legal proceeding. Masonicare shall also provide written notice to the Department within thirty (30) days of the resolution of the matter, and shall provide the Department with a description of the findings and/or results of the proceedings, if any.

IV. THE DEPARTMENT INSPECTION, AUDIT AND REVIEW RIGHTS

In addition to any other rights the Department may have by statute, regulation, contract or pursuant to this Agreement, the Department or its duly authorized representative(s) or agents may examine Masonicare's books, records, and other documents and supporting materials for the purpose of verifying and evaluating; (i) Masonicare's compliance with the terms of this Agreement; and (ii) Masonicare's compliance with the requirements of the State Medical Assistance Program. The documentation described above shall be made available by Masonicare at all reasonable times for inspection, audit or reproduction.

Furthermore, for purposes of this provision, the Department or its duly authorized representative(s) may interview any of Masonicare's employees who consent to be interviewed at the employee's place of business during normal business hours or at such other place and time as may be mutually agreed upon between the employee and the Department. Masonicare agrees to assist the Department in contacting and arranging interviews with such employees upon the Department's request. Masonicare employees may elect to be interviewed with or without a representative of Masonicare present.

V. IMPLEMENTATION AND COMPLIANCE ANNUAL REPORTS

A. Implementation Report. Within one-hundred and twenty (120) days after the execution of this Agreement, Masonicare shall submit a written report to the Department summarizing the status of implementation of the requirements of this Agreement. This implementation report shall include:

1. The name, address, telephone number and position description of the Compliance Officer as required in III.A.;
2. The names and positions of the members of the Compliance Committee required by section III.B.;
3. A copy of Masonicare's Code of Conduct required by section III.C.1;
4. The summary of the Policies and Procedures required by section III.C.2;
5. A description of the training required by section III.D, including a description of the targeted audiences, length of sessions, which sessions were mandatory and for whom, percentage of attendance, and a schedule of when the training sessions were held;
6. A certification by the Compliance Officer that:
 - a. The Policies and Procedures required by section III.C.2 have been developed, are being implemented, and have been distributed to all appropriate Covered Persons;
 - b. All Covered Persons have completed the Code of Conduct certification required by section III.C.1; and
 - c. All Covered Persons have completed the applicable training and executed the certification(s) required by section III.D.

The documentation supporting this certification shall be available to the Department, upon request.

7. Description of the Confidential Disclosure Program required by section III.F;
8. The identity of the IRO(s) and the proposed start and completion dates of the first annual review;
9. A summary of personnel actions taken pursuant to section III.G.; and
10. A list of all of Masonicare's and its affiliates' locations (including locations and mailing addresses), the corresponding name under which each location is doing business, the corresponding phone numbers and fax numbers.

B. Annual Compliance Reports. Masonicare shall submit to the Department an Annual Compliance Report with respect to the status of and findings of Masonicare's compliance activities for each of the five (5) one-year periods beginning on the Effective Date of the Agreement. The first Annual Compliance Report shall be received by the Department no later than one year and sixty (60) days after the end of the first Reporting Period (i.e., October 30, 2002). The Department shall receive subsequent Compliance Reports no later than the anniversary date of the due date of the first Annual Compliance Report. (The one year period covered by each Annual Compliance Report shall be referred to as "the Reporting Period").

Each Annual Compliance Report shall include:

1. Any change in the identity or position description of the Compliance Officer and/or members of the Compliance Committee described in sections III.A and III.B;
2. A certification by the Compliance Officer that:
 - a. All Covered Persons have completed the annual Code of Conduct certification required by section III.C.1;
 - b. All Covered Persons have completed the applicable training and executed the certification(s) required by section III.C;
 - c. Masonicare has complied with its obligations under the Settlement Agreement and Consent Order: not to charge to or otherwise seek payment from Medicaid or State payors for unallowable costs (as defined in the Settlement Agreement) and to identify and adjust any past charges or claims for unallowable costs;

The documentation supporting this certification shall be available to the Department, upon request.

3. A summary of any significant changes or amendments to the Policies and Procedures required by section III.C.2 and the reasons for such changes (only with respect to changes that affect obligations hereunder);
4. A description of the training required by section III.D conducted during the Reporting Period, including a description of the targeted audiences, length of sessions, which sessions were mandatory and for whom, percentage of attendance, and a schedule of when the training sessions were held;
5. A complete copy of all reports prepared pursuant to the IRO's Cost Reporting and Compliance Engagements, along with a copy of the IRO's engagement letter;
6. Masonicare's response and corrective action plan(s) related to any issues raised by the IRO(s);
7. A summary of Material Deficiencies (as defined in III.H1) identified during the Reporting Period and the status of any corrective and preventive action relating to all such Material Deficiencies as it relates to the Reimbursement Dispute as defined herein and in the Settlement Agreement;
8. A report of the aggregate overpayments (as defined in III.H1) that have been returned to the State Medical Assistance Program. Overpayment amounts should be broken down by type of claim i.e. by entity and by reimbursement being claimed);
9. A summary of the disclosures in the confidential disclosure log required by section III.F that relate to the State Medical Assistance Program;
10. Subject to applicable state and federal employment law, a description of any personnel actions (other than hiring) taken by Masonicare as a result of the obligations in section III.G, and the name, title, and responsibilities of any person that falls within the ambit of section III.G.4, and the actions taken in response to the obligations set forth in that section;
11. A summary describing any ongoing government or legal proceeding required to have been reported pursuant to section III.I. The summary shall include a description of the allegation, the identity of the investigating or prosecuting agency, and the status of such investigation or legal proceeding; and

Wallingford, CT 06492
Phone: 203-679-5900
Fax: 203-679-5917

VII. DOCUMENT AND RECORD RETENTION

Masonicare shall retain for inspection all documents and records relating to reimbursement from the State Medical Assistance Program or with this Agreement for the longer of one year after the termination of this Agreement or for the period required by applicable law, including but not limited to Regulations of Connecticut State Agencies § 17-311-56.

VIII. BREACH AND DEFAULT PROVISIONS

Masonicare is expected to fully comply with all of its obligations under this Agreement in a timely manner.

A. STIPULATED AMOUNTS FOR FAILURE TO COMPLY WITH CERTAIN OBLIGATIONS

As a contractual remedy, Masonicare and the Department hereby agree that failure to comply with certain obligations set forth in its Agreement will harm the Department and the calculation of the amount of the harm may be difficult to readily ascertain. Consequently the Department in accordance with the following provisions may impose the amounts below.

1. A Stipulated Amount of \$2,500 (which shall begin to accrue on the day after the date the obligation became due) for each day Masonicare fails to have in place any of the following:
 - a. A Compliance Officer as defined by section III.A;
 - b. A Compliance Committee as described by section III.B;
 - c. A written Code of Conduct as described by section III.C.1;
 - d. Written Policies and Procedures as described by section III.C.2;
 - e. A requirement that Covered Persons be trained as described in section III.D; and
 - f. A Confidential Disclosure Program as described in section III.F.

2. A Stipulated Amount of \$2,500 (which shall begin to accrue on the day after the date the obligation became due) for each day Masonicare fails to retain an IRO, as required in section III.E.
3. A Stipulated Amount of \$2,500 (which shall begin to accrue on the day after the date the obligation became due) for each day Masonicare fails to meet any of the deadlines for the submission of the Implementation Report or the Annual Compliance Reports to the Department.
4. A Stipulated Amount of \$2,500 (which shall begin to accrue as of the date the failure to comply began) for each day Masonicare employs or contracts with an Ineligible Person and that person: (i) has responsibility for, or involvement with, Masonicare's business operations related to the State Medical Assistance Program; or (ii) is in a position for which the person's salary or the items or services rendered, ordered, or prescribed by the person are paid in whole or part, directly or indirectly, by State Medical Assistance Program or otherwise with state funds (the Stipulated Amount described in this paragraph shall not be demanded for any time period during which Masonicare can demonstrate that it did not discover the person's exclusion or other ineligibility after making a reasonable inquiry (as described in section III.G) as to the status of the person). This amount shall be in addition to and not in lieu of recovery of any amount wrongfully paid out for goods or services provided by the ineligible person.
5. A Stipulated Amount of \$1,500 for each day Masonicare fails to grant access to the information or documentation as required in section IV of this Agreement. (This Stipulated Amount shall begin to accrue on the date Masonicare fails to grant access.)
6. A Stipulated Amount of \$1,000 for each day Masonicare fails to comply fully and adequately with any obligation of this Agreement not already covered in paragraphs 1-5. In its notice to Masonicare, the Department shall state the specific grounds for its determination that Masonicare has failed to comply fully and adequately with the Agreement obligation(s) at issue and steps that Masonicare must take to comply with the Agreement. (This Stipulated Amount shall begin to accrue ten (10) days after the date that Masonicare receives notice from the Department of the failure to comply.)

B. TIMELY WRITTEN REQUESTS FOR EXTENSIONS.

Masonicare may, in advance of the due date, submit a timely written request to the individual noted in Section VI for an extension of time to perform any act or file any notification or report required by this Agreement. Notwithstanding any other provision in this section, if the Department grants the timely written request with respect to an act, notification, or report, Stipulated Amounts for failure to perform the act or file the

notification or report shall not begin to accrue until one day after Masonicare fails to meet the revised deadline set by the Department. If Masonicare experiences reasonable difficulties in attempting to act as prescribed by this agreement, the Department, in its own discretion, shall grant Masonicare additional time for its requested extension. Notwithstanding any other provision in this section, if the Department denies such a timely written request, for an extension, Stipulated Amounts for failure to perform the act or file the notification or report shall not begin to accrue until five business days after Masonicare receives the Department's written denial of such request or the original due date, whichever is later. A "timely written request" is defined as a request in writing received by the Department at least five (5) business days prior to the date by which any act is due to be performed or any notification or report is due to be filed.

C. PAYMENT OF STIPULATED AMOUNTS.

1. *Demand Letter.* The Department may notify in writing Masonicare if the Department determines that Masonicare has failed to comply with any of the obligations described in section VIII.A specifying: (a) Masonicare's failure to comply; and (b) the Department's exercise of its contractual right to demand payment of the Stipulated Amounts; and (c) the sum of the Stipulated Amount that the Department has determined to be appropriate (this notification is hereinafter referred to as the "Demand Letter").
2. *Response to Demand Letter.* Within fifteen (15) days of the receipt of the Demand Letter, Masonicare shall either: (a) cure the breach to the Department's satisfaction and pay the applicable Stipulated Amounts; or (b) request a hearing before the Department's hearing officer to dispute the Department's determination of noncompliance, pursuant to the agreed upon provisions set forth below in section VIII.E. In the event Masonicare elects to request a hearing, the Stipulated Amounts shall not continue to accrue once Masonicare either cures, or the Department's Hearing Officer issues a ruling regarding the alleged breach in dispute. Failure to respond to the Demand Letter in one of these two manners within the allowed time period shall be considered a material breach of this Agreement and may be grounds for exclusion under section VIII.D.
3. *Form of payment.* Payment of the Stipulated Amounts shall be made by recoupment or direct offset of future payments or other options available to the Department or by certified, cashier's check, payable to: "Commissioner of Social Services," and submitted to the Department at the address set forth in section VI.
4. *Independence from Material Breach Determination.* Payment of any stipulated amount pursuant to this section shall not in any way limit any remedy available to the Department and the Department remains free to pursue any and all remedies

authorized by law, the sole exception being that payment of a stipulated amount arising solely from the failure to respond to a Demand Letter in accordance with section VIII.D.1.c shall be fully resolved by payment of the stipulated amount associated with the failure to respond to such Demand Letter.

D. EXCLUSION FOR MATERIAL BREACH OF THIS AGREEMENT

1. *Definition of Material Breach.* A material breach of this Agreement means:
 - a. A failure by Masonicare to report a material deficiency, take corrective action and make the appropriate refunds, as required in section III.H, or
 - b. A repeated or flagrant violation of the obligations under this Agreement, including, but not limited to, the obligations addressed in section VIII.A; or
 - c. A failure to respond to a Demand Letter concerning the payment of Stipulated Penalties in accordance with section VIII.C; or
 - d. A failure to retain and use an Independent Review Organization in accordance with section III.E.
2. *Notice of Material Breach and Intent to Exclude.* The parties agree that a material breach of this Agreement by Masonicare constitutes an independent basis for Masonicare's suspension from participation in the State Medical Assistance Program. Upon a determination by the Department that Masonicare has materially breached this Agreement and that suspension should be imposed, the Department shall notify Masonicare of: (a) Masonicare's material breach; (b) the Department's intent to exercise its contractual right to impose suspension (this notification is hereinafter referred to as the "Notice of Material Breach and Intent to Suspend"); and (c) Masonicare's right to a hearing in accordance with VIII.E. of this Agreement provided that Masonicare requests such hearing in writing within ten (10) business days of Notice of Material Breach.
3. *Opportunity to Cure.* Masonicare shall have thirty (30) days, or a longer period as agreed upon by the Department, from the date of receipt of the Notice of Material Breach and Intent to Suspend to demonstrate to the Department's satisfaction that:
 - a. Masonicare is in full compliance with this Agreement;
 - b. The alleged material breach has been cured; or

- c. The alleged material breach cannot be cured within the thirty (30) day period, but that: (i) Masonicare has begun to take action to cure the material breach; (ii) Masonicare is pursuing such action with due diligence; and (iii) Masonicare has provided to the Department a reasonable timetable for curing the material breach.
4. *Suspension Letter.* If at the conclusion of the thirty (30) day period, Masonicare fails to satisfy the requirements of section VIII.D.3, the Department may suspend Masonicare from participation in the State Medical Assistance Program. The Department will notify Masonicare in writing of its determination to suspend Masonicare (this letter shall be referred to hereinafter as the "Suspension Letter"). The suspension shall go into effect thirty (30) days after the date of the Suspension Letter unless Masonicare requests a hearing in writing within ten (10) days of receipt of the Suspension Letter. Reinstatement to program participation is not automatic. If at the end of the period of suspension, Masonicare wishes to apply for reinstatement, Masonicare must submit a written request for reinstatement in accordance with the provisions at Regulations of Connecticut State Agencies. § 17-83k-7.

E. STIPULATED AMOUNTS.

1. Notwithstanding any provision of Regulations of Connecticut State Agencies. § 17-83k et seq., the only issues in a proceeding for Stipulated Amounts under this Agreement shall be: (a) whether Masonicare was in full and timely compliance with the obligations of this Agreement for which the Department demands payment; and (b) the period of noncompliance. Masonicare shall have the burden of proving its full and timely compliance, or its good faith effort to cure, or that its failure to cure in a timely manner was due to reasons beyond its control, and the steps taken to cure the noncompliance, if any. If a hearing officer agrees with the Department with regard to a finding of a breach of this Agreement and orders Masonicare to pay Stipulated Amounts, such Stipulated Amounts shall become due and payable twenty (20) days after an impartial hearing officer issues such a decision. If, however, Masonicare requests, in writing, a review of the hearing officer's decision by the Commissioner of the Department (the "CDSS"), within said twenty (20) day period, a review of the hearing officer's decision shall be conducted by the CDSS. If the CDSS upholds the determination of the Department, the Stipulated Amounts shall become due and payable twenty (20) days after the CDSS issues his/her decision in writing.
2. *Exclusion Review.* In accordance with the Regulations of Connecticut State Agencies § 17-83k-3, Masonicare agrees that any of the following will constitute a violation subjecting Masonicare to sanction proceedings as set forth in the pertinent Connecticut regulations:

- a. Masonicare was in material breach of this Agreement;
- b. Such breach was continuing on the date of the Suspension Letter; and

IX. EFFECTIVE AND BINDING AGREEMENT

Consistent with the provisions in the Settlement Agreement pursuant to which this Agreement is entered, and into which this Agreement is incorporated, Masonicare and the Department agree as follows:

- A.** This Agreement shall be binding on the successors and assigns of Masonicare;
- B.** This Agreement shall become final and binding on the date the final signature is obtained on the Agreement;
- C.** Any modifications to this Agreement shall be made with the prior written consent of the parties to this Agreement; and
- D.** The undersigned Masonicare signatories represent and warrant that they are authorized to execute this Agreement. The undersigned the Department signatory represents that he is signing this Agreement in his official capacity and that he is authorized to execute this Agreement.

IN WITNESS WHEREOF, the parties hereto affix their signatures:

MASONICARE

Date

Carleton V. Erickson
Chairman, Board of Directors
Masonicare

Date

Barry M. Spero
Chief Executive Officer
Masonicare

DEPARTMENT OF SOCIAL SERVICES

Date

Michael P. Starkowski
Deputy Commissioner
Department of Social Services

OFFICE OF THE ATTORNEY GENERAL

Date

Richard Blumenthal
Attorney General