



Stanford
HEALTH CARE

ValleyCare

**CODE
OF
CONDUCT**

Dear Stanford Health Care-ValleyCare Colleague,

We have a comprehensive, values-based Ethics and Compliance Program, which is a vital part of the way we conduct ourselves at Stanford Health Care-ValleyCare. Because the Program rests on our Mission and Values, it has easily become incorporated into our daily activities and supports our tradition of caring – for our patients, our communities, and our colleagues. We strive to deliver healthcare compassionately and to act with absolute integrity in the way we do our work and the way we live our lives. This Code of Conduct, which reflects our tradition of caring, provides guidance to ensure our work is done in an ethical and legal manner. It emphasizes the shared common values and culture which guide our actions. It also contains resources to help resolve any questions about appropriate conduct in the work place. Please review it thoroughly. Your adherence to its spirit, as well as its specific provisions, is absolutely critical to our future. If you have questions regarding this Code or encounter any situation which you believe violates provisions of this Code, you should immediately consult your supervisor, your Human Resources Department, or the Compliance Officer, through the Compliance Hotline at:

(1-800-800-5636).

You have our personal assurance there will be no retribution for asking questions or raising concerns about the Code or for reporting possible improper conduct. No Code of Conduct can substitute for each person's own internal sense of fairness, honesty, and integrity. Thus, in your daily life and work, if you encounter a situation or are considering a course of action that does not feel right, please discuss the situation with any of the resources mentioned above. We have a rich heritage, which is reflected in our Mission and Values Statement and in this Code of Conduct. We are equally committed to assuring our actions consistently reflect our words. In this spirit, we want this organization to be a community of shared values, and we expect all of our colleagues' actions to reflect the high standards set forth in this Code of Conduct. We ask you to assist us and all of our colleagues in this organization in supporting the values and principles that are critical to continuing our tradition of caring.

Sincerely,

Administration

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OUR MISSION

Stanford Health Care-ValleyCare's mission is to care, to educate, to discover.

OUR CREDO

Stanford Health Care-ValleyCare is a place where the genuine care, comfort and dignity of our patients is our highest commitment. The ValleyCare experience promotes healing and well-being and anticipates the wishes and needs of the community. Every employee commits to make a difference in every instance, every time, every day.

OUR VISION

Stanford Health Care-ValleyCare is Healing humanity through science and compassion, one patient at a time

CORPORATE VALUES

QUALITY

We believe our patients and physicians are entitled to quality services and products.

TEAMWORK

We value the contributions of each individual's capabilities and recognize the unique and intrinsic worth of each individual.

RESPECT

We trust our colleagues as valuable members of our healthcare team and pledge to treat one another with loyalty, respect, and dignity.

COURTESY

We affirm that courtesy and ethical conduct is essential in all relationships. We act with absolute honesty, integrity and fairness in the way we conduct our business

RESPONSIVENESS

We seek to understand and be responsive to the needs of each other and the needs of those who use our products and services.
We treat all those we serve with compassion and kindness.

IMPROVEMENT

We seek to continually assess and improve our performance.

PURPOSE OF OUR CODE OF CONDUCT

Our Code of Conduct provides guidance to all Stanford Health Care-ValleyCare (SHC-VC) colleagues and assists us in carrying out our daily activities within appropriate ethical and legal standards. These obligations apply to our relationships with patients, physicians, third-party payers, subcontractors, independent contractors, vendors, consultants and one another.

The Code is a critical component of our overall Ethics and Compliance Program. We have developed the Code to ensure we meet our ethical standards and comply with applicable laws and regulations.

The Code is intended to be comprehensive and easily understood. In some instances, the Code deals fully with the subject covered. In many cases, however, the subject discussed has so much complexity that additional guidance is necessary for those directly involved with the particular area to have sufficient direction. To provide additional guidance, we have developed a comprehensive set of compliance policies and procedures, which may be accessed on our Intranet under hospital-wide policies. Those policies expand upon or supplement many of the principles articulated in the Code of Conduct.

THE COMPANY'S ETHICS AND COMPLIANCE PROGRAM

The Corporate Compliance Program is intended to demonstrate in the clearest possible terms the absolute commitment of the organization to the highest standards of ethics and compliance.

The elements of the program include setting standards (the Code and Policies and Procedures), communicating the standards, providing a mechanism for reporting potential exceptions, monitoring and auditing, and maintain an organizational structure that support the furtherance of the program. Each of these elements is detailed in the Corporate Compliance Plan.

Personal Obligation to Report

We are committed to ethical and legal conduct that is compliant with all relevant laws and regulations and to correcting wrongdoing wherever it may occur in the organization. Each employee has an individual responsibility for reporting any activity by an employee, physician, subcontractor, or vendor that appears to violate applicable laws, rules, regulations, accreditation standards, standards of medical practice, Federal healthcare conditions of participation, or this Code. If a matter that poses serious compliance risk to the organization or that involves a serious issue of medical necessity, clinical outcomes or patient safety is reported, and if the reporting individual doubts that the issue has been given sufficient or appropriate attention, the individual should report the matter to higher levels of management or call the Confidential Compliance Hotline until satisfied that the full importance of the matter has been recognized.

Internal Investigation of Reports

We are committed to investigating all reported concerns promptly and confidentially to the extent possible. The Corporate Compliance Officer coordinates any findings from investigations and participates in recommendations of corrective action or changes that need to be made. We expect all employees to cooperate with investigation efforts.

Corrective Action

Where an internal investigation substantiates a reported violation, it is the policy of the organization to initiate corrective action, including, as appropriate, making prompt restitution of any overpayment amounts, notifying the appropriate governmental agency, instituting whatever disciplinary action is necessary, and implementing systemic changes to prevent similar violations from recurring in the future.

Discipline

All violators of the Code will be subject to disciplinary action. The precise discipline utilized will depend on the nature, severity, and frequency of the violation and may result in any or all of the following disciplinary actions:

- Oral Warning;
- Written Warning;
- Written Reprimand;
- Suspension;
- Termination; and/or
- Restitution.

Measuring Program Effectiveness

We are committed to assessing the effectiveness of our Compliance Program through various efforts. Responsible Executives routinely undertake monitoring efforts in support of policies and compliance in general. Departments conduct self-monitoring and the Compliance Department conducts review of hospital ethics and compliance programs.

Most of these methods of assessment result in reports of findings by the reviewer and corrective action plan by the departments that are reviewed. Through these review, we are continuously assessing the effectiveness of the Program and finding ways to improve it.

Acknowledgment Process

SHC-VC requires employees to sign an acknowledgment confirming they have received the Code, understand it represents mandatory policies of SHC-VC and agree to abide by it. Each SHC-VC employee is also required to participate in annual compliance training, and records of such training must be retained by the Education Department. New employees must receive Code of Conduct training within 30 days of employment.

CODE OF ETHICS FOR SENIOR FINANCIAL OFFICERS AND THE CHIEF EXECUTIVE OFFICER

Under the Sarbanes-Oxley Act of 2002 and related Securities and Exchange Commission (SEC) rules, companies are required to disclose whether it has adopted a written Code of Ethics for its Financial Officer, President, or Chief Executive officer (CEO). Any amendments to, or implicit or explicit waiver of, the Code of Ethics for Financial Officers, President, or the CEO must be publicly disclosed as required by SEC rules. "Financial Officers" include, but are not limited to, Chief Financial Officers, (CFOs) and controller, and Director of Finance with financial accounting and reporting responsibilities. The Code must be reasonably designed to deter wrongdoing and to promote honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships; full, fair, accurate, timely and understandable SEC filings and submissions and other public communication by the Company; compliance with applicable governmental laws, rules and regulations; prompt internal reporting of violations of the Code; and accountability for adherence to the Code.

The President or CEO and all Financial Officers are bound by all provisions of this Code of Conduct and particularly those provisions relating to ethical conduct, conflicts of interest, compliance with law, and internal reporting of violations of the Code. The President or CEO and all Financial Officers also have responsibility for full, fair, accurate, timely and understandable disclosure in the periodic reports and submission filed by ValleyCare with the SEC as well as in other public communications made by ValleyCare.

The President or CEO and each Financial Officer shall also bring promptly to the attention of the Compliance Committee any information s/he may have concerning significant deficiencies in the design or operation of internal controls which could adversely affect ValleyCare's ability to record, process, summarize and report financial data; or any fraud, whether or not material, that involves management of other employees who have a significant role in ValleyCare's financial reporting, disclosures or internal controls.

The Board of Directors shall determine appropriate actions to be taken in the event of violations of the Code by the President or CEO and the Financial Officers. Such actions shall be reasonably designed to deter wrongdoing and to promote accountability for adherence to the Code. In determining what action is appropriate in a particular case, the Board of Directors shall take into account all relevant information, including the nature and severity of the violation, whether the violation was a single occurrence or repeated occurrences, whether the violation appears to have been intentional or inadvertent, whether the individual in question had been advised prior to the violation as to the proper course of action and whether or not the individual in question had committed other violations in the past.

Any waiver of or amendments to the Code of Ethics for Financial Officers and the President or CEO must be approved by the Board of Directors.

LEADERSHIP RESPONSIBILITIES

While all ValleyCare colleagues are obligated to follow our Code, we expect our leaders to set the example, to be in every respect a model. We expect everyone in the organization with supervisory responsibility to exercise that responsibility in a manner that is kind, sensitive, thoughtful, and respectful. We expect each supervisor to create an environment where all team members feel free to raise concerns and propose ideas.

We also expect that they will ensure those on their team have sufficient information to comply with laws, regulations, and policies, as well as the resources to resolve ethical dilemmas. They must help to create a culture within SHC-VC which promotes the highest standards of ethics and compliance. This culture must encourage everyone in the organization to share concerns when they arise. We must never sacrifice ethical and compliant behavior in the pursuit of business objectives.

Specific guidance for leaders throughout the organization regarding their responsibilities under our Compliance Program is included in our Corporate Compliance Plan. Leaders in all levels of the organization should use the plan to most effectively incorporate ethics and compliance into all aspects of our organization.

DECISION TREE FOR ADDRESSING ISSUES AND CONCERNS

Stanford Health Care-ValleyCare includes a multitude of different services: acute inpatient hospital, skilled nursing facility, and outpatient services. Within each of these businesses, there are complex, ever-changing rules and regulations that govern each particular type of service.

We recognize that this can create areas of uncertainty for employees who carry out daily operations. Questions and concerns about the correct way to handle different situations may, and often do, arise. We encourage employees to use the following mechanisms to find the answers they need.

1. If you're in doubt about an issue or you have a concern, ask! Keep asking until you get an answer that makes sense.
 - a. Is the action legal? Is it consistent with Stanford Health Care-ValleyCare's policies and procedures? With Stanford Health Care-ValleyCare values and principles?
 - If you know it is wrong, don't do it again.
 - How would you feel if you did it?
 - How would it look to family, friends, patients, and the community if they found out?
2. Follow the reporting process. Remember that it is always better to raise a question before taking an action that may be improper. It is Stanford Health Care-ValleyCare's policy to ensure that no employee is penalized for raising an issue or concern.

- Discuss the issue with your immediate supervisor or department manager. If you are not comfortable discussing the issue with your supervisor, or department manager, go to the next step.
 - Discuss the issue with a higher-level manager where you work. If you are not comfortable taking this step, go to the next step.
 - Discuss the issue with another company resource, such as (but not limited to): General Counsel, Human Resources, Risk Management, or the Corporate Compliance Officer.
3. Call the Stanford Health Care-ValleyCare's Compliance Hot-Line.

CONFIDENTIAL COMPLIANCE HOT LINE

1-800-800-5636 or 925 373- 4100

Any employee or physician may call the Confidential Hot Line to ask questions concerning ethical or legal conduct or to report any potentially improper action.

- Callers can report anonymously and without fear of retribution.
- Calls are not traced or recorded (recorded only if caller chooses to leave a message).
- Provides an additional method of communicating when an employee or physician is uncomfortable using other channels or needs additional assistance.
- The Confidential Hot Line is answered during normal business hours by the Compliance Officer.
- The Compliance Officer will initiate an investigation of appropriate matters that cannot be otherwise resolved.

QUESTIONS OR CONCERNS?

Ask your resources:

- **Chain of Command**
- **Compliance Officer**
- **Call Confidential Compliance Hot Line**

**1-800-800-5636
Or 925 373-4100**

VALUES FOUNDATION FOR THE COMPLIANCE PROGRAM

We:

- Treat those we serve and one another with concern, kindness and respect.
- Commit to quality in every aspect of our work and strive to exceed the expectations of our customers.
- Act openly and truthfully in everything we do.
- Complying with the laws, regulations, and policies applicable to us.
- Acknowledge our vital role in the community and seek to understand and serve their needs.
- Work together cooperatively; recognizing the power of our combined efforts exceeds what we can accomplish individually.

***Report concerns through appropriate
Stanford Health Care-ValleyCare channels.***

ETHICAL BUSINESS PRACTICES

Display good judgment and high ethical standards in your business decision making.

Conduct business with honesty, fairness and integrity. These qualities are demonstrated through truthfulness, the absence of deception or fraud and respect for the laws applicable to our business. Acting with integrity, professionalism, and morality is the responsibility of every member of the Stanford Health Care-ValleyCare team irrespective of facility, location or job.

Questions and Answers

Q: *My supervisor directed me to do something that I believe is against Stanford Health Care-ValleyCare's policy, and, perhaps, the law. I don't want to do something improper, but I'm afraid if I don't do as I am told, I may lose my job. What should I do?*

A: Consider discussing the request with your supervisor to be sure you understand the facts and that he or she is aware of your concern. If you cannot comfortably discuss the situation with your supervisor or cannot resolve your concern at this level, approach a more senior manager.

Other resources that may be used are the Stanford Health Care-ValleyCare Legal Department, Human Resources, Risk Management, and Compliance Departments. The Confidential Hot Line is another alternative that may be used. Do not risk your job or the organization's future by taking part in an improper

activity – there are appropriate actions you can take. Stanford Health Care-ValleyCare strictly prohibits retaliation against employees who raise such concerns honestly and forthrightly.

Q: If I suspect that a fellow Stanford Health Care-ValleyCare employee is violating a company policy or the law, whom should I contact?

A: The ability of Stanford Health Care-ValleyCare to uphold its ethical standards depends on employees taking action if they believe a violation is occurring. Use the Stanford Health Care-ValleyCare “Chain of Command” process. If possible, start with your supervisor and explain the issue to him or her. If you don’t get the issue resolved at this level, contact a more senior manager. Continue this process until you get an answer that makes sense to you. If you are uncomfortable discussing the issue with someone else at your location, or wish to remain anonymous, you may call the Confidential Hot Line at 1-800-800-5636.

Q: One of the Joint Commission surveyors is an old friend of mine from our days in the military. I joined Stanford Health Care-ValleyCare and my friend became a surveyor. During the survey of our hospital, I invited my friend (the surveyor) to have dinner with me later that evening. We both avoided discussing the survey. Is this acceptable?

A: Our ethical standards require that we avoid even the appearance of impropriety. Explain the situation to your friend and avoid socializing with him/her until well after the survey has been completed and the survey recommendations submitted to the hospital.

PATIENT CARE AND RIGHTS

We treat all patients with warmth, respect, and dignity and provide care that is both necessary and appropriate. We make no distinction in the availability of services; the admission, transfer or discharge of patients; or in the care we provide based on age, gender, disability, race, color, religion, national origin, or ability to pay.

Each patient is provided with a written statement of patient rights and a notice of privacy practices. These statements include the rights of a patient to make decisions regarding medical care and a patient’s rights related to his or her health information maintained by the facility. Such statements conform to all applicable state and federal laws, including but not limited to the Health Insurance Portability and Accountability Act of 1996 (hereinafter referred to as HIPAA).

We seek to involve patients in all aspects of their care, including giving consent for treatment and making healthcare decisions, which may include managing pain effectively, foregoing or withdrawing treatment, and, as appropriate, care at the end of life.

As applicable, each patient or patient representative is provided with a clear explanation of care including, but not limited to, diagnosis, treatment plan, right to refuse or accept care, care decision dilemmas, advance directive options, estimates of treatment costs, organ donation and procurement, and an explanation of the risks, benefits, and alternatives associated with available treatment options.

Patients have the right to request transfers to other facilities. In such cases, the patient is given an explanation of the benefits, risks, and alternatives of the transfer.

Patients are provided information regarding their right to make advance directives. Patient advance directives or resuscitative measures are honored within the limits of the law and our organization's mission, philosophy, values and capabilities.

In the promotion and protection of each patient's rights, each patient and his or her representatives are accorded appropriate confidentiality, privacy, security and protective services, opportunity for resolution of complaints, and pastoral or spiritual care.

Patients are treated in a manner that preserves their dignity, autonomy, self-esteem, civil rights, and involvement in their own care. SHC-VC facilities maintain processes to support patient rights in a collaborative manner. These structures are based on policies and procedures which make up the framework addressing both patient care and organizational ethics issues. These structures include informing each patient or, when appropriate, the patient's representative of the patient's rights in advance of furnishing or discontinuing care. Patients and, when appropriate, their families are informed about the outcomes of care, including unanticipated outcomes. Patients are involved as clinically appropriate in resolving dilemmas about care decisions. Additionally, facilities maintain processes for prompt resolution of patient grievances which include informing patients of whom to contact regarding grievances and informing patients regarding the grievance resolution. SHC-VC facilities maintain an ongoing, proactive patient safety effort for the identification of risk to patient safety and the prevention, reporting and reduction of healthcare errors.

We strive to provide health education, health promotion, and illness-prevention programs as part of our efforts to improve the quality of life for our patients and our community.

Compassionately deliver appropriate, effective, quality care to our patients.

Patient care must be appropriate and designed to meet the intended outcomes of the patient's treatment plan. Patients must always be treated with sensitivity, respect and professionalism.

We shall continue to seek new approaches to increase the quality of care delivered to our patients while ensuring that care is delivered in a cost-effective manner.

We shall observe all applicable standards of professional practice in all Stanford Health Care-ValleyCare facilities and programs.

Questions and Answers

Q: I am a clerical employee working in the Urgent Care. I noticed that a child who was to receive a DPT vaccine had actually received only a DT vaccine. When I mentioned this to the nurse, she seemed annoyed but said she would take care of it. Have I fulfilled my responsibility if I am still uncertain that appropriate follow-up has occurred?

A: If you remain uncertain that appropriate action has been taken, continue to pursue the issue. This will require tact, because you cannot assume that the nurse did not address your initial observations. If you are not comfortable asking what follow-up occurred, speak to your supervisor and request that he or she follow up for you. Mistakes can occur in even the best medical practice. Quality patient care requires vigilance from everyone involved.

Q: *Patient A is admitted through the ED with an admitting order for a CBC. It is drawn in the ED but not noted. Upon patient's arrival on the nursing unit, another CBC is drawn. This is a duplicate order and the second CBC was not necessary, what should I do?*

A: Call the lab and have the second CBC cancelled and instruct them not to submit any charges for the second CBC testing or draw.

PATIENT INFORMATION

We collect information about the patient's medical condition, history, medication, and family illnesses to provide quality care. We realize the sensitive nature of this information and are committed to maintaining its confidentiality. Consistent with HIPAA, California Medical Information Act (CMIA), and AB 211, we do not access, use, disclose or discuss patient specific information with others unless it is necessary to perform our job, serve the patient, or required by law.

SHC-VC employees must never access, use or disclose confidential information that violates the privacy rights of our patients. In accordance with our appropriate access and privacy policies and procedures, which reflect HIPAA, California State Law AB 211, and CMIA requirements, no SHC-VC employee, physician, or other healthcare partner has a right to any patient information other than the minimum necessary to perform his or her job.

Subject only to emergency exceptions, patients can expect their privacy will be protected and patient-specific information will be released only to persons authorized by law or by the patient's written authorization.

LEGAL AND REGULATORY COMPLIANCE

SHC-VC provides varied healthcare services throughout the Tri Valley. These services are provided pursuant to appropriate federal, state, and local laws and regulations, and the conditions of participation may include, but are not limited to, subjects such as certificates of need, licenses, permits, accreditation, access to treatment, consent to treatment, medical record-keeping, access to medical records and confidentiality,

patient's rights, clinical research, end-of-life care decision-making, medical staff membership and clinical privileges, corporate practice of medicine restrictions, and Medicare and MediCal program requirements. The organization is subject to numerous other laws in addition to these healthcare laws, regulations, and the conditions of participation.

We have developed policies and procedures to address many legal and regulatory requirements. However, it is impractical to develop policies and procedures that

encompass the full body of applicable law and regulation. Obviously, those laws and regulations not covered in organization policies and procedures must be followed. There is a range of expertise within the organization, including legal counsel, Human Resources, Health Information Management, Quality Management, and Risk Management, who should be consulted for advice concerning human resources, legal, regulatory, and the conditions of participation requirements.

Anyone aware of violations or suspected violations of laws, regulations, the Medicare conditions of participation, or Company policies and procedures must report them immediately to a supervisor or member of management, the Human Resource Director, the Corporate Compliance Officer, or the Confidential Corporate Hot Line.

CODING AND BILLING FOR SERVICES

We have implemented policies, procedures and systems to facilitate accurate billing to government payers, commercial insurance payers, and patients. These policies, procedures, and systems conform to pertinent federal and state laws and regulations. We prohibit any employee or agent of SHC-VC from knowingly presenting or causing to be presented claims for payment or approval which are false, fictitious or fraudulent.

In support of accurate billing, medical records must provide reliable documentation of the services we render. It is important that all individuals who contribute to medical records provide accurate information and do not destroy any information considered part of the official medical record.

Accurate and timely documentation also depends on the diligence and attention of physicians who treat patients in our facilities. We expect those physicians to provide us with complete and accurate information in a timely manner.

Any subcontractors engaged to perform billing or coding services are expected to have the necessary skills, quality control processes, systems, and appropriate procedures to ensure all billings for government and commercial insurance programs are accurate and complete. SHC-VC requires such entities to have their own ethics and compliance programs and code of conduct or to adopt SHC-VC's code as their own.

BILLING PRACTICES

Ensure that bills are accurate and honest at all times.

Stanford Health Care-ValleyCare bills only for services actually rendered. Services rendered must be accurately and completely coded to ensure both proper billing and integrity of the medical database. Billing must comply with the requirements of state and federal payers and conform to all payer contracts and agreements.

Substantiating medical documentation must be provided for all services rendered. Always bill on the principle that, if the appropriate documentation has not been provided, the service has not been rendered. Medical records may be amended to correct an error or complete documentation only in accordance with established medical record procedures – and not for the purpose of covering up errors or obtaining any payment to which we are not entitled. Medical records may not be erased or altered.

Billing data must be retained for periods described by law and by Stanford Health Care-ValleyCare policies that may require a longer period of retention in some cases. Clinical, administrative or clerical staff involved in the preparation and/or submission of charge or billing data must be trained in coding and documentation practices. Billing policies and procedures must be written, approved by management, and appropriately updated. These policies and procedures must be available to all employees involved in the creation of charge or billing data.

When any payer agreement requires the collection of co-payments and/or deductible amounts, these amounts will be collected to the full extent of the agreement. Decisions to waive any co-payment or deductible must be disclosed and implemented in accordance with written organizational policy.

Employees who suspect that improper billing or documentation is occurring should immediately alert their supervisor or a higher-level manager. Additionally, any employee may call the Stanford Health Care-ValleyCare Confidential Compliance Hot Line if the issue remains of concern.

Q: Patients call Business Services asking what diagnosis the doctor used for a visit or laboratory test. How can I tell a patient that I am not allowed to discuss this information without annoying the patient and causing a customer service complaint?

A: Tell the patient, "I would like to be able to help you, but all medical information must come from a clinical area so that patients are not provided with misinformation." Obtain assistance from the HIM Supervisor, who can provide this information without involving the clinical areas or offices. The main idea is to always first affirm that you would like to help, however, you are not authorized to provide the assistance or information.

Q: Physicians or nurses often call Business Services to correct or change a diagnosis in response to a patient complaint about claim reimbursement. Should providers or their employee's call to correct or change information related to patient accounts?

A: Corrections to medical claim information should only be made by the provider who submitted the original information and only through the HIM Department. Additionally, all changes to claim information must be supported by medical record documentation prior to initiating changes.

Q: Patients may call physicians and ask them to change their medical coding (either CPT or ICD9) in order to obtain better insurance reimbursement. If a physician requests that Business Services make these changes, is this appropriate?

A: It is only appropriate to make coding changes if the changes are legitimate corrections and the medical record documentation supports the requested changes. If you are uncertain that what you are being asked to change is legitimate, have the patient's medical record reviewed by the HIM Supervisor before making any change. All of these requests need to go through the HIM Department.

Q: *The supervisor of Business Services issued a memorandum indicating that while it may be technically unlawful to bill for certain medical devices, he knows from a conversation with colleagues in neighboring hospitals that everyone is ignoring the Medicare directive. I feel uneasy with these instructions. What should I do?*

A: Clarify with your supervisor any activity, which you feel is “unlawful”. If you aren’t satisfied with his/her explanation or you don’t feel comfortable approaching him/her on this issue, contact his/her supervisor. Keep asking questions until you get an answer that makes sense to you. Many Stanford Health Care-ValleyCare resources are available to you, including the Confidential Compliance Hot Line (1-800-800-5636).

For coding questions, contact Health Information Management. For billing questions, contact the Business Office.

COST REPORTS

We are required by federal and state laws and regulations to submit certain reports of our operating costs and statistics. We comply with federal and state laws, regulations, and guidelines relating to all cost reports. These laws, regulations and guidelines define what costs are allowable and outline the appropriate methodologies to claim reimbursement for the cost of services provided to program beneficiaries. SHC-VC is committed to maintain a standardized workpaper package to provide consistency in the preparation, organization, presentation and review of cost reports; apply a uniform cost report review process; identify and exclude non-allowable costs; and adhere to documentation standards. Additionally, we submit our cost report process to internal audits and maintain a peer review process.

EMERGENCY TREATMENT

We follow Emergency Medical Treatment and Active Labor Act (EMTALA) in providing an emergency medical screening examination and necessary stabilization to all patients, regardless of ability to pay. Provided we have the capacity and capability, anyone with an emergency medical condition is treated.

In an emergency situation or if the patient is in labor, we will not delay the medical screening and necessary stabilizing treatment in order to seek financial and demographic information. We do not admit, discharge, or transfer patients with emergency medical conditions simply based on their ability or inability to pay or any other discriminatory factor.

Patients with emergency medical conditions are only transferred to another facility at the patient’s request or if the patients’ medical needs cannot be met at SHC-VC (e.g. we do not have the capacity or capability) and appropriate care is knowingly available at another facility. Patients are only transferred in strict compliance with state and federal EMTALA regulatory and statutory requirements.

GOVERNMENT INVESTIGATIONS

Cooperate with legitimate government investigations. Government investigations are a fact of life in today's health care environment and procedures for cooperating with these investigations may be complex. If you become aware of an investigation, seek guidance from the Compliance/Risk Management Department.

If a Stanford Health Care-ValleyCare employee is approached by any person who identifies him or herself as a government investigator, the employee should contact the Compliance Department immediately. When calling the Compliance Department, notify the person taking the call that you are calling concerning a potential government investigation. The Compliance Department will assist in verifying the credentials of the investigator, determining the legitimacy of the investigation, and following proper procedures for cooperating with the investigation.

In some cases, government investigators, or persons presenting themselves as government investigators, may contact employees outside of the workplace, during non-work hours or at home. Do not feel pressured to talk with the person under such circumstances without first contacting the Compliance Department or your personal attorney. It is the legal right of employees to contact legal counsel before responding to questions by an investigator.

Stanford Health Care-ValleyCare employees must never:

- Destroy or alter any company document or record in anticipation of a request for the document or record by a government agency or court.
- Lie or make false or misleading statements to any government investigator.
- Attempt to persuade any other company employee, or any other person, to provide false or misleading information to a government investigator or to fail to cooperate with a government investigation.

Should a Stanford Health Care-ValleyCare employee receive a subpoena or other written request for information (such as a Civil Investigative Demand regarding Stanford Health Care-ValleyCare), the employee should contact the Compliance Department immediately and before responding.

QUESTIONS AND ANSWERS:

Q: *The local district attorney called and asked me to give a statement regarding Stanford Health Care-ValleyCare's treatment of a particular patient. Should I respond?*

A: We have a responsibility to protect patient confidentiality. Do not provide confidential patient information to the person who identifies himself or herself as a district attorney until you have spoken with the Compliance Department.

Q: *What should I do if an FBI agent comes to my home and asks to talk to me about the activities of my department?*

A: Stanford Health Care-ValleyCare cannot prohibit you from talking to a government investigator if you wish to do so. However, you may consult with the Compliance Department or your personal attorney before answering any questions. Asking to speak with Legal Counsel before answering questions is your right and in no way indicates that you are not cooperating fully.

ACCREDITATION AND SURVEYS

In preparation for, during and after surveys, SHC-VC employees deal with all accrediting bodies in a direct, open and honest manner. No action should ever be taken in relationships with accrediting bodies that would mislead the accreditor or its survey teams, either directly or indirectly.

The scope of matters related to accreditation of various bodies is extremely significant and broader than the scope of this Code of Conduct. The purpose of our code of Conduct is to provide general guidance on subjects of wide interest within the organization. Accrediting bodies may address issues of both wide and somewhat more focused interest.

From time to time, government agencies and other entities conduct surveys in our facilities. We respond with openness and accurate information. In preparation for or during a survey, SHC-VC employees must never conceal, destroy, or alter any documents; lie; or make misleading statements to the agency representative. Employees also must never attempt to cause another employee to fail to provide accurate information or obstruct, mislead, or delay the communication of information or records relating to a possible violation of law.

BUSINESS INFORMATION AND INFORMATION SYSTEMS

Accuracy, Retention, and Disposal of Documents and Records.

Each SHC-VC employee is responsible for the integrity and accuracy of our organization's documents and records, not only to comply with regulatory and legal requirements but also to ensure records are available to support our business practices and actions. No one may alter or falsify information on any record or document.

Records must never be destroyed in an effort to deny governmental authorities that which may be relevant to a government investigation.

Medical and business documents and records are retained in accordance with the law and our record retention policy, which includes comprehensive retention schedules. Medical and business documents include paper documents such as letters and memos, computer-based information such as e-mail or computer files on disk or tape, and any other medium that contains information about the organization or its business activities. It is important to retain and destroy records only according to our policy. SHC-VC employees must not tamper with records. Additionally, no one may remove or destroy records prior to the specified date without first obtaining permission as outlines in the Company records management policy.

ACCURACY OF RECORDS

Ensure that all patient and business records for which you are responsible are accurate and complete.

Patient records must conform to accepted standards for the maintenance of such records and shall not contain false or misleading information.

Company books and records shall not contain false or misleading information. Financial transactions should be recorded in accordance with generally accepted accounting principles and Stanford Health Care-ValleyCare policies and standards.

Questions and Answers:

Q: I'm the controller of a Health System, and a senior manager in my company told me how to record a transaction. These instructions were not in compliance with generally accepted accounting principles or Stanford Health Care-ValleyCare guidelines. What do I do?

A: Try to explain the accounting requirements and the reason the transaction cannot be recorded as instructed. If you are unable to resolve the situation with this manager, contact your manager's supervisor, the Stanford Health Care-ValleyCare President, Vice President of Finance, or Confidential Compliance Hot Line.

Q: I just received a pay increase. My supervisor told me my new rate would be \$12 per hour, but the first paycheck after the raise was effective reflects a \$21 per hour rate. What should I do?

A: Contact your supervisor immediately. Your supervisor will work with payroll and Human Resource Services to determine what happened and ensure you are paid at the appropriate rate.

Q: I am an RN. A fellow RN called me from home after she completed her shift. She told me that she forgot to enter an order for a change in medication for a patient that had been phoned in at 9:00 a.m. by the patient's physician.

The nurse asked me to log the change into the patient's chart at the appropriate time, 9:00 a.m., and to use her initials. She said charts are often updated in this way and no harm is done. Is this okay?

A: While the nurse did the right thing by calling to note the chart error, the error should be promptly reported to the shift supervisor. You should never record an order you did not hear and never sign someone else's signature or initials. Even if no harm occurred in this case, the error needs to be reported. If you fear retribution from other nurses, bring your concern to the attention of your supervisor. Stanford Health Care-ValleyCare does not tolerate retaliation against employees who promptly report errors or omissions.

Q: I am a new accountant in the Finance Department. I happened to review a draft of an official statement that was being finalized. I noticed that some of the

financial data was incorrect. Should I assume someone else will catch this mistake or should I report the error?

- A: Immediately bring this information to the attention of your supervisor. If an official statement is published with incorrect information, there can be serious consequences for the organization and those in charge of preparing the document.

INFORMATION SECURITY AND CONFIDENTIALITY

Confidential information about our organization's strategies and operations is a valuable asset. Although SHC-VC employees may use confidential information to perform their jobs, it must not be shared with others unless the individuals and/or entities have a legitimate need to know the information in order to perform their specific job duties or carry out a contractual business relationship. In addition, these individuals and/or entities must have agreed to maintain the confidentiality of the information. Confidential information includes personnel data maintained by the organization; patient lists and clinical information; patient financial information; passwords; pricing and cost data; information pertaining to acquisitions, divestitures, and affiliations; financial data; details regarding federal, state, and local tax examinations of the organization; research data; strategic plans; marketing strategies and techniques; supplier and subcontractor information; and proprietary computer software. In order to maintain the confidentiality and integrity of patient and confidential information, such information should be sent through the Internet only in accordance with information security policies and standards.

We exercise due care and due diligence in maintaining the confidentiality, availability and integrity of information assets ValleyCare owns or of which it is the custodian. Because so much of our clinical and business information is generated and contained within our computer systems, it is essential that each SHC-VC employee protect our computer systems and the information contained in them by not sharing passwords and by reviewing and adhering to our information security policies and guidance.

If an individual's employment or contractual relationship with SHC-VC ends for any reason, the individual is still bound to maintain the confidentiality of information viewed, received or seen during the employment or contractual business relationship with SHC-VC.

This provision does not restrict the right of an individual to disclose, if he or she wishes, information about his or her own compensation, benefits, or terms and conditions of employment.

CONFIDENTIALITY OF INFORMATION

Protect confidential and proprietary information including patient information. Observe copyrights, trademarks, and/or licenses and safeguard the intellectual property of Stanford Health Care-ValleyCare and its affiliates and those with whom we do business.

Never disclose confidential patient information to any unauthorized person.

Information obtained, developed or produced by Stanford Health Care-ValleyCare and its employees, information supplied by outside consultants or vendors for the benefit of

Stanford Health Care-ValleyCare, and information about Stanford Health Care-ValleyCare's customers is confidential. This information should not be disclosed to anyone outside of Stanford Health Care-ValleyCare – including friends, family, relatives, business or social acquaintances, customers, suppliers or others. Unless you have specific authorization, do not disclose this information to other Stanford Health Care-ValleyCare employees except on a “need to know” basis and with agreement to the recipient to treat the information as confidential.

Stanford Health Care-ValleyCare and its affiliates will take reasonable steps to prevent copying or unauthorized use of copyrighted or licensed materials and to ensure that all proprietary information entrusted to the organization is safeguarded. Copyrighted material may only be used pursuant to SHC-VC's policy on such matters.

Questions and Answers:

Q: Who has access to my personnel records and wage information?

A: Personnel records and wage information is confidential. Access to personnel files is limited to representatives of management and Human Resource Services who need access to these records. You may also review your personnel records.

Q: Medical Records occasionally receives calls from patients wanting copies of their medical records. Can we provide this information?

A: Generally, patients are entitled to receive copies or summaries of their records. There are many exceptions to this rule (e.g., minors, mental health patients). All requests for patient records must be directed to the HIM Department.

Q: I received a call from a former Stanford Health Care-ValleyCare employee's new employer asking questions about the employee's performance while at Stanford Health Care-ValleyCare. Should I give out this information?

A: Information concerning employee performance is confidential. Refer all such calls to Human Resource Services. Never give out information regarding a former employee.

Q: Sometimes there is insufficient budget for a software package I need on my computer. Can I copy the software from another Stanford Health Care-ValleyCare computer as a temporary measure as long as I delete it later?

A: Copying software often violates copyright laws or licensing agreements. Illegally copying software is not acceptable under any circumstance. Unless Stanford Health Care-ValleyCare has been granted specific permission by the software creator or seller, a program should not be loaded onto more than one personal computer at a time. For every workstation, multi-user system or mainframe that contains a program, a separately purchased software license is required. Installing freeware or shareware or software from a home computer also violates Stanford Health Care-ValleyCare policy unless you have obtained specific approval to do so from Information Systems. Consult the Information Systems

Department before installing or copying software on any Stanford Health Care-ValleyCare computer.

Q: *A coworker who developed training materials (software program, audit process, etc.) for Stanford Health Care-ValleyCare is marketing these materials on his own time to other companies. He intends to keep the proceeds for his own use. Is this ethical?*

A: Generally, Stanford Health Care-ValleyCare owns all proprietary information including “intellectual property” (computer programs, training materials, processes, marketing strategies) created by employees while on the job or while using Stanford Health Care-ValleyCare resources. This is a complex area and you should raise this issue with your supervisor or another Stanford Health Care-ValleyCare resource. Stanford Health Care-ValleyCare propriety information may not be used for personal gain.

ELECTRONIC MEDIA

All communications systems, including but not limited to electronic mail, Intranet, Internet access, telephone and voice mail, are the property of the organization and are to be use primarily for business purposes in accordance with electronic communications policies and standards. Limited reasonable personal use of SHC-VC communications systems is permitted; however, users should assume these communications are not private. Users of computer and telephonic systems should presume no expectation of privacy in anything they create, store, send or received on the computer and telephonic systems, and SHC-VC reserves the right to monitor and/or access communications usage and content consistent with SHC-VC policies and procedures.

Employees may not use internal communication channels or access to the Internet at work to post, store, transmit, download, or distribute any threatening materials; knowingly, recklessly, or maliciously false materials; obscene materials; or anything constituting or encouraging a criminal offense, giving rise to civil liability, or otherwise violating any laws.

Additionally, these channels of communication may not be used to send chain letters, personal broadcast messages, or copyrighted documents that are not authorized for reproduction.

Employees who abuse our communication systems or use them excessively for non-business purposes may lose these privileges and be subject to disciplinary actions.

FINANCIAL REPORTING AND RECORDS

We have established and maintain a high standard of accuracy and completeness in documenting, maintaining, and reporting financial information. This information serves as a basis for managing our business and is important in meeting our obligations to patients, employees, suppliers, and others. It is also necessary for compliance with tax and financial reporting requirements.

All financial information must reflect actual transactions and conform to generally accepted accounting principles. All funds and assets must be properly recorded in the books and records of SHC-VC. SHC-VC maintains a system of internal controls to

provide reasonable assurances that all transactions are executed in accordance with management's authorization and are recorded in a proper manner so as to maintain accountability of the organization's assets.

We diligently seek to comply with all applicable auditing, accounting and financial disclosure laws, including but not limited to the Securities Exchange Act of 1934 and the Sarbanes-Oxley Act of 2002. They are also provided the opportunity to discuss issues of concern with the Board of Directors Finance Committee. Anyone having concerns regarding questionable accounting or auditing matters should report such matters by calling the Confidential Compliance Hot Line (800-800-5636).

WORKPLACE CONDUCT AND EMPLOYMENT PRACTICES

Conflict of Interest

A conflict of interest may occur if a SHC-VC employee's outside activities, personal financial interest, or other personal interests influence or appear to influence his or her ability to make objective decisions in the course of the employee's job responsibilities. A conflict of interest may also exist if the demands of any outside activities hinder or distract an employee from the performance of his or her job or cause the individual to use SHC-VC resources for other than SHC-VC purposes. SHC-VC employees are obligated to ensure they remain free of conflicts of interest in the performance of their responsibilities at SHC-VC.

If employees have any question about whether an outside activity or personal interest might constitute a conflict of interest, they must obtain the approval of their supervisor before pursuing the activity or obtaining or retaining the interest. Clinical decisions will be made without regard to compensation or financial risk to SHC-VC leaders, managers, clinical staff, or licensed, independent practitioners.

No waiver of this conflict of interest provision may be granted to an Executive Officer (i.e. an officer subject to Section 16 of the Securities Exchange Act of 1934) unless approved in advance by the Corporate Compliance Committee and the Board of Directors.

Avoid conflicts of interest and the appearance of conflicts of interest.

Participation in activities that conflict with your employment responsibilities at Stanford Health Care-ValleyCare is not acceptable.

A good rule of thumb is that a potential conflict of interest exists any time an objective observer of your actions might wonder if these actions are motivated solely by your responsibilities to Stanford Health Care-ValleyCare or for personal gain.

Stanford Health Care-ValleyCare employees and their families are prohibited from soliciting or receiving gifts, loans, entertainment or any other consideration of value from a person or organization that does business or may want to do business with Stanford Health Care-ValleyCare. If Stanford Health Care-ValleyCare employees receive any substantial gift or favor, it must be returned and the employee's supervisor notified. The only exception is a gift of nominal value extended as business courtesy, such as sales

promotion items or occasional business-related meals or entertainment of modest value.

In no case may a Stanford Health Care-ValleyCare employee accept a gift or consideration of more than nominal value or any cash payment from a patient.

In no case should a Stanford Health Care-ValleyCare employee offer to give any gift or any consideration of value that may appear to be intended to influence the objective judgment of anyone outside of Stanford Health Care-ValleyCare. If you could not accept a gift or consideration within Stanford Health Care-ValleyCare guidelines, do not offer one.

Questions and Answers:

Q: I have an outside business selling fitness products. Can I use company bulletin boards or interoffice mail to advertise these products to other Stanford Health Care-ValleyCare employees?

A: No. Products and services not offered by Stanford Health Care-ValleyCare should not be promoted during working hours or on Stanford Health Care-ValleyCare property. Neither should you use Stanford Health Care-ValleyCare's name to sell non-Stanford Health Care-ValleyCare services or products. However, you are free to engage in an outside business, which does not pose a conflict of interest with Stanford Health Care-ValleyCare on your own time off company premises.

Q: My supervisor is about to contract with a coffee vendor for a new coffee kiosk in our facility. My wife owns a coffee kiosk business. Would it be a conflict of interest if I recommended my wife's company?

A: Generally, Stanford Health Care-ValleyCare avoids contracting goods or services with family members of employees.

Do not take any action that may create the impression that you are attempting to influence a Stanford Health Care-ValleyCare purchasing decision in favor of a family member. As long as you and your wife stay out of the purchasing decision and disclose the relationship, the company will be able to reach an objective decision.

Q: Many airlines, hotels and rental car companies have frequent traveler programs through which I can receive free trips, car rentals or hotel stays for my personal use. Does Stanford Health Care-ValleyCare allow me to accumulate these points for Stanford Health Care-ValleyCare travel?

A: Yes, you may use these credits as long as you are aware of certain responsibilities. You must be sure that you haven't cost Stanford Health Care-ValleyCare additional expenses by scheduling a particular routing, carrier, or trip simply to pursue these credits. The trip should be clearly necessary and use the most cost-effective carrier, routing and services. Employees should be able to clearly explain their choices of timing, routing, location and carrier.

Q: *In appreciation for our business, suppliers to Stanford Health Care-ValleyCare occasionally invite me out to dinner or sports events. Is it acceptable for me to go?*

A: In the absence of specific company or department policy prohibiting such activities, you may accept these types of invitations if they are within the bounds of the law, good taste, moderation and common sense. Your activities must not only be acceptable according to the organization's policy, but must also avoid creating an appearance of impropriety.

Q: *I am responsible for auditing expense reports. Once, I received a report covering the purchase of gifts totaling several hundred dollars bought for one of our physicians who refers a lot of patients to us. Is that acceptable?*

A: While such gift giving may have been common in health care at one time, Stanford Health Care-ValleyCare prohibits any gift or consideration of value that may appear to be an inducement for referrals. Bring this situation to the attention of your supervisor, a higher-level manager, or a Stanford Health Care-ValleyCare resource such as the Confidential Compliance Hot Line (800-800-5636).

Q: *If I have been asked to speak at a conference and an honorarium is given to me for my effort, is that honorarium mine or does it belong to Stanford Health Care-ValleyCare?*

A: The right action is to seek a proper determination in *advance* of the speaking engagement. Generally if you are being asked to speak in your role as an employee of Stanford Health Care-ValleyCare, and if Stanford Health Care-ValleyCare sponsors your trip or other arrangements, then the honorarium should be paid to Stanford Health Care-ValleyCare.

On the other hand, if your speaking engagement is unrelated to your employment or roles (past or present) with Stanford Health Care-ValleyCare, you are preparing and presenting without use of Stanford Health Care-ValleyCare resources, and you are using vacation or leave time to make the arrangements, prepare and give the presentation, then the honorarium is most likely your personal property.

Since there is always judgment involved in such a situation, ask your administrative representative beforehand to determine who should receive the honorarium.

CONTROLLED SUBSTANCES

Some of our employees routinely have access to prescription drugs, controlled substances, and other medical supplies. Many of these substances are governed and monitored by specific regulatory organizations and must be administered by physician order only. Prescription and controlled medications and supplies must be handled properly and only by authorized individuals to minimize risks to use and to patients. If one becomes aware of inadequate security of drugs or controlled substances or the diversion of drugs from the organization, the incident must be reported immediately.

DIVERSITY AND EQUAL EMPLOYMENT OPPORTUNITY

Our employees provide us with a wide compliment of talents which contribute greatly to our success. We are committed to providing an equal opportunity work environment where everyone is treated with fairness, dignity, and respect. We comply with all laws, regulations, and policies related to non-discrimination in all of our personnel actions. Such actions include hiring, staff reductions, transfers, terminations, evaluations, recruiting, compensation, corrective action, discipline, and promotions.

It is the responsibility of members of the Stanford Health Care-ValleyCare team to create and maintain a work environment in which employees are treated with respect, dignity and fairness. Harassment or abuse of any kind is prohibited in the Stanford Health Care-ValleyCare workplace.

No one shall discriminate against any individual with regard to race, color, religion, sex, national origin, age, disability, sexual orientation, or status as a Vietnam-era or special disabled veteran with respect to any offer, or term or condition, of employment. We make reasonable accommodations to the known physical and mental limitations of otherwise qualified individuals with disabilities.

If a Stanford Health Care-ValleyCare employee perceives that inequitable or unfair conduct is occurring in the workplace, the employee should utilize their company's existing "grievance" or program resolution processes already available within the organization. If the employee feels that use of these resources does not resolve the matter, the employee may contact Human Resource Services or the Confidential Compliance Hot Line.

HARASSMENT AND WORKPLACE VIOLENCE

Each SHC-VC employee has the right to work in an environment free of harassment and disruptive behavior.

We do not tolerate harassment by anyone based on the diverse characteristics or cultural backgrounds of those who work with us. Degrading or humiliating jokes, slurs, intimidation, or other harassing conduct is not acceptable in our workplace.

Sexual harassment is prohibited. This prohibition includes unwelcome sexual advances or requests for sexual favors in conjunction with employment decisions. Moreover, verbal or physical conduct of a sexual nature that interferes with an individual's work performance or creates an intimidating, hostile, or offensive work environment has no place at SHC-VC.

Harassment also includes incidents of workplace violence. Workplace violence includes robbery and other commercial crimes, stalking violence directed at the employer, terrorism, and hate crimes committed by current or former employees.

Questions and Answers

Q: I believe I was not selected for a promotion because of my age (or gender, national origin, color, disability status, etc.) What should I do?

A: Discuss the situation with the hiring manager to understand the qualifications for the position. Ask the manager to identify areas where he/she believed you were shy of meeting the qualifications or areas where the selected candidate was considered better qualified. If you are not satisfied with the response from your manager, contact the Human Resource Services representative.

Q: *I know an employee who is occasionally offended by the language and inappropriate humor the supervisor uses when speaking with employees. What should I advise the employee to do?*

A: Advise the employee to tell his or her supervisor that he or she finds the language and humor offensive. If the employee is not satisfied with the results (or is uncomfortable speaking directly with the supervisor), then the employee should discuss the situation with the supervisor's manager or the Human Resource Services representative.

Q: *Our department recently hired a new manager. Since her arrival, I have been penalized for tardiness and absenteeism. There are other employees in my department with worse records than mine and I don't see them being treated in this way. I am concerned it is because I am (ethnicity, or national origin, gender, age, disability, etc.) What should I do?*

A. Stanford Health Care-ValleyCare prohibits unequal treatment of employees if such treatment is based on bias or discrimination. If you feel comfortable, discuss your concerns with your supervisor first.

If you don't feel comfortable or you are not satisfied with your supervisor's response, notify your Human Resource Services representative. Provide examples of these incidents and state your concerns. Unequal or unfair treatment from one's supervisor is an appropriate grievance, requiring management to look into your concerns.

Q: *I recently observed a physician where I work doing something I believe to be improper. I believe I should tell someone about this, but I do not want to be considered a snitch or get in trouble for upsetting one of our admitters. How should I proceed?*

A: Even if the physician is a leading admitter, you should raise concern through appropriate channels. It is important for you to come forward with pertinent information related to any potential misconduct by a member of the Stanford Health Care-ValleyCare team. If you are comfortable doing so, you may wish to discuss the situation with your immediate supervisor or the Director in charge of the area in which you work.

If you do not feel comfortable approaching your supervisor or Director, you may contact either your Human Resource Services representative, your Compliance Officer, any member of senior management or you may call the Confidential Compliance Hot Line. Allegations of physician misconduct are normally handled through the Medical Staff process. While using this process takes time, Stanford Health Care-ValleyCare is committed to fair resolution of allegations against any member of the Stanford Health Care-ValleyCare team.

Q: *My supervisor has secretly recorded conversations with his manager. That doesn't seem right to me, but what should I do?*

A: No employee should record conversations without the express, written consent of the individual(s) being recorded. To do so without permission is a violation of the other person's right to privacy and a crime under California law. Notify either your supervisor's manager, your Human Resource Services representative or a higher-level Stanford Health Care-ValleyCare resource.

HEALTH AND SAFETY

All SHC-VC facilities comply with all government regulations and rules. SHC-VC polices and required facility practices that promote the protection of workplace health and safety. Our policies have been developed to protect our employees from potential workplace hazards. Stanford Health Care-ValleyCare employees handle hazardous chemicals, infectious agents, medical waste and low-level radioactive materials at various locations. All employees are expected to handle materials according to established control, storage and disposal procedures.

If you do not know the correct procedure for handling or disposing of any material, promptly ask your supervisor or another Stanford Health Care-ValleyCare resource such as your Safety Officer, Housekeeping or Infection Control for assistance.

Employees must become familiar with and understand how these polices apply to their specific job responsibilities. It is important that each employee immediately advise his or her supervisor or the Safety Officer of any serious workplace injury or any situation presenting a danger of injury so timely corrective action may be taken to resolve the issue.

Questions and Answers:

Q: *With all the rules and regulations about disposal of chemical waste, I am not entirely sure what I can pour down the drain. How can I find out what is acceptable?*

A: Most chemicals used in our facilities are not classified as hazardous waste. Information regarding the hazards, proper handling, and disposal of chemicals is contained in the Material Safety Data Sheet (MSDS) supplied to us by the manufacturer. These are located in a binder available in each department where hazardous materials are used. If you are not sure, ask your supervisor or the Safety Officer before the disposing of any chemical waste. Hospital safety plans and manuals provide additional guidance.

Q: *How does Stanford Health Care-ValleyCare dispose of medical/biohazardous waste?*

A: Stanford Health Care-ValleyCare contracts with licensed disposal companies to remove and treat biohazardous waste to render it non-infectious. Biohazardous waste is placed in designated containers, either all red in color or having a fluorescent orange and black biohazard symbol.

HIRING OF FORMER AND CURRENT GOVERNMENT AND FISCAL INTERMEDIARY EMPLOYEES

The recruitment and employment of former or current US Government employees may be impacted by regulations concerning conflicts of interest. Hiring employees directly from a fiscal intermediary requires certain regulatory notifications. Employees should consult with Human Resources or Legal Counsel regarding such recruitment and hiring.

INTERACTIONS WITH PHYSICIANS

Federal and state laws and regulations govern the relationship between hospitals and physicians who may refer patients to the facilities. The applicable federal laws include the Anti-Kickback Law and the Stark Law. It is important that those employees who interact with physicians, particularly regarding making payments to physicians for services rendered, leasing space, recruiting physicians to the community, and arranging for physicians to serve in leadership positions in facilities, are aware of the requirements of the laws, regulations, and policies that address relationship between facilities and physicians.

If relationships with physicians are properly structured, but not diligently administered, failure to administer the arrangements as agreed may result in violations of the law.

Any business arrangement with a physician must be structured to ensure compliance with legal requirements, our policies and procedures and with any operational guidance that has been issued. Most arrangements must be in writing and approved by the Legal Department.

Keeping in mind that it is essential to be familiar with the laws, regulations, and policies that govern our interactions with physicians, two overarching principles govern our interactions with physicians:

We do not pay for referrals. We accept patient referrals and admissions based solely on the patient's medical needs and our ability to render the needed services. We do not pay or offer to pay anyone – employees, physicians, or other persons or entities – for referral of patients.

We do not accept payments for referrals we make. No SHC-VC employee or any other person acting on behalf of the organization is permitted to solicit or receive anything of value, directly or indirectly, in exchanges for the referral of patients. Similarly, when making patient referrals to another healthcare provider, we do not take into account the volume or value of referrals that the provider has made (or may make) to us.

Improper Use of Funds

Stanford Health Care-ValleyCare funds may not be used for improper or illegal activities such as payments to physicians to “induce” referrals or for political payments.

Stanford Health Care-ValleyCare prohibits any payment that may be viewed as a bribe, kickback or inducement. A “bribe” or “kickback” is any payment or consideration of

value offered with the intent to influence a decision on grounds not directly related to its business merits. Payments or considerations of value given to physicians or other parties to influence the flow of referrals to Stanford Health Care-ValleyCare are inducements and are prohibited. Prohibited inducements include gifts of more than nominal value, excessive entertainment or other considerations given to government employees, physicians or any other party in a position to influence patient referrals.

Questions and Answers:

Q: What should I do if a physician asks me to provide payment or compensation in exchange for referrals to my facility?

A: Such a request is against our principles and may be illegal. Discuss the situation with your supervisor, a higher-level manager or another Stanford Health Care-ValleyCare resource such as the Confidential Hot Line (800-800-5636). Any supervisor or manager receiving this type of information should notify the Stanford Health Care-ValleyCare Corporate Compliance Officer.

Q: I work in Payroll/Accounts Payable and every month I process a check for a medical director. Recently I learned from a friend that the physician never performs services as a medical director. What should I do?

A: When encountering questionable circumstances such as this, bring this information to the attention of your supervisor, a higher-level manager or another Stanford Health Care-ValleyCare resource such as the Confidential Hot Line (800-800-5636).

Anti-trust

Compete fairly and in compliance with all anti-trust laws.

In order to succeed in today's health care marketplace, each of us must be committed to competing vigorously on behalf of Stanford Health Care-ValleyCare. But we draw a line between competing vigorously and competing unfairly – and we must never cross that line.

It is unlawful to agree, or attempt to agree, with competitors to fix prices, divide geographic markets or make any agreement that raises the price of our services or improperly reduces competition. Particular care should be taken in pursuing joint ventures or alliances with other health care providers.

Seek advice from your supervisor or manager before taking any action, which may compromise fair competition or compliance with anti-trust laws. Supervisors and managers contacted concerning anti-trust matters should immediately contact the Corporate Compliance Officer or our in-house legal counsel.

Questions and Answers:

Q: I have a friend in the managed care department of one of our competitors. She has been asked by her company to survey managed care prices in the region. Can I give her copies of price lists and bids?

A: No. Any sharing with competitors of pricing information not normally available to the public could be perceived as, or be legally treated as, an effort to fix fees or limit competition.

Q: *I sometimes attend trade shows or professional meetings at which I run into old friends who work for competitors of Stanford Health Care-ValleyCare. Are there subjects that I should avoid?*

A: Avoid anything that affects competition in the marketplace including prices, pricing policy, profit margins, or credit and billing practices. Trade shows, professional meetings and other gatherings pose problems when competitors “talk shop”. The most serious problems often arise in informal gatherings (e.g., lunch or dinner after the meeting has concluded). Stay away from any business discussions with competitors.

Q: *A manager is participating in the development of the system-wide information systems strategic plan. He realized that an outside company, XYZ Information Systems, is likely to become a strategic partner with Stanford Health Care-ValleyCare. XYZ Information Systems stock performance has been strong and the manager decides to buy 100 shares as a personal investment. Is that acceptable?*

A: If:

- XYZ Information Systems is a large publicly traded corporation, and
- The Stanford Health Care-ValleyCare relationship will not have a material effect on the price of the stock, and
- That manager has purchased a modest number of shares, which do not represent a material voting block to influence XYZ Information Systems.

In this situation, there would be no violation of the law or Stanford Health Care-ValleyCare policy.

LICENSE AND CERTIFICATION RENEWALS

Employees, individuals retained as independent contractors, and privileged practitioners in positions which require professional licenses, certifications, or other credentials are responsible for maintaining the current status of their credentials and shall comply at all times with federal and state requirements applicable to their respective disciplines. To assure compliance, SHC-VC may require evidence of the individual having a current license or credential status.

SHC-VC does not allow any employee, independent contractor or privileged practitioner to work without valid current licenses or credentials.

PERSONAL USE OF STANFORD HEALTH CARE-VALLEYCARE ASSETS

Use hospital property and other Stanford Health Care-ValleyCare assets for business purposes only.

Hospital property is made available to Stanford Health Care-ValleyCare employees only for authorized Stanford Health Care-ValleyCare business purposes and should not be used for personal reasons. This applies to physical assets such as office equipment, computers, software and supplies or medical supplies, as well as other types of property such as hospital records, patient information and customer lists. Hospital property must not be removed from the hospital unless it is necessary to do so to perform your job. If removed from hospital property, you must return the property to the hospital as soon as it is no longer needed off-site for business purposes.

It is the responsibility of each SHC-VC employee to preserve our organization's assets including time, materials, supplies, equipment, and information. Organization assets are to be maintained for business-related purposes. As a general rule, the personal use of any SHC-VC asset without prior supervisory approval is prohibited. The occasional use of items, such as copying facilities or telephones, where the cost to SHC-VC is insignificant, is permissible. One's supervisor must approve any community or charitable use of organization resources in advance. Any use of organization resources for personal financial gain unrelated to the organization's business is prohibited.

Questions and Answers:

Q: If I see an employee intentionally misusing or damaging hospital property, what should I do?

A: We all have an obligation to treat hospital property and equipment with care and respect. This includes reporting any damage or malfunction of hospital property to appropriate hospital personnel. If you are aware of anyone intentionally or negligently damaging Stanford Health Care-ValleyCare property or equipment, report your observations to your supervisor or other hospital managers who will investigate the matter and take appropriate action.

Q: A Stanford Health Care-ValleyCare employee told me that I could supply a list of our clients to any outside source. Is this true?

A: Client lists are a valuable asset and should never be disclosed to anyone outside of the organization without specific management approval. Ask your supervisor about any request you receive for such a client list.

Q: I am taking a continuing education class and Stanford Health Care-ValleyCare is reimbursing me for the tuition, since the course is designed to improve my job related skills. May I use my portable computer from work to do that homework?

A: Yes, under some narrow circumstances, your use of the hospital property is related to your employment with Stanford Health Care-ValleyCare. Work with your supervisor to make sure that the equipment is not needed for hospital business during the time you are using it for schoolwork. Never assume you may use or remove hospital property until you have obtained clear approval in advance from your supervisor.

RELATIONSHIPS AMONG SHC-VC COLLEAGUES

In the normal day-to-day functions of an organization like SHC-VC, there are issues that arise which relate to how people in the organization deal with one another. It is impossible to foresee all of these, and many do not require explicit treatment in a document like this. A few routinely arise, however. One involves gift giving among colleagues for certain occasions. While we wish to avoid any strict rules, no one should ever feel compelled to give a gift to anyone, and any gifts offered or received should be appropriate to the circumstances. A lavish gift to anyone in a supervisory role would clearly violate organization policy. Another situation, which routinely arises, is a fund-raising or similar effort undertaken by individual colleagues, in which no one should ever be compelled to participate. Similarly, when SHC-VC or a facility determines to support charitable organizations such as "United Way", no employee should be compelled to contribute to the charitable organization, nor should there be any workplace consequences of such non-participation.

RELATIONSHIPS WITH SUBCONTRACTORS AND SUPPLIERS

We must manage our subcontractor and supplier relationships in a fair and reasonable manner, free from conflicts of interest and consistent with all applicable laws and good business practices. We promote competitive procurement to the maximum extent practicable. Our selection of subcontractors, suppliers and vendors will be made on the basis of objective criteria including quality, technical excellence, price, delivery, and adherence to schedules, service, and maintenance of adequate sources of supply. Our purchasing decisions will be made on the supplier's ability to meet our needs, and not on personal relationships and friendships. We employ the highest ethical standards in business practices in source selection, negotiation, determination of contract awards, and the administration of all purchasing activities. We do not communicate to a third-party confidential information given to us by our suppliers unless directed in writing to do so by the supplier. We do not disclose contract pricing and information to any outside parties. (The subject of Business Courtesies, which might be offered by or to subcontractors or suppliers, is discussed on page 37 of this Code.)

RESEARCH, INVESTIGATIONS AND CLINICAL TRIALS

We follow high ethical standards and comply with federal and state laws and regulations in any research, investigations and clinical trials conducted by our physicians and professional staff. We do not tolerate intentional research misconduct. Research misconduct includes making up or changing results to copying results from other studies without performing the clinical investigation or research. Our hospital protects the patients and respects their rights during research, investigations, and clinical trials.

All patients asked to participate in a clinical investigation or research project are given a full explanation of alternative services that might prove beneficial to them. They are also fully informed of potential discomforts and are given a full explanation of the risks, expected benefits and alternatives. The patients are fully informed of the procedures to be followed, especially those that are experimental in nature. Refusal of patient to participate in a research study will not compromise his or her access to services. Patient informed consent to participate in clinical investigations or research is documented and retained pursuant to hospital policy.

Any SHC-VC facility or employee applying for or performing research of any type is responsible for maintaining the highest ethical standards in any written or oral communications regarding the research project as well as following appropriate research guidelines. As in all accounting and financial record keeping, our policy is to submit only true, accurate, and complete costs related to research grants. Any SHC-VC facility or employee engaging in human subject research must do so in conjunction with an Institutional Review Board (IRB) and consistent with hospital policies regarding human subject research and IRB's.

INELIGIBLE PERSONS

We do not contract with, employ, or bill for services rendered by an individual or entity that is excluded or ineligible to participate in Federal healthcare programs; suspended or debarred from Federal government contracts; or has been convicted of a criminal offense related to the provision of healthcare items or services and has not been reinstated in a Federal healthcare program after a period of exclusion, suspension, debarment, or ineligibility, provided that we are aware of such criminal offense. We routinely search the Department of Health and Human Services' Office of Inspector General and General Services Administration's lists of such excluded and ineligible persons. Employees, vendors, and privileged practitioners are required to report to us if they become excluded, debarred, or ineligible to participate in Federal healthcare programs; or have been convicted of a criminal offense related to the provision of healthcare items or services.

SUBSTANCE ABUSE AND MENTAL ACUITY

To protect the interests of our employees and patients, we are committed to an alcohol and drug-free work environment. All employees must report for work free of the influence of alcohol and illegal drugs. Reporting to work under the influence of any illegal drug or alcohol; having an illegal drug in an employee's system; or using, possessing, or selling illegal drugs while on SHC-VC work time or property may result in immediate termination. We may use drug testing as a means of enforcing this policy.

It is also recognized individuals may be taking prescription or over-the-counter drugs, which could impair judgment or other skills required in job performance. Employees with questions about the effect of such medication on their performance or who observe an individual who appears to be impaired in the performance of his or her job must immediately consult with their supervisor.

MARKETING PRACTICES

Gathering Information about Competitors

It is not unusual to obtain public information about other organizations, including our competitors, through legal and ethical means such as public documents, public presentations, journal and magazine articles, and other published and spoken information. However, employees should avoid seeking or receiving information about a competitor through other non-public means if they know or have reason to believe the information is proprietary or confidential. For example, a colleague should not seek proprietary or confidential information when doing so would require anyone to violate a contractual agreement, such as a confidentiality agreement with a prior employer.

Marketing

Represent Stanford Health Care-ValleyCare fairly and honestly, stressing our value and the capabilities of our services and/or products.

Stanford Health Care-ValleyCare will advertise to inform the community of the availability and value of our services and products; to provide educational information about personal health; and to inform the public of Stanford Health Care-ValleyCare's views on public policy issues related to health care. We present only truthful, fully informative, and non-deceptive information in these materials and announcements.

Stanford Health Care-ValleyCare is perceived as a reliable, authoritative source of information about medical care and the health care system. We should remain mindful of the trust the community places in us to provide accurate, balanced information.

Advertising should be honest and accurate and, when presenting views on issues clearly distinguish opinion from factual data.

Advertising should not disparage, demean or caricature competitors, customers, or patients.

Advertising should not exploit customer or patient fears as a key-motivating factor.

Questions and Answers:

Q: A recent government report ranked hospitals for their care of patients with a particular disease. Our facility ranked high and our competitor ranked low. Should we inform the public of this information?

A: We may certainly include reference to a good rating of our performance when discussing Stanford Health Care-ValleyCare and its services in advertising and informational materials. In doing so, we should evaluate whether we consider the reporting agency a reliable source – what would we be saying about the report if our ranking had been lower?

Direct comparisons of our ranking with competitors should not be the focus of our advertising. We should discuss our success without reference to the performance of other organizations, letting the public seek that information from other sources.

Q: There was a recent newspaper article about the harmful effects of coffee drinking on heart disease. Should this information be used in advertising an upcoming seminar on heart disease?

A: The community looks to Stanford Health Care-ValleyCare for reliable medical information. To retain that trust, data used in our advertising should be carefully research and substantiated over time. We should not buy into scare tactics or create confusion in the minds of the community. If there are well-established facts about lifestyle risks for heart disease that may influence people to change their behavior, it is reasonable to use those facts in advertising and printed materials.

Q: *There is an important new medical procedure available in our facility which shows great promise for the future of medical care. Shouldn't we promote it as widely as possible?*

A: While we should be proud of the medical research and cutting-edge technology available to Stanford Health Care-ValleyCare, we must use caution when promoting these capabilities. In designating advertising and other public information, ask yourself:

Will all the potential patients in my audience have access to this procedure?

If there are restrictions, based, for example, on the qualifications to participate in a clinical trial, a narrow range of medical conditions the procedure can treat, or issues of reimbursement by health plans, clearly state those restrictions when describing the procedure.

What kind of track record does the procedure have?

We have a responsibility to disclose the state of development of any procedure we describe. We should make every effort to help patients evaluate all treatment options, through the availability of our public medical library and community education programs.

ENVIRONMENTAL COMPLIANCE

It is our policy to comply with all environmental laws and regulations as they relate to our organization's operations. We act to preserve our natural resources to the full extent reasonably possible. We comply with all environmental laws and operate each of our facilities with the necessary permits, approvals, and controls. We diligently employ the proper procedures to provide a good environment of care and to prevent pollution.

In helping SHC-VC comply with these law and regulations, all SHC-VC employees must understand how job duties may impact the environment, adhere to all requirements for the proper handling of hazardous materials, and immediately alert supervisors to any situation regarding the discharge of a hazardous substance, improper disposal of hazardous and medical waste, or any situation which may be potentially damaging to the environment.

BUSINESS COURTESIES

This part of the Code of Conduct should not be considered in any way as an encouragement to make, solicit, or receive any type of entertainment or gift. For clarity purposes, please note that these limitations govern activities with those outside of SHC-VC. This section does not pertain to actions between SHC-VC and its colleagues or actions among SHC-VC employees themselves. (See "Relationships Among SHC-VC Employees".)

Receiving Business Courtesies

We recognize there will be times when a current or potential business associate, including a potential referral source, may extend an invitation to attend a social event in order to further develop a business relationship. A SHC-VC employee may accept such invitations, provided: (1) the cost associated with such an event is reasonable and

appropriate, which, as a general rule, means the cost will not exceed \$100.00 per person; (2) no expense is incurred for any travel costs (other than in a vehicle owned privately or by the host entity) or overnight lodging; and (3) such events are infrequent. The limitations of this section do not apply to business meetings at which food (including meals) may be provided. Invitations to training and educational opportunities that include travel and overnight accommodations at reduced or no cost to an employee or SHC-VC, will not be accepted.

SHC-VC employees may accept gifts with a total value of \$20.00 or less in any one year from any individual or organization who has a business relationship with SHC-VC. For purposes of this paragraph, physicians with privileges at SHC-VC are considered to have such a relationship. Perishable or consumable gifts given to a department or group are not subject to any specific limitation. SHC-VC employees may accept gift certificates, but may never accept cash financial instruments (e.g. checks, stocks). Finally, under no circumstances may a SHC-VC employee solicit a gift.

This section does not limit SHC-VC facilities from accepting gifts, provided they are used and accounted for appropriately.

Extending Business Courtesies to Non-referral Sources

No portion of this section applies to any individual who makes, or is in a position to make, referrals to a SHC-VC facility. Such business courtesies are address in the “Extending Business Courtesies to Possible Referral Sources” section of this Code of Business Conduct.

There may be times when an employee wishes to extend to a current or potential business associate (other than someone who may be in a position to make a patient referral) an invitation to attend a social event (e.g. reception, meal sporting event, or theatrical event) to further or develop a business relationship. The purpose of the entertainment must never be to induce any favorable business action during these events. Topics of a business nature must be discussed, and the host must be present. These events must not include expenses paid for any travel costs (other than in a vehicle owned privately or by the host entity) or overnight lodging.

The cost associated with such an event must be reasonable and appropriate. As a general rule, this means the cost will not exceed \$100.00 per person. Moreover, such business entertainment with respect to any particular individual must be infrequent, which, as a general rule, means not more than four times per year. Consult SHC-VC policy for events that are expected to exceed \$100 or were not expected to but inadvertently do exceed \$100. That policy requires establishing the business necessity and appropriateness of the proposed entertainment. The organization will under no circumstances sanction participation in any business entertainment that might be considered lavish. Departures from the \$100.00 guideline are not permitted.

Also, SHC-VC facilities may routinely sponsor events with a legitimate business purpose (e.g. hospital board meetings or retreats). Provided that such events are for business purposes, reasonable and appropriate meals and entertainment may be offered. In addition, transportation and lodging can be paid for.

However, all elements of such events, including these courtesy elements, must be consistent with the corporate policy on such events. (See Corporate Compliance Policy – Entertainment)

It is critical to avoid the appearance of impropriety when giving gifts to individuals who do business or are seeking to do business with SHC-VC. We will never use gifts or other incentives to improperly influence relationships or business outcomes. Gifts to business associates who are not government employees must not exceed \$50.00 per year per recipient. Any gifts to Medicare or Medicaid beneficiaries must not exceed \$10.00 per item or total more than \$50.00 per year per recipient. A SHC-VC employee or facility may give gift certificates but may never give cash financial instruments (e.g. checks, stocks). The corporate policy on business courtesies permits occasional exceptions to the \$50 limit to recognize the efforts of those who have spent meaningful amounts of volunteer time on behalf of SHC-VC.

US Federal and state governments have strict rules and laws regarding gifts, meals, and other business courtesies for their employees. SHC-VC does not provide any gifts, entertainment, meals, or anything else of value to any employee of the Executive Branch of the Federal Government, except for minor refreshments in connection with business discussions or promotional items with the SHC-VC or facility logo valued at not more than \$10.00. With regard to gifts, meals, and other business courtesies involving any other category of government official or employee, SHC-VC employees must determine the particular rules applying to any such person and carefully follow them

Extending Business Courtesies to Possible Referral Sources

Any entertainment or gift involving physicians or other persons who are in a position to refer patients to our healthcare facilities must be undertaken in accordance with corporate policies, which have been developed consistent with federal laws, regulations, and rules regarding these practices. SHC-VC employees must consult organization policies prior to extending any business courtesy to a potential referral source. (See Corporate Compliance Policy – Business Courtesies to Potential Referral Sources)

GOVERNMENT RELATIONS AND POLITICAL ACTIVITIES

The organization and its representatives comply with all federal, state, and local laws governing participation in government relations and political activities. Additionally, you cannot use company funds to contribute to a political party, committee, organization or candidate in connection with a federal campaign. You may, of course, make personal contributions of your own funds to the campaigns of candidates of your own choice. Such contributions are not reimbursable by the company.

Organization resources include financial and non-financial donations such as using work time and telephone to solicit for a political cause or candidate or the loan of SHC-VC property for use in the political campaign. SHC-VC does not express an opinion or support for an individual political candidate. The organization engages in public policy debate only in a limited number of instances where it has special expertise that can inform the public policy formulation process.

When the organization is directly impacted by public policy decisions, it may provide relevant, factual information about the impact of such decisions on the private sector. In

articulating positions, the organization encourages trade associations with which it is associated to do the same.

It is important to separate personal and corporate political activities in order to comply with the appropriate rules and regulations relating to lobbying or attempting to influence government officials. No use of corporate resources, including e-mail, is appropriate for personally engaging in political activity. A colleague may, of course, participate in the political process on his or her own time and at his or her own expense. While doing so, it is important SHC-VC employees not give the impression they are speaking on behalf of or representing SHC-VC in these activities. Employees cannot seek to be reimbursed by SHC-VC for any personal contributions for such purposes.

At times, SHC-VC may ask employees to make personal contact with government officials or to write letters to present our position on specific issues. In addition, it is a part of the role of some SHC-VC management to interface on a regular basis with government officials. If an employee is making these communications on behalf of the organization, he or she must be certain to be familiar with any regulatory constraints and observe them. Guidance is always available from the Legal Counsel Department as necessary.

OVERVIEW OF THE FALSE CLAIMS ACT AND FEDERAL HEALTH CARE PROGRAMS

The Medicare and Medicaid programs continue to grow more and more complex. Laws and regulations governing these two programs are very complicated and require increasing organizational resources to ensure compliance with their various requirements. Over one billion claims each year are paid to over one million providers.

ValleyCare must ensure that all employees, including management, and any contractors or agents are educated regarding the federal and state false claims statutes and the role of such laws in preventing and detecting fraud, waste and abuse in federal healthcare programs.

To understand the False Claims Act, however, one must first understand the two-primary federal health care programs, Medicare and Medicaid, because these two programs account for the majority of health care services funded by the federal government.

Medicaid Overview

The Medicaid program originated in 1965 as a means of ensuring health care coverage and services for low-income and financially needy people. Medicaid is administered by the states but jointly funded by both the federal and state governments.

Medicare Overview

The Medicare program was established by the Social Security Act in 1965. Medicare is a federally funded health insurance program for senior citizens age 65 and older as well as persons who have a long-term disability or end-stage renal disease.

The Medicare program consists of four parts for various health care items and services as follows:

- Part A - Provides coverage for institutional providers including inpatient hospital care, in patient care in skilled nursing facilities, hospice care, and so forth.
- Part B - Covers services provided by suppliers such as physicians, nurse practitioners and certain other physician extenders, home health care, ambulance services, clinical and diagnostic labs, and durable medical equipment.
- Part C- Established in 1977 as “Medicare Choice” to offer managed care services to Medicare beneficiaries, it was later amended to be “Medicare Advantage”. Beneficiaries receive traditional Medicare covered services (Part A & B) through enrollment in a managed care organization.
- Part D - In 2006 Medicare added a prescription drug benefit. The standard Part D benefit includes coverage for outpatient prescription drugs, prescribed biological products, insulin (including supplies), and vaccines.

False Claims Act

One of the primary purposes of false claims laws is to combat fraud and abuse in government health care programs. False claims laws do this by making it possible for the government to bring civil actions to recover damages and penalties when healthcare providers submit false claims. These laws often permit qui tam suits as well, which are lawsuits brought by lay people, typically employees or former employees of healthcare facilities that submit false claims.

There is a federal False Claims Act and a California state version of the False Claims Act. Under the federal False Claims Act, any person or entity that knowingly submits a false or fraudulent claim for payment of United States Government funds is liable for significant penalties and fines. The fines include a penalty of up to three times the Government’s damages, civil penalties ranging from \$5,500 to \$11,000 per false claim, and the costs of the civil action against the entity that submitted the false claims. Generally, the federal False Claims act applies to any federally funded program. The False Claims Act applies, for example, to claims submitted by healthcare providers to Medicare or MediCal.

One of the unique aspects of the federal False Claims Act is the “qui tam” provision, commonly referred to as the “whistleblower” provision. This allows a private person with knowledge of a false claim to bring a civil action on behalf of the United States Government. The purpose of bringing the qui tam suit is to recover the funds paid by the Government as a result of the false claims. Sometimes the United States Government decides to join the qui tam suit. If the suit is ultimately successful, the whistleblower who initially brought the suit may be awarded a percentage of the funds recovered. Because the Government assumes responsibility for all the expenses associated with a suit when it joins a false claims action, the percentage is lower when the Government joins a qui tam claim. However, regardless of whether the Government participates in the lawsuit, the court may reduce the whistleblower’s share of the proceeds if the court finds that the

whistleblower planned and initiated the false claims violation. Further, if the whistleblower is convicted of criminal conduct related to his or her role in the preparation or submission of the false claims, the whistleblower will be dismissed from the civil action without receiving any portion of the proceeds.

The federal False Claims Act also contains a provision that protects a whistleblower from retaliation by his employer. This applies to any employee who is discharged, demoted, suspended, threatened, harassed, or discriminated against in his employment as a result of the employee's lawful acts in furtherance of a false claims action. The whistleblower may bring an action in the appropriate federal district court and is entitled to reinstatement with the same seniority status, two times the amount of back pay, interest on the back pay, and compensation for any special damages as a result of the discrimination, such as litigation costs and reasonable attorneys fees.

A similar federal law is the Program Fraud Civil Remedies Act of 1986 (the PFCRA). It provides administrative remedies for knowingly submitting false claims and statements. A false claim or statement includes submitting a claim or making a written statement that is for services that were not provided, or that asserts a material fact that is false, or that omits a material fact. A violation of the PFCRA results in a maximum civil penalty of \$5,000 per claim plus an assessment of up to twice the amount of each false or fraudulent claim.

California False Claims Law

California has a state version of the False Claims Act that mirrors many of the provisions of the federal False Claims Act. The actions that trigger civil and criminal penalties are identical to those of the federal False Claims Act. However, under the California Act, a person or entity may also be liable if he or she is a beneficiary of an inadvertent submission of a false claim to the state, subsequently discovers that the claim is false, and fails to disclose the false claim to the state within a reasonable time after discovery of the false claim. The California False Claims Act also differs from the federal False Claims Act in that it does not apply to any claim of less than \$500 in value or claims involving workers' compensation or against public entities and employees.

The California False Claims Act also has a whistleblower provision. Like the federal False Claims Act, the California law includes provisions to prevent employers from retaliating against employees who report their employer's false claims.

The State of California has also adopted several other false claims statutes that are intended to prevent frauds and abuse in MediCal. These laws generally prohibit the filing of any false or fraudulent claim or documentation in order to receive compensation from MediCal.

REPORTING CONCERNS REGARDING FRAUD, ABUSE AND FALSE CLAIMS

ValleyCare takes issues regarding false claims and fraud and abuse seriously. ValleyCare encourages all employees, management, and contractor or agents of ValleyCare to be aware of the laws regarding fraud and abuse and false claims and to identify and resolve any issues immediately. Issues are resolved fastest and most effectively when given prompt attention, therefore employees, managers, and contractors are encouraged to report concerns to their immediate supervisor when

appropriate. If the supervisor is not deemed to be the appropriate contact or if the supervisor fails to respond quickly and appropriately to the concern, then the individual with the concern should be encouraged to discuss the situation with the facility's human resources manager, the facility's corporate compliance officer, another member of management, or with ValleyCare's Compliance Hotline (1800-800-5636).

Employees, including management, and any contractors or agents of ValleyCare should be aware of related facility policies regarding detection and prevention of health care fraud and abuse. These policies and procedures can be accessed on ValleyCare's intranet site.

ACKNOWLEDGEMENT OF STANDARDS OF CONDUCT HANDBOOK

My signature on this form acknowledges that I have received and agreed to read the Stanford Health Care-ValleyCare Standards for Business Conduct Handbook.

I agree to comply fully with the standards contained in this book. I understand that compliance with these standards, policies and procedures is a condition of my continued employment or association with Stanford Health Care-ValleyCare. I also understand that Stanford Health Care-ValleyCare reserves the right to occasionally amend, modify and update the Standards for Business Conduct Handbook and principles contained in the Handbook.

I also acknowledge that the Handbook is only a statement of principles for individual and business conduct and does not, in any way, constitute an employment contract or an assurance of continued employment.

Name (Please Print)

Signature

Date

Department