



# **MSO/IPA Compliance Program**



## ***PROSPECT MEDICAL HOLDINGS, INC.***

### **MSO/IPA COMPLIANCE PROGRAM**

#### **Coverage**

The terms of the Compliance Program set forth herein shall apply to, and govern, the medical group business unit of Prospect Medical Holdings, Inc. (“PMH”). The business unit is comprised of PMH’s two management services organizations (the “MSOs”), Prospect Medical Systems, Inc (“PMS”), and ProMed Health Care Administrators, and each of their affiliated physician organizations that operate as an independent physician association (“ProMed” an “IPA”) to which the MSOs provide management services. PMH and such affiliated MSOs and IPAs are collectively referred to herein as the “Company” or the “MSO/IPA Segment.”

#### **Purpose**

The Company is committed to conducting its business and operations in accordance with the highest legal and ethical standards. To meet this commitment, the Boards of Directors of PMS and ProMed (the “Boards”) have directed management to adopt and implement a formal Corporate Compliance Program throughout the MSO/IPA Segment (this “MSO/MSO/IPA Compliance Program”).

The Company recognizes that the adoption and implementation of a compliance program significantly reduces the risk of fraud, abuse and waste in the health care industry and enhances quality of services and care to patients. The Company recognizes that organizations contracting directly or indirectly with the federal government are obligated to report fraud, waste and abuse; demonstrate their commitment to eliminating fraud, waste and abuse; and implement internal policies and procedures to identify and combat health care fraud.

To meet its commitment to compliance with all laws and regulations, the Company has adopted this formal MSO/IPA Compliance Program for the operations of the entire IPA Segment organization and its officers, directors, employees, contractors, vendors and any downstream and/or related entities. The MSO/IPA Compliance Program is guided by the Federal Sentencing Guidelines for Compliance Programs.

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## **MSO/IPA Compliance Program**

The Company has established a comprehensive MSO/MSO/IPA Compliance Program that is consistent with the Federal Sentencing Guidelines as outlined by the OIG (Office of the Inspector General). The MSO/MSO/IPA Compliance Program established by the Boards, is a key component representing the Company's commitment to high standards of conduct. The MSO/MSO/IPA Compliance Program is a tool to strengthen the Company's efforts to detect and prevent violation of law or company policy. In the event that the Company becomes aware of non-compliance with the policies of the MSO/IPA Compliance Program, the Company will investigate, take disciplinary action when needed and implement corrective actions to prevent future occurrences. The MSO/IPA Compliance Program, which is under the leadership of the Chief Compliance Officer appointed by the Boards, demonstrates corporate commitment to comply with federal, state, and local laws and to conduct our business in an ethical manner.

### ***Overview of MSO/IPA Compliance Program:***

The Company's Code of Business Conduct / Ethical Business Practice is the written statement of ethical practices that directs the Company's daily operations. The Code of Conduct sets forth our expectations of management, employees, and contractors to act in accordance with applicable laws and Company policy. It sets forth the framework for action within the Company. The Company's records management, retention and destruction procedures support the maintenance of complete, accurate, and high quality records. In accordance with CMS requirements for Medicare managed care programs, all medical records and patient related records are retained for a minimum of ten (10) years.

### ***Program Structure:***

The Boards have designated a Chief Compliance Officer who is responsible for the day-to-day direction, development, implementation, and monitoring of the MSO/IPA Compliance Program. The Chief Compliance Officer has direct access to the CEO and the Boards of Directors of PMH and has the ability to exercise independent judgment and to effect change within the organization as necessary to ensure that the Company is in compliance with all applicable laws, regulations and policies.

In addition, the Company has established a formal Compliance Committee to ensure that the corporate culture of maintaining ethical standards is enforced. The committee structure provides a forum for communication, discussion of topics essential to an effective compliance program and for making recommendations to the Board and senior management regarding compliance issues.

### ***Education and Training:***

A key component of the MSO/IPA Compliance Program is the education of all of the Company's corporate officers, managers, employees, and independent contractors. All new employees receive education on the



MSO/IPA Compliance Program when hired and updates to that education regarding the Company's Code of Conduct, HIPAA and compliance policies are provided annually.

***Communication:***

The Company fosters an open line of communication between personnel and management. All persons seeking answers to questions or reporting potential violations of the MSO/IPA Compliance Program are given instructions regarding whom to contact and are encouraged to do so without fear of retaliation. Employees and contractors are expected to inform the Company of any known or suspected violations of Company policy related to compliance with Fraud and Abuse laws, anti-kickback laws, HIPAA, and any other applicable laws or regulations related to the Company's policies. It is the Company's expectation that the employee or concerned party will report concerns to his or her supervisor. For those instances in which the individual is not comfortable with this avenue for reporting, the Company has established an anonymous hotline for reporting known or suspected violations. It is the Company policy that all such concerns be treated with the upmost respect and confidentiality.

***Risk Assessment, Auditing, and Monitoring:***

On an annual basis, the Company identifies internal areas of risk to the Company. In addition, OIG guidelines annually identify potential risk areas for healthcare entities and these risk areas are shared with the Compliance Committee, senior management, and the Boards. The potential risk areas include, but are not limited to, data integrity, compliance with Stark and anti-kickback laws, and HIPAA laws. Identified risks are reviewed and included in the Company's Auditing and Monitoring Program.

The Company's Auditing and Monitoring Program includes the monitoring of the Company's adherence to its policies. The auditing and monitoring program may be conducted using prospective, concurrent, or retrospective time frames. The outcomes of the auditing and monitoring program are communicated to the Boards, senior management, and the Compliance Committee. The extent and frequency of the auditing and monitoring program varies in relationship to several factors, including changes in management staff, business practices, regulations, and other variables. Ongoing assessment within the compliance programs may identify new risk areas that are included in the auditing and monitoring programs as needed.

***Ineligible Persons:***

The Company does not contract with, employ or bill for services rendered by an individual or entity who has been excluded or deemed ineligible to participate in federal healthcare programs, suspended or debarred from federal government contracts, or convicted of a criminal offense related to the provision of health care items or services and has not been reinstated in a federal healthcare program after a period of exclusion, suspension, debarment or ineligibility. Should the Company become aware of any such exclusion, the Company will immediately terminate the employee or terminate the business contract with that entity.

***Disciplinary Action and Prevention:***

All violations of the Company's Code of Conduct or other policies and procedures will be subject to disciplinary action. The nature of discipline will depend upon the nature, severity, and frequency of the violation. Depending upon the seriousness of the offense, the Company may take immediate action up to and including termination without interval progressive disciplinary process.

***Responding to Government Investigations:***

The Company will cooperate with legitimate government investigations and reasonable requests for information from government agencies. To ensure correct information is shared and because of our concern for patient confidentiality, any employee who is approached will contact the Chief Compliance Officer for direction.

***Program Effectiveness:***

The Company's MSO/IPA Compliance Program is a proactive program that addresses risks posed by complex laws as well as human factors. The Company adapts modifications to the MSO/IPA Compliance Program in response to regulatory changes, internal auditing and monitoring, and concerns received through reports to the Compliance Officer through direct contact with employees, contractors, or through the hotline. When indicated, appropriate corrective actions are taken to ensure compliance with the Company's policies. The Compliance Officer has the responsibility to ensure that outcomes of the MSO/IPA Compliance Program are shared with senior management and the Boards.