EXHIBIT 1

INTEGRITY AGREEMENT
BETWEEN THE
OFFICE OF INSPECTOR GENERAL
OF THE
DEPARTMENT OF HEALTH AND HUMAN SERVICES
AND
EUGENE T. BOCKRATH

I. PREAMBLE

Eugene T. Bockrath ("Mr. Bockrath") hereby agrees to enter into this Integrity Agreement ("Agreement") with the Office of Inspector General of the United States Department of Health and Human Services ("OIG") to provide for the establishment of an Integrity Program ("Program") to ensure compliance with the requirements of Medicare, Medicaid and all other Federal health care programs (as defined in 42 U.S.C. § 1320a-7b(f))(hereafter, "Federal Programs"). The terms of this "Program" shall be binding upon Mr. Bockrath, any corporation in which he is an owner or has a control interest as defined in 42 U.S.C. § 1320a-3(a)(3) and which participates in any Federal Program, his or its employees, and all third parties who may be engaged to act as billing or coding agents for Mr. Bockrath or any such corporation. Mr. Bockrath's compliance with the terms and conditions in this Agreement shall constitute an element of his responsibility with regard to participation in the Federal Programs. Contemporaneously with this Agreement, Mr. Bockrath is entering into a Settlement Agreement with the OIG, and this Agreement is incorporated by reference into the Settlement Agreement.

II. TERM OF THE AGREEMENT

This Agreement shall become effective upon signing by Mr. Bockrath, and, with respect to those compliance obligations related to Mr. Bockrath's participation in the Federal Programs, shall remain in effect for a period of **5 (five) years** from the date that the OIG reinstates Mr. Bockrath into the Federal Programs.

III. INTEGRITY OBLIGATIONS

Within one-hundred and twenty (120) days of the effective date of this Agreement, Mr. Bockrath agrees to implement an Integrity Program (the "Program"), which shall include the following provisions.

A. COMPLIANCE CONTACT

Within thirty (30) days of the effective date of this Agreement, Mr. Bockrath shall designate a person to be the contact person for purposes of the obligations herein. If the contact person is other than Mr. Bockrath himself, the name, address and phone number of this contact person shall be sent to the OIG as part of the Implementation Report described in section VI.A. In the event a new contact person is appointed during the term of this Agreement, Mr. Bockrath shall notify the OIG, in writing, within fifteen (15) days of such a change.

B. POSTING OF NOTICE

Within the first thirty (30) days following the effective date of this Agreement, Mr. Bockrath shall post in a prominent place in his pharmacy accessible to all customers and employees a notice detailing his commitment to comply with all applicable statutes, regulations and directives applicable to the Federal Programs in the conduct of his business. A copy of this notice shall be included with the Implementation Report.

C. WRITTEN POLICIES AND PROCEDURES

Mr. Bockrath agrees to develop and implement written policies and procedures within one hundred and eighty (180) days of the effective date of this Agreement that address the following:

a. The proper submission of claims to the Medicare, Medicaid, and other Federal health care programs;
b. The proper documentation of services and billing information and the retention of such information in a readily retrievable form;
c. The commitment of Mr. Bockrath to adhere to honest and accurate billing practices; and
d. The commitment of Mr. Bockrath not to hire or engage as contractors any Ineligible Person. For purposes of this Agreement, an "Ineligible Person" shall be any individual or entity who: (i) is currently excluded, suspended, debarred or otherwise ineligible to participate in the Federal health care programs; or (ii) has been convicted of a criminal offense related to the provision of health care items or services and has not been reinstated in the Federal Programs after a period of exclusion, suspension, debarment, or ineligibility.

Mr. Bockrath will provide a copy of these written policies and procedures to the OIG in the Implementation Report.

D. TRAINING AND CERTIFICATION

Before applying for reinstatement, but no sooner than thirty (30) days prior to the date on which he submits his application for reinstatement, Mr. Bockrath and all personnel involved or designated to become involved in preparing or submitting Federal Program bills for services and items provided by Mr. Bockrath or any of his agents shall be trained in the proper billing standards, methods, and procedures to ensure accurate billing for services rendered to these Federal Programs. The training shall be designed to ensure that Mr. Bockrath and all of his employees and agents are aware of all applicable health care statutes, regulations, and program guidelines and with the standards of business conduct that such individual is expected to follow and the consequences (i.e., termination, legal sanctions, etc.) both to the individual and Mr. Bockrath that will ensue from any violation of such requirements. In addition, Mr. Bockrath will arrange for all new personnel involved or designated to become involved in billing for services to participate in such training no later than thirty (30) days after they begin working for him. Until they have had the requisite training, such new employees will work under the direct supervision of an employee who has received such training. This training program shall provide for no less than six (6) hours of training annually for each person.

At a minimum, the training sessions shall cover the following topics:

1. The proper billing standards and procedures for the submission of accurate bills for services rendered and/or items provided to the Federal Programs to which Mr. Bockrath submits or intends to submit claims;

2. All applicable statutes, rules, regulations, and guidelines related to Federal Program billing, reimbursement, and the legal sanctions for improper billing; and

3. All applicable statutes, rules, regulations, and guidelines related to health care fraud and abuse and the legal sanctions for violating these laws.

A schedule and topic outline of the training shall be included in the Implementation Report.

E. INDEPENDENT AUDITS

Within thirty (30) days of the first anniversary date of his reinstatement to the Federal Programs, Mr. Bockrath agrees to contract with a third party reviewer (*e.g.*, audit, law or health care consulting firm) to undertake an annual review of a statistically valid sample of the claims submitted by him and his agents and employees to Federal Programs to determine whether the claims are in compliance with the appropriate billing requirements. This review will be conducted by an independent and appropriately trained person or entity with knowledge of Federal health care statutes, regulations, program requirements, billing policies and procedures, and with particular expertise regarding pharmacy requirements and procedures. These audits shall cover the preceding one (1) year period and shall seek to determine that the claims submitted to the Federal Programs were appropriately coded and billed to such Federal Programs. The results of this review shall be submitted with the Annual Report as well as a corrective action plan for correcting any deficiencies found.

Generally, if any of these reviews uncover claims processing and/or billing policies, procedures and/or practices that result in material deficiencies, Mr. Bockrath shall notify the entity in charge of processing the claim for reimbursement (such as the Medicaid intermediary or other payor), within thirty (30) days of discovering the deficiency and take remedial steps within sixty (60) days of discovering the deficiency (or such additional time as may be agreed to by the payor) to correct the problem, and prevent the deficiency from reoccurring.

Contemporaneous with Mr. Bockrath's notification to the payor as provided above, Mr. Bockrath shall notify OIG of: (1) all of the information provided to the payor in returning any overpayment; (2) the name and the address of the payor to which any overpayment was sent; (3) his findings concerning the material deficiency; (4) Mr. Bockrath's actions to correct such material deficiency; and (5) any further steps Mr. Bockrath plans to take to address such material deficiency and prevent it and similar billing deficiencies from reoccurring.

For purposes of this Agreement, a "material deficiency" shall mean anything that involves: (i) a substantial overpayment or improper payment relating to the Medicare and/or Medicaid programs; (ii) conduct or policies that clearly violate the Medicare and/or Medicaid statutes, regulations or directives issued by the Health Care Financing Administration ("HCFA") and/or its agents; or (iii) serious quality of care implications for Federal health care beneficiaries or recipients. A

material deficiency may be the result of an isolated event or a series of occurrences.

If Mr. Bockrath learns of any overpayment (regardless of its size and regardless of whether it results from a material deficiency) received from a Federal Program, he shall notify the appropriate payor, make appropriate refunds and take any steps necessary to prevent the reoccurrence.

IV. SELF-DISCLOSURE OF PROBABLE VIOLATIONS

During the five-year period beginning upon his reinstatement to the Federal Programs, Mr. Bockrath will report to the OIG reliable evidence of any probable violation of a state or federal civil, criminal or administrative statute, regulation, or rule governing a Federal Program. Mr. Bockrath shall make the required disclosure as soon as practicable, but in no event later than thirty (30) calendar days after determining the reliable evidence of a probable violation. The evidence to be disclosed under this paragraph will include evidence relating to conduct by any of Mr. Bockrath's personnel and any person or entity with a financial interest in Mr. Bockrath's business, and it will include evidence disclosed to Mr. Bockrath from any source. Mr. Bockrath will certify what actions he or his agents have taken to investigate the matter disclosed and to ensure that his business complies with all state and federal civil, criminal, and administrative statutes, regulations and rules governing all Federal Programs. Nothing in this paragraph waives OIG's right to enforce any and all statutes and regulations governing any Federal Program, subject to the release provisions of the Settlement Agreement signed this same date.

V. OIG INSPECTION, AUDIT AND REVIEW RIGHTS

In addition to any other right OIG may have by statute, regulation, contract or pursuant to this Agreement, OIG or its duly authorized representative(s) may examine Mr. Bockrath's books, records, and other business documents and supporting materials for the purpose of verifying and evaluating: (i) Mr. Bockrath's compliance with the terms of this Agreement; and (ii) Mr. Bockrath's compliance with the requirements of the Federal Programs. The documentation described above shall be made available for inspection, audit or reproduction during regular operating hours of his business or at such other times as shall be mutually agreed between the OIG and Mr. Bockrath. OIG, HCFA, or the affected intermediary or carrier, may conduct unannounced on-site visits during regular operating hours of Mr. Bockrath's business or at such other times as shall be mutually agreed between such entity and Mr. Bockrath to review patient medical records and other related documentation for the purpose of verifying and evaluating Mr.

Bockrath's compliance with the statutory and regulatory requirements of any Federal Program.

VI. REPORTS

A. IMPLEMENTATION REPORT

Mr. Bockrath shall provide the OIG's Office of Counsel to the Inspector General ("OCIG") with a written report demonstrating that Mr. Bockrath has complied with all of the Program's requirements. This report, known as the "Implementation Report," shall be sent to the address set forth in section VII of this Agreement. The Implementation Report shall include:

(1) A copy of the notice Mr. Bockrath posted in his place of business describing his commitment to comply with all applicable statutes, regulations and directives applicable to the Federal Programs in the conduct of his business.

(2) A description of the training programs implemented pursuant to section III.D. of this Agreement and a summary of the activities engaged in, in furtherance of the training programs, including a schedule and topic outline of the training sessions, and a written certification from all appropriate personnel that they received training pursuant to the requirements set forth in section III.D. of this Agreement and that they received, read, and understood the applicable health care laws, including Medicare laws, regulations and standards of business conduct.

(3) A copy of the written policies and procedures required by section III.C. of this Agreement.

(4) A certification from Mr. Bockrath certifying that he has reviewed the Implementation Report, he has made a reasonable inquiry regarding its content and believes that, upon his inquiry, the information is accurate and truthful.

B. ANNUAL REPORTS

Commencing one year after his reinstatement into the Federal Programs, Mr. Bockrath shall make annual written reports (each one of which is referred to throughout this Agreement as the "Annual Report") to OCIG describing the

measures he has taken to implement and maintain the Program and ensure compliance with the terms of this Agreement. In accordance with the provisions above, the Annual Report shall include:

(1) A description of the training programs conducted pursuant to section III.D. of this Agreement and a summary of the activities engaged in, in furtherance of the training programs, including a schedule and topic outline of the training sessions, and a written certification from all appropriate personnel that they received training pursuant to the requirements set forth in section III.D. of this Agreement and that they received, read, and understood the applicable health care laws, including Medicare laws, regulations and standards of business conduct.

(2) A copy of the audits and reviews conducted pursuant to section III.E. of this Agreement relating to the year covered by the Annual Report; a complete description of the findings made during the reviews and audits; copies of the disclosure or notice documents made by Mr. Bockrath pursuant to this section; a description of the corrective steps, including, but not limited to, any revisions or amendments to billing policies, procedures and practices; proof of a refund to the pertinent payor (where applicable); and a complete description of the methodology behind any repayments made as a result of reviews or audits (where applicable).

(3) A certification signed by Mr. Bockrath certifying that he has reviewed the Annual Report, he has made a reasonable inquiry regarding its content and believes that, upon his inquiry, the information is accurate and truthful.

VII. NEW LOCATIONS

If, after the effective date of this Agreement, Mr. Bockrath purchases or establishes businesses or business units that participate in any Federal Program, Mr. Bockrath shall notify the OIG of such facts within thirty (30) days of the date of such purchase or establishment. This notification shall include the location of any such operation(s), phone number, fax number, and all trade names under which such businesses are conducting business, any Federal Program provider number(s), and the corresponding payor(s)(contractor specific) that has or have issued each provider number. All employees of such businesses involved with billing and coding shall be subject to the requirements in this Agreement that apply to new employees (e.g. completing certifications and undergoing training).

VIII. NOTIFICATIONS AND SUBMISSION OF REPORTS

Unless advance written notice is provided by one party to the other, any notice and report required or permitted under the terms of this Agreement shall be submitted to the party at the addresses and telephone numbers listed below:

If to the Office of Inspector General, to:

Civil Recoveries Branch - Compliance Unit
Office of Counsel to the Inspector General
Office of Inspector General
U.S. Department of Health and Human Services
330 Independence Avenue, SW
Cohen Building, Room 5527
Washington, DC 20201
Telephone: 202.619.2078
Fax: 202.205.0604

If to Mr. Bockrath, to:

Eugene T. Bockrath
c/o The Medicine Shoppe
2439 North Union Boulevard
Colorado Springs, Colorado 80909
Telephone: 719.630.3154
Fax: 719.630.1640

IX. BREACH AND DEFAULT PROVISIONS

Full and timely compliance by Mr. Bockrath shall be expected throughout the duration of this Agreement with respect to all of the obligations herein agreed to by Mr. Bockrath. As stated below in section X. of this Agreement, any and all modifications to this Agreement (including changes to dates on which an obligation is due to be met) shall be requested in writing and agreed to by OIG in writing prior to the date on which the modification is expected to take effect.

A. REMEDIES FOR MATERIAL BREACH OF THIS AGREEMENT

If Mr. Bockrath engages in conduct that OIG considers to be a material breach, defined below, of this Agreement, OIG may seek exclusion of Mr. Bockrath from

participation in the Federal Programs. Upon making its determination, OIG shall notify Mr. Bockrath of the alleged material breach by certified mail and of its intent to exclude as a result thereof (this notice shall be referred to hereinafter as the "Intent to Exclude Letter"). Mr. Bockrath shall have thirty-five (35) days from the date of the letter to:

(1) convince the OIG that he did not materially breach the Agreement;

(2) cure the alleged material breach; or

(3) demonstrate to the OIG's satisfaction that the alleged material breach cannot be cured within the thirty-five (35) day period, but that Mr. Bockrath has begun to take action to cure the material breach and that he will pursue such an action with due diligence. Mr. Bockrath shall, at this time, submit a timetable for curing the material breach for the OIG's approval.

If at the conclusion of the thirty-five (35) day period (or other specific period as subsequently agreed by OIG and Mr. Bockrath), Mr. Bockrath fails to satisfy the OIG in accordance with the above provisions, OIG may seek to exclude Mr. Bockrath from participation in the Federal Programs. OIG will notify Mr. Bockrath in writing of its determination to exclude him (this letter shall be referred to hereinafter as the "Exclusion Letter").

B. DISPUTE RESOLUTION

Upon OIG's delivery to Mr. Bockrath of its Exclusion Letter, and as an agreed upon contractual remedy for the resolution of disputes arising under the obligations in this Agreement, the OIG may exclude Mr. Bockrath for a material breach of this Agreement. Mr. Bockrath shall be entitled to certain due process rights afforded in 42 U.S.C. § 1320a-7(f) and 42 C.F.R. § 1005. Specifically, the OIG's determination to seek exclusion shall be subject to review by an HHS Administrative Law Judge ("ALJ") in a manner consistent with the provisions in 42 C.F.R. §§ 1005.2-1005.21. The ALJ's decision, in turn, may be appealed to the HHS Departmental Appeals board ("DAB") in a manner consistent with the provisions in 42 C.F.R. § 1005.21. However, Mr. Bockrath agrees that the decision by the DAB, if any, shall constitute the final decision and no appeal right shall be afforded to federal court.

For purposes of this section, a "material breach" shall mean: (i) a failure to report

a material deficiency, take corrective action and pay the appropriate refunds, as provided in section III.E of this Agreement; (ii) repeated or flagrant violations of the obligations under this Agreement, including, but not limited to, the obligations addressed in section VI.A and VI.B of this Agreement; or (iii) a failure to retain and use an Independent Review Organization for review purposes in accordance with section III.E.

X. EFFECTIVE AND BINDING AGREEMENT

Consistent with the provisions in the Settlement Agreement pursuant to which this Agreement is entered, and into which this Agreement is incorporated, Mr. Bockrath and the OIG agree as follows:

(1) this Agreement shall be binding on the successors, assigns and transferees of Mr. Bockrath;

(2) this Agreement shall become final and binding only upon signing by each respective party hereto;

(3) any modifications to this Agreement shall be made with the prior written consent of the parties to this Agreement; and

(4) this Agreement may be executed in counterparts.

IN WITNESS WHEREOF, the parties hereto affix their signatures:

EUGENE T. BOCKRATH, PROVIDER

6-29-99
Date

Eugene T. Bockrath

7-1-99
Date

John J. Meyer
Arent Fox Kintner Plotkin & Kahn, PLLC
Counsel for Mr. Bockrath

OFFICE OF INSPECTOR GENERAL OF THE DEPARTMENT OF HEALTH AND HUMAN SERVICES

7-1-99
Date

D. McCarty Thornton
Chief Counsel to the Inspector General
Office of Inspector General
U. S. Department of Health and Human Services
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