CORPORATE INTEGRITY AGREEMENT

BETWEEN THE

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

AND

GROSSMONT HOSPITAL

I. PREAMBLE

Grossmont Hospital Corporation hereby enters into this Corporate Integrity Agreement (the "CIA") with the Office of Inspector General ("OIG") of the United States Department of Health and Human Services ("HHS") to ensure compliance with the reimbursement requirements of Medicare, Medicaid and all other Federal health care programs (as defined in 42 U.S.C. §1320a-7b(f)) (hereinafter collectively referred to as the "Federal health care programs") as they relate to the submission of claims for professional services by Grossmont Hospital Corporation and all of its subsidiaries or any entity owned or operated by GHC (collectively "GHC"), and its employees. This CIA applies to GHC employees (the term "employee" shall mean: (1) all GHC physician faculty or ancillary health providers who are employees of GHC and for whom reimbursement claims for professional services are submitted through GHC; and (2) all GHC employees who are involved in the submission of claims for professional services. This CIA also applies to all third parties or independent contractors GHC may choose to engage as its professional billing agents or who are involved in the provision of professional medical services (hereafter "agents"). This CIA also applies to GHC's medical residents (hereinafter referred to as "residents") and staff personnel (including nurses, physician assistants, technologists, nurse assistants, reimbursement coders and other clerical personnel) (hereinafter referred to as "staff"). All of GHC's employees, agents, residents and staff as defined above shall be "Covered Individuals" under this CIA. GHC's compliance with the terms and conditions in this Agreement shall constitute an element of GHC's present responsibility with regard to participation in the Federal health care programs. Contemporaneously with this CIA, GHC and the San Diego Hospital Association ("SDHA") are entering into a Settlement Agreement and Release with the United States, and this CIA is incorporated by reference into the Settlement Agreement and Release.

II. TERM OF THE CIA

The period of the integrity obligations assumed by GHC under this CIA shall be three (3) years from the effective date of this CIA. The effective date of this CIA shall be the date on which the final signatory to this CIA executes this CIA.

III. INTEGRITY OBLIGATIONS

Pursuant to this CIA, and for its duration, GHC will make the following integrity obligations permanent features of its Compliance Program, which shall be established in

Exhibit A

accordance with the provisions below:

A. COMPLIANCE COMMITTEE

Within ninety (90) days from the effective date of this Agreement, GHC shall appoint a Compliance Committee. The Compliance Committee shall, at a minimum, include the Compliance Officer and any other appropriate officers (e.g., senior executives of each major department such as billing, clinical, human resources, audit, operations, etc.). The Compliance Committee shall support the Compliance Officer (who shall chair the Compliance Committee) in fulfilling his or her responsibilities. The names and positions of the Compliance Committee members shall be included in the Annual Reports to the OIG. GHC shall ensure that the Compliance Committee is continuously composed of representatives of multiple disciplines and segments of GHC's operations. At a minimum, the Compliance Committee shall include or shall receive reports from each of the following positions, or their functional equivalent, that exist at that time: the Chief Compliance Officer, a representative of each one of GHC's clinical services, the Administrative Director of Graduate Medical Education, the Director of Patient Financial Services, and the Director of Business Services. The Compliance Committee must be able to make reports directly to the Board of Directors of GHC. Any changes in the positions that comprise the Compliance Committee must be reported to OIG within thirty (30) days of the effective date of the action. The Compliance Committee shall make the reports to OIG in accordance with section VI below. GHC may satisfy the requirement imposed by this section III.A by participating in the compliance plan adopted by GHC's Board of Directors implementing SDHA's Compliance Program.

B. COMPLIANCE OFFICER

Within ninety (90) days from the effective date of this Agreement, GHC shall also designate a Compliance Officer who shall be responsible for developing, implementing, monitoring, adapting, reporting on, and certifying compliance with, policies and procedures and practices designed to ensure compliance with the requirements set forth in this Agreement, and with the requirements of the Federal health care programs. At a minimum, the Compliance Officer must continuously be charged with the responsibility for the day-to-day compliance activities in furtherance of the integrity obligations assumed herein, as well as for any reporting obligations established under this Agreement. The Compliance Officer shall be a member of senior management of SDHA or GHC (i.e., not subordinate to SDHA's or GHC's general counsel, CFO, or similar officer) and shall make regular (at least quarterly) reports regarding compliance matters directly to GHC's CEO and/or to its Board of Directors and shall be authorized to report to the Board of Directors at any time. Any changes in the appointment of the Compliance Officer (including voluntary or involuntary personnel changes) or any actions or changes that would affect the Compliance Officer's ability to perform the duties necessary to meet the obligations in this Agreement must be reported to OIG within fifteen (15) days of the effective date of the action.

C. WRITTEN STANDARDS

1. CODE OF CONDUCT. Within ninety (90) days of the effective date of this Agreement, GHC shall develop and distribute to all Covered Individuals, and all other GHC employees, a Code of Conduct by which all such individuals are expected to abide. GHC shall maintain the Code of Conduct in effect for the duration of this Agreement. The Code of Conduct shall also be readily accessible to Covered Individuals, and all other GHC employees.

GHC shall make the promotion of, and adherence to, the Code of Conduct an element in evaluating the performance of all Covered Individuals, managers, supervisors, and all other GHC employees. At all times, the Code of Conduct shall, at a minimum, set forth:

a. GHC's commitment to full compliance with all statutes, regulations, and guidance applicable to the Federal health care programs, including its commitment to prepare and submit accurate reimbursement claims consistent with the Federal health care programs' statutes and regulations, as well as guidance otherwise communicated by the Health Care Financing Administration ("HCFA") (or other regulatory agencies that administer the Federal health care programs) and/or its agents;

b. GHC's requirement that all Covered Individuals, and all other GHC employees, comply with all statutes, regulations, and guidance applicable to Federal health care programs and with GHC's own policies and procedures (including the requirements of this Agreement);

c. The requirement that Covered Individuals, and all other GHC employees, are expected to report suspected violations of any statute, regulation, or guidelines applicable to the Federal health care programs or of GHC's own Policies and Procedures;

d. The potential consequences to both GHC and to any Covered Individual, and any other GHC employee, as a result of any failure to comply with the applicable Federal health care program requirements and/or with GHC's own Policies and Procedures or any failure to report such non-compliance; and

e. The right of all Covered Individuals, and any other GHC employee, to use GHC's Confidential Disclosure Program (as described below), as well as GHC's oommitment to confidentiality and non-retaliation policy with respect to disclosures.

Within ninety (90) days of the effective date of this Agreement, each Covered Individual, and all other GHC employees, shall certify, in writing, that he or she has received, read,

understands, and will abide by GHC's Code of Conduct. New Covered Individuals, and all other GHC employees, shall receive the Code of Conduct and shall complete the required certification within two (2) weeks of their employment or contract or within ninety (90) days of the effective date of this Agreement, whichever is later.

GHC will annually review the Code of Conduct and will make any necessary revisions. These revisions shall be distributed to all Covered Individuals, and all other GHC employees, within thirty (30) days of initiating such a change, unless the nature of the revision is such it that warrants earlier notice. Any amendments to the Code of Conduct must be reported to OIG in accordance with section VI below. Covered Individuals, and all other GHC employees, shall certify on an annual basis that they have received, read, understand and will abide by the Code of Conduct.

2. POLICIES AND PROCEDURES. Within ninety (90) days of the effective date of this Agreement, GHC shall review and revise (as necessary) its written Policies and Procedures regarding the operation of GHC's Compliance Program and its compliance with all federal and state health care statutes, regulations, and guidelines, including the requirements of the Federal health care programs. At a minimum, the Policies and Procedures shall specifically address: (1) the need for compliance in connection with all submissions for reimbursement for professional services; (2) documentation requirements; (3) a process for reasonable verification of compliance with these requirements; and (4) the establishment of internal controls designed to ensure that any entity with which GHC contracts for the provision of or billing for professional services complies with requirements (1) - (3) above. In addition, the Policies and Procedures shall include disciplinary guidelines and methods for Covered Individuals to make disclosures or otherwise report on compliance issues to management and/or supervisors, and through the Confidential Disclosure mechanisms required by section III.F. GHC shall assess and update the Policies and Procedures at least annually or more frequently, as appropriate. At a minimum, a summary of the Policies and Procedures will be provided to OIG in the Implementation Report, as provided in section VI.A. The Policies and Procedures will be available to OIG upon request.

GHC shall ensure that, within one hundred and twenty (120) days of the effective date of this Agreement, all Covered Individuals shall receive the policies and procedures relevant to their tasks and responsibilities in connection with GHC's Federal health care program business. GHC shall take actions that it considers reasonable and effective (e.g., placing such information on GHC's intranet) to ensure that these Policies and Procedures are communicated to Covered Individuals, and understood by them. Compliance staff or supervisors should be duly identified and made continuously available to explain any and all of GHC's Policies and Procedures.

D. TRAINING AND EDUCATION.

1. GENERAL TRAINING. Within one hundred and twenty (120) days of the effective date of this Agreement, GHC shall provide at least one (1) hour of general training to all Covered Individuals. This general training shall explain GHC's:

a. Corporate Integrity Agreement requirements;

b. Compliance Program (including the Policies and Procedures established pursuant to section III.C.2 above); and

c. Code of Conduct.

The training materials (including attendance logs) shall be maintained by GHC and made available to OIG, upon request. New Covered Individuals shall receive the general training described above within forty-five (45) days of the beginning of their employment or contract, or within one hundred and twenty (120) days after the effective date of this Agreement, whichever is later. Every Covered Individual shall receive such general training on an annual basis. The substance of the training and the identity of Covered Individuals attending the training must be documented in accordance with section III.D.3 below.

2. SPECIFIC TRAINING. Within one hundred and twenty (120) days of the effective date of this Agreement, all of GHC's medical residents, staff personnel who are involved in the submission of claims for professional services (including nurses, physician assistants, technologists, nurse assistants, reimbursement coders and other clerical personnel) (hereinafter referred to as "Involved Staff") shall receive more intensive training, in addition to the general training required above. This training shall include a discussion of:

a. the submission of accurate requests for reimbursement for professional services rendered to patients of the Federal health care programs;

b. the policies, procedures and other requirements applicable to the documentation of medical records relating to professional services;

c. the personal obligation of Involved Staff to ensure that the information documented by those individuals, whether relating to actual patient care, the type of services, or items delivered or the coding of such professional services or items is accurate and meets the Federal health care program requirements and GHC's policies;

d. reimbursement rules and statutes applicable to GHC's Federal health care program business;

e. the legal sanctions for improper billings (including the submission of false or inaccurate information); and

f. examples of proper and improper billing practices.

These training materials shall be made available to OIG, upon request. Persons providing

the training must be knowledgeable about the subject area.

New Involved Staff shall receive this training within thirty (30) days of the beginning of their employment or contract, or within one hundred and twenty (120) days of the effective date of this Agreement, whichever is later. If a new Involved Staff individual has any responsibility for the delivery of patient care, the preparation or submission of claims for professional services and/or the assignment of procedure codes prior to completing this specific training, a GHC Involved Staff individual who has completed the substantive training shall review all of the untrained person's work regarding the documentation of services and/or the assignment of billing codes until such time as the new Involved Staff member is duly trained.

Involved Staff shall receive at least four (4) hours of this specific training each year for the duration of this Agreement. The substance of the training and the identity of Involved Staff attending the training must be documented in accordance with section III.D.3 below.

3. CERTIFICATION. Each Covered Individual and/or Involved Staff shall certify, in writing, that he or she has attended the required training. GHC shall maintain documents that reflect attendance at all training sessions by Covered Individuals and/or Involved Staff, and the topics covered. The materials must include sheets with the signatures of the persons who attended. The Compliance Officer shall retain the attendance logs as well as the course materials. All of these documents shall be made available to OIG upon request.

GHC shall certify that such training has been provided in its Implementation and Annual Reports to OIG, in accordance with section VI below. Information concerning the format, dates, and copies of the materials provided will be available, upon request, for review by OIG.

E. REVIEW PROCEDURES.

GHC shall retain an entity, such as an accounting, auditing or consulting firm (hereinafter "Independent Review Organization"), to perform review procedures to assist GHC in assessing the adequacy of its professional billing and compliance practices pursuant to this CIA. This shall be an annual requirement and shall cover a twelve (12) month period. The Independent Review Organization must have expertise in the billing, coding, reporting and other requirements of the Federal health care programs from which GHC seeks reimbursement. The Independent Review Organization must be retained to conduct the audit of the first year within ninety (90) days of the effective date of this Agreement. The Independent Review Organization may be an entity that conducts the independent financial audits for GHC.

The Independent Review Organization shall conduct two (2) separate engagements. One will be an analysis of GHC's (or its agents') billings for professional services to the Federal health care programs to assist GHC and OIG in determining compliance with all applicable statutes, regulations, and directives/guidance ("billing engagement"). The second engagement will determine whether GHC is in compliance with this Agreement ("compliance engagement").

1. BILLING ENGAGEMENT. The billing engagement shall consist of a review of a statistically valid sample of claims that can be projected to the population of professional claims for Medicare Part B services submitted to the Federal health care programs for the relevant period. The sample size shall be determined through the use of a probe sample. At a minimum, the full sample must be within a ninety percent (90%) confidence level and a precision of twenty-five percent (25%). The probe sample must contain at least thirty (30) sample units and cannot be used as part of the full sample. If there are not thirty (30) units to sample, then the billing engagement shall consist of a one hundred percent (100%) review of GHC's professional claims to the Federal health care programs. Both the probe sample and the sample must be selected through random numbers. GHC shall use OIG's Office of Audit Services Statistical Sampling Software, also known as "RAT-STATS," which is available through the Internet at "www.hhs.gov/progorg/oas/ratstat.html".

Each annual billing engagement analysis shall include the following components in its methodology:

a. Billing Engagement Objective: A clear statement of the objective intended to be achieved by the billing engagement and the procedure or combination of procedures that will be applied to achieve the objective.

b. Billing Engagement Population: Identify the population, which is the group about which information is needed. Explain the methodology used to develop the population and provide the basis for this determination.

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

d. Sampling Unit: Define the sampling unit, which is any of the designated elements that comprise the population of interest.

e. Sampling Frame: Identify the sampling frame, which is the totality of the sampling units from which the sample will be selected.

The billing engagement shall provide:

a. findings regarding GHC's professional billing and coding operation (including, but not limited to, the operation of its professional billing system, strengths and weaknesses of this system, internal controls, and effectiveness of the system);

b. findings regarding whether GHC and/or its agents are submitting

accurate claims and/or cost reports for professional services billed to the Federal health care programs;

c. findings regarding GHC's and/or its agents' documentation of claims for professional services submitted to the Federal health care programs pursuant to its graduate medical education or residency programs;

d. findings regarding GHC's procedures to correct inaccurate professional billings or codings to the Federal health care programs; and

e. findings regarding the steps GHC is taking to bring its operations relating to billing for professional services into compliance or to correct problems identified by the audit.

2. COMPLIANCE ENGAGEMENT. An Independent Review Organization shall also conduct a compliance engagement, that shall provide findings regarding whether GHC's Compliance Program, policies, procedures, and operations comply with the terms of this CIA. This engagement shall include section by section findings regarding the requirements of this CIA.

3. VERIFICATION/VALIDATION. In the event that OIG determines that it is necessary to conduct an independent review to determine whether or the extent to which GHC is complying with its obligations under this CIA, GHC agrees to pay for the reasonable cost of any such review or engagement by OIG or any of its designated agents.

F. CONFIDENTIAL DISCLOSURE PROGRAM

Within ninety (90) days after the effective date of this CIA, GHC shall establish a Confidential Disclosure Program, which must include measures (e.g., a toll-free compliance telephone line) to enable Covered Individuals, and all other GHC employees, to disclose, to the Compliance Officer or some other person who is not in the reporting individual's chain of command, any identified issues or questions associated with GHC's policies, practices or procedures with respect to the Federal health care programs, believed by the individual to be inappropriate. GHC shall publicize the existence of the hotline (e.g., e-mail to employees or posting the hotline number in prominent common areas).

The Confidential Disclosure Program shall emphasize a non-retribution, non-retaliation policy, and shall include a reporting mechanism for anonymous, confidential communication. Upon receipt of a complaint, the Compliance Officer (or designee) shall gather the information in such a way as to elicit all relevant information from the individual reporting the alleged misconduct. The Compliance Officer (or designee) shall make a preliminary good faith inquiry into the allegations set forth in every disclosure to ensure that he or she has obtained all of the information necessary to determine whether a further review should be conducted. For any disclosure that is sufficiently specific so that it reasonably: (1) permits a determination of the

appropriateness of the alleged improper practice, and (2) provides an opportunity for taking corrective action, GHC shall conduct an internal review of the allegations set forth in such a disclosure and ensure that proper follow-up is conducted.

During the term of this CIA, the Compliance Officer shall maintain a confidential disclosure log, which shall include a record and summary of each allegation received, the status of the respective investigations, and any corrective action taken in response to the investigation.

G. INELIGIBLE PERSONS

1. DEFINITION. For the purposes of this CIA, 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 health care programs after a period of exclusion, suspension, debarment, or ineligibility.

2. SCREENING REQUIREMENTS. GHC shall not hire, engage as contractors, or grant staff privileges to any Ineligible Person. To prevent hiring or contracting with or granting staff privileges to any Ineligible Person, GHC shall screen all prospective employees and staff and prospective contractors prior to engaging their services by: (i) requiring applicants to disclose whether they are Ineligible Persons, and (ii) reviewing the General Services Administration's List of Parties Excluded from Federal Programs (available through the Internet at *http://www.arnet.gov/epls*) and the HHS/OIG List of Excluded Individuals/Entities (available through the Internet at *http://www.dhhs.gov/oig*) (these lists and reports will hereinafter be referred to as the "Exclusion Lists").

3. REVIEW AND REMOVAL REQUIREMENT. Within ninety (90) days of the effective date of this CIA, GHC will review its list of current Covered Individuals, and other employees, against the Exclusion Lists. Thereafter, GHC will review the list every six (6) months. If GHC has notice that a Covered Individual has become an Ineligible Person, GHC shall remove such person from responsibility for, or involvement with, GHC's business operations related to the Federal health care programs and shall remove such person from any position for which the person's salary or the items or services rendered, ordered, or prescribed by the person are paid in whole or part, directly or indirectly, by Federal health care programs or otherwise with federal funds at least until such time as the person is reinstated into participation in the Federal health care programs.

4. PENDING CHARGES AND PROPOSED EXCLUSION. If GHC has notice that a Covered Individual, or any other employee, is charged with a criminal offense related to any Federal health care program, or is proposed for exclusion during his or her employment or contract with GHC, GHC shall take all appropriate actions to ensure that the responsibilities of that individual do not adversely affect the quality of care rendered to any patient or resident, or the accuracy of any claims submitted to any Federal health care program.

H. NOTIFICATION OF PROCEEDINGS

Within thirty (30) days of discovery, GHC shall notify OIG, in writing, of any ongoing investigation or legal proceeding conducted or brought by a governmental entity or its agents involving an allegation (as evidenced by any communication by the governmental entity or its agent) that GHC has committed a crime or has engaged in fraudulent activities or any other knowing misconduct related to the Federal health care programs. This notification shall include a description of the allegation, the identity of the investigating or prosecuting agency, and the status of such investigation or legal proceeding. GHC shall also provide written notice to the OIG within thirty (30) days of the resolution of the matter, and shall provide the OIG with a description of the findings and/or results of the proceedings, if any.

I. REPORTING

1. REPORTING OF OVERPAYMENTS. If, at any time during the term of this CIA, GHC identifies or learns of any billing, coding or other policies, procedures and/or practices that result in an overpayment by a Federal health care program, GHC shall notify the payor (e.g., Medicare fiscal intermediary or carrier) within thirty (30) days of discovering the overpayment and take remedial steps within sixty (60) days of discovery (or such additional time as may be agreed to by the payor) to correct the problem, including preventing the underlying problem and the overpayments from recurring. If the overpayment is discovered as the result of any of the activities required by this CIA, the notice to the payor shall include:

a. a statement that the refund is being made pursuant to this CIA;

b. a description of the complete circumstances surrounding the overpayment;

c. the methodology by which the overpayment was determined;

d. the amount of the overpayment;

e. any claim-specific information used to determine the overpayment (e.g., beneficiary health insurance number, claim number, service date, and payment date);

f. the provider identification number under which the repayment is being made;

g. the cost reporting period; and

h. any applicable Overpayment Refund Form provided and required by the payor.

2. REPORTING OF MATERIAL DEFICIENCIES. If GHC determines that there is a material deficiency (defined below), GHC shall notify OIG within thirty (30) days of discovering the material deficiency. If the material deficiency results in an overpayment, the report to OIG shall be made at the same time as the report to the payor and shall include all of the information required by section III.I.1 plus: (i) the payor's name, address, and contact person where the overpayment was sent; and (ii) the date of the check and identification number (or electronic transaction number) on which the overpayment was repaid. Regardless of whether the material deficiency resulted in an overpayment, the report to OIG shall include:

a. a complete description of the material deficiency, including the relevant facts, persons involved, and legal and program authorities;

b. GHC's actions to correct the material deficiency; and

c. any further steps GHC plans to take to address such material deficiency and prevent it from recurring.

3. DEFINITION OF "OVERPAYMENT." For the purposes of this CIA, an "overpayment" shall mean the amount of money GHC has received in excess of the amount due and payable under the Federal health care programs' statutes, regulations or program directives, including carrier and intermediary instructions.

4. DEFINITION OF "MATERIAL DEFICIENCY." For the purposes of this CIA, a "material deficiency" means anything that involves: (i) a substantial overpayment relating to any Federal health care program; (ii) a matter that a reasonable person would consider a potential violation of criminal, civil, or administrative laws applicable to any Federal health care program; or (iii) a violation of the obligation to provide items or services of a quality that meets professionally recognized standards of health care where such violation has occurred in one or more instances that presents an imminent danger to the health, safety, or well-being of a Federal health care program beneficiary or place the beneficiary unnecessarily in high-risk situations. A material deficiency may be the result of an isolated event or a series of occurrences.

IV. NEW LOCATIONS

In the event that GHC purchases or establishes new business units which shall bill a Federal health care program after the effective date of this CIA, GHC shall notify OIG of this fact within thirty (30) days of the date of purchase or establishment. This notification shall include the location of the new operation(s), phone number, fax number, Federal health care program provider number(s) (if any), and the corresponding payor(s) (contractor specific) that has issued each provider number. All Covered Individuals, and other employees and agents, at such locations shall be subject to the requirements in this CIA that apply to new Covered Individuals, and other employees, (e.g., completing certifications and undergoing training).

V. OIG INSPECTION, AUDIT AND REVIEW RIGHTS

In addition to any other rights OIG may have by statute, regulation, or contract, the OIG or its duly authorized representative(s), may examine GHC's books, records, and other documents and supporting materials and/or conduct an onsite review of GHC's (or any entity owned or operated by GHC) operations for the purpose of verifying and evaluating: (a) GHC's compliance with the terms of this CIA; and (b) GHC's compliance with the requirements of the Federal health care programs in which it participates. The documentation described above shall be maintained and made available by GHC at all reasonable times for inspection, review and reproduction by OIG. Furthermore, for purposes of this provision, OIG or its authorized representative(s) may interview any of GHC's employees who consent to be interviewed at the employee's place of business during normal business hours or at such other place and time as may be mutually agreed upon between the employee and OIG. GHC agrees to assist OIG in contacting and arranging interviews with such employees upon OIG's request. OIG's inspection and review activities pursuant to this section V may include on-site visits.

VI. IMPLEMENTATION AND ANNUAL REPORTS

A. IMPLEMENTATION REPORT

Within one hundred and fifty (150) days after the effective date of this CIA, GHC shall submit a written report to OIG summarizing the status of its implementation of the requirements of this CIA. This Implementation Report shall include:

1. the names and positions of the members of the Compliance Committee required by section III.A.

2. the name, address, telephone number and position description of the Compliance Officer required by section III.B.

3. a copy of GHC's Code of Conduct required by section III.C.1.

4. a summary of the Policies and Procedures required by section III.C.2 or a copy of the Policies and Procedures.

5. a description of the training programs required by section III.D, including a description of the targeted audiences and a schedule of the dates on which the training sessions were held.

6. a certification by the Compliance Officer that:

   a. the Policies and Procedures required by section III.C have been developed, are being implemented, and have been distributed to all Covered Individuals;

   b. all Covered Individuals, and other employees and agents, have

completed the Code of Conduct certification required by section III.C.1; and

c. all Covered Individuals and Involved Staff have completed the training and executed the certification required by section III.D.

7. a description of the confidential disclosure mechanisms required by section III.F;

8. the identity of the Independent Review Organization(s) and the proposed start and completion date of the first audit;

9. a summary of personnel actions taken pursuant to section III.G; and

10. a list of all of GHC's locations (including locations and mailing addresses), the corresponding name under which each location is doing business, the corresponding phone numbers and fax numbers, each location's Federal health care program provider identification number(s), and the name, address, and telephone number of the payor (specific contractor) that issued each provider identification number.

B. ANNUAL REPORT

GHC shall make Annual Reports (each one of which is referred to throughout this CIA as the "Annual Report") to OIG describing the measures GHC has taken to ensure compliance with the terms of this CIA. The Annual Reports shall include the following information:

1. any change in the identity or position description of the Compliance Officer and/or members of the Compliance Committee described in sections III.A and III.B;

2. a certification by the Compliance Officer that:

a. all Covered Individuals, and other employees and agents, have completed the annual Code of Conduct certification required by section III.C.1; and

b. all Covered Individuals and Involved Staff have completed the training and executed the certification required by section III.D;

3. copies of any revisions or amendments made to the Code of Conduct or the Policies and Procedures required by section III.C, and the reasons for such changes (e.g., change in contractor policy);

4. a description of the training and education activities engaged in pursuant to section III.D of this CIA and a summary of the activities undertaken to implement this program, including schedules, topic outlines of the training sessions, and lists of the participants organized

by department or division. Additionally, GHC shall include a certification by the Compliance Officer that the education and training activities required under this CIA have taken place;

5. a complete copy of the report prepared pursuant to the Independent Review Organization's billing and compliance engagements, including a copy of the methodology used;

6. GHC's response/corrective action plan to any issues raised by the Independent Review Organization;

7. a summary of all material deficiencies reported during the period of the Annual Report pursuant to section III.I;

8. a report of the aggregate overpayments that have been returned to the Federal health care programs that were discovered as a direct or indirect result of implementing this CIA. Overpayment amounts should be broken down into the following categories: Medicare, Medicaid (report each applicable state separately), and other Federal health care programs;

9. a summary of communications (including the number of disclosures by individuals and the dates of disclosure) received through the mechanisms established pursuant to section III.F, as well as any follow up on such disclosures;

10. a description of any personnel action (other than hiring) taken by GHC as a result of the obligations in section III.G, and the name, title, and responsibilities of any person that falls within the ambit of section III.G.4, and the actions taken in response to the obligations set forth in that section;

11. a summary describing any ongoing investigation, audit or legal proceeding conducted or brought by a governmental entity involving an allegation that GHC has committed a crime or has engaged in fraudulent activities, which have been reported pursuant to section III.H. The statement shall include a description of the allegation, the identity of the investigating or prosecuting agency, and the status of such investigation, legal proceeding or requests for information;

12. a corrective action plan to address the probable violations of law identified in section III.I; and

13. a description of all changes to the most recently provided list (as updated) of GHC's locations (including locations and mailing addresses), the corresponding name under which each location is doing business, the corresponding telephone numbers and fax numbers, each location's Federal health care program provider identification number(s), and the name, address, and telephone number of the payor (specific contractor) that issued each provider identification number.

The first Annual Report shall be received by the OIG no later than one (1) year and thirty (30) days after the effective date of this CIA. Subsequent Annual Reports shall be submitted no

later than the anniversary date of the due date of the first Annual Report.

C. CERTIFICATIONS

The Implementation Report and Annual Reports shall include a certification by the Compliance Officer under penalty of perjury that: (1) GHC is in compliance with all of the requirements of this CIA, to the best of his or her knowledge; and (2) the Compliance Officer has reviewed the report and has made a reasonable inquiry regarding its content and believes that, upon such inquiry, the information is accurate and truthful.

VII. NOTIFICATIONS AND SUBMISSION OF REPORTS

Unless otherwise stated subsequent to the execution of this CIA, all notifications and reports required under the terms of this CIA shall be submitted in writing to the entities listed below:

OIG:

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, S.W.
Cohen Building, Room 5527
Washington, D.C. 20201
Phone 202.619.2078
Fax 202.205.0604

GHC:

Robin Escow
Compliance Liaison/Vice President of GHC
Grossmont Hospital Corporation
Administration Department
5555 Grossmont Center Drive
La Mesa, CA 91942
Phone 619.644.4425

VIII. DOCUMENT AND RECORD RETENTION

GHC shall maintain for inspection all documents and records relating to reimbursement from the Federal health care programs for one year longer than the term of this CIA (or longer if otherwise required by law).

IX. BREACH AND DEFAULT PROVISIONS

GHC is expected to fully and timely comply with all of the obligations herein throughout the term of this CIA or other time frames herein agreed to.

A. STIPULATED PENALTIES FOR FAILURE TO COMPLY WITH CERTAIN OBLIGATIONS.

As a contractual remedy, GHC and OIG hereby agree that failure to comply with certain obligations set forth in this CIA may lead to the imposition of the following monetary penalties (hereinafter referred to as "Stipulated Penalties") in accordance with the following provisions.

1. A Stipulated Penalty of $2,500 (which shall begin to accrue on the day after the date the obligation became due) for each day GHC fails to have in place any of the following:

a. a Compliance Officer;

b. a Compliance Committee;

c. a written Code of Conduct;

d. written Policies and Procedures;

e. a training program; and

f. a Confidential Disclosure Program.

2. A Stipulated Penalty of $2,500 (which shall begin to accrue on the day after the date the obligation became due) for each day GHC fails meet any of the deadlines to submit the Implementation Report or the Annual Reports to the OIG.

3. A Stipulated Penalty of $2,000 (which shall begin to accrue on the date the failure to comply began) for each day GHC:

a. hires or enters into a contract with or grants staff privileges to an Ineligible Person after that person has been listed by a federal agency as excluded, debarred, suspended or otherwise ineligible for participation in the Medicare, Medicaid or any other Federal health care program (as defined in 42 U.S.C. § 1320a-7b(f)) (this Stipulated Penalty shall not be demanded for any time period during which GHC can demonstrate that it did not discover the person's exclusion or other ineligibility after making a reasonable inquiry (as described in section III.G) as to the status of the

person);

b. employs or contracts with or grants staff privileges to an Ineligible Person and that person: (i) has responsibility for, or involvement with, GHC's business operations related to the Federal health care programs or (ii) is in a position for which the person's salary or the items or services rendered, ordered, or prescribed by the person are paid in whole or part, directly or indirectly, by Federal health care programs or otherwise with federal funds (this Stipulated Penalty shall not be demanded for any time period during which GHC can demonstrate that it did not discover the person's exclusion or other ineligibility after making a reasonable inquiry (as described in section III.G) as to the status of the person); or

c. employs or contracts with or grants staff privileges to a person who: (i) has been charged with a criminal offense related to any Federal health care program, or (ii) is suspended or proposed for exclusion, and that person has responsibility for, or involvement with, GHC's business operations related to the Federal health care programs (this Stipulated Penalty shall not be demanded for any time period before ten (10) days after GHC received notice of the relevant matter or after the resolution of the matter).

4. A Stipulated Penalty of $1,500 (which shall begin to accrue on the date GHC fails to grant access) for each day GHC fails to grant access to the information or documentation as required in section V of this CIA.

5. A Stipulated Penalty of $1,000 (which shall begin to accrue ten (10) days after the date that OIG provides notice to GHC of the failure to comply) for each day GHC fails to comply fully and adequately with any obligation of this CIA. In its notice to GHC, OIG shall state the specific grounds for its determination that GHC has failed to comply fully and adequately with the obligation(s) at issue.

B. PAYMENT OF STIPULATED PENALTIES.

1. DEMAND LETTER. Upon a finding that GHC has failed to comply with any of the obligations described in section IX.A and determining that Stipulated Penalties are appropriate, OIG shall notify GHC by personal service or certified mail of (a) GHC's failure to comply; and (b) OIG's exercise of its contractual right to demand payment of the Stipulated Penalties (this notification is hereinafter referred to as the "Demand Letter").

Within fifteen (15) days of the date of the Demand Letter, GHC shall either (a) cure the breach to OIG's satisfaction and pay the applicable Stipulated Penalties; or (b) request a hearing before an HHS administrative law judge ("ALJ") to dispute OIG's determination of noncompliance, pursuant to the agreed upon provisions set forth below in section IX.D. In the

event GHC elects to request an ALJ hearing, the Stipulated Penalties shall continue to accrue until GHC cures, to OIG's satisfaction, the alleged breach in dispute. Failure to respond to the Demand Letter in one of these two manners within the allowed time period shall be considered a material breach of this CIA and shall be grounds for exclusion under section IX.C.

2. TIMELY WRITTEN REQUESTS FOR EXTENSIONS.. GHC may submit a timely written request for an extension of time to perform any act or file any notification or report required by this CIA. Notwithstanding any other provision in this section IX.B, if OIG grants the timely written request with respect to an act, notification, or report, Stipulated Penalties for failure to perform the act or file the notification or report shall not begin to accrue until one (1) day after GHC fails to meet the revised deadline as agreed to by the OIG-approved extension. Notwithstanding any other provision in this section IX.B.2, if OIG denies such a timely written request, Stipulated Penalties for failure to perform the act or file the notification or report shall not begin to accrue until two (2) business days after GHC receives OIG's written denial of such request. A "timely written request" is defined as a request in writing received by OIG at least five (5) business days prior to the date by which any act is due to be performed or any notification or report is due to be filed.

3. FORM OF PAYMENT. Payment of the Stipulated Penalties shall be made by certified or cashier's check, payable to "Secretary of the Department of Health and Human Services," and submitted to OIG at the address set forth in section VII.

4. INDEPENDENCE FROM MATERIAL BREACH DETERMINATION. Except as otherwise noted, these provisions for payment of Stipulated Penalties shall not affect or otherwise set a standard for OIG's determination that GHC has materially breached this CIA, which decision shall be made at OIG's discretion and governed by the provisions in section IX.C, below.

C. EXCLUSION FOR MATERIAL BREACH OF THIS CIA.

1. NOTICE OF MATERIAL BREACH AND INTENT TO EXCLUDE. The parties agree that a material breach of this CIA by GHC constitutes an independent basis for the exclusion of GHC (or any entity that it owns or operates) from participation in the Federal health care programs (as defined in 42 U.S.C. § 1320a-7b(f)). Upon a determination by OIG that GHC has materially breached this CIA and that exclusion should be imposed, OIG shall notify GHC by certified mail of (a) GHC's material breach; and (b) OIG's intent to exercise its contractual right to impose exclusion (this notification is hereinafter referred to as the "Notice of Material Breach and Intent to Exclude").

2. OPPORTUNITY TO CURE. GHC shall have thirty-five (35) days from the date of the Notice of Material Breach and Intent to Exclude Letter to demonstrate to OIG's satisfaction that:

a. GHC is in full compliance with this CIA;

b. the alleged material breach has been cured; or

c. the alleged material breach cannot be cured within the 35-day period, but that: (i) GHC has begun to take action to cure the material breach, (ii) GHC is pursuing such action with due diligence, and (iii) GHC has provided to OIG a reasonable timetable for curing the material breach.

3. EXCLUSION LETTER. If at the conclusion of the thirty-five (35) day period, GHC fails to satisfy the requirements of section IX.C.2, OIG may exclude GHC or any entity owned or operated by GHC from participation in the Federal health care programs. OIG will notify GHC in writing of its determination to exclude GHC or any entity owner or operated by GHC (this letter shall be referred to hereinafter as the "Exclusion Letter"). Subject to the Dispute Resolution provisions in section IX.D, below, the exclusion shall go into effect thirty (30) days after the date of the Exclusion Letter. The exclusion shall have national effect and will also apply to all other federal procurement and non-procurement programs. If GHC (or any entity that it owns or operates) is excluded under the provisions of this CIA, GHC may seek reinstatement pursuant to the provisions at 42 C.F.R. §§ 1001.3001-.3004.

4. MATERIAL BREACH. A material breach of this CIA means:

a. a failure by GHC to report a material deficiency, take corrective action and pay the appropriate refunds, as provided in section III.I;

b. repeated or flagrant violations of the obligations under this CIA, including, but not limited to, the obligations addressed in section IX.A of this CIA;

c. a failure to respond to a Demand letter concerning the payment of Stipulated Penalties in accordance with section IX.B above; or

d. a failure to retain and use an Independent Review Organization for review purposes in accordance with section III.E.

D. DISPUTE RESOLUTION.

1. REVIEW RIGHTS. Upon OIG's delivery to GHC of its Demand Letter or of its Exclusion Letter, and as an agreed-upon contractual remedy for the resolution of disputes arising under the obligation of this CIA, GHC shall be afforded certain review rights comparable to the ones that are provided in 42 U.S.C. § 1320a-7(f) and 42 C.F.R. Part 1005 as if they applied to the Stipulated Penalties or exclusion sought pursuant to this CIA. Specifically, OIG's determination to demand payment of Stipulated Penalties or to seek exclusion shall be subject to review by an

ALJ and, in the event of an appeal, the Departmental Appeals Board ("DAB"), in a manner consistent with the provisions in 42 C.F.R. §§ 1005.2-1005.21. Notwithstanding the language in 42 C.F.R. § 1005.2(c), the request for a hearing involving Stipulated Penalties shall be made within fifteen (15) days of the date of the Demand Letter and the request for a hearing involving exclusion shall be made within thirty (30) days of the date of the Exclusion Letter.

2. STIPULATED PENALTIES REVIEW. Notwithstanding any provision of Title 42 of the United States Code or Chapter 42 of the Code of Federal Regulations, the only issues in a proceeding for Stipulated Penalties under this CIA shall be (a) whether GHC was in full and timely compliance with the obligations of this CIA for which OIG demands payment; and (b) the period of noncompliance. GHC shall have the burden of proving its full and timely compliance and the steps taken to cure the noncompliance, if any. If the ALJ finds for OIG with regard to a finding of a breach of this CIA and orders GHC to pay Stipulated Penalties, such Stipulated Penalties shall become due and payable twenty (20) days after the ALJ issues such a decision notwithstanding that GHC may request review of the ALJ decision by the DAB.

3. EXCLUSION REVIEW. Notwithstanding any provision of Title 42 of the United States Code or Chapter 42 of the Code of Federal Regulations, the only issues in a proceeding for exclusion based on a material breach of this CIA shall be (a) whether GHC was in material breach of this CIA; (b) whether such breach was continuing on the date of the Exclusion Letter; and (c) the alleged material breach cannot be cured within the thirty-five (35) day period, but that (i) GHC has begun to take action to cure the material breach, (ii) GHC is pursuing such action with due diligence, and (iii) GHC has provided to OIG a reasonable timetable for curing the material breach. For the purposes of the exclusion herein, such exclusion shall take effect only after an ALJ decision favorable to OIG. GHC's election of its contractual right to appeal to the DAB shall not abrogate OIG's authority to exclude GHC or any entity that GHC owns or operates upon the issuance of the ALJ's decision. If the ALJ sustains the determination of OIG and determines that exclusion is authorized, such exclusion shall take effect twenty (20) days after the ALJ issues such a decision, notwithstanding that GHC may request review of the ALJ decision by the DAB.

4. FINALITY OF DECISION. The review by an ALJ or DAB provided for above shall not be considered to be an appeal right arising under any statutes or regulations. Consequently, the parties to this CIA agree that the DAB's decision (or the ALJ's decision if not appealed) shall be considered final for all purposes under this CIA and GHC agrees to waive any right it may have to appeal the decision administratively, judicially or otherwise seek review by any court or other adjudicative forum.

X. DISCLOSURES

Subject to HHS's Freedom of Information Act ("FOIA") procedures, set forth in 45 C.F.R. Part 5, the OIG shall make a reasonable effort to notify GHC prior to any release by the OIG of information submitted by GHC pursuant to its obligations under this CIA and identified upon submission by GHC as trade secrets, commercial or financial information and privileged

and confidential under the FOIA rules. GHC shall refrain from identifying any information as trade secrets, commercial or financial information and privileged and confidential that does not meet the criteria for exemption from disclosure under FOIA.

XI. EFFECTIVE AND BINDING AGREEMENT

Consistent with the provisions in the Settlement Agreement and Release pursuant to which this CIA is entered, and into which this CIA is incorporated by reference, GHC and OIG agree as follows:

A. This CIA shall be binding on the successors, assigns and transferees of GHC;

B. This CIA shall become final and binding on the date the final signature is obtained on this CIA;

C. Any modifications to this CIA shall be made with the prior written consent of the parties to this CIA; and

D. The undersigned GHC signatories represent and warrant that they are authorized to execute this CIA. The undersigned United States signatory represents that he is signing this CIA in his official capacity and that he is authorized to execute this CIA.

ON BEHALF OF GROSSMONT HOSPITAL CORPORATION

Michele Tarbet
MICHELE TARBET
Chief Executive Officer
Grossmont Hospital Corporation

11/23/99
DATE

DATE

DATE

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

LEWIS MORRIS, ESQ.
Assistant Inspector General for Legal Affairs
Office of Counsel to the Inspector General
Office of Inspector General
U. S. Department of Health and Human Services

12/4/99
DATE