P.O. Box 8738, Dayton, OH 45401-8738 | 800.488.0134 | CareSource.com

November 9, 2015

Marty Mansfield
Cardinal Health Partners/Care Ohio
1001 Bellefontaine Ave
Lima, OH 45804

Re: CareSource Compliance Education Letter, False Claims Act and Other Related Laws and Regulations Education

Dear Marty Mansfield,

Cardinal Health Partners/Care Ohio is contracted with CareSource, whose principle business is to manage numerous federal and state health care programs. As a result of working with Federal health care program, CareSource has very specific compliance requirements that it must meet. Your company, as a delegated entity for CareSource, also must meet the same compliance obligations in regard to a Compliance Plan, Code of Conduct, Conflict of Interest, Fraud, Waste and Abuse, the False Claims Act and HIPAA/HITECH. Information regarding these Compliance obligations are outlined in this letter.

This information must be passed on to all your Board members, employees, temporary employees, volunteers, contractors, subcontractors, and downstream entities handling CareSource business.

An attestation acknowledging receipt of this information and your adherence to the compliance obligations outlined is also enclosed. **Please check the appropriate boxes on this form** indicating how you have complied with the compliance requirements.

This attestation must be signed by either the president, CEO, or a designee with the appropriate level of authority and accountability and returned to CareSource (address provided on attestation) no later than December 4, 2015.

Definitions

Abuse is defined as, provider practices that are inconsistent with sound fiscal, business or medical practices, and result in an unnecessary cost to the Medicaid/Medicare program, or in reimbursement for services that are not medically necessary or that fail to meet professionally recognized standards for health care. It also includes recipient practices that result in unnecessary costs to the Medicaid/Medicare program.

Delegated Vendor/Subcontractor/FDR Entity is an external organization that performs a function(s) that is otherwise the responsibility of CareSource per CMS, State Medicaid oversight agencies, NCQA/URAC accrediting agencies, and/or CareSource business rules.

Delegation is the assignment to a Vendor/Subcontractor/FDR entity, by written contract, of a function(s) that is otherwise the responsibility of CareSource under its contract with CMS, State Medicaid oversight agencies, NCQA/URAC accrediting agency, and/or CareSource business rules.

First Tier, Downstream or Related Entity (FDR):

- **First Tier Entity** is any party that enters into a written arrangement, acceptable to CMS, with an MAO or Part D plan sponsor or applicant to provide administrative services or health care services to a Medicare eligible individual under the MA program or Part D program. (42 C.F.R. §423.501).
- **Downstream Entity** is any party that enters into a written arrangement, acceptable to CMS, with persons or entities involved with the MA benefit or Part D benefit, below the level of arrangement between an MAO or a Part D plan sponsor or applicant and a first tier entity. These written arrangements continue down to the level of the ultimate provider of both health and administrative services (42 C.F.R. §423.501).
- **Related Entity** is any entity that is related to an MAO or Part D sponsor by common ownership or control and:
    - Performs some sort of the MAO or Part D plan sponsor's management functions under contract or delegation;
    - Furnishes services to Medicare enrollees under an oral or written agreement; or
    - Leases real property or sells materials to the MAO or Part D plan sponsor at a cost of more than $2,500 during a contract period (42 C.F.R. §423.501).
    - Leases real property or sells materials to the MAO or Part D plan sponsor at a cost of more than $2,500 during a contract period (42 C.F.R. §423.501).

Fraud is defined as an intentional deception or misrepresentation made by a person with the knowledge that the deception could result in some unauthorized benefit to himself or some other person. It includes any act that constitutes fraud under applicable federal or state law.

Health Information Technology for Economic and Clinical Health (HITECH) Act is law enacted as part of the American Recovery and Reinvestment Act of 2009 to promote the adoption and meaningful use of health information technology.

Improper Payment is any payment that should not have been made or that was made in an incorrect amount (including overpayments and underpayments) under statutory, contractual, administrative or other legally applicable requirements. This includes any payment to an ineligible recipient, any payment for an ineligible good or service, any duplicate payment, any payment for a good or service not received (except for such payments where authorized by law), and any payment that does not account for credit for applicable discounts. – Improper Payments Elimination and Recovery Act (IPERA).

Kickbacks are defined as knowingly and willingly accepting or offering remuneration of any sort and in any manner intended to influence the referral of Medicare and Medicaid services.

Medicare Advantage Organization (MAO) is a type of Medicare health plan offered by a private company that contracts with Medicare to provide all Part A and B benefits. Medicare Advantage Plans include Health Maintenance Organizations (HMO), Preferred Provider Organizations (PPO), Private Fee-for-Service Plans, Special Needs Plans, and Medicare Medical Savings Account Plans.

Offshore Subcontractor is when you use an individual or entity outside of the United States to fulfill requirements of your contract. This includes all first-tier, downstream and/or related entities. Offshore refers to any country that is not within the United States or one of the United States territories. Subcontractors that are considered offshore can be either American-owned companies with certain portions of their operations performed outside the United States or foreign-owned companies with their operations performed outside of the United States. Offshore subcontractors provide services that are performed by workers located in offshore countries, regardless of whether the works are employees of American or foreign companies.

Physician Self-Referral is making referrals for certain designated health services payable to Medicare to an entity with which the physician (or an immediate family member) has a financial relationship (ownership, investment, or compensation).

Protected Health Information (PHI) is all "individually identifiable health information" held or transmitted by a covered entity or its business associate, in any form or media, whether electronic, paper, or oral. "Individually identifiable health information" is information, including demographic data, that relates to the member's past, present or future physical or mental health or condition, the provision of health care to the member, or the past, present, or future payment for the provision of health care to the member, and that identifies the member or for which there is a reasonable basis to believe it can be used to identify the member.

Security encompasses all of the administrative, physical, and technical safeguards in an information system

Subcontractor is a person or entity which a first-tier or downstream entity contracts to fulfill or help fulfill requirements in a Medicare Advantage contract.

Waste involves taxpayers not receiving reasonable value for money in connection with any government funded activities due to an inappropriate act or omission by a person with control over or access to government resources (e.g., executive, judicial or legislative branch employees, grantees or other recipients). Waste goes beyond fraud and abuse, and most waste does not involve a violation of law. Waste relates primarily to mismanagement, inappropriate actions and inadequate oversight.

General Compliance Responsibilities:

CareSource has developed a corporate compliance plan and code of conduct in order to outline crucial personal, professional, ethical, and legal standards. The compliance plan and code of conduct outline the overarching principles and values by which the company operates. As a delegate and/or FDR for CareSource, your organization and its affiliates, contractors, and downstream entities must abide by your own policies and procedures, standards of conduct, and compliance plan; which must be similar in scope and content to the compliance policies and procedures and code of conduct held by CareSource or utilize CareSource's compliance policies and procedures. Your compliance responsibilities are:

- You must have a policy and procedure in place to screen your board members, partners, executive management, volunteers, subcontractors, and employees at least annually for conflicts of interest.
- You may not utilize offshore contractors for services associated with CareSource or CareSource members. For the definition of an offshore contractor, please see definitions section of this letter.
- You must train new employees within 90 days, and existing employees annually on your Compliance Plan, Code of Conduct and Conflict of Interest. If you do not have your own policies, you may choose to use CareSource's policies. You must maintain records of your compliance training to include names, dates, and training content.
    - The CareSource Corporate Compliance Plan, Code of Conduct, and Conflict of Interest is located at https://www.caresource.com/about-us/corporate-information/.
- You should have a system in place to receive, record, and track compliance, legal and ethical allegations. Those allegations pertinent to CareSource should be reported to CareSource using the reporting information found at the end of this letter.
- You must maintain all records evidencing you met the requirements as identified in this letter (i.e.; training sign-in sheets, training material, training certificates, attestations, etc.) for 10 years and you must make those available for inspection and review by CareSource upon request.
- Additional information on responsibilities specific to Delegated Vendors can be found in the CareSource Vendor Onboarding Guide that was sent to you from our Vendor Management Department.

HIPAA and HITECH Responsibilities:

As part of the **Health Insurance Portability and Accountability Act (HIPAA)**, the U.S. Criminal Code was amended, and it is a crime to knowingly and willfully execute, or attempt to execute a scheme or artifice to defraud any federal health care program, or obtain by means of false or fraudulent pretenses, representations or promises, any money or property owned by or under the custody or control of any federal health care program. 18 U.S.C. §1347.

Under **HITECH Act**, HIPAA covered entities must promptly notify affected individuals of breaches of PHI, as well as the HHS Secretary and the media in cases where a breach affects more than 500 individuals. Breaches affecting fewer than 500 individuals must be reported to the HHS Secretary on an annual basis. Business associates must notify covered entities of breaches at or by the business associate. The HITECH Act also modified the HIPAA enforcement regulations, establishing four tiers of violations reflecting increasing levels of culpability with four corresponding penalty levels.

Examples of HIPAA and HITECH violations are:

- Disclosing member PHI to an unauthorized third party
- Using member PHI for an unauthorized purpose
- Accessing member PHI without proper authorization
- Failing to maintain the Security of electronic PHI
- Failing to notify CareSource of a HIPAA breach

Fraud, Waste and Abuse (FWA) Responsibilities

CareSource is required to prevent, identify, investigate, correct and report FWA. To do this, CareSource has a fully operational Special Investigation department. Your responsibilities for this compliance requirement are:

- You must understand the definitions of Fraud, Waste, and Abuse. Refer to the definitions at the beginning of this letter.
- You must train your employees, subcontractors, and downstream entities on FWA definitions, examples of FWA (see below), and how to report concerns to CareSource.
- You must understand that CareSource is prohibited by its federal and state contracts from knowingly having relationships with persons who are debarred, suspended, or otherwise excluded from participating in federal procurement and non-procurement activities. You must monitor your trustees, officers, employees, providers, downstream entities, and subcontractors **monthly** to determine if they are debarred, suspended or otherwise excluded from participating in federal procurement and non-procurement activities. You are required to keep records of your monthly checks, as these will be audited.
    - You must use both the following website to accomplish these checks: Make sure you print out verification that the check was performed monthly.
        - OIG – https://exclusions.oig.hhs.gov
        - SAM – www.sam.gov
    - If you identify an individual that is debarred, suspended, or otherwise excluded, they must be **immediately** removed from CareSource business, and you must notify CareSource immediately using the contact information at the end of this letter. We will verify the exclusion, and determine appropriate actions.
- You must immediately notify CareSource if the ownership or controlling interest of your practice or corporate entity changes. This includes ownership and controlling interest by a spouse, parent, child, or sibling.
    - You must provide us with information concerning your ownership of any related medical entities where there are significant financial transactions in accordance with 42 C.F.R. 455.100-106.
    - You must disclose any ownership and managing employee changes to CareSource.
- Your board members, partners, executive management, volunteers, subcontractors, temporary employees and employees must understand the Federal False Claims Act (further information on the False Claims Act is included in this letter)
    - You must report any information or knowledge that constitutes fraud, waste, abuse, violations of the Federal False Claims Act, or any other federal or state fraud laws.
    - You must report to CareSource any scheme or artifice to defraud a federal health care program such as that managed by CareSource (see HIPAA above) by using the reporting information at the end of this letter.
- You must emphasize non-retaliation and non-intimidation for good faith reporting of allegations of noncompliance and potential fraud, waste and abuse. Anyone experiencing retaliation or intimidation for good faith reporting should report this to CareSource.
- You have a right to report your concerns to CareSource anonymously and confidentially.

Examples of Fraud, Waste and Abuse

Provider:

- Billing for non-covered, medically unnecessary services and prescription drugs
- Up-coding CPT, HCPCS and DRG codes to obtain a higher rate of reimbursement
- Separating and billing the individual components of a medical service rather than correctly billing with an all-inclusive procedure code – also known as "unbundling"
- Inappropriate use of CPT codes and/or modifiers to seek higher reimbursement
- Not checking a member's identification card, resulting in claims submitted for non-covered persons
- Billing for services not rendered
- Balance billing of Medicaid members for any balance owed after CareSource has paid the approved state fee for services rendered
- Retaining payments made in error by CareSource
- Payments stemming from Kickbacks or Federal Stark Law violations
- Duplicate payments for services

Member:

- Inappropriate use of Medicaid/Medicare purchased narcotics
- Forging prescriptions to obtain controlled substances
- Sharing CareSource ID cards with nonmembers
- Submitting fraudulent Babies First Coupons for prenatal and well-baby visits (Medicaid Only)
- Misusing ID card
- Submitting false information

Pharmacy:

- Dispensing prescription drugs inconsistent with the order
- Submitting claims for a more expensive brand drug when a less expensive generic prescription is dispensed
- Dispensing less than the prescribed quantity without arranging for the additional medication to be received with no additional dispensing fees
- Splitting prescriptions into two orders to seek higher reimbursement
- Dispensing expired, fake, diluted, tainted or illegal drugs
- Billing for prescriptions not filled or picked up

Company/Employee/Delegated Entities:

- Embezzling CareSource funds
- Misappropriation of CareSource assets
- Stealing CareSource property
- Falsifying CareSource business data and reports
- Receiving gifts or kickbacks from vendors for goods or services
- Preventing members from accessing covered services resulting in underutilization of services offered

- Altering/destroying member materials, medical records, etc.
- Backdating forms

The Federal False Claims Act

The Federal False Claims Act:
Using the False Claims Act (the Act), you can help reduce fraud against the federal government. The Act allows everyday people to bring "whistleblower" lawsuits on behalf of the government known as "qui tam" suits against businesses or other individuals that are defrauding the government through programs, agencies or contracts.

The False Claims Act applies when a company or person:

- Knowingly presents or causes to be presented, a false or fraudulent claim for payment or approval;
- Knowingly makes, uses or causes to be made or used, a false record or statement material to a false or fraudulent claim;
- Conspires to commit a violation of any other section of the False Claims Act;
- Has possession, custody or control of property or money used, or to be used, by the government and knowingly delivers, or causes to be delivered, less than all of that money or property;
- Is authorized to make or deliver a document certifying a receipt of property used, or to be used by the government, and intending to defraud the government, makes or delivers the receipt without completely knowing that the information on the receipt is true;
- Knowingly buys or receives as a pledge of an obligation or debt, public property from an officer or employee of the government, or a member of the Armed Forces, who lawfully may not sell or pledge property; or
- Knowingly makes, used or causes to be made or used, a false record or statement material to an obligation to pay or transmit money or property to the government, or knowingly conceals or improperly avoids or decreases an obligation to pay or transmit money or property to the government.

"Knowingly" means acting with actual knowledge or with reckless disregard or deliberate indifference to the truth or falsity of information.

The time period for a claim to be brought under the False Claims Act is the later of:

- Within six years from the date of the illegal conduct, or
- Within three years after the date the Government knows or should have known about the illegal conduct, but in no event later than ten years after the illegal activity

There are significant penalties for violating the False Claims Act. Civil penalties include fines for each false claim and may be tripled. In addition to civil penalties, courts can also impose criminal penalties.

Ohio Law:
While Ohio has not passed its own false claims statute, there may nevertheless be liability under various Ohio laws regarding false or fraudulent claims with respect to Medicaid/Medicare program expenditures, including:

- Medicaid Fraud, Ohio Revised Code Sec. 2913.40
- Medicaid Eligibility Fraud, Ohio Revised Code Sec. 2913.401
- Falsification, Ohio Revised Code Sec. 2921.13
- Offenses by Medicaid Providers, Ohio Revised Code Sec. 5164.35

Protections for Reporters of Fraud, Waste and Abuse: Federal and state law and CareSource's policy prohibit any retaliation or retribution against persons who report suspected violations of these laws to law enforcement officials or who file "whistleblower" lawsuits on behalf of the government. Anyone who believes that he or she has been subject to any such retribution or retaliation should also report this to the Special Investigations Unit using the contact information in this letter.

Federal and State False Claims Acts and our Fraud, Waste and Abuse reporting mechanisms can also be found on our website, www.CareSource.com.

Other Fraud, Waste and Abuse Laws:

- Under the **Federal Anti-Kickback Statute**, and subject to certain exceptions, it is a crime for anyone to knowingly and willfully solicit or receive, or pay anything of value, including a kickback, bribe or rebate in return for referring an individual to a person for any item or service for which payment may be made in whole or in part under a federal health care program. 42 U.S.C §1320a-7b.
- Under the **Federal Stark Law**, and subject to certain exceptions, physicians are prohibited from referring federal health care program patients for certain designated health services to an entity with which the physician or an immediate family member has a financial relationship. The Stark Law imposes specific reporting requirements on entities that receive payment for services covered by federal health care programs. 42 U.S.C §1395(a) and §1903(s).

Prohibited Affiliations:
CareSource is prohibited by its federal and state provider agreements from knowingly having relationships with person who are debarred, suspended or otherwise excluded from participating in federal procurement and non-procurement activities. Relationships must be terminated with any trustee, officer, employee, provider or vendor who is identified to be debarred, suspended or otherwise excluded from participation in federal or state health care programs. If you, an employee or sub-contractor is a prohibited affiliation, you must notify us **immediately**.

Disclosure of Ownership, Debarment and Criminal Convictions:
Before CareSource enters into or renews an agreement with your practice or corporate entity, you must disclose any debarment or suspension status and any criminal convictions related to federal health care programs for yourself, your managing employees, anyone with ownership or controlling interest in your practice or corporate entity, or any other person or entity that could receive federal funds for work done on behalf of your practice or corporate entity. You must **immediately** notify CareSource if the ownership or controlling interest of your practice or corporate entity changes. This includes ownership and controlling interest by a spouse, parent, child or sibling. You may also be required to provide us with information concerning your ownership of any related medical entity where there are significant financial transactions. More information and relevant definitions may be reviewed at: 42 C.F.R. 455.100-106.

Fraud, Waste and Abuse Reporting Process:
It is CareSource's policy to detect and prevent any activity that may constitute fraud, waste or abuse, including violations of the Federal False Claims Act or any other federal or state fraud laws. If you have knowledge or information that any such activity may be or has taken place, please contact our Special Investigations Unit using the contact information in this letter. Information may be reported **anonymously**.

Your organization must emphasize non-retaliation and non-intimidation for good-faith reporting of allegations of noncompliance and potential fraud, waste and abuse. You must have one or more methods to anonymously report noncompliance and fraud, waste and abuse to CareSource, and these methods must be widely publicized and available to employees 24 hours per day, seven days per week. Your organization should have a system in place to receive, record, respond and track issues of this nature.

Contact Information for Reporting Concerns/Issues:

Options for reporting anonymously:

- **Fraud Hotline:** 1-800-488-0134 (Follow the prompts for reporting Fraud)
- **Written Report:** Use the Fraud, Waste and Abuse Reporting Form on CareSource.com or write a letter and send to:

  CareSource
  Attn: Special Investigations Unit
  P.O. Box 1940
  Dayton, OH 45401-1940

Options for reporting that are not anonymous:

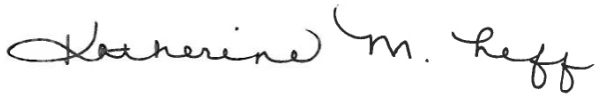
- **Email*:** fraud@caresource.com
- **Fax:** 1-800-418-0248

**Most email systems are not protected from third parties. Please do not email to send confidential information. If you will be sending confidential or health information, please use the form or phone number to report your concerns to help protect your privacy.*

All reports are **confidential** to the extent permitted by law.

Thank you for your adherence with our Compliance, Fraud, Waste and Abuse and HIPAA/HITECH requirements. We also appreciate your help in the fight against health care fraud, waste and abuse.

Sincerely,



Katherine M. Leff, RN, ALHC, CLU, CPC, AHFI, CFE, CHC
Director, Special Investigations
CareSource