



**Health Net<sup>®</sup>**

## **2016 Medicare Compliance Plan**

**Document maintained by:  
Donovan Ayers  
Vice President, Compliance Officer**

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## Compliance Plan Governance

The Medicare Compliance Plan applies to Medicare Part C and Medicare Part D. The Medicare Compliance Plan is reviewed and updated, as applicable, annually and is approved by the Medicare Compliance Committee and the Boards of Directors for the Health Net subsidiaries that hold contracts with the Centers for Medicare & Medicaid Services (“CMS”): Health Net of Arizona, Inc.; Health Net of California, Inc.; Health Net Health Plan of Oregon, Inc.; Health Net Community Solutions, Health Net Community Solutions of Arizona, Inc.; and Health Net Life Insurance Company. The Medicare Compliance Plan is also presented to the Audit Committee of the Board of Directors for the parent company, Health Net, Inc. (hereafter, “Health Net” or “Company”).

The Medicare Compliance Plan is a component of Health Net’s overall compliance program and reinforces the Company’s commitment to comply with all applicable Federal and state standards as well as ethical standards of conduct. The overall compliance program at Health Net includes the Code of Business Conduct and Ethics (“Code”), which is endorsed by Health Net’s Chief Executive Officer and Chief Operating Officer, and approved by the Health Net, Inc. Board of Directors. The Medicare Compliance Plan builds on the foundation established by the Company’s corporate compliance program, including measures related to mandatory compliance training, HIPAA privacy program training, fraud, waste and abuse (“FWA”) detection, prevention and correction, including a hotline for anonymous reporting, and specialized training for functional areas supported by department policies and procedures.

One of the key elements in the Medicare compliance program is the creation of a Medicare Compliance Committee (“Committee”), which is charged with supporting the Compliance Officer in review and oversight of the Medicare compliance program. The Committee is responsible to senior management, the Chief Executive Officer, and the Health Net, Inc. and subsidiary Boards of Directors for reviewing the effectiveness of the Medicare compliance program through self-audits and monitoring of metrics and key indicators and to ensure prompt and effective corrective actions are taken where deficiencies are noted. The Compliance Officer and the Committee are responsible for escalating compliance deficiencies and ongoing issues of noncompliance to senior management, the Chief Executive Officer, and the Health Net, Inc. and subsidiary Boards of Directors.

Health Net makes this Medicare Compliance Plan available to all Health Net associates and Board of Directors (“Directors”), as well as contractors, subcontractors, vendors, agents, and first-tier, downstream and related entities (“FDRs”). The Compliance Officer reserves the right to amend and update components of the Medicare compliance program, including the material in this Medicare Compliance Plan, at any time to make changes based on regulatory guidance, enhancements to the program to improve effectiveness, or for any other reason.

The information contained in this Medicare Compliance Plan, including names and titles of Health Net associates, is correct as of the date of publication and may change without prior notice.

For purposes of this Medicare Compliance Plan, the term “Medicare programs” includes the Medicare Advantage (“MA”) and Part D Prescription Drug (“Part D”) lines of business, and the term “associates” includes permanent employees, temporary employees, volunteers, and interns.

All Health Net associates and non-employee Board members who support Medicare programs must read and understand the content of this Medicare Compliance Plan and associated policies and procedures.

Refer to the Written Policies, Procedures, and Standards of Conduct section of this Medicare Compliance Plan for information regarding applicability to FDRs.

Please contact the Medicare Compliance department if you have questions regarding information contained in this Medicare Compliance Plan.

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## THE HEALTH NET COMPLIANCE PROGRAM

Organizational integrity is at the core of Health Net's values. Health Net associates, Directors, and FDRs are required to observe the spirit and letter of all applicable laws and regulations, as well as demonstrate the highest standards of proper conduct and personal integrity. Associates, Directors, and FDRs are expected to conduct themselves in an ethical and lawful manner, both inside and outside of the workplace, by refraining from any non-compliant, illegal, dishonest or unethical activities. Proper conduct is an individual responsibility. The Health Net Code of Business Conduct and Ethics expresses these commitments as key values of our Company.

Health Net considers its Medicare compliance program to be an essential tool for promoting regulatory compliance and ethical conduct; preventing, detecting and resolving non-compliant and illegal conduct, including fraud, waste or abuse of government programs, whether committed by Health Net associates or by those outside the Company.

Health Net's Medicare compliance program includes, but is not limited to, the following core requirements:

- Written Policies, Procedures and Standards of Conduct;
- A Compliance Officer, Compliance Committee, and High Level Oversight;
- Effective Training and Education;
- Effective Lines of Communication;
- Well-Publicized Disciplinary Standards;
- Effective System for Routine Monitoring, Auditing and Identification of Compliance Risks; and
- Procedures and System for Prompt Response to Compliance Issues.

An effective compliance program has a compliance plan, which is a written document that describes the specific manner in which the compliance program is implemented. The compliance plan also clearly states the Company's expectations for associate, Director, and FDR conduct and provides these individuals and entities with guidance in abiding by the elements of the compliance program.

This Medicare Compliance Plan was developed under the direction of Health Net's Compliance Officer, is approved by the Boards of Directors of the Health Net subsidiaries that hold contracts with CMS, and is reviewed by the Health Net, Inc. Board of Directors.

This Medicare Compliance Plan applies to all Health Net associates, Directors, and FDRs whose jobs touch upon the Medicare program, even indirectly. For other Health Net associates not involved in the Medicare program, this Medicare Compliance Plan is part of the overall Health Net compliance program and sets forth Health Net's commitment to compliance and provides general guidelines on compliance programs within the Company.

The Medicare Compliance Plan and associated policies and procedures are reviewed and revised at least annually or more frequently if there are changes in regulatory requirements or business needs. The Medicare Compliance Plan includes ongoing risk assessment so the program evolves in response to issues that arise, with resources for oversight deployed based on the Company's business circumstances. The Medicare Compliance Plan includes processes for assessing the effectiveness of the compliance program, through the use of effective, two-way communications

and reporting metrics.

The Compliance Officer is responsible for oversight of the Medicare Compliance Plan, providing compliance program guidance, and reporting incidents of suspected or identified noncompliance to senior Management and the Health Net, Inc. and/or subsidiary Boards of Directors.

Health Net leaders of each functional area are responsible for maintaining overall compliance with the changing requirements of CMS.

Health Net senior leaders and the Health Net, Inc. and subsidiary Boards of Directors are accountable for the effectiveness of the compliance program.

## WRITTEN POLICIES, PROCEDURES, AND STANDARDS OF CONDUCT

Health Net's overall expectations for associate, Director, and FDR conduct begins with the Company's commitment to comply with all Federal and State laws, regulations, standards, and other program requirements. Health Net has policies and procedures that establish compliance expectations for its associates, Directors, and FDRs and that implement the operations of its compliance program.

The Company maintains an extensive library of policies and written guidelines applicable to all associates, Directors, and FDRs that:

- Provide guidance on dealing with suspected, detected, or reported compliance issues;
- Identify how to communicate compliance issues to appropriate compliance personnel;
- Describe how suspected, detected, or reported compliance issues are investigated and resolved by Health Net; and
- Include a policy of non-intimidation and non-retaliation for good faith participation in the compliance program, including, but not limited to, reporting potential issues, investigating issues, conducting self-evaluations, audits and remedial actions, and reporting to appropriate officials.

The Company's core standards are described below.

### ***Health Net Code of Business Conduct and Ethics ("Code")***

The Code of Business Conduct and Ethics articulates the Company's commitment to conduct business in a lawful and ethical manner in compliance with Federal and state requirements and defines the underlying framework for the compliance policies and procedures. The Code describes the Company's expectations that all associates, Directors, and FDRs conduct themselves in an ethical manner; that issues of suspected or actual noncompliance and FWA are reported through appropriate mechanisms; and that reported issues will be addressed and corrected.

The Code is endorsed by the Chief Executive Officer and Chief Operating Officer of the Company and approved by the Health Net, Inc. Board of Directors. The Code is designed to guide Health Net associates, Directors, and FDRs in upholding the Company's high standards of fair and ethical practices.

All Health Net associates and Directors must read the Code and sign an acknowledgement that they agree to abide by the Code. An electronic copy of the Code is made available to all newly-hired associates, Directors and FDRs within 90 days of hire and within 60 days after a material change to the Code. The Code is available to review on Health Net's intranet and internet sites by all associates, Directors, and FDRs.

Each Health Net manager, Director, and officer of the company is responsible for reinforcing the Code in their respective departments. In support of the Code, the Company has developed written policies, which provide associates with practical guidance in meeting Health Net's standards of acceptable behavior. Associate policies are stored in the National Policy Library ("NPL"), an electronic repository of policies available to all associates and those contractors who have access to Health Net's data systems, as referenced in the Training and Education section below.

On an annual basis, Health Net reviews the Code for possible revisions that may result from a change in Company policy or changes in applicable laws or regulations.

### ***HIPAA Privacy Program (Privacy Program)***

The HIPAA privacy program sets the standards for associates in safeguarding confidential and protected health information. The Company is committed to complying with applicable laws, regulations, and policies related to privacy of health and individually identifiable information. All associates are required to complete training on Health Net's privacy program policies and are required to perform their work duties with a conscious regard for the privacy rights of Health Net's members.

Under the direction of the Health Net Privacy Officer, the privacy program focuses on educating associates on their ongoing responsibility to protect member and associate privacy and secure member and associate information. The Privacy Officer manages and updates our privacy policies and procedures, which are available to all Health Net associates via the NPL.

All FDRs must abide by the Health Net privacy program policies or demonstrate that they have appropriate processes in place to ensure that all individuals within the respective entity are trained on HIPAA regulations and the process for reporting privacy breaches. The FDR's Privacy Officer is also responsible for managing any issues related to privacy breaches and reporting to Health Net should a privacy breach occur, which impacts Health Net members or business.

### ***Fraud, Waste, and Abuse Prevention and Detection Plan***

Health Net maintains a Fraud, Waste, and Abuse Prevention and Detection Plan ("FWA Plan") that demonstrates the Company's commitment to prevent, detect, and correct incidents that could lead to fraud, waste, and abuse ("FWA"). The FWA Plan includes initial background checks to review potential associates' and Directors' backgrounds for OFAC exclusions. Additional screenings for criminal convictions, Office of the Inspector General (OIG) and General Services Administration (GSA) exclusion lists, and other background records are examined prior to employing an associate or appointing a non-employee Director. Upon hire, individuals must agree to comply with the Code and complete all mandatory FWA training courses.

Health Net uses a number of internal system edits, and an external vendor that applies medical claims edits, and further conducts programmatic reviews of data designed to detect claim coding errors as well as potential fraud. Health Net maintains a Fraud, Waste and Abuse Hotline for anonymous reporting and a Special Investigations Unit ("SIU") that investigates all reports of potential fraud, waste, or abuse. The SIU works with designated state and Federal agencies, the National Benefit Integrity Medicare Drug Integrity Contractor ("NBI MEDIC"), and law enforcement to pursue individuals or organizations who may be involved in activities that fall under the FWA umbrella and will pursue prosecution of health care fraud and abuse.



Fraudulent activity may involve an associate, Director, FDR, or member who is involved in inappropriate schemes or behavior, or a health care provider who is involved in false documentation, inappropriate prescriptions, falsification of conditions in order to help an individual receive an otherwise uncovered service under Medicare or Federal programs or a combination of scenarios.

All Health Net associates, Directors, and FDRs play an important role in the Health Net fraud prevention program and are required to report suspected fraud, waste, or abuse.

Please refer to Attachment A to the Medicare Compliance Plan for details on the Fraud, Waste, and Abuse Plan.

### ***Compliance Policies and Procedures***

Health Net has developed compliance policies and procedures that support the Code and this Medicare Compliance Plan. These policies and procedures describe the operation of the compliance program and are designed to help reduce the prospect of fraudulent, wasteful, abusive, and other non-compliant activity through the identification and response to risk areas. Because risk areas evolve and change over time, Health Net's policies and procedures are reviewed annually or more often to incorporate changes in applicable laws, regulations, and other program requirements.

Health Net maintains policies and procedures that support the Medicare Compliance Plan and work in conjunction with department policies developed by and used on a day-to-day basis by Health Net business areas. These policies and procedures demonstrate to associates, non-employee Board members, FDRs, and the community at large our strong commitment to honest and responsible business conduct. Health Net's published policies establish procedures and provide direction to promote compliance with laws and regulations, and to reduce the prospect of fraudulent, wasteful, or abusive activities in day-to-day operations.

Electronic copies of the policies and procedures that support the Medicare Compliance Plan are made available to all newly-hired associates, non-employee Board members, and FDRs within 90 days of hire or contracting and within 60 days after a material change. The policies and procedures are available to review on Health Net's intranet and internet sites by all associates, non-employee Board members, and FDRs.

### ***National Policy Library***

Health Net maintains a National Policy Library in a central electronic repository so all Health Net associates may easily find and access Health Net policies and procedures.

The NPL has a dedicated Administrator who assists associates in developing, writing, approving, storing, and retrieving Health Net policies. Policy authors from across the enterprise utilize a specific set of tools to create and revise policies, and work with the Administrator to:

- Reduce risk of conflict with other policies;
- Ensure consistency in formatting and design;
- Ensure appropriate authority; and
- Benefit from on-line accessibility.

At a minimum, policies stored in the NPL must be reviewed annually.

### ***FDRs***

FDRs have the option to:

- 1) Adopt Health Net's Code, Medicare Compliance Plan, and associated compliance policies and procedures;
- 2) Develop and follow their own code of conduct, compliance plan, and/or equivalent policies and procedures that describe their commitment to comply with applicable laws and regulations; or
- 3) Adopt the code of conduct, compliance plan, and/or equivalent compliance policies and procedures of another entity contracted with CMS for the MA and Part D line(s) of business.

Health Net's Code of Business Conduct and Ethics is available through the Health Net provider website at [www.healthnet.com/provider](http://www.healthnet.com/provider) > Working with Health Net > Medicare Information > Code of Business Conduct and Ethics.

Health Net's Medicare Compliance Policies and Procedures are available through the Health Net Provider website at [www.healthnet.com/provider](http://www.healthnet.com/provider) > Working with Health Net > Medicare Information > Medicare FWA, SNP Model of Care and Provider Marketing Training.

If the FDR follows a code of conduct, compliance plan, and/or equivalent policies and procedures not developed by Health Net, the Company reserves the right to review and approve these documents.

Whichever option is chosen, FDRs must ensure copies of the code of conduct, compliance plan, and/or equivalent policies and procedures they develop or adopt are distributed to all employees, directors, and downstream entities that participate in administration of Health Net's Medicare programs within 90 days of hire or contracting, when there are updates, and annually thereafter.

Health Net's Code, Medicare Compliance Plan, and compliance policies and procedures are available to FDRs through the public Provider portal of the healthnet.com website or upon request.

## COMPLIANCE OFFICER & COMPLIANCE COMMITTEE

### *Compliance Officer*

Donovan Ayers, Vice President and Compliance Officer, is the Compliance Officer for Health Net, Inc. The Compliance Officer reports to John Kotal, Vendor Management & Chief Compliance Officer.

The Compliance Officer is a full time employee of Health Net, Inc. In order to avoid conflict, the Compliance Officer does not serve in operational areas. The Compliance Officer works with senior management of Health Net business units to monitor the units' operational compliance.

The Compliance Officer is charged with overall responsibility for the effectiveness of the Medicare compliance program. The Compliance Officer is accountable to the Chief Executive Officer (CEO). The Chief Compliance Officer or the Compliance Officer routinely reports Medicare compliance activities to the Medicare Compliance Committee, the CEO, and/or the Chief Operating Officer (COO). The Chief Compliance Officer or the Compliance Officer routinely reports compliance activities to the Audit Committee of the Board of Directors. At any time, the Chief Compliance Officer or the Compliance Officer may, at his or her discretion, escalate compliance issues directly to the Company's executive management team, the CEO, the COO, or the Health Net, Inc. or subsidiary Boards of Directors, who are accountable for ensuring the Company's compliance goals are met.

The Compliance Officer plays a key role in assessing the effectiveness of the Medicare compliance program and the organization's performance in meeting CMS standards.

The Compliance Officer ensures processes are in place to monitor and oversee activities performed by the various business units, and FDRs. With the support of Health Net senior management and the Medicare Compliance Committee, the Compliance Officer ensures consistent disciplinary guidelines are enforced for incidents of noncompliance with company standards.

The Compliance Officer, in conjunction with the Medicare Compliance department, coordinates compliance activities with other Health Net associates and departments, such as:

- The Health Net Ethics Officer for matters related to the Code;
- The Health Net Privacy Officer for matters related to HIPAA and the privacy program;
- The SIU and Legal department, as applicable, for matters related to investigations of Medicare programs FWA;
- The Vendor Management Office for compliance matters related to FDRs; and
- Organization Effectiveness for matters related to associate disciplinary actions and standards.

## ***Medicare Compliance Department***

The Medicare Compliance department provides support to the Compliance Officer in promoting ethical conduct, instilling a company-wide commitment to Medicare compliance, and exercising diligence in ensuring the overall Medicare compliance program requirements are met. The Medicare Compliance department is responsible for:

- Representing Health Net before all applicable state and federal regulatory agencies on Medicare-related issues and serving as liaison for communications between the Company and CMS;
- Establishing the overall framework for the Medicare compliance program to promote compliance with applicable MA and Part D regulatory and legal requirements;
- Ensuring consistent and timely reporting of relevant Medicare compliance issues to the Compliance Officer. The Compliance Officer, in turn, reports compliance matters to the Medicare Compliance Committee and has authority to escalate issues to senior management and the Board of Directors;
- Assisting, advising, and overseeing the individual business units and health plans in the design, administration, and implementation of their individual Medicare compliance work plans and policies;
- Establishing key performance measures, metrics, and reporting protocols as part of the organization's audit and monitoring of key risk areas;
- Monitoring and reporting key compliance and performance metrics for the purpose of resolving identified patterns and trends, working with business units on internal corrective actions, and assessing the effectiveness of the Medicare compliance program;
- Assessment of new risk areas based on information gathered from a variety of sources, including new CMS guidance, internal assessments, member complaints, CMS inquiries or other avenues; and recommending new or revised metrics, policies and procedures, enhanced training courses, or other activities that may be tracked and measured to demonstrate compliance;
- Reporting incidents of potential or identified noncompliance, and working with the applicable business units to implement appropriate and timely corrective actions that will result in measurable compliance and ensuring maintenance of documentation for each report of potential or identified noncompliance;
- Developing relevant and effective Medicare compliance training programs that support the Medicare compliance program and build compliance awareness for associates, Directors, and FDRs;
- Performing independent review and ongoing monitoring of identified risk areas, as well as monitoring of compliance or performance deficiencies; and ensuring effective corrective actions are implemented in a timely manner;

- Partnering with Internal Audit to have high-priority risk areas included in the Internal Audit annual work plan and to provide background and consultative guidance to Internal Audit on any audit topic involving Health Net’s MA and Part D contracts; and
- Partnering with SIU as needed to coordinate internal investigations into reports of potential FWA.

The Compliance Officer meets with the Medicare Compliance department on a regular basis regarding the implementation of the Medicare compliance program.

### ***Medicare Compliance Committee***

Health Net’s Medicare Compliance Committee (the “Committee”) is charged with assisting the Health Net, Inc. and subsidiary Boards of Directors and senior management in overseeing the Company’s Medicare compliance program. The Committee is responsible for assisting the Compliance Officer in achieving and maintaining compliance throughout the organization.

The Committee focuses on Medicare compliance issues with performance outcomes routinely reported to the Committee. The Committee is chaired by the Compliance Officer with executive sponsorship of the Chief Compliance Officer. The Committee is comprised of leadership associates from key business and operational areas across the enterprise. Only employees of the Company are voting members of the Committee. Contractors and consultants may attend Committee meetings as invited guests and may be called upon to present or provide input; however, they may not be designated as voting members of the Committee either directly or through delegation.

The Committee meets regularly at a frequency established by the Compliance Officer, but no less than once per quarter. The Committee is accountable to, and provides regular reports to the CEO and the Audit Committee through the Committee Chair. The Committee Chair also provides regular reports to the Health Net Corporate Compliance Committee.

A key focus of the Committee is the ongoing review of Medicare compliance program activities. The Committee monitors key performance reports and metrics, ensures mandatory compliance training is completed, and oversees updates to policies and procedures as the result of regulatory guidance changes. The Committee monitors Medicare compliance program performance through proactive measures, analysis of business and clinical operations, and daily adherence to Health Net policies and procedures. The Committee monitors corrective actions to ensure they are promptly implemented and that monitoring processes are in place for sustained compliance.

The Committee ensures that associates, Directors, members, and FDRs have an effective process for reporting compliance questions and potential FWA without fear of retaliation.

### ***Governing Body***

The Health Net, Inc. Board of Directors is ultimately accountable for compliance within Health Net and is obligated to oversee Health Net's Medicare compliance program. The Board of Directors delegates Medicare compliance program oversight to the Audit Committee, but the Board of Directors as a whole remains accountable for ensuring the effectiveness of the Medicare compliance program.

The Board of Directors for each of the Health Net subsidiaries that hold contracts with CMS are also obligated to oversee the Medicare compliance program for the MA and Part D contracts under their purview. When compliance issues are presented to Health Net, Inc. or subsidiary Boards of Directors or the Audit Committee, further inquiries are made and appropriate action is taken to address and satisfactorily resolve those issues.

The Compliance Officer has express authority to provide unfiltered, in-person reports to the Health Net, Inc. and subsidiary Boards of Directors and the Audit Committee.

As required by Federal regulations, the Health Net, Inc. and subsidiary Boards of Directors are knowledgeable on the content and operations of the Medicare compliance program. The Health Net, Inc. and subsidiary Boards of Directors and the Audit Committee receive compliance training and education as to the structure and operation of the Medicare compliance and FWA programs to enable them to be engaged, to ask questions and to exercise independent judgment over the compliance issues with which it is presented. The Health Net, Inc. and subsidiary Boards of Directors and the Audit Committee are knowledgeable about compliance risks and strategies, understand the measurements of outcome, and are able to gauge effectiveness of the Medicare compliance program.

The Health Net, Inc. and subsidiary Boards of Directors and the Audit Committee maintain meeting minutes or other documentation that reflect their active engagement in the oversight of the Medicare compliance program. Such records are maintained for 10 years.

### ***Senior Management***

The CEO and other senior management are engaged in the Medicare compliance program. The CEO and senior management ensure the Compliance Officer is integrated into the organization and has the resources necessary to operate a robust and effective Medicare compliance program. The CEO receives regular reporting from the Compliance Officer and/or Chief Compliance Officer of risk areas facing the organization, the strategies being implemented to address them and the results of those strategies. The CEO receives reports of all compliance enforcement, from Notices of Noncompliance to formal enforcement action.

## TRAINING AND EDUCATION

Training and education are an important element in Health Net's overall compliance program. At Health Net, compliance training is not optional and refresher training occurs on an annual basis, or more frequently if training is updated as a result of changes in regulatory requirements or business needs.

Mandatory compliance training courses are reviewed and revised, as applicable, whenever there are material changes in regulations, policy or guidance, and at least annually. Mandatory compliance training courses are delivered electronically via Health Net's Learning Management System ("LMS"), which tracks training completion rates by individual associate, temporary employee, consultant, or contractor and alerts managers to any overdue training requirements.

### ***Associate Mandatory Compliance Training Requirements***

Health Net requires that associates at all levels of the Company complete mandatory compliance training courses.

The following mandatory compliance training must be completed by all associates within 60 days of employment and at least annually thereafter:

- ***CMS Fraud Waste and Abuse and General Compliance Training***  
These courses are downloaded from the CMS Medicare Learning Network (MLN) and then accessed via Health Net's LMS, which tracks completion rates to ensure all training programs are effective and consistently administered.
  
- ***Code of Business Conduct and Ethics***  
This course was established to ensure compliance with company, state and federal rules for compliance and business ethics.

In addition to the required courses provided by Health Net's overall compliance program, individual business units may offer additional required compliance courses that are specific to business protocols.

### ***Temporary Employees, Consultants, and Contractors Mandatory Compliance Training Requirements***

Temporary employees, consultants and contractors are assigned Contractor Identification (CID) numbers, which allow them access to Health Net's data systems. The information is sent to the LMS vendor ([Success Factors](#)) by an electronic data feed. All compliance training modules are automatically assigned to all Contractors with CIDs once their account becomes active in the LMS.

The following mandatory compliance training must be completed by all temporary employees, consultants, and contractors within 60 days of the contract effective date or the date the contractor is assigned to the Health Net account, and at least annually thereafter:

- ***CMS Fraud Waste and Abuse and General Compliance Training***  
These courses are downloaded from the CMS Medicare Learning Network (MLN), and then accessed via Health Net's computerized LMS, which tracks training completion rates to ensure all training programs are effective and consistently administered.
- ***Code of Business Conduct and Ethics***  
This course was established to ensure compliance with company, state and federal rules for compliance and business ethics.

Note: Exceptions may apply if a consultant or contractor does not have access to Health Net member PHI, PII or Company confidential information or has a compliance training program that meets Health Net's requirements.

### ***Non-Employee Board Members Mandatory Compliance Training Requirements***

Board of Directors members who are not employed by Health Net are required to take a training course on the Code within 90 days of initial appointment. In-person compliance and FWA training is provided to the Health Net, Inc. Board of Directors on an annual basis.

### ***FDR Mandatory Compliance Program Training Requirements***

FDRs and FDR employees who are in critical roles within an FDR (i.e., senior administrators or managers directly responsible for the FDR's contract, employees involved in decision making authority on behalf of Health Net, reviewers of member claims and services submitted for payment, employees responsible for establishing or administering Health Net's formulary and/or medical benefits coverage policies and procedure) are required to take Compliance Program training within 90 days of contracting and annually thereafter. The Compliance Program training is available to FDRs through the CMS Medicare Learning Network (MLN) at <https://learner.mlnlms.com>. Health Net accepts the certificates of completion of CMS training generated from the MLN course or an attestation.

The Compliance Program Training consists of two separate modules: 1) General Compliance Training; 2) Fraud, Waste and Abuse Training (FWA). FDRs must take both modules in order to satisfy the entire training requirement.

FDRs who have met the FWA certification requirements through enrollment into the Medicare program or through accreditation as a supplier of Durable Medical Equipment, Prosthetics, Orthotics, and Supplies (DMEPOS) are deemed to have met the FWA training and education requirements. No additional documentation beyond the documentation necessary for proper credentialing is required to establish that an employee or FDR or employee of an FDR is deemed. In the case of chains, such as chain pharmacies, each individual location must be enrolled into Medicare Part A or B to be deemed. This does not exempt these FDRs from the general compliance training requirement.

Health Net requires that FDRs maintain thorough and accurate records of all completed FWA training for 10 years and present such records to Health Net upon request.



## ***Health Net Code of Business Conduct and Ethics and Medicare Compliance Policies***

Health Net distributes the Health Net Code of Business Conduct and Ethics and Medicare compliance policies and procedures to FDRs.

Health Net's Code of Business Conduct and Ethics is available through the Health Net provider website at [www.healthnet.com/provider](http://www.healthnet.com/provider) > Working with Health Net > Medicare Information > Code of Business Conduct and Ethics.

Health Net's Medicare Compliance Policies and Procedures are available through the Health Net Provider website at [www.healthnet.com/provider](http://www.healthnet.com/provider) > Working with Health Net > Medicare Information > Medicare FWA, SNP Model of Care and Provider Marketing Training.

### ***Specialized Compliance Training***

Specialized compliance training is provided to Health Net associates, temporary employees, and contractors who work with the Medicare programs to ensure they are aware of Medicare requirements related to their job function as well as issues posing compliance and FWA risks based on their job functions.

Specialized compliance training may be developed by the Medicare Compliance department, by the Business Solutions department, by the SIU, or by the applicable business unit(s). Formal specialized compliance training may be conducted through interactive sessions led by expert facilitators, web-based tools, the LMS, live or videotaped presentations, written materials, or any combination of these techniques, or any other methods Health Net deems appropriate and effective.

FDRs are required to develop and administer specialized compliance training to their employees who work with the Medicare programs.

### ***Tracking Mandatory Compliance Training***

At Health Net, every level of management is responsible for ensuring their associates, temporary employees, consultants, and contractors complete all required compliance training by the required due date.

Associates, temporary employees, consultants, contractors, and their managers receive regular reminders of their training obligations, as well as personalized email reminders of outstanding compliance training requirements. Completion of mandatory compliance training courses is tied to each Associate's annual performance goals. Failure to complete required compliance training subjects associates, temporary employees, consultants, contractors, and their managers to performance actions, up to and including termination of employment.

Health Net maintains records regarding the completion of compliance training by associates, temporary employees, consultants, contractors, and non-employee Board members, for a period of 10 years.

## **EFFECTIVE LINES OF COMMUNICATION**

Health Net works diligently to foster a culture of compliance throughout the organization. This is achieved by regularly communicating the importance of maintaining compliance with regulatory requirements, and reinforcing the Company's expectation of ethical and lawful behavior as described in the Code.

All associates, Directors, and FDRs are required, and members are encouraged, to report potential or actual noncompliance. The Company has systems in place to receive, record, and respond to compliance questions, or reports of potential or actual noncompliance from associates, Directors, FDRs, and members.

The areas below are key components of the compliance communications strategy:

### ***Medicare Compliance Intranet Website***

The Medicare Compliance department maintains an intranet website dedicated to providing information regarding key compliance areas related to Medicare programs.

The site includes:

- The Medicare Compliance Plan;
- An email link for submitting questions to the Medicare Compliance department;
- Instructions for reporting potential or actual incidents of noncompliance or FWA;
- Links to training materials relating to key Medicare compliance requirements; and
- Links to Medicare programs compliance-related websites.

Changes to the Medicare Compliance Plan and associated policies and procedures maintained by the Medicare Compliance department are announced through articles published on the Medicare Compliance intranet website.

### ***Health Net Corporate Compliance Website***

The Health Net Corporate Compliance Department maintains an intranet website dedicated to providing information regarding key compliance areas, such as HIPAA Privacy, the Code, and mandatory training requirements.

The site includes:

- An electronic version of the Health Net Code of Business Conduct and Ethics;
- Instructions for reporting suspected violations of the Code;
- HIPAA Privacy and breach reporting policies;
- Information related to the laws and regulations that govern our business;
- Interactive activities to promote compliance awareness and reinforce compliance training; and
- A link to the NPL, where associates may view policies and find guidance.

Changes to the Code are announced through articles published on the Corporate Compliance intranet website.

### ***Communicating Compliance Concerns***

Health Net strives to foster an environment where associates, Directors, and FDRs seek and receive prompt guidance on compliance issues. Whenever associates, Directors, and FDRs question the compliant or ethical nature of a particular action, they are encouraged to seek guidance from any number of sources, including, but not limited to:

- The Code or Company policies;
- A supervisor or manager;
- The Chief Compliance Officer, Compliance Officer, Privacy Officer, or Ethics Officer;
- The Health Net Integrity Line;
- The Health Net Fraud, Waste and Abuse Hotline; and
- The SIU or Legal departments.

Associates, Directors, and FDRs are required to immediately report any actual or suspected Code violation or other noncompliance – whether a result of their own conduct or that of another.

The Company does not tolerate retaliation or retribution against associates, Directors, FDRs, or members who make good-faith reports of potential or suspected violations. Health Net’s stance on non-retaliation is described in the Code, in a number of policies, procedures, guidelines, and in required training materials.

### ***Health Net Integrity Line***

The Health Net Integrity Line is a confidential, toll-free resource available to associates, Directors, and FDRs twenty-four hours a day, seven days a week to report violations of—or raise questions or concerns relating to—the Code.

## **Health Net Integrity Line**

**1-888-866-1366**

Calls to the Health Net Integrity Line can be made anonymously. Calls are never traced or recorded. The Health Net Integrity Line is operated by a third-party vendor to ensure confidentiality.

All calls to the Health Net Integrity Line are investigated by the Company’s Compliance Officer or a designee. Results of investigations are reported back to the caller. The Compliance Officer reviews all calls received by the Health Net Integrity Line, as well as the results of all Medicare programs-related investigations.

The Company tracks calls to the Health Net Integrity Line to ensure proper investigation and resolution of reported matters; and to identify patterns and opportunities for additional training or corrective action.

The Corporate and Medicare Compliance departments regularly promote awareness of the Health Net Integrity Line through a variety of materials, published at intervals throughout the year, including:

- Health Net General Compliance Program, mandatory compliance training course taken annually;
- The Painful Price of Health Care and Pharmaceutical Fraud, mandatory compliance training course taken annually;
- Articles on Health Net Connect, the company's intranet website;
- Posters displayed in common work areas;
- Brochures; and
- Electronic newsletters.

### ***Health Net Fraud, Waste and Abuse Hotline***

The Health Net Fraud Hotline is a confidential, toll-free resource available to associates, Directors, FDRs, and members twenty-four hours a day, seven days a week to report violations of, or raise questions or concerns relating to, fraud, waste and abuse.

Associates, Directors, FDRs, and members may call:

## **Health Net Fraud, Waste and Abuse Hotline**

**1-800-977-3565**

Calls to the Health Net Fraud Hotline can be made anonymously. Calls are never traced or recorded.

The Company tracks calls to the Health Net Fraud, Waste and Abuse Hotline to ensure proper investigation and resolution of reported matters; and to identify patterns and opportunities for additional training or corrective action. All calls to the Health Net Fraud, Waste and Abuse Hotline are investigated by the SIU. The Compliance Officer reviews all calls received by the Health Net Fraud, Waste and Abuse Hotline, as well as the results of Medicare-related investigations that are determined to include potential FWA.

Health Net educates associates and Directors about the Health Net Fraud Hotline through:

- The Painful Price of Healthcare Fraud and Pharmaceutical Fraud, Waste and Abuse (FWA), mandatory compliance training course taken annually;
- The Medicare Compliance intranet website;
- Posters displayed in common work areas; and
- Health Net policies and procedures.

FDRs and members are educated regarding the Health Net Fraud Hotline through:

- The Healthnet.com internet website;
- The Fraud, Waste and Abuse Compliance training for FDRs; and
- Provider Newsletters and Updates.

### ***Medicare Compliance Program Binder***

The Medicare Compliance department maintains an electronic binder of policies and procedures, newsletters, flyers, e-mail communications, and other materials distributed throughout the year via the Health Net intranet site that communicate the Company's expectations in regard to compliance with applicable Federal and state regulatory requirements and the Code.

### ***Compliance Awareness Week***

The Company participates in Compliance Awareness Week. Throughout the week the Company delivers focused, all-associate communications designed to build compliance, privacy, information security, and ethics awareness. The schedule of activities may include live presentations, creative education methods, or other activities designed to increase awareness of the Company's compliance expectations and reward associates for their ongoing compliance efforts.

## ENFORCEMENT OF STANDARDS

As part of the Company's compliance program, Health Net has published the Code of Business Conduct and Ethics, which establishes standards of conduct that all associates must follow. Associates and Directors are responsible for abiding by the Code and for reporting any situation where they believe non-compliant, unethical, or illegal conduct may have occurred. FDRs must also comply with standards Health Net has established or demonstrate that they have implemented similar standards of conduct.

Health Net takes its commitment to the Code very seriously, and takes appropriate and immediate investigative and disciplinary action if anyone violates the Code, Health Net policies, or applicable Federal and state standards.

The Code encourages good faith participation in the compliance program by all affected individuals. To this end, the Company has implemented policies that:

- Articulate expectations for reporting compliance issues and assist in their resolution;
- Prohibit retaliation for good faith reporting;
- Identify noncompliance or unethical behavior; and
- Provide for timely, consistent, and effective enforcement of the standards when noncompliance or unethical behavior is determined.

Health Net's strong commitment to ethical values and compliant conduct includes:

### ***Involvement of Chief Executive Officer and other Senior Management***

The President and CEO of Health Net, Inc., and the Executive Vice President Chief Financial and Operating Officer and Interim Treasurer of Health Net, Inc., are involved in establishing Health Net's standards of conduct. Their commitment to compliance and ethical business practices is conveyed through their jointly-signed "Welcome Letter," which is included as the first page in the Code of Business Conduct and Ethics.

### ***Performance Improvement Process***

Serious or severe performance or conduct problems may result in immediate written notice or termination of employment or contract.

For conduct problems that do not rise to the level of serious or severe, Health Net utilizes a progressive coaching and performance improvement process, which offers a fair, equitable, and consistent method of guiding affected individuals toward acceptable job performance and conduct.

The Compliance Officer, Ethics Officer and/or Chief Compliance Officer meet with Organization Effectiveness representatives on a regular basis to review disciplinary reports to ensure actions taken against associates in regard to non-compliant or unethical behavior are timely, consistent, and appropriate.

### ***Publicizing Disciplinary Guidelines***

All Health Net associates, Directors, and FDRs are informed that violations of the Code, Health Net policies, or applicable Federal and state standards may result in appropriate disciplinary action, up to and including termination of employment or contract.

Health Net publicizes compliance-related disciplinary guidelines through:

- Health Net General Compliance Program, mandatory compliance training course taken annually;
- Articles and training videos posted on the Company's intranet;
- Materials posted on the provider and broker portals of the Company's internet site; and
- In-person presentations.

Health Net maintains records regarding disciplinary standards and actions for a period of 10 years.

## **MONITORING, AUDITING, AND IDENTIFICATION OF COMPLIANCE RISKS**

Monitoring and auditing are critical elements in Health Net's Medicare compliance program. Health Net conducts monitoring and audits to test and confirm compliance with Medicare regulations, sub-regulatory guidance, contractual agreements, and all applicable Federal and state laws, as well as internal policies and procedures to protect against Medicare program noncompliance and potential FWA.

Health Net has established a system for routine monitoring and identification of compliance risks. This system includes internal monitoring and audits and, as appropriate, external audits, to evaluate Health Net's compliance with CMS requirements and the overall effectiveness of the compliance program. The system includes, but is not limited to:

- Medicare Compliance department risk assessments;
- Medicare Compliance Auditing and Monitoring Work Plan;
- Internal Audit department risk assessments and auditing;
- Business unit self-monitoring;
- Monitoring and auditing of FDRs;
- Special Investigations Unit monitoring and investigations; and
- Auditing by regulators or other external parties.

The various components that make up Health Net's monitoring and audit activities are:

### ***Risk Assessment***

On an annual basis, the Medicare Compliance department performs a baseline assessment of Health Net's major compliance and fraud, waste, or abuse (FWA) risk areas related to Medicare programs. Identified risks are ranked in order to determine which risk areas will have the greatest impact to Health Net. The baseline risk assessment is reviewed on a periodic basis throughout the year and updated as deemed appropriate.

### ***Auditing and Monitoring Work Plan***

The Medicare Compliance department uses the results of the risk assessment in the development of the Health Net Medicare Programs Compliance Auditing and Monitoring Work Plan ("Work Plan"). The Work Plan lists the auditing and monitoring activities to be conducted by or on behalf of the Business Units and first tier entities responsible for administration of Medicare programs.

The activities included in the Work Plan are designed to test and confirm compliance with the MA, Part D, and MMP regulations, sub-regulatory guidance, contractual arrangements, and applicable State and Federal laws, as well as associated internal policies and procedures. Auditing and monitoring activities designed to test and confirm operational components that are not specifically tied to Medicare programs regulatory requirements are not included in the Work Plan. Where applicable, the Work Plan includes activities designed to test areas previously found non-compliant to determine if the implemented corrective actions have fully addressed the underlying problem.



The Work Plan includes the following elements for each activity listed:

- The Business Unit or external audit firm responsible for conducting the activity;
- The component, Business Unit, or first tier entity that will be audited or monitored;
- A brief description of the services or activities the component, Business Unit, or first tier entity conducts on Health Net's behalf;
- The date the activity is scheduled to be initiated, started, or reopened;
- The frequency of the activity (ad-hoc, daily, monthly, etc.);
- A brief description of the focus of the auditing or monitoring activity;
- Whether or not the activity was initiated based on identification through a risk analysis or assessment;
- The type of activity (i.e., ad-hoc or routine);
- The audit methodology (i.e., process, outcome, data vs sample review, targeted vs random, etc.);
- Which individuals and/or committees will receive reports of the results; and
- When results will be reported.

Auditing and monitoring methodology is determined on a case-by-case basis. As warranted, Health Net uses appropriate methods in:

- Determining sample size;
- Extrapolating audit findings using statistically valid methods that comply with generally accepted auditing standards to the full universe; and
- Applying targeted or stratified sampling methods driven by data mining and complaint monitoring.

Results of auditing and monitoring activities described in the Work Plan are reported to one or more of the following individuals or committees:

- Applicable Business Unit owner(s);
- Medicare Compliance Officer;
- Chief Compliance Officer;
- Medicare Compliance Committee;
- MMP Compliance Committee;
- Executive Management, and/or
- Health Net Board of Directors' Audit Committee.

### ***Internal Audit***

The Internal Audit Department performs audits as part of its overall program to identify and mitigate organizational risks. Internal Audit initiates an annual risk assessment process that includes associate surveys and interviews. The Internal Audit Plan is presented to and approved by the Audit Committee of the Board of Directors.

### ***Business Unit Self-Monitoring and Audits***

Health Net operational business units conduct monthly self-monitoring to measure their departments' performance against CMS requirements. In addition, the Quality Assurance department performs audits against CMS standards for specific operational areas, including Enrollment/Disenrollment, Claims, and Appeals & Grievances. The results of key operational business unit monitoring and Quality Assurance department audits are reported to senior management, the Compliance Officer, and the Committee.

Corrective Action Plans are developed, as necessary, should results from business unit self-monitoring and audits fall below required levels or management notices concerning trends.

### ***Medicare Compliance Program Monitoring and Auditing***

On-going monitoring of the Medicare compliance program is performed by the Medicare Compliance department using the CMS Compliance Program Effectiveness Self-Assessment Questionnaire and metrics derived from issues self-reported by operational business units, CMS enforcement notices, etc. In addition, the Medicare compliance program is audited on an annual basis. The audit may be conducted by internal staff other than compliance department staff or under contract with a third party vendor.

Medicare compliance program monitoring and auditing results are reported to senior management, the Compliance Officer, and the Committee. Medicare compliance program audit results are also reported to the Audit Committee of the Board of Directors.

### ***Exclusion Screening and Monitoring***

Health Net is committed to ensuring federal funds are not used to pay for services, equipment, or drugs prescribed or provided by excluded individuals or entities. Health Net performs screenings of associates, non-employee Board members, and FDRs against the GSA and OIG exclusion lists prior to hiring or contracting and monthly thereafter.

FDRs must conduct exclusion screenings of their employees, subcontractors or agents who will perform services for Health Net against the GSA and OIG exclusion lists prior to hiring or contracting and monthly thereafter. First tier entities, including related parties that are first tier entities, are responsible for ensuring their downstream entities conduct such screenings. The FDRs must maintain their records for a period of ten (10) years and will provide evidence of such screening activities upon request by Health Net. The only exception is in circumstances where Health Net has agreed to conduct these screenings on the FDR's behalf.

### ***Monitoring and Auditing of First Tier, Downstream, and Related Entities (FDRs)***

Health Net contracts with various parties to administer and/or deliver MA and Part D benefits on Health Net's behalf. FDRs must abide by specific Health Net contractual and regulatory requirements.

Various Health Net departments are responsible for overseeing the ongoing compliance of FDRs including, but not limited to:

- Credentialing;
- Delegation Oversight;
- Health Net Pharmaceutical Services (HNPS);
- Provider Network Management;
- Medicare Operations;
- Medicare Sales;
- Strategic Partners; and
- The Vendor Management Office

Health Net employs multiple methods to monitor and audit first tier entities, including on-site audits, desk reviews, and monitoring of self-audit reports. Oversight activities and results are reported regularly to senior management, the Vendor Management Officer, the Compliance Officer, and the Committee. Departments responsible for overseeing FDRs must ensure appropriate corrective actions are implemented on a timely basis.

### ***Special Investigations Unit Monitoring and Investigations (Fraud, Waste and Abuse Issues)***

The SIU is responsible for investigating issues of possible Medicare fraud, waste and/or abuse. The SIU also develops and implements training and awareness programs to promote Health Net's commitment to combating FWA among associates, Directors, FDRs, and members.

The SIU is the focal point for FWA investigations for the Company and works with the NBI MEDIC, law enforcement or other agencies, as required.

The SIU employs analytical data mining to identify referral patterns, possible payment errors, utilization trends, and other indicators of potential fraud, waste, and abuse. The SIU performs proactive and reactive data analysis of medical and prescription drug claims to detect outliers that may indicate potential FWA. This process enhances Health Net's investigations, highlights high risk areas, and improves the Company's ability to combat FWA.

The SIU reports consolidated metrics for Health Net and program integrity units, including the pharmacy claims processor, to the Medicare Compliance Committee and the Audit Committee of the Board of Directors on a quarterly basis.

### ***Auditing by Federal Agencies or External Parties***

Health Net views audits and reviews by regulatory agencies and other external parties as an opportunity to confirm its ongoing compliance efforts are effective and successful. In cases where an audit outcome indicates the Company has not met a regulatory requirement, Health Net uses the audit findings to perform root cause analysis and develop corrective action plans to address identified areas of noncompliance. Health Net may also contract with external companies to perform compliance related reviews and assist with programmatic changes to help drive the organization's compliance.

Health Net cooperates with federal agencies or external parties when audits are conducted and provides auditors access to information and records related to Company business processes and those of its FDRs.

The Medicare Compliance department serves as the point of contact for all regulatory audits related to the Medicare program and coordinates auditor requests with all internal departments. Staff from other Health Net compliance teams are charged with coordinating state audits or reviews, and the Medicare Compliance department may assist in those audits to the extent they apply to specific issue related to the Medicare products.

## PROMPT RESPONSE TO COMPLIANCE ISSUES

Health Net takes corrective actions whenever there is a confirmed incident of noncompliance. Health Net may identify the incident of noncompliance through a variety of sources, such as self-reporting channels, CMS audits, internal audits and monitoring activities, hotline calls, external audits, or member complaints. Whenever Health Net identifies an incident of potential or actual misconduct, noncompliance, or FWA, the Company takes prompt action to investigate the matter, determine root cause, and outline effective corrective action to reduce the potential for recurrence, and ensure ongoing compliance with CMS requirements.

The Compliance Officer (in conjunction with the Ethics Officer, Privacy Officer, SIU, Organization Effectiveness, and/or other key staff) is responsible for reviewing cases of suspected or actual misconduct or noncompliance related to the Medicare program and, when applicable, for disclosing such incidents to CMS. Because of the complex nature of some of the cases that may be involved, particularly fraud investigations, the Compliance Officer may delegate all or a portion of this responsibility to the appropriate internal expert, for example to the SIU for the detailed reporting to the NBI MEDIC or law enforcement.

Any time an incident of noncompliance with regulatory requirements is discovered by a business unit, the business unit is required to report the issue to the Medicare Compliance department and provide their proposed corrective action plan. Any time an incident of noncompliance with regulatory requirements is identified by the Medicare Compliance department, it requests a corrective action plan from the applicable business unit(s). Corrective action plans represent a commitment from the business unit(s) to correct the identified issue in a timely manner. Corrective actions typically include, but may not be limited to, revising processes, updating policies or procedures, retraining staff, reviewing systems edits, and/or developing monitoring and reporting protocols. Corrective action plans must achieve sustained compliance with the overall CMS requirements for that specific operational department

The status of open corrective action plans is reported to the Compliance Officer and the Committee. The Medicare Compliance department tracks and monitors corrective action plan implementation and requires that the business department regularly report the completion of all interim action steps. Once a corrective action plan is complete, the Medicare Compliance department may validate the corrective action plan by monitoring individual action items over a period of time to demonstrate sustained compliance was achieved and the corrective action plan was effective.

The Committee is charged with reviewing ongoing activity to ensure that corrective action plans being undertaken are timely and effective and to report ongoing noncompliance risks to senior management.

Health Net business areas are responsible for ensuring that the FDRs they contract with are in compliance with applicable regulatory requirements. Health Net requires that FDRs submit a corrective action plan when deficiencies are identified through oversight compliance audits, ongoing monitoring, or self-reporting. Health Net business areas track and monitor FDR corrective action plans through to completion and conduct monitoring activities, as deemed applicable, to ensure compliance is achieved and maintained. Health Net takes appropriate action against any FDR that does not comply with a corrective action plan or does not meet its regulatory obligations, up to and including termination of their agreement. FDR's delegated to perform specific

administrative or plan functions are bound contractually through written agreements with Health Net that stipulate compliance with CMS requirements and provisions for removal of delegation or termination for failure to cure performance deficiencies.

Health Net's Sales Allegation Committee is responsible for reviewing all sales allegations or complaints of marketing misrepresentation against a sales producer. The Sales Allegation Committee investigates each allegation and determines whether the sales producer is "at fault." Complaints against a sales producer may be received through a variety of sources, including, beneficiary complaints filed with CMS, the CMS Regional Office, Member Call Center, the Membership Department, the Medicare Compliance department, the Health Net Integrity Line, the Health Net Fraud, Waste and Abuse Hotline or through the Appeals and Grievance department. An "at fault" finding requires Health Net to implement prompt corrective action with the sales producer, such as re-training, re-testing, or ride-alongs, or it may involve specific sanctions such as suspension of sales production, or termination of employment or the producer agreement.