



Priority Health

Compliance Program

Revised December 2009



Priority Health Compliance Program

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Priority Health Compliance Program

Executive Summary

It is Priority Health's policy to provide health care coverage, wellness services, and other related services:

- In compliance with all laws and regulations governing its operations; and
- Consistent with the highest standards of good business and professional ethics.

Priority Health's Compliance Program was approved and adopted by Priority Health's Board of Directors to ensure implementation of this important policy. The eight elements of the Compliance Program are described below.

Policies and Procedures

The Compliance Program includes a Code of Business Conduct and Ethics Policy and many other policies and procedures (Exhibit B) to guide all employees on how to carry out their duties at Priority Health according to the letter and spirit of the Compliance Program. The members of Priority Health's Board of Directors, physicians and other providers, contractors and agents also have a responsibility to foster a commitment to the Code of Business Conduct and Ethics Policy and the other compliance policies and procedures included in the Compliance Program.

Compliance Officer and Compliance Committee

The Board of Directors is responsible for oversight of the Compliance Program and for appointing the Compliance Officer. The Board carries out the oversight responsibility by delegating the oversight to the Quality Integration Committee (QIC) and to the Compliance Committee. The QIC will review and take action on the reports, findings and recommendations of the Compliance Officer and the Compliance Committee. The QIC Chair will participate in Board meetings, as necessary, to educate its members on compliance issues and concerns.

The Compliance Officer is responsible for reviewing, maintaining and monitoring adherence to the Compliance Program. The Compliance Officer receives guidance, direction and support with the implementation and enforcement of the compliance policies and procedures included in the Compliance Program from the Compliance Committee.

The Compliance Officer has direct access to the President & CEO and to the Chair of the QIC and upon notice, may meet with the full QIC. In addition, the Compliance Officer may meet with the Board of Directors as necessary.

Training and Education

Priority Health educates employees, members of the Board of Directors, agents and contractors about the Compliance Program and about their responsibility to maintain the highest ethical and legal standards in the conduct of Company business. Training includes initial orientation and annual education updates. The completion of this training and a written acknowledgement from each Priority Health employee that he or she will adhere to the principles of the Code of Business Conduct and Ethics Policy is a condition of employment.

Effective Lines of Communication

Employees, members of the Board of Directors, physicians and other providers, contractors and agents have the opportunity and obligation to report actual or potential compliance or ethics violations in various ways, including the Compliance HelpLine. The HelpLine provides a way to make a report anonymously. Members, employer groups and vendors may also use this HelpLine to report a compliance concern. Priority Health will not retaliate against any person for reporting a concern.

Enforcement of Standards through Well Publicized Guidelines

The disciplinary standards are published and accessible to all employees and are included in employee education and training that is provided on a regular basis. The accessibility and distribution of these standards ensures consistent enforcement.

Monitoring and Auditing

The compliance governance structure, including the Board of Directors, the QIC, Compliance Committee and Compliance Officer, is designed to provide ongoing monitoring of the Compliance Program and related activities across the organization. In addition, functional leadership is responsible to monitor for compliance with all federal, state and local laws and regulations governing company operations.

A compliance risk assessment and other factors are used to identify areas requiring audits, which may be included in the Internal Audit Department's annual audit plan. Priority Health has a policy and processes to ensure that effective auditing and monitoring is conducted on a regular basis to test and confirm compliance with internal policies and procedures and laws governing its operations.

Corrective Action Procedures

Priority Health will take appropriate and consistent action against an employee, customer, physician or other provider, employer group, contractor, vendor or agent who violates the Code of Business Conduct and Ethics Policy or other compliance policy or procedure.

Comprehensive Fraud, Waste and Abuse Plan

The seven elements of the Compliance Program listed above include a focus to detect, remedy and prevent fraud, waste and abuse. Priority Health will audit and monitor

contractors as required or appropriate for wasteful, abusive and fraudulent activities. Priority Health will allow authorized governmental agencies (or a designee) access to appropriate records for auditing purposes. Appropriate corrective actions will be taken to resolve detected offenses and to prevent reoccurrences, including voluntary self-reports to appropriate governmental agencies or their designee.



Priority Health Compliance Program

A. General Compliance Policy

It is Priority Health's policy to provide health care coverage, wellness services, and other related services in compliance with all federal, state, and local laws and regulations governing its operations, and consistent with the highest standards of good business and professional ethics. To ensure the implementation of this policy and to promote a strong ethical culture, Priority Health has adopted this Compliance Program, together with related compliance policies and procedures and a Code of Business Conduct and Ethics. Priority Health's Compliance Program applies to all of its affiliates and subsidiaries.

Priority Health's Compliance Program includes the following elements:

- Written policies and procedures and standards of conduct;
- Compliance Officer and Compliance Committee;
- Training and education;
- Effective lines of communication;
- Enforcement of standards through well publicized guidelines;
- Monitoring and auditing;
- Corrective action procedures; and
- Comprehensive fraud, waste and abuse plan, including procedures to voluntarily self-report potential fraud or misconduct.

Each element of the Compliance Program applies to all products, including Medicare Part D. See the Medicare Part D Compliance Program and Fraud, Waste and Abuse Plan Policy for additional details of how the Compliance Program incorporates the specific requirements outlined in 42 § 423.504 (b) (4) (vi).

The Compliance Officer has the responsibility of reviewing, maintaining and monitoring adherence to Priority Health's Compliance Program, including compliance policies and Code of Business Conduct and Ethics. The Compliance Committee will provide oversight to the Compliance Program and the annual Compliance Program work plan. The Compliance Committee will also provide guidance, direction and support to the Compliance Officer with regard to the implementation of Priority Health's compliance policies and its Code of Business Conduct and Ethics, and with regard to the resolution of compliance issues.

The Compliance Program includes statements of policy in a number of specific areas. However, the Compliance Program does not cover all civil and criminal laws, professional standards, or ethical principles applicable to Priority Health and its businesses. Questions as to whether an action violates Priority Health's compliance policies or applicable law should be raised either with a supervisor or directly with the Compliance Officer. In those instances where there is a question of whether an action implicates or violates a particular law, the Compliance Officer will confer with legal counsel.

All employees must carry out their duties at Priority Health in accordance with the letter and the spirit of this Compliance Program, including its related policies and the Code of Business Conduct and Ethics. Any violation of applicable law, or deviation from Priority Health's compliance policies or standards, will subject employees to disciplinary action.

B. Goals of Compliance

The Compliance Program embodies Priority Health's commitment to achieving its core purpose within appropriate ethical and legal standards. The Compliance Program describes those standards in its related policies and in the Code of Business Conduct and Ethics. The goals of the Compliance Program are to:

- Develop and maintain policies and procedures to assure honest, responsible, and ethical business conduct;
- Detect, remedy, and prevent illegal and unethical conduct;
- Detect, remedy and prevent fraud, waste and abuse;
- Maintain and enhance a strong organizational culture of ethical conduct and compliance;
- Maintain and enhance an organizational culture that encourages customers, employees, employer groups, agents, contractors, physicians and other providers to report actual or suspected misconduct confidentially and without fear of reprisal;
- Develop and maintain policies and procedures for prompt and thorough investigation of alleged misconduct;
- Develop and maintain a process for immediate response and appropriate corrective actions to actual or potential misconduct;
- Provide regular, effective compliance education and training for all employees, members of the Board of Directors, agents and contractors; and
- Monitor and audit for compliance and reduce the risk of non-compliance.

C. Board of Directors, Compliance Officer, and Compliance Committee

1. Board of Directors: The Board of Directors has approved and adopted this Compliance Program, resolved to allocate the corporate resources required to implement it, and empowered the Compliance Officer to take the actions necessary and appropriate to accomplish it, including the authority to investigate and resolve compliance issues that may be identified from time to time. The Board of Directors is responsible for oversight of the Compliance Program. The Board carries out this responsibility by delegating the oversight, authority and accountability to ensure the goals of the Compliance Program are met to the Quality Integration Committee (QIC) and to the Compliance Committee which reports to the QIC. (See Exhibit A for an organizational chart of the oversight of the Compliance Program.) Based on this authority delegated by the Board, the decisions of the QIC on compliance issues, and with respect to the recommendations of the Compliance Officer and the Compliance Committee, shall be final and binding. In furtherance thereof, the QIC or the Chair of the QIC will:

- Receive, review, and take appropriate action on the reports, findings, and recommendations of the Compliance Officer and Compliance Committee;

- Report violations that involve a financial risk to the Board's Finance and Audit Committee;
- Participate in board meetings as necessary to educate its members as to compliance issues, concerns, and methods;
- Oversee an annual review of the effectiveness of the Compliance Program in achieving its intended goals; and
- After consultation with management, ensure corporate resources (financial, human, and physical) are allocated as necessary to implement and achieve the goals of the Compliance Program.

2. Compliance Officer: The Compliance Officer is responsible for the day-to-day operation of the Compliance Program. The Compliance Officer shall be appointed by the Board. The Compliance Officer shall report administratively to the Corporate Risk Officer and, as necessary, may meet with the Board of Directors upon notice to the Chair of the QIC. The Compliance Officer shall have direct access to the CEO and to the Chair of the QIC, and may also, upon notice, meet with the full QIC. The Compliance Officer's responsibilities are to:

- Serve as a facilitator for compliance activities;
- Chair the Compliance Committee;
- Monitor the Compliance Program on an ongoing basis to ensure effectiveness;
- Develop an annual compliance work / training plan;
- Continually monitor and update the Compliance Program to reflect changes in applicable regulatory and contractual requirements;
- Provide oversight of, and ensure that employees are informed and educated on the compliance education and training program and changes in state or federal requirements related to their respective job responsibilities;
- Develop and disseminate compliance materials for customers, employer groups, agents, contractors, physicians and other providers;
- Assess compliance risk and include the areas of risk identified in the OIG's annual work plan in this assessment;
- Monitor compliance efforts throughout the organization;
- Provide input to the annual internal audit plan for compliance audits;
- Set up and maintain a confidential compliance HelpLine (hotline) for employees, physicians and other providers, customers, employer groups, contractors, members of the Board of Directors and agents to use to report concerns about misconduct;
- Support and assist the Cost Recovery Department in the development and implementation of the Fraud, Waste and Abuse Program;
- Update the Board of Directors by providing reports and materials to the QIC on a regular basis (no less than quarterly) regarding compliance issues and activities;
- Attend a QIC meeting in person at least once annually to answer questions or to review compliance issues and activities as requested;
- Meet with the CEO, Corporate Risk Officer and General Counsel as necessary to review compliance issues;

- Conduct investigations of reported violations and suspected violations, including potential and actual instances of fraud, waste and abuse, and take appropriate action with respect to the same;
- Coordinate investigations with legal counsel (internal and external), the Human Resources Department, the Cost Recovery Department or other appropriate party as necessary or appropriate;
- Recommend disciplinary action for compliance violations; and
- Maintain documentation of all violations, corrective action, and disciplinary action.

3. Compliance Committee: The Compliance Committee is responsible for the oversight of the Compliance Program and the annual Compliance Program work plan. In addition, the Compliance Committee is responsible to provide guidance, direction and support to the Compliance Officer with the implementation and enforcement of compliance policies and the Code of Business Conduct and Ethics, and with the resolution of compliance issues. The Compliance Committee will provide oversight to ongoing auditing and monitoring of the Compliance Program, and will review the results of such auditing and monitoring.

The Compliance Committee shall, to the extent practicable, be comprised of a permanent core group of high level personnel in the following key positions: corporate risk officer, general counsel, chief administrative officer, controller, vice president government programs, compliance administrator (administrative non-voting member) and compliance officer. Personnel outside of this core group may be asked to join the committee on a rotational basis, based upon having a unique role in the organization. All committee members must be appointed by the Corporate Risk Officer in consultation with the Compliance Officer.

The Compliance Committee shall be chaired by the Compliance Officer and shall convene on a regular basis. The Compliance Committee shall be guided in the discharge of its responsibilities by the Compliance Committee Charter.

(Note: The Compliance Officer and Compliance Committee functions may not be delegated or subcontracted.)

D. Training and Education

Priority Health's compliance education and training program shall be designed to be an effective tool to inform all Priority Health employees, members of the Board of Directors, agents and contractors of the Compliance Program, and of their compliance responsibilities, and to foster commitment to the Code of Business Conduct and Ethics. The education and training program shall include initial orientation and annual education updates for all employees, including members of the Board of Directors, members of the Compliance Committee and management.

All employees are provided annual education and training on the Compliance Program, which includes the Code of Business Conduct and Ethics. All employees are required to sign a Certificate of Completion after successfully completing the compliance training. As a condition of employment, all employees must sign an Acknowledgement Form confirming they have received the Code of Business Conduct and Ethics and understand it represents mandatory policies of Priority Health. The Certificate of Completion and the Acknowledgement Form are signed and stored electronically.

Copies of the Compliance Program, the Code of Business Conduct and Ethics, and other compliance resources shall be made readily available to all employees.

E. Reporting Mechanisms and Lines of Communication

No concern is too small or unimportant. Priority Health has a policy and process to ensure that actual or potential compliance or ethics violations, including instances of fraud, waste and abuse, are appropriately reported and assessed as follows:

- Employees have the opportunity and obligation to report actual or potential violations. Employees who do not report conduct violating Priority Health’s compliance policies may be subject to disciplinary action. Employees may make a report in person, by telephone or in writing to their supervisor, the Human Resources Department, the Cost Recovery Department or to the Compliance Officer. Employees may also use the Compliance HelpLine to report actual or potential violations to the Compliance Officer by calling 800 560-7013.
- Members of the Board of Directors, physicians and other providers, contractors and agents have the opportunity and obligation to report actual or potential violations in person, by telephone or in writing to the Compliance Officer at:
616 464-8424

or

Terry Somerville
Compliance and Privacy Officer
Priority Health
MS 3230
1231 East Beltline, NE
Grand Rapids, MI 49525

These individuals may also use the HelpLine to report actual or potential violations to the Compliance Officer by calling 800 560-7013.

- Members, employer groups and vendors have the option and are encouraged to report actual or potential violations by telephone or in writing to the Compliance Officer. These individuals may also use the HelpLine to make a report.

The Compliance HelpLine offers the option to report a concern anonymously. The HelpLine is staffed 24 hours a day, seven days a week by an independent vendor with specialists who are trained to obtain complete and accurate information in a confidential manner. The HelpLine has a process to provide a caller with a response from the Compliance Officer (or appropriate individual) at a future call back date established during the initial call.

The process to report actual or potential compliance violations is designed to ensure that confidentiality is maintained and anonymity is protected. All persons making a report are assured that such reports are treated confidentially and will be shared only on a bona fide need-to-know basis. Priority Health will not retaliate or take adverse action against persons making good faith reports, regardless of whether the report is ultimately substantiated. The Whistleblower Policy protects an individual who reports a concern from any type of retaliation.

Additional reporting options are available to report actual or potential fraud involving Medicare or Medicaid directly to government officials. See PHIN or priorityhealth.com for contact information.

F. Disciplinary Actions

Priority Health will take appropriate action against an employee, customer, physician or other provider, employer group, contractor, vendor or agent who violates the Code of Business Conduct and Ethics or other compliance policy or standard.

Disciplinary standards are published and accessible to all employees and shall be included in employee education and training that is provided on a regular basis. Priority Health has a policy and process to ensure that employees who violate the Code of Business Conduct and Ethics or other compliance policy or standard are subject to appropriate and consistent disciplinary action. Disciplinary action may include coaching/counseling, oral or written formal disciplinary warning, special review, suspension, reduction in salary, demotion, restitution, and/or dismissal from employment. These disciplinary actions also apply to a supervisor who directs or approves an employee's improper actions, or is aware of those actions, but does not act appropriately to prevent, curtail, or correct him/her, or who otherwise fails to exercise appropriate supervision.

Priority Health encourages contractors to adopt a Code of Business Conduct and Ethics which reflects a commitment to ensuring legal and ethical standards are met. Misconduct by a contractor may result in the termination of the contract with Priority Health and/or notification to the appropriate governmental agency.

G. Auditing and Monitoring

Priority Health has a policy and process to ensure that effective auditing and monitoring is conducted on a regular basis to test and confirm compliance with internal policies and procedures and federal, state and local laws and regulations governing its operations. Priority Health is committed to performing periodic audits and self-reviews. The compliance risk assessment, monitoring results and other factors are used to determine areas requiring audits. The Compliance Officer will receive all final compliance audit reports, including audit results, deficiencies and related management action plans to remediate the risks of non-compliance. Priority Health will conduct follow-up reviews of areas found to be non-compliant to determine if corrective actions were taken timely and effectively.

Outside consultants may be engaged to perform audits or assist with compliance activities or the investigation of compliance issues, as determined by the Compliance Officer. Priority Health and Priority Health's contractors will allow authorized governmental agencies (or a designee) access to appropriate records for auditing purposes.

Priority Health will audit and monitor contractors as required or appropriate for wasteful, abusive and fraudulent activities.

H. Investigation of Suspected Offenses and Corrective Action

Priority Health's policies and processes are designed to ensure that prompt and thorough investigations are conducted of suspected offenses (internal and external) by appropriate individuals/departments and that appropriate corrective actions are taken to resolve detected offenses and prevent reoccurrence. Corrective actions may include actions such as repayment of overpayments and making reports, including voluntary self-reports, to appropriate governmental agencies or their designee.

Priority Health has a policy that requires full cooperation with state and federal authorities regarding government investigations.

I. Reports and Record Keeping

The Compliance Officer shall maintain records of compliance activities, including educational activities, audits and the investigation, and resolution of complaints or reported violations or suspected violations. All such records, including data, recorded information, and reports, shall be maintained in the strictest confidence, in order to protect (to the extent practicable in achieving the goals of the Compliance Program) the confidentiality of those making reports or complaints. To the extent that an individual makes a report pursuant to compliance policies, communication with that individual will be kept confidential and will not be made available to persons or entities not involved in the compliance issue except as required by state or federal law or ordered by lawful court or governmental process. All minutes of Compliance Committee meetings and all compliance reports shall be kept electronically or as otherwise required by regulatory agencies. Unless required to be maintained for a longer period by applicable law, court order, or reasonable possibility of evidentiary need in pending or threatened civil, criminal, or administrative proceedings, compliance records shall be kept for ten (10) years from their creation or acquisition, whichever is later. (Other medical and business documents shall be retained in accordance with law and Priority Health’s record retention policy.)

J. Adoption; Amendments and Revisions

Neither this Compliance Program, nor any of its related policies and processes, nor the Code of Business Conduct and Ethics, nor any supplement, amendment, or revision of any of them, shall be effective unless and until approved by the Quality Integration Committee as noted in Exhibit B. Such supplements, amendments, or revisions may be initiated by the Board, the Quality Integration Committee, the CEO, the Compliance Officer, or the Compliance Committee.

This Compliance Program was updated in December 2009 and approved by the individuals listed below.

| | |
|--|--------|
| _____ | _____ |
| (Kim Horn, President & CEO) | (Date) |
| _____ | _____ |
| (Jody Vanderwel, Board Member and QIC Chair) | (Date) |
| _____ | _____ |
| (Terry Somerville, Compliance Officer) | (Date) |

(Note: A signed copy of the Compliance Program is available upon request to the Compliance Officer.)

K. Compliance Program Documents

See Exhibit B

Exhibit A

Organizational chart for the oversight of the Compliance Program

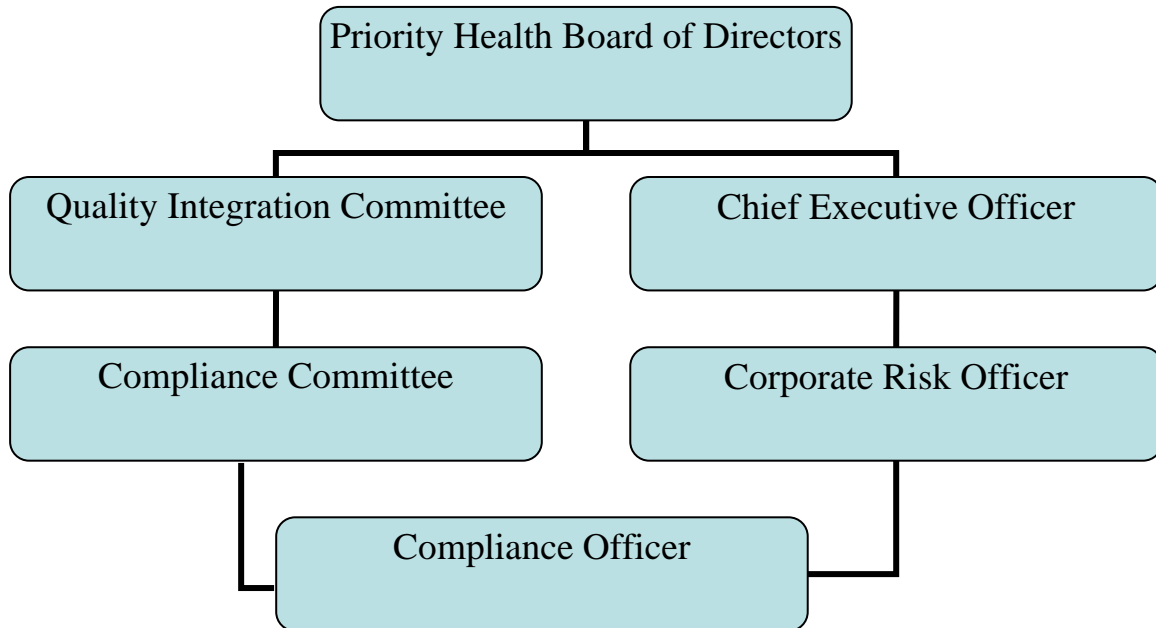


Exhibit B

Key Compliance Program Documents

- Priority Health Compliance Program *
- Compliance Program Work / Training Plan *
- Compliance Handbook
- Compliance Committee Charter *
- Quality Integration Committee Charter
- Message from President and CEO
- Code of Business Conduct and Ethics (Policy #A-7) * +
- Employee Standards of Conduct (Policy #A-7(a)) * +
- Employee Disciplinary Procedures (Policy #A-6) * +
- Whistleblower Policy (Policy #A-7(b)) * +
- Zero Tolerance Policy (Policy #A-7c)
- Confidentiality of Information (Policy #A-10)
- Conflicts of Interest (Policy #A-12) * +
- Harassment & Non-Discrimination (Policy #G-1)
- Use of Information Systems and Social Media (Policy #O-5)
- Compliance Education and Training Policy (C/0100/R1)
- Compliance Lines of Communication Policy (C/0101/R1)
- Compliance Investigation and Corrective Action Policy (C/0102/R2)
- Compliance Disciplinary Action Policy (C/0103/R0)

- Compliance Monitoring and Auditing Policy (C/0105/R1)
- Record Retention Policy (23/5009/R0)
- Fraud and Abuse Policy (36/0002/R3)
- Fraud and Abuse Procedure (36/5002/R2)
- Fraud and Abuse of Prescription Drug Program Policy (11/0008/R3)
- Fraud and Abuse of Prescription Drug Program Procedure (11/5006/R2)
- Medicare Part D Compliance Program Fraud, Waste & Abuse Plan Policy
- Methods to Publicize Disciplinary Guidelines Policy (C/0200/R0)
- Audit of Individuals and Entities Excluded from Federally Funded Health Care Programs Policy (C/5061/R0)
- PriorityMedicare Grievance Policy (5/1100/R2)
- PriorityMedicare Grievance Procedure (5/5100/R2)
- Pharmaceutical Prior Authorization for Formulary Medications (11/0030/R2M)
- Documentation Required for Off-Label Use of Drugs Policy (11/0022/R2M)
- Drug Formulary **PriorityMedicare RxSM**, **PriorityMedicareSM**, **PriorityMedicare PlusSM** (11/0036/R1M)
- Federal and State Laws related to Fraud, Waste and Abuse (36/0006/R0)
- Red Flags Rules – Identity Theft Program Procedure (36/5006/R0) *
- C/0009/R8 Privacy of Member Information Policy
- C/5100/R0 Breach Response and Notification Procedure

* Requires approval by the Compliance Committee and the Quality Integration Committee (QIC)

+ Requires approval by Human Resources prior to approval by the Compliance Committee and the QIC

Note: Exhibit B will be updated as changes in the Compliance Program documents occur.

2/26/10