

Standards of Conduct and Ethics

As employees of Integrated Healthcare Holdings, Inc. (“IHHI”) and its subsidiary hospitals and other entities, we have a responsibility to act with complete integrity when representing IHHI. Individuals and organizations serving as vendors or contractors to IHHI have the same obligation to act with complete integrity when representing IHHI. Integrity is the basis of every individual’s reputation, and it is the basis of IHHI’s reputation as a health care leader.

These **Standards of Conduct** reflect IHHI’s **basic values**. These **basic values** are to:

- meet the needs of each and every patient whose care is our primary purpose and mission;
- hold integrity and honesty as our most important principles, uphold ethical standards at all times and comply with all applicable rules and regulations;
- comply with all applicable rules and regulations;
- maintain and enhance cooperative relationships with affiliated physicians to better serve the health care needs of our communities;
- forge strong partnerships with those who share our values;
- achieve standards of excellence which become the benchmark of industry practices;
- use innovation and creativity to identify and solve problems;
- apply quality management and leadership principles to foster continued employee development;
- treat each other, our patients, and our business partners with respect and dignity;
- achieve competitive return for our investors;
- strive for improvement day in and day out in everything we do.

Introduction

These **Standards of Conduct** set forth the ethical foundation for our conduct and should be used in conjunction with IHHI's policies and procedures to ensure that our actions are in compliance with all applicable laws and regulations. In addition to these written Standards, it is important to engage in honest and open discussion with your supervisor regarding the Standards and policies that you are expected to know and follow.

When you have a question about these Standards or another ethics concern, your supervisor or manager is often closest to the situation and best able to help you. However, IHHI recognizes **that you may be uncomfortable raising certain questions with your supervisor or manager. You are welcome to call IHHI's Ethics and Compliance Hotline at 1-866-311-4217.** The hotline is operated on our behalf by National Hotline Services, Inc., an independent firm. The Hotline is prepared to take calls in English, Spanish, and Vietnamese. You may remain anonymous when using the hotline.

All IHHI employees have an obligation to report incidents that they believe may be in violation of the **Standards of Conduct**, or otherwise unethical or illegal. It is IHHI's policy to protect employees who report actual or potential improper conduct against retaliation.

Supervisors and Managers

IHHI supervisors and managers have a special obligation to be open to employee concerns about ethics. Even if an employee raises an uncomfortable question or criticizes you, welcome the employee's questions or concerns. If you do not know how to answer a question or address a concern, the Chief Compliance Officer located in IHHI's corporate office will assist you.

All IHHI employees, including supervisors and managers, have a responsibility to create a work environment in which ethical concerns can be raised and openly discussed without fear of retaliation.

Any supervisor, manager, or other IHHI employee who violates IHHI's Standard of Conduct or who retaliates against an employee who reports a concern through appropriate channels, is subject to disciplinary action up to and including termination.

Illustration: An employee thinks a supervisor is retaliating against another employee, and reports it to the Ethics and Compliance Hotline. What action does IHHI's Chief Compliance Officer take?

Answer: *Since this is considered a serious violation of the Standards of Conduct, it would be investigated promptly. Retaliation in any form would subject the supervisor to discipline up to and including termination.*

The Chief Compliance Officer would ask a senior manager at the location who is not involved in the issue to investigate and resolve it. If the Chief Compliance Officer does not agree with the resolution, an inquiry by an IHHI resource from outside the hospital would be considered.

Illustration: An IHHI employee who reports an incident to the Ethics and Compliance Hotline is harassed by other employees. The supervisor allows the behavior to continue. What disciplinary action should be taken? Against whom?

Answer: *Retaliation of any kind is viewed seriously. It is the responsibility of the manager to be sure retaliation is not tolerated.*

The discipline should be related to the seriousness of the harassment, and the past record of the supervisor. Those responsible for the harassment should also be disciplined in a manner appropriate to the offense and their past record.

Quality

We shall provide high-quality services that respond to individual, family and community needs.

- We shall assess the needs of our patients and fulfill our obligation by providing appropriate services. When it is practical, we shall seek input from families, medical staff and other sources.
- We shall uphold sound standards of professional practice in all IHHI facilities and programs.
- As health services providers upon whom patients depend for their health and safety, we shall take note of deficiencies or errors, even those that may seem small or insignificant.
- We shall maintain medical records and documentation to meet the requirements of medical staff bylaws, IHHI and facility policies, accreditation standards, **and all applicable laws and regulations.**
- Clinical assessments of prospective patients should always be undertaken by qualified individuals. Admission and discharge decisions should be based on the medical needs of the patient and the patient's choices.

Illustration: A nurse forgets to record the medication given to a patient. After returning from a three-day break, the nurse records the medication indicating the date it was given. Is this action appropriate? Should additional action be taken?

Answer: *The error should have been reported by the nurse to his or her supervisor when noted. The entry should indicate the medication was given on the required date, but entered later. If this is a first offense, the nurse should be cautioned about the seriousness of this act. If this is a common error by the nursing staff, training should be given to all nurses to emphasize accurate and timely recording of medication entries.*

Laws and Regulations

We shall comply with all applicable laws and regulations. If there is any doubt as to the legality of an action, we shall seek advice from our supervisor or manager and, as appropriate, designated IHHI legal counsel **before** acting.

We are responsible for providing health care services that comply with all applicable laws, regulations and standards, including state and federal legislation regarding patients' rights.

Contracts:

- We shall accurately specify the services to be provided, benefits to be received, realistic time commitments, and reasonable compensation rates in all contracts with clinicians and referral sources.
- All contracts must be reviewed prior to issuance. Various factors determine the required level of review. Many contracts require review by IHHI's corporate office.

Illustration: A nurse is aware that a physician has a directorship in the hospital's cardiology department. The directorship requires the physician to provide two hours of in-service training each month for the cardiology technicians. The nurse knows this training is not being conducted. Is any action indicated?

Answer: *The nurse should first discuss this with his or her supervisor. If that is not realistic, the nurse's options include going to the next supervisory level or to the hospital COO or CEO. Alternatively, the nurse can call the Ethics and Compliance Hotline.*

Inside Information:

Information that is important enough to potentially affect a company's stock price, but that is not yet public, is known as inside information. Examples include financial results, earnings projections, changes in senior management, etc.

- If we have access to inside information, we must not make any stock trades until the information is made public, nor may we provide information to others that may influence a stock trade based upon such inside information.
- We must never allow inside information to be used, directly or indirectly, to benefit ourselves or another other party in a manner that is inconsistent with law or is a violation of company policies.

Financial:

We shall make full, fair, accurate, timely and understandable Securities and Exchange Commission filings and submissions and our chief executive officers as well as senior financial officers with financial accounting and reporting responsibilities are subject to these Standards of Conduct.

Laws and Regulations, *continued*

Antitrust:

- Competition is a fact of life in health care today, and we shall always compete fairly and in accordance with all laws. Many of the antitrust laws that regulate competition are extremely complex. It is unlawful to agree, or attempt to agree, with competitors to fix prices, divide geographic markets or make any agreement that may artificially raise the prices of our services or impede competition. Because of the complexity of these issues and the applicable laws, always contact IHHI's corporate office before taking any action that may constitute unfair competition.

Legal Employment

- We maintain all credentials, licenses and certifications that are necessary to perform our job.
- We do not hire, contract with or bill for services rendered by persons or entities excluded from participation in Federal health care payment programs, including Medicare and Medicaid.
- If we become ineligible to participate in Federal health care payment programs, or are convicted of a crime that could lead to becoming ineligible (such as a crime related to the provision of health care services), we will inform our immediate supervisor and the Chief Compliance Officer.

Billing & the False Claims Act

Both federal and state false claims laws prohibit any entity from knowingly submitting a false claim to a government entity, such as Medicare and Medi-Cal for the payment of services. The false claims laws are designed to protect Federal payment programs from fraud and abuse and these laws contain provisions that protect employees who initiate actions under the provisions of the false claims law from retaliation.

In general, billing questions should be referred to the hospital billing department. If further information or clarification on billing issues or the False Claims Act is needed, the employee should consult the Employee Handbook or contact the Chief Compliance Officer.

- We shall code and bill accurately and only for services actually rendered and properly documented, in accordance with all applicable laws and regulations.
- If we see a claim, bill or code that contains a possible error, we have an obligation to report the item to our immediate supervisor or to call the Ethics and Compliance Hotline. Employees knowingly engaging in the processing of a false claim or the creation of false or inaccurate documentation will be subject to disciplinary action.

Use of Assets

We shall protect IHHI's assets and assets entrusted to us by others against loss, theft and misuse. We must also protect the assets of patients and their families, professionals and employees.

- We shall preserve IHHI's property, facilities, equipment and supplies. This includes office and medical equipment, pharmaceuticals, vehicles, supplies, reports and records, computer software and data, trademarks and service marks, intellectual property, facilities and company-provided services.
- We shall protect proprietary information entrusted to us by actual and potential vendors, referral sources, contractors, service providers and others.
- We shall protect intellectual property developed as part of our employment by IHHI. We shall not share this intellectual property with any other organization while working for IHHI or after departing IHHI.

Illustration: An IHHI nurse has cared for an 80-year-old patient who wants to have a chronic arthritic hip joint replaced with an artificial hip prosthesis. Due to the patient's age and other medical problems, the attending physician recommends that the patient not have this surgery. The nurse shares the patient's desires with a physician at another hospital where the nurse works on weekends. That physician indicated she would probably agree to the patient's wishes. Has the nurse violated IHHI policies?

Answer: *The nurse has violated IHHI's protection-of-assets policy by disclosing patient information to a person who does not satisfy the need-to-know criterion. An option is for the nurse to discuss the patient's desires with the attending physician. The nurse could suggest that the patient obtain an opinion from another physician of the patient's choice. The nurse should be disciplined for the violation of policy. The type and severity should reflect the nurse's past performance record.*

Documentation

We shall maintain all patient and company records accurately and completely, and ensure that appropriate measures are in place to protect these materials.

- We shall prepare, maintain, and preserve patient and company records and reports as provided by medical staff bylaws, IHHI and facility policies and procedures, accreditation standards, and all applicable laws and regulations.
- We must guard patient and provider information against improper access or use by unauthorized individuals, such as individuals seeking financial gain from unauthorized access to this information. Patient information may be shared only with those who have a legitimate need for this information and are authorized to receive the information.

Illustration: A secretary at an IHHI facility believes some of the expenses the secretary's boss submits as business-related are questionable. For example, recent trips have included dinners in excess of \$100 per person and theater tickets for \$250. Is there a problem?

Answer: *There may be a problem. The secretary has several options. One option is for the secretary to ask his or her boss for additional documentation to explain the expenses to those responsible for approving the reimbursement. Another option would be for the secretary to seek an opinion from the Accounts Payable Department regarding the company's policy on reimbursement for the types and amounts of expenses being claimed. If these options are not acceptable or if questions remain, the secretary should contact the Ethics and Compliance Hotline.*

Conflicts of Interest

All employees have an obligation to conduct business within guidelines that prohibit actual or potential conflicts of interests.

An actual or potential conflict of interest occurs when an employee is in a position to influence a decision that may result in personal gain for that employee, a friend, or an acquaintance, or for a relative as a result of IHHI's business dealings. A relative is any person who is related by blood or marriage, or whose relationship with the employee is similar to that of persons who are related by blood or marriage.

Business dealings with outside firms and individuals should not result in unusual or unreasonable gains for outside firms or individuals (a vendor or contractor), the IHHI facility or organization, or IHHI employees.

No "presumption of guilt" is created by the mere existence of a business relationship with outside firms or individuals. However, if an employee has any influence on transactions involving purchases, contracts, or leases, it is imperative that he or she disclose to a senior manager, such as the CEO or COO of the facility or organization, as soon as possible the existence of any actual or potential conflicts of interest so that safeguards can be established to protect all parties.

For further information, consult *Human Resources Policy and Procedure regarding Conflicts of Interest*.

1) General Guidelines

- We must avoid placing business with any firms in which we, our families, or our close business and personal associates have an interest.
- We must avoid direct responsibility for the hiring or supervision of a family member.

Illustration: An IHHI hospital has requested bids from two physician groups to provide emergency room services. The administrative director of the Emergency Room is aware that a physician in one of the groups is the brother of the hospital's CEO and has heard that the group, which includes the CEO's brother, will probably be awarded the contract. The administrative director wonders if that group is truly the best, or could the relationship between the CEO and the physician be an influencing factor?

Answer: *Any situation where special treatment is perceived or may be an issue should be documented and approved at the appropriate level before action is finalized. The bidding process must be fair to all bidders. The administrative director should share any concerns with his or her supervisor. If a concern remains, the administrative director should contact the Ethics and Compliance Hotline.*

Conflicts of Interest, *continued*

2) Outside Employment and Business Interests

- Any involvement by an IHHI employee in a personal business venture shall be conducted outside the IHHI work environment.
- We may not endorse any product or service on behalf of IHHI, either directly or by inference, without explicit prior approval to do so.
- When serving as a member of an outside organization or board or in public office, IHHI employees shall abstain from any decision or discussion affecting IHHI, except when specified permission to participate has been given by IHHI's corporate office.

Illustration: An IHHI executive served (with permission) as a member of a state lottery commission. The commission is selecting a managed care vendor for its employees. IHHI would like to bid. Should the commission consider IHHI's bid? If so, should special rules apply?

Answer: *IHHI should be allowed to bid (unless there are laws prohibiting this), but the commission should ensure that procedures are in place to prevent the IHHI executive on the commission from influencing the award of the contract. A Conflict of Interest Disclosure Statement must be completed by the executive.*

3) Vendors and Contractors

- We shall maintain impartial relationships with actual and potential vendors and contractors. We shall avoid exerting or appearing to exert influences on behalf of those with whom IHHI does business or may do business because of friendship or any other relationship.
- Vendors and contractors who have or seek business relationships with IHHI must support these **Standards of Conduct**. All contractors doing business with IHHI will be provided a copy of the **Standards**. Prior to doing business with IHHI, contractors will be required to sign a statement agreeing to abide by the **Standards** in all business relationships with IHHI. IHHI employees having knowledge of vendors or contractors who violate these **Standards** in their relationships with IHHI should inform a senior executive in their organization, such as the COO or CEO. If the situation is not corrected, it should be reported to an Ethics and Compliance Hotline.

Illustration: An IHHI information services employee has a close relative who is the marketing director for a software company that wants to establish a business relationship with IHHI. Is there a problem?

Conflicts of Interest, *continued*

Answer: *If the IHHI employee has a decision-making role that would affect or influence the outcome of a bid submitted by the relative's software company, the employee must complete a Conflict of Interest Disclosure Statement and have it reviewed and approved before proceeding. A decision likely would be made to remove the employee from the bid approval process or ensure no action is taken by the employee to influence the bid. Additionally, even if there is only the appearance of a conflict of interest, the employee should complete a Conflict of Interest Disclosure Statement.*

4) Gifts, Meals, and Entertainment

- We shall not solicit, offer, accept or provide any consideration that might be constructed as conflicting with IHHI's business interests, such as donations, meals, gifts, transportation or entertainment.
- We may not accept gifts exceeding \$35 in value for an individual gift, or \$100 in cumulative value in a calendar year. Gifts received that exceed \$35 in value must be documented and reported to your supervisor or manager who will decide how such gift will be handles.
- Acceptance of cash gifts, including tips, of any amount is prohibited.
- We may not accept gifts from of give gifts to patients regardless of the value. Exceptions can be made if the gift is perishable, such as food basket or flowers.
- Cash gifts to clinicians or referral sources are prohibited. Non-cash gifts to clinicians or referral sources that have a value exceeding \$35 are prohibited. If circumstances seem to dictate a gift exceeding this limit, prior approval must be obtained and the reason for the gift documented.
- **Illustration:** A Pharmaceutical company that has a national contract with IHHI is sponsoring a seminar. The seminar is reporting on research that evaluated the outcomes of a new cholesterol-lowering drug. IHHI is invited to have a representative attend at the expense of the pharmaceutical company. Is this permitted?

Answer: *Criteria that should be used by the approving official (this varies by organization level) in making a decision on attendance of IHHI employees at vendor sponsored meetings include:*

- *Is the focus on education rather than marketing the vendor's products? Are the presenters sales-oriented people or educator?*

Conflicts of Interest, *continued*

- *Is the sponsor providing take-away gifts of more than nominal value? If there are more than nominal travel costs involved, IHHI must fund this on the premise that attendance is valuable to IHHI. If the travel costs are not significant (i.e., the meeting is near where the employee works), IHHI must pay other portions of the cost, such as meeting registration, hotel and meal expenses.*

Illustration: An IHHI nurse receives an afghan knitted by a patient, personalized with the nurse's initials. Can the nurse accept this gift?

Answer: *Because of the personalized nature of the gift and in the interest of good patient relations, it can be accepted on a one-time basis. It should be explained to the patient that an exception to IHHI's rule which prohibits employees from receiving gifts from patients is being made due to the personalization and work involved. The patient should be told that a second gift cannot be accepted. All gifts from patients must be reported to the employee's supervisor.*

Treatment and Work Environment

We shall maintain a safe and healthy treatment and work environment. Because of IHHI's Commitment to its patients, we shall make this an environment that fosters the privacy, security and comfort of patients.

- We shall uphold all policies, procedures, laws, regulations, standards and practices intended to make the treatment and work environment healthy and safe.
- We shall uphold all policies, procedures, laws, regulations, standards and reporting requirements applicable to the environmental aspects of IHHI's operations.
- We shall ensure that drugs and pharmaceuticals are safely stored and inventoried, and that missing supplies are promptly reported to our supervisor.
- We shall correctly dispose of medical waste, environmentally sensitive materials and any hazardous material.

Illustration: The manager of housekeeping at an IHHI hospital lives close to an authorized disposal location for medical waste. Rather than use a licensed medical waste hauler to pick up the waste, the manager frequently transports this material in the manager's personal car to the disposal location. It is a small hospital; only small amounts of medical waste are generated, and the manager doesn't see this as a big problem. Is this okay?

Answer: *Any time an individual circumvents authorized policies and procedures at a facility – as the manager of housekeeping appears to be doing in this case – the potential for a serious problem exists. This is especially true for such sensitive activities as medical waste disposal, which in many cases is governed by local, state and federal regulations. Since these regulations vary considerably, the hospital's risk manager or safety manager should be consulted to ensure that the hospital is in compliance with the applicable laws. If additional guidance is needed, the Ethics and Compliance Hotline should be contacted.*

Human Resources

We shall strive through words and actions to create a professional work environment that will be admired by employees, patients and visitors.

- We shall encourage IHHI employees to develop their skills and potential and treat one another in a fair and respectful manner.
- We shall support IHHI's equal employment and other employee development programs. IHHI prohibits discrimination on the basis of race, color, religion, sex, sexual orientation, national origin, age, disability, veteran status or any characteristic protected by law. All employment-related decisions will reflect this commitment.
- We shall strive to create a workplace free of sexual and other harassment.
- We shall observe the standards of our professions and exercise judgment and objectivity. Significant differences in professional judgment should be promptly referred to our supervisor, manager or other IHHI authority.
- We recognize the diversity of IHHI employees, medical staff, patients and communities as a valuable asset. IHHI views diversity as essential to meeting its commitments to quality, community and service.
- We recognize the unique work relationship between physicians – most of whom are not IHHI employees – and IHHI facilities, programs and employees. The privileges granted to physicians are governed by medical staff bylaws. IHHI promotes ethical conduct among all physicians who practice in IHHI hospitals and programs.

Illustration: A surgeon at an IHHI hospital has a reputation for verbally abusing employees. What should be done about the situations?

Answer: *While most physicians who practice at IHHI facilities are not IHHI employees, they are still governed by the hospital's medical staff bylaws. These bylaws generally set standards of behavior that physicians are expected to follow. If the behavior of a surgeon at an IHHI hospital is considered inappropriate, it should be reported through the hospital chain-of-command. If the situation is not corrected, the Ethics and Compliance Hotline should be contacted.*

Community Involvement

- We shall strive to be good corporate citizens of every community in which we provide services or conduct business. IHHI encourages its facilities to provide a wide range of community outreach programs in the communities they serve, including health education, preventative health measures and other health-related services.

For your Information

In addition to these **Standards of Conduct**, IHHI from time to time issues policies and procedures covering legal or business matters relevant to particular parts of its business. To access and review policies, contact your supervisor or Human Resources Department. All employees are expected to comply with all statements of policy, procedure and practice of IHHI, as well as with lawful and ethical business practices, whether or not they are mentioned in the **Standards of Conduct**.

The Corporate *Policies and Procedures Manual on Human Resources* and the Corporate *Compliance Program* offer more detailed information to employees than these **Standards of Conduct**.

Other policy documents may be published at various IHHI organizational levels. Such documents are issued and revised periodically. All supervisors are expected to be familiar with and comply with them, and to be prepared to assist and guide their employees on issues related to these policies.

Contacting IHHI's Ethics and Compliance Program

IHHI employees who observe instances of improper or illegal conduct are responsible for reporting what they observe. Ordinarily, the best option is to report your concern to a local resource such as your supervisor, manager or Human Resources representative. Employees also have the option of calling IHHI's Ethics and Compliance Hotline. Employees can call the hotline on an anonymous basis. Retaliation against employees who make reports of improper conduct locally or by calling the hotline is strictly prohibited.

Mail: Integrated Healthcare Holdings, Inc.
Attn: Chief Compliance Officer
1301 N. Tustin Ave.
Santa Ana, CA 92705

Phone: (714) 953-3652
Fax: (714) 953-3384

The Ethics and Compliance Hotline (**1-866-311-4217**) is available to you 24 hours a day, 365 days a year.

Suggestions for Changes to This Document

IHHI's **Standards of Conduct** is a document that will be updated periodically. If you have suggestions for improvement please call, write, or fax the Chief Compliance Officer.

This material was prepared by Integrated Healthcare Holdings, Inc. for its internal corporate use only and is considered confidential and proprietary to IHHI. Neither this document nor any part of it may be used, reproduce, stored in a retrieval system or distributed to third parties in any form without the prior written permission of IHHI. Requests for permission should be directed to IHHI's Chief Compliance Officer at the address indicated above.