
Compliance and Ethics Program

TABLE OF CONTENTS

I. INTRODUCTION.....	1
II. WHY A COMPLIANCE PROGRAM IS REQUIRED	1
III. DEFINITION AND ELEMENTS OF A COMPLIANCE PROGRAM	2
IV. COMPLIANCE AND THE BCBSAZ EMPLOYEE	3
A. THE CODE OF CONDUCT, CODE BLUE.....	3
B. WRITTEN POLICIES AND PROCEDURES.....	3
V. OPERATION OF THE COMPLIANCE PROGRAM.....	4
A. THE COMPLIANCE OFFICER	4
B. DUTIES AND RESPONSIBILITIES OF THE COMPLIANCE OFFICER	5
1. OVERSIGHT OF TRAINING AND EDUCATION.....	5
2. ESTABLISHMENT OF EFFECTIVE LINES OF COMMUNICATION.....	5
3. FRAUD WASTE AND ABUSE PREVENTION	5
4. INTERNAL MONITORING AND AUDITING.....	6
C. THE INTERNAL COMPLIANCE COMMITTEE.....	7
D. DECENTRALIZED COMPLIANCE RESPONSIBILITIES	7
VI. THE COMPLIANCE PROGRAM IN ACTION	7
A. BACKGROUND CHECKS	7
B. ENFORCEMENT AND DISCIPLINARY PROCEDURES	8
C. INVESTIGATIONS.....	9
1. PURPOSE OF THE INVESTIGATION	9
2. THE INVESTIGATIVE PROCESS	9
D. ORGANIZATIONAL RESPONSES	10
1. CORRECTIVE ACTION PLANS	10
2. PREVENTION OF FURTHER VIOLATIONS.....	10
3. EXTERNAL REPORTING OF VIOLATIONS	10
4. POSSIBLE CRIMINAL ACTIVITY.....	11
5. OTHER NON-COMPLIANCE	11
E. DISCIPLINE	11
F. EMPLOYEE PARTICIPATION AND REPORTING.....	12
ATTACHMENT A – MEDICARE PART D PROGRAM COMPLIANCE SUPPLEMENT.....	14

I. Introduction

Blue Cross and Blue Shield of Arizona (BCBSAZ), including its wholly owned affiliates and subsidiaries, provides health care and dental plans as well as other insurance related services in the state of Arizona. As such, it strives to be a good corporate citizen and, as a matter of corporate principle, seeks to do business in a fair, ethical and honest manner. Our goal is to be the most respected brand in health care by making and keeping promises to our customers, our communities, and each other. To further its ideals, BCBSAZ strives to build a *culture of compliance* that incorporates the legal, business and ethical standards that BCBSAZ expects in its business operations.

The Compliance Program is overseen by the Board of Directors and has the support of executive management. It applies to every employee of BCBSAZ, employees of its subsidiaries, and members of the Board of Directors.

II. Why a Compliance Program is Required

BCBSAZ does business in a highly regulated environment, subject to a multitude of federal and state requirements. Thus, one of the fundamental goals of a compliance program is to ensure that **every employee of BCBSAZ, employees of its subsidiaries, and members of the Board of Directors** are aware of, and adhere to, applicable laws and regulations (including regulatory orders and guidance, Marketplace and Small Business Health Options program (SHOP) requirements for compliance for Qualified Health Plan (QHP) issuers, etc.), internal policies and procedures, and ethical business principles, all of which govern how BCBSAZ does business.

BCBSAZ has established its Compliance Program based on applicable legal requirements, established regulatory standards and guidance issued by regulatory agencies and the Blue Cross and Blue Shield Association. The Compliance Program is intended to:

- prevent violations of laws and regulations through education, auditing and monitoring of business operations;
- identify any violations that may exist;
- promptly respond to and correct the problem if violations occur;
- report violations to proper regulatory bodies when appropriate, and
- detect, prevent and correct fraud, waste and abuse.

Various federal and state agencies have the power to evaluate and audit BCBSAZ for compliance with their requirements, and to levy fines and other penalties if BCBSAZ is found to be noncompliant. A broad and effective corporate compliance program is, therefore, essential in order for BCBSAZ to fulfill all of the requirements with which it must comply, to educate employees on these requirements, and to correct instances of noncompliance.

The basic goal of the Compliance Program is to ensure that all BCBSAZ employees know the rules and follow them so that the company's business is conducted in accordance with applicable requirements. That way, we devote more time serving our members and other customers. An effective Compliance Program also reduces the risk that BCBSAZ will be fined, sanctioned or otherwise penalized for violations of the law. **Compliance is every employee's responsibility, so it is important that all employees abide by BCBSAZ's commitment to compliance and ethical behavior.**

III. Definition and Elements of a Compliance Program

The United States Sentencing Commission, created in 1984, issued the Federal Organizational Sentencing Guidelines, which set forth the requirements for an effective compliance program. The CMS and the Office of Inspector General (OIG) of the Department of Health and Human Services have subsequently prepared additional, detailed guidance on compliance programs for various entities in the health care industry. Finally, the Blue Cross and Blue Shield Association has prepared a model compliance program that member Plans are encouraged to follow. BCBSAZ's Compliance Program has been developed with these sets of standards in mind. All of the available guidance and sample documents consistently describe seven key elements of an effective Compliance Program. They are as follows:

1. Implementation of a code of conduct and written policies and procedures that promote the company's commitment to comply with all applicable federal and state standards
2. Designation of a Compliance Officer and Compliance Committee that are accountable to senior management and the Board of Directors
3. Implementation of effective training and education programs
4. Development of effective lines of communication throughout the organization to receive complaints and compliance concerns
5. Provision for internal monitoring and auditing
6. Enforcement of standards through well-publicized disciplinary guidelines
7. Prompt response to detected offenses and development of corrective action initiatives.

As an eighth element, BCBSAZ's Compliance Program also includes a plan to prevent and detect fraud, waste and abuse.

The BCBSAZ Compliance Program is a comprehensive strategy designed to ensure BCBSAZ's compliance with all applicable laws. The Compliance Program helps guide compliance activities to address business practices that put BCBSAZ most at risk for noncompliant or illegal behavior. Under BCBSAZ's Compliance Program, BCBSAZ periodically assesses the risk of misconduct or other violations.

The Compliance Program is intended to be proactive, not reactive, and to detect and prevent possible violations before they occur. An effective program may help reduce penalties or fines if violations are found, but it should not be viewed as a way to meet minimum

governmental requirements or merely to prepare for audits by regulatory agencies. The program is both broader and deeper than this and is intended to establish a culture of ethical business practices which will instill a commitment in all employees to observe the law and to do the right thing in situations that raise ethical or legal concerns.

IV. Compliance and the BCBSAZ Employee

A. The Code of Conduct

As a part of its commitment to compliance, BCBSAZ has developed and implemented standards applicable to all employees that detail the manner in which business is to be conducted on behalf of BCBSAZ. These standards are described in Code Blue, BCBSAZ's Code of Conduct. Code Blue is based on a strong commitment to compliance and ethical practices by BCBSAZ's Board of Directors and senior management and is designed to be a clear and concise collection of company-wide principles and standards. Code Blue is the cornerstone of BCBSAZ's Compliance Program.

Code Blue details the fundamental principles, values and framework for conducting business properly and professionally at BCBSAZ. Code Blue affirms BCBSAZ's commitment to comply with all federal and state laws and regulations. Code Blue is reviewed annually and updated if appropriate.

Code Blue is explained as part of the required employee orientation and Code Blue training is required of each new employee and refresher training is required annually. Employees are required to sign a written commitment to comply with Code Blue at the time of hiring and annually thereafter. A link to Code Blue can be found on the main page of the company's intranet site, Planet Blue. A hard copy of Code Blue is available from the Corporate Integrity Department or Human Resources Department upon request.

B. Written Policies and Procedures

As part of its commitment to compliance, BCBSAZ maintains written policies and procedures addressing specific areas of operation. These policies, which include, but are not limited to, the privacy and security policies, policies related to Marketplace and Small Business Health Options program (SHOP) QHP requirements, vendor contracting policies, records management policy and the Employee Guide, (the collection of Human Resources policies available on the company's intranet site, Planet Blue) are designed to be high level statements of guiding principle, while procedures spell out specific steps that employees must follow when performing their duties. The company maintains corporate policies and procedures on the intranet site, Planet Blue, which includes compliance-related guides including links to Code Blue for submitting compliance referrals, fraud and abuse referrals, and privacy incident reporting.

The vice president or other designated employee in each area is responsible for ensuring that the compliance standards, as required by this program or as designated by the Compliance Officer, are developed and maintained. The vice president or designated employee in each area is responsible for ensuring that operational policies and procedures

are modified and updated to reflect any standards applicable to his or her area and actions necessary to be in compliance with government requirements. These policies and procedures must be communicated to all individuals who are affected by the particular policy area at issue. Additionally, the Compliance Officer and Internal Compliance Committee members will work with management to make sure policies and procedures are understandable and consistently enforced.

V. Operation of the Compliance Program

The BCBSAZ Compliance Program has several components which enable it to provide effective and proactive compliance efforts, including the Compliance Officer and the Internal Compliance Committee.

A. The Compliance Officer

The Compliance Officer is responsible for the oversight and operation of the Compliance Program. In this role, periodic reviews, updates, and revisions of the Program are necessary as the objectives of the organization and government regulations change. BCBSAZ's Compliance Program will be reviewed and updated annually and as needed.

The Compliance Officer is instrumental to the ongoing development and implementation of the Compliance Program. The Compliance Officer is responsible for ensuring the proper functioning of all activities related to compliance with federal and state laws and regulations, including, in particular, compliance with the Medicare Part D Program requirements.

In addition to the internal monitoring function, the Compliance Officer can also play the critical role of liaison with government regulators, as well as acting as an internal consultant. In this consulting role, the Compliance Officer, with the assistance of the Internal Compliance Committee, assists individual departments with understanding the regulations, developing procedures and updating training content.

The Compliance Officer will have adequate authority and resources to run the Compliance Program. The Compliance Officer reports to the Audit and Compliance Committee of the BCBSAZ Board of Directors. The Audit and Compliance Committee's responsibilities include appointment, replacement or dismissal of the Company's Compliance Officer. The Compliance Officer attends all Audit and Compliance Committee meetings. Either the Compliance Officer or the Audit and Compliance Committee will periodically engage external or other independent auditors to evaluate the organization and the overall effectiveness of the compliance program. In the unlikely event that senior management practices are the subject of serious compliance concerns that have gone uncorrected or such compliance concerns are the result of knowing and willful unlawful conduct, the Compliance Officer will have direct access to the Board of Directors for the purpose of reporting violations of law or policy. In any event, the Compliance Officer will report regularly to the CEO and at least quarterly to the Board of Directors on compliance issues.

The Compliance Officer will act promptly to initiate an investigation of reported legal or ethical violations, direct appropriate corrective action, and if necessary, work with Human Resources to recommend disciplinary action.

B. Duties and Responsibilities of the Compliance Officer

1. Oversight of Training and Education

The Compliance Officer is responsible for ensuring that BCBSAZ employees, and board members, receive appropriate training and education on the Compliance Program, relevant regulatory requirements, policies, procedures and Code Blue. The Compliance Officer will work with the Internal Compliance Committee to direct the company's efforts to identify departments and work processes that have higher risks for legal violations and see that those areas receive specific, focused training on prevention, detection and proper reporting of possible legal violations. The amount and scope of training and education for all company employees, shall be tailored to suit the specific needs of their work functions.

Current employee compliance training programs include mandatory annual training on the company's Code Blue; Privacy and Security; and Fraud, Waste and Abuse programs. These courses are delivered through classroom and/or online training modules with learning assessments, attendance records or attestations.

Training and/or education for temporaries, consultants and others performing services for BCBSAZ may be required to meet regulatory, contract or accreditation requirements and if required may be tailored to suit the needs of their specific work functions. See Attachment A for specific Medicare Part D training.

2. Establishment of Effective Lines of Communication

BCBSAZ requires all employees to report suspected wrongdoing without fear of retribution. Both this Compliance Program and Code Blue strictly prohibit any retaliation against employees who in good faith report wrongdoing.

If employees are uncertain about a legal or ethical situation, or have a question regarding a company policy, practice or procedure, they should seek guidance or clarification from their management, the Vice President of Human Resources, a member of the Internal Compliance Committee, the Compliance Officer or the Legal Department. Employees may also utilize the EthicsLine for this purpose. Questions and responses will be documented and, if appropriate, shared with other staff so that standards, policies, procedures and related training can be updated and improved.

The Compliance Officer will prepare quarterly reports detailing the status of the company's compliance efforts. The Compliance Officer will present this report to the CEO, the Board of Directors and the Internal Compliance Committee.

3. Fraud, Waste and Abuse Prevention

As a sponsor of a Medicare Part D Prescription Drug Benefit Plan for Arizona, BCBSAZ must meet strict standards for the implementation of its Compliance Program. CMS guidance emphasizes the importance of providing training and taking other measures to prevent and detect fraud, waste and abuse in connection with the Part D Program. While BCBSAZ may contract with a pharmacy benefits manager and administrative services subcontractor(s), BCBSAZ retains ultimate compliance responsibility and accountability. The Compliance Officer, with the assistance of the Internal Compliance Committee, is responsible for ensuring that the BCBSAZ Compliance Program activities are consistent with applicable legal requirements and that the performance of all subcontractors is properly overseen. The requirements in connection with the Medicare Part D Program are addressed in more detail in Attachment A.

Independent of BCBSAZ's commitment to preventing and detecting fraud, waste and abuse in connection with the Medicare Part D program, BCBSAZ maintains a broader program to prevent and detect fraud, waste and abuse generally. The program covers fraudulent and abusive activities perpetrated by providers, members, employees, vendors or employer groups. The foundation for the program is BCBSAZ's Special Investigation Unit (SIU), whose primary function is to manage and oversee the company's anti-fraud program. The unit also functions as BCBSAZ's primary fraud investigation resource.

The company has a number of methods for identifying potential situations of fraud, waste and abuse, including:

- a fraud hotline available to both employees, external customers and subcontractors;
- referrals from "sister" Blue Plans, through the Blue Cross Blue Shield Association's anti-fraud network;
- referrals from its mental health substance abuse manager; chiropractic network vendor and other third party administrators and
- referrals and notices from the Medicare Prescription Drug Integrity Contractors (MEDICs).

BCBSAZ has developed a cooperative relationship with the state Department of Insurance, the U.S. Attorney's Office for Arizona and the federal investigators who work with the U.S. Attorney's Office on matters involving suspected healthcare fraud, waste and abuse. Employees who discover suspected fraud, waste and abuse should report it to the SIU or the Compliance Officer to consider whether the matter should be referred to the state Department of Insurance or the U.S. Attorney's office for potential enforcement action or whether the company should pursue other legal action.

4. Internal Monitoring and Auditing

As part of its annual audit planning process, BCBSAZ will evaluate compliance-related risks, with particular focus on new or changing laws and regulations with which the organization must comply. The results of this assessment are incorporated in its annual audit plan. In addition, the Compliance Officer, in conjunction with the Internal Audit Department and with the advice and assistance of the Internal Compliance Committee, will conduct periodic risk

assessments to determine where there may be risks of potential legal or regulatory violations, or risks of internal fraud, for which proper safeguards have not been implemented. This self-evaluation can identify risk areas on which the Compliance Program can focus. For both the annual audit planning and periodic compliance risk assessments, consideration is given to any external or other independent audits conducted to evaluate the organization and the overall effectiveness of the compliance program.

C. The Internal Compliance Committee

The Internal Compliance Committee's members serve a vital function as a cross-departmental working group to address compliance issues which arise in day-to-day operations and to ensure that the knowledge needed to comply with statutes, regulations and business commitments, as well as a spirit of proactive compliance, is disseminated throughout their respective work areas and the company. The Internal Compliance Committee's roles and responsibilities are set forth in greater detail in the Committee's Charter.

D. Decentralized Compliance Responsibilities

Although BCBSAZ has appointed a Compliance Officer and it maintains an Internal Compliance Committee, BCBSAZ's Compliance Program is a decentralized program. Primary responsibility for compliance in each functional area of the company rests with the employees in that area. All employees have an obligation to know and understand the legal requirements that apply to their jobs. To the extent that employees are uncertain of the legal requirements applicable to their jobs, they should seek assistance from their management, the Compliance Officer or any member of the Legal Department. It is the Compliance Officer's responsibility, working with the Internal Compliance Committee, the Legal Department and other appropriate subject matter experts (whether from inside or outside the company), to ensure that employees have the resources available to know the legal requirements applicable to their jobs.

Similarly, employees within a particular functional area are often in the best position to prevent and detect compliance violations within their functional areas. The company depends on employees to report suspected and actual compliance violations that they detect and encourages them to do so. The process for reporting compliance violations is described further in Code Blue.

VI. The Compliance Program in Action

A. Background Checks

BCBSAZ inquires into the background of employees, prospective employees, board members and vendors to the extent required by applicable laws and regulations, including the requirements of CMS's Prescription Drug Benefit Manual. Monthly, the company reviews the OIG and the General Services Administration (GSA) exclusion lists to ensure that its employees, officers, directors and vendors are not included in said lists, using a sanction scanning tool that includes these lists. In accordance with other state and federal laws and

regulations, BCBSAZ also conducts scans against the list of Medicare Excluded Individuals/Excluded Entities, the list of debarred contractors, Office of Foreign Assets Controls (OFAC) list of Specially Designated Nationals List (SDN) and uses the E-Verify electronic employment eligibility verification system as required under the Federal Acquisition Rules for government contractors.

If any employees, officers, directors or vendors are included on any of said lists, the listed employees, board members or vendors shall be removed from any work directly or indirectly on all federal health care programs and the company shall take other corrective action appropriate under the circumstances.

All employees, officers, and directors are required to notify the Vice President of Human Resources if they are debarred, excluded or otherwise ineligible to perform work directly or indirectly on health care programs.

B. Enforcement and Disciplinary Procedures

Enforcement is a necessary tool to ensure that the Compliance Program's efforts are worthwhile and effective. BCBSAZ's compliance enforcement and disciplinary policies and procedures are intended to encourage employee and organizational accountability and reporting. Most instances of noncompliance are inadvertent, caused by a misunderstanding of government regulations, policies or procedures. In addition, laws and regulations are constantly changing, quickly making existing knowledge outdated. Consequently, some of the findings made during a compliance review, or discovered from an employee report of suspected violations, may be relatively minor and easily resolved through proper training. More serious violations must be handled carefully, properly investigated, promptly corrected and appropriately reported.

BCBSAZ recognizes that there may be instances in which employees either ignore compliance requirements or consciously decide not to meet those requirements. It is for this small percentage of cases that the company must have firm and consistent consequences for noncompliance.

Enforcement starts with publication of Code Blue and other policies and procedures that employees are expected to follow; training on laws and regulations that apply to their job duties; notification of the consequences for violating Code Blue, policies, procedures, laws or regulations; and consistent and fair application of disciplinary procedures. Under these circumstances, employees will be aware of what is expected, and what will happen if they do not follow proper policies and procedures or if they are found in violation of laws or regulations.

The appropriate response to a minor infraction may be a warning or additional training and follow-up monitoring. Serious violations may require the involvement of senior management, or legal counsel.

Disciplinary actions will vary, depending on the severity of the noncompliance, and may range from a verbal reminder or additional training to termination of employment. Each violation will be evaluated on an individual basis, with all the relevant factors of that specific case taken into account. All disciplinary actions will be consistent with the Employee Guide posted on the BCBSAZ intranet site, Planet Blue. Hard copies can be obtained from the Human Resources Department upon request.

C. Investigations

When presented with credible evidence of potential wrongdoing or violation of the company's policies and procedures, the Compliance Officer will initiate and oversee an internal inquiry or formal investigation. The Compliance Officer may enlist the support of the Internal Audit Department and other appropriate resources in designing and conducting the inquiry or investigation. In the event that any allegation of wrongdoing implicates the Compliance Officer, the Compliance Officer shall recuse him/herself from the inquiry or investigation and the CEO shall appoint a different employee to initiate and oversee the inquiry or investigation into the alleged wrongdoing. Each inquiry or investigation will be designed to collect and document information. Specific staff members or committees will be designated to conduct the investigative work. Investigators will work closely with the Legal Department and Human Resources on any regulatory or policy violations, criminal activity, or employment issues. Based on the results of the inquiry or investigation, corrective actions may be initiated and appropriate disciplinary measures taken.

1. Purpose of the Investigation

The purpose of an investigation shall be to identify those situations in which applicable laws and regulations, policies or procedures may not have been followed; to identify individuals who may have knowingly or inadvertently violated said laws, policies or procedures; to facilitate the correction of any practices not in compliance with the laws, policies and procedures; to implement those procedures necessary to ensure future compliance; to protect BCBSAZ in the event of civil or criminal enforcement actions; and to preserve and protect BCBSAZ's assets.

2. The Investigative Process

Upon receipt of an employee or outside complaint or other information (including audit results) that suggests the existence of conduct in violation of compliance policies or applicable laws or regulations, an investigation, normally under the direction and control of the Compliance Officer, will commence. The investigation should commence as soon as reasonably possible following the receipt of the complaint or information. The investigation should normally include, as applicable, but need not be limited to, interviews with the person reporting the alleged violation and other persons who may have knowledge of the alleged problem or process, and a review of the applicable laws and regulations that might be relevant to or provide guidance with respect to the appropriateness of the activity in question and to determine whether a problem actually exists.

If the investigation results in a finding that the questioned conduct is permitted under applicable laws, regulations or policies, or that the questioned conduct did not occur as alleged, or that it does not otherwise appear to be a compliance issue, the investigation will be closed, and notification sent to the person who filed the report, if appropriate.

If the initial investigation determines that improper activity, practices that are contrary to applicable law, or potentially fraudulent behavior has taken place or is still taking place (or that additional evidence is necessary), the investigation shall proceed to the next step, a detailed investigation. A detailed investigation would typically involve:

- ✓ Identification and review of all relevant documents, files, information, or other materials to determine the nature, scope, frequency, duration, and potential financial magnitude of the problem.
- ✓ Interviews with the person or persons in the departments and institutions who appeared to play a role in the process in which the problem exists.
- ✓ Preparation of a report that: 1) defines the nature of the problem; 2) summarizes the investigation process; 3) identifies any person whom the investigator believes to have either acted deliberately or with reckless disregard or intentional indifference toward the applicable laws, rules and policies; and 4) if possible, estimates the nature and extent of the resulting problem.

D. Organizational Responses

1. Corrective Action Plans

When violations of laws, regulations or other compliance standards are identified through an investigation, corrective action plans will be developed and a concerted effort will be made to bring the organization back into compliance. A corrective action plan is simply a list of remedial actions that need to be completed in order to bring the company into compliance. It will include deadlines and will identify the individuals responsible for completing the various tasks. Implementation of corrective action plans will be monitored by the Compliance Officer and Internal Compliance Committee until the plans have been completed.

2. Prevention of Further Violations

If a violation has been detected, in addition to appropriate corrective action, enforcement and discipline, it is important to prevent further violations. The identification of a compliance violation and subsequent remedial action may be an indication that the Compliance Program works, but it may also point to a deficiency in the program. Therefore, compliance violations that are detected and resolved will also trigger a review of the program itself. If deficiencies are found in the Program, changes will be made to ensure its effectiveness in detecting and preventing future violations. Further education of employees may be necessary to prevent the same violation from occurring again.

3. External Reporting of Violations

If activities or circumstances are identified that appear to be violations of law, BCBSAZ may then be obligated to report the violations to the federal or state agency charged with enforcing the requirement. A process addressing external reporting not only allows BCBSAZ to comply with reporting requirements, but also helps in-house and outside counsel represent BCBSAZ effectively. External reporting will be handled by the Compliance Officer or his/her designee in conjunction with the Legal Department.

4. Possible Criminal Activity

In the event BCBSAZ uncovers what appears to be criminal activity on the part of any employee or business unit, it shall undertake the following steps:

- ✓ It shall immediately stop all suspected criminal activity and correct the offending practices.
- ✓ If the investigation confirms criminal activity, it shall initiate appropriate disciplinary action against the person or persons whose conduct appears to have been intentional, willfully indifferent, or with reckless disregard for the applicable laws. Appropriate disciplinary action may include, in addition, suspension, demotion, and discharge, or other action as required by applicable law.
- ✓ If required by law or contract or deemed appropriate by the CEO, disclosure of the violation will be made to the state or federal regulatory agency charged with enforcement of the violated statute or regulation or the contracted entity to which a report is owed. Any such reports on behalf of the company are to be made only by the Compliance Officer, an officer of BCBSAZ or the CEO.

5. Other Non-Compliance

In the event the investigation reveals problems that do not appear to be the result of conduct that is intentional, willfully indifferent, or with reckless disregard for applicable laws, BCBSAZ shall nevertheless undertake the following steps:

- ✓ Correct the defective practice or procedure as quickly as possible.
- ✓ Initiate such disciplinary action, if any, as may be appropriate given the facts and circumstances.
- ✓ Determine whether the activity must be reported to any governmental agency or authority.
- ✓ Promptly undertake a program of education at the appropriate business unit to prevent similar problems in the future.

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- ✓ Implement additional controls, as needed, to assure future compliance.

E. Discipline

Employees may be subject to discipline for failing to participate in the company's compliance efforts, including but not limited to:

- ✓ The failure of an employee to perform any obligation required of the employee relating to compliance with the program, or applicable laws or regulations;
- ✓ The failure to report to an appropriate person an employee suspected of violating compliance program policies or applicable laws or regulations;
- ✓ The failure on the part of a supervisory or managerial employee to implement and maintain policies and procedures reasonably necessary to ensure compliance with the terms of the program or applicable laws and regulations; and
- ✓ The failure on the part of a supervisory or managerial employee to instruct their subordinates adequately regarding their compliance obligations, or for failure to detect noncompliance, where reasonable diligence should have led to the discovery of any problems or violations.

F. Employee Participation and Reporting

It is the responsibility of every employee in the organization to abide by applicable laws and regulations, the Compliance Program, Code Blue, BCBSAZ's other internal policies and to support BCBSAZ's compliance efforts.

BCBSAZ's obligation to comply with numerous federal and state requirements, as well as ethical and business standards, means that BCBSAZ must have an effective process for internal monitoring and auditing. The company must be able to detect criminal or other illegal conduct by employees, providers, subcontractors, and other agents. In furtherance of this obligation, BCBSAZ has established, publicizes and monitors a reporting system by which employees and others can report suspected criminal conduct or noncompliance, without fear of retaliation.

Employees who believe, in good faith, that they know of a possible compliance violation should report their belief, either orally or in writing, to their management, to the Compliance Officer, to Human Resources or by calling anonymously if they choose the Fraud hotline or the Ethicsline hotline (maintained by an outside vendor). The Fraud hotline and the Ethicsline hotline will promptly notify the Corporate Integrity Department of all calls they receive. Compliance violations include, but are not limited to, violations of federal and state laws and regulations, regulatory orders, any part of Code Blue, fraud, waste or abuse, and other BCBSAZ policies. BCBSAZ will not tolerate any retaliation against individuals who make good faith reports about suspected compliance violations. At the request of an employee who reports a suspected violation, the company will endeavor to keep that

individual's identity confidential. The company may, however, be required to disclose the employee's identity in the course of any governmental investigation.

Employees have the right to report concerns to the government under the U.S. False Claims Act and have the right to disclose Protected Health Information and trade secrets in certain circumstances. Employees have the right, under the Defend Trade Secrets Act of 2016, to disclose trade secrets in confidence to government officials or to an attorney for the purpose of reporting or investigating a suspected violation of law. Trade secrets include all forms and types of financial, business, scientific, technical, economic, or engineering information, including patterns, plans, compilations, program devices, formulas, designs, prototypes, methods, techniques, processes, procedures, programs, or codes, whether tangible or intangible, and whether or how stored, compiled, or memorialized physically, electronically, graphically, photographically, or in writing. Employees will not be retaliated against for reporting to the government in good faith.

ATTACHMENT A – Medicare Part D Program Compliance Supplement

In addition to the Compliance and Ethics Program described in this Compliance Program, the following are additional requirements to which BCBSAZ is subject as a Plan Sponsor of a Medicare Part D plan, MedicareBlue Rx. This supplement is added pursuant to the regulatory requirements under 42 C.F.R. §423.504(b)(4)(vi)(H) that require BCBSAZ as a Part D Plan Sponsor to have in place a comprehensive fraud and abuse plan to detect, correct and prevent fraud, waste, and abuse as an element of its compliance program. In administering this fraud and abuse plan, BCBSAZ shall implement the requirements of and be guided by the recommendations contained in Chapter 9 of the Prescription Drug Benefit Manual, Part D Program to Control Fraud, Waste and Abuse.

- The Compliance Officer shall also serve as the Medicare Part D Compliance Officer. As such, the Compliance Officer will be responsible for overseeing the implementation and monitoring of the actions and procedures described in this Attachment A.
- All first tier, downstream and related entity contracts for services relating to BCBSAZ's Part D plan shall include provisions allowing BCBSAZ to monitor the contractor's Part D performance and compliance activities, including those relating to fraud, waste and abuse.
- Where BCBSAZ has delegated any of its activities or responsibilities to any first tier, downstream or related entity, the written agreement with such entity shall either provide for revocation of the delegation activities or specify other remedies in instances when CMS or BCBSAZ determines that the parties have not performed satisfactorily.
- BCBSAZ shall ensure contracts with first tier entities, downstream entities, and related entities require record retention and provide rights of access to these records to CMS or its designee in accordance with CMS requirements.
- BCBSAZ will cooperate fully with Medicare Prescription Drug Integrity Contractors (MEDICs) in any investigation of the company's involvement in the Part D program. If any employee other than the Compliance Officer receives an information request or other inquiry from any MEDIC, such employee should immediately notify the Compliance Officer and the Compliance Officer will coordinate the company's response to said request. In the Compliance Officer's absence, such employee may notify any member of the Internal Compliance Committee of said contact from the MEDIC.
- CMS believes that self-reporting of fraud, waste and abuse is a critical element of an effective compliance program. To the extent that BCBSAZ, through receipt of reports or through its own investigations, identifies instances of fraud, waste and abuse

pertaining to the Part D program, it will evaluate such fraud, waste or abuse and determine whether it should report the fraud, waste or abuse to a MEDIC or other governmental authority in accordance with the applicable procedures as CMS may establish. The final decision on whether to make a report will be made by the CEO, in consultation with the Medicare Part D Compliance Officer and the Legal Department.

- BCBSAZ will provide Part D compliance training for those of its employees and board members who are regularly involved in the Part D program, including, in particular, sales and marketing employees. Training should cover laws related to fraud and abuse (e.g., Anti-Kickback Statute, False Claims Act, etc.) and specific Part D issues and risk areas as identified by CMS, other organizations and BCBSAZ. BCBSAZ will ensure that its contractors, including its pharmacy benefit manager (PBM) and other subcontractors receive and/or provide training as required by applicable law and CMS guidance.
- BCBSAZ will periodically provide information to Part D plan enrollees on prescription drug fraud, waste and abuse through flyers, pamphlets or other enrollee communications. BCBSAZ will follow the grievance procedures outlined in 42 C.F.R. Subpart M, for the timely hearing and resolving of grievances between enrollees and BCBSAZ or any other entity or individual through whom BCBSAZ provides covered benefits under its Part D plan.
- As part of its annual audit planning process, BCBSAZ will evaluate compliance-related risks associated with the Part D program and incorporate the results of the risk assessment into its annual audit plan.
- Employees and first tier and downstream entities may contact the Compliance Officer or any member of the Internal Compliance Committee with questions or other inquiries regarding the compliance issues associated with the Medicare Part D program.
- BCBSAZ shall not pay for drugs prescribed or provided by a provider excluded by either the OIG or GSA.
- BCBSAZ shall have an independent review of the effectiveness of the compliance program performed annually and share the results with the Board of Directors.

The Compliance Officer and the Internal Compliance Committee will diligently monitor the guidance that CMS and other organizations may from time to time issue concerning Medicare Part D compliance programs (including fraud, waste and abuse) and update BCBSAZ's policies and procedures as may be necessary or appropriate in light of such guidance. See PDP policies, PDP 001 Overall Compliance Auditing and Monitoring for MedicareBlue Rx, PDP 002 Reporting Requirements, and PDP 003 Attestations and Certifications.