CORPORATE INTEGRITY AGREEMENT
BETWEEN THE
OFFICE OF INSPECTOR GENERAL
OF THE
DEPARTMENT OF HEALTH AND HUMAN SERVICES
AND
SIGNATURE HEALTHCARE, LLC.

I. PREAMBLE

Signature Healthcare, LLC. ("Signature") hereby enters into this Corporate Integrity Agreement (CIA) with the Office of Inspector General (OIG) of the United States Department of Health and Human Services (HHS) to promote compliance with the statutes, regulations, and written directives of Medicare, Medicaid, and all other Federal health care programs (as defined in 42 U.S.C. § 1320a-7b(f)) (Federal health care program requirements). This CIA shall cover all skilled nursing facilities owned, operated, affiliated with or managed by Signature and all subsidiaries and affiliates of Signature that are involved, directly or indirectly, in the operation or management of a skilled nursing facility or engaged in the provision of therapy services. Contemporaneously with this CIA, Signature is entering into a Settlement Agreement with the United States.

II. TERM AND SCOPE OF THE CIA

A. The period of the compliance obligations assumed by Signature under this CIA shall be five years from the effective date of this CIA. The "Effective Date" shall be the date on which the final signatory of this CIA executes this CIA. Each one-year period, beginning with the one-year period following the Effective Date, shall be referred to as a "Reporting Period."

B. Sections VII, X, and XI shall expire no later than 120 days after OIG's receipt of: (1) Signature's final Annual Report or (2) any additional materials submitted by Signature pursuant to OIG's request, whichever is later.

C. For purposes of this CIA, the term "Covered Persons" includes: (1) all owners, officers, directors, and employees of Signature; (2) all contractors, subcontractors, agents, and other persons who furnish patient care items or services or who perform billing or coding functions on behalf of Signature, excluding vendors whose sole connection with Signature is selling or otherwise providing medical supplies or equipment to Signature; and (3) all physicians and other non-physician practitioners who provide patient care services at Signature.

III. CORPORATE INTEGRITY OBLIGATIONS

Signature shall establish and maintain a Compliance Program that includes the following elements:

A. Compliance Officer and Committee, Board of Directors, and Management Compliance Obligations

1. *Compliance Officer*. Within 90 days after the Effective Date, Signature shall appoint a Compliance Officer and shall maintain a Compliance Officer for the term of the CIA. The Compliance Officer shall be an employee and a member of senior management of Signature, shall report directly to the Chief Executive Officer of Signature, and shall not be or be subordinate to the General Counsel or Chief Financial Officer or have any responsibilities that involve acting in any capacity as legal counsel or supervising legal counsel functions for Signature. The Compliance Officer shall be responsible for, without limitation:

a. developing and implementing policies, procedures, and practices designed to ensure compliance with the requirements set forth in this CIA and with Federal health care program requirements;

b. making periodic (at least quarterly) reports regarding compliance matters directly to the Board of Directors of Signature and shall be authorized to report on such matters to the Board of Directors at any time. Written documentation of the Compliance Officer's reports to the Board of Directors shall be made available to OIG upon request; and

c. monitoring the day-to-day compliance activities engaged in by Signature as well as any reporting obligations created under this CIA.

Any noncompliance job responsibilities of the Compliance Officer shall be limited and must not interfere with the Compliance Officer's ability to perform the duties outlined in this CIA.

Signature shall report to OIG, in writing, any changes in the identity of the Compliance Officer, or any actions or changes that would affect the Compliance Officer's ability to perform the duties necessary to meet the obligations in this CIA, within five days after such a change.

2. *Compliance Committee*. Within 90 days after the Effective Date, Signature shall appoint a Compliance Committee. The Compliance Committee shall, at a minimum, include the Compliance Officer and other members of senior management necessary to meet the requirements of this CIA (e.g., senior executives of relevant departments, such as billing, clinical, human resources, audit, and operations). The Compliance Officer shall chair the Compliance Committee and the Committee shall support the Compliance Officer in fulfilling his/her responsibilities (e.g., shall assist in the analysis of Signature's risk areas and shall oversee monitoring of internal and external audits and investigations). The Compliance Committee shall meet at least quarterly. The minutes of the Compliance Committee meetings shall be made available to OIG upon request.

Signature shall report to OIG, in writing, any actions or changes that would affect the Compliance Committee's ability to perform the duties necessary to meet the obligations in this CIA, within 15 days after such a change.

3. *Board of Directors Compliance Obligations*. The Board of Directors (or a committee of the Board) of Signature Healthcare, LLC (Board) shall be responsible for the review and oversight of matters related to compliance with Federal health care program

requirements and the obligations of this CIA. The Board must include an independent (i.e., non-executive) member.

The Board shall, at a minimum, be responsible for the following:

a. meeting at least quarterly to review and oversee Signature's compliance program, including but not limited to the performance of the Compliance Officer and Compliance Committee;

b. submitting to OIG a description of the documents and other materials it reviewed, as well as any additional steps taken such as the engagement of an independent advisor or other third party resources, in its oversight of the compliance program and in support of making the resolution below during each Reporting Period;

c. for each Reporting Period of the CIA, adopting a resolution, signed by each member of the Board summarizing its review and oversight of Signature's compliance with Federal health care program requirements and the obligations of this CIA; and

d. for the first and third Reporting Periods of the CIA, the Board shall retain an individual or entity with expertise in compliance with Federal health care program requirements (Compliance Expert) to perform a review of the effectiveness of Signature's Compliance Program (Compliance Program Review). The Compliance Expert shall create a work plan for the Compliance Program Review and prepare a written report about the Compliance Program Review. The written report (Compliance Program Review Report) shall include a description of the Compliance Program Review and any recommendations with respect to Signature's compliance program. The Board shall review the Compliance Program Review Report as part of its review and oversight of Signature's compliance program. A copy of the Compliance Program Review report shall be provided to OIG in each Annual Report submitted by Signature. In addition, copies of any materials provided to the Board by the Compliance Expert, along with minutes of any meetings between the Compliance Expert and the Board, shall be made available to OIG upon request.

At minimum, the resolution shall include the following language:

> "The Board of Directors has made a reasonable inquiry into the operations of Signature's Compliance Program, including the performance of the Compliance Officer and the Compliance Committee. Based on its inquiry and review, the Board has concluded that, to the best of its knowledge, Signature has implemented

an effective Compliance Program to meet Federal health care program requirements and the obligations of the CIA."

If the Board is unable to provide such a conclusion in the resolution, the Board shall include in the resolution a written explanation of the reasons why it is unable to provide the conclusion and the steps it is taking to implement an effective Compliance Program at Signature.

Signature shall report to OIG, in writing, any changes in the composition of the Board, or any actions or changes that would affect the Board's ability to perform the duties necessary to meet the obligations in this CIA, within 15 days after such a change.

4. *Management Certifications*. In addition to the responsibilities set forth in this CIA for all Covered Persons, certain Signature employees (Certifying Employees) are expected to monitor and oversee activities within their areas of authority and shall annually certify that the applicable Signature department is in compliance with applicable Federal health care program requirements and the obligations of this CIA. These Certifying Employees shall include, at a minimum, the following: Signature Healthcare, LLC - President and Chief Executive Officer (CEO); Chief Financial Officer (CFO); Chief Strategy Officer; Senior Chief Operating Officer; Chief Operating Officers (COOs); Chief Medical Officer (CMO); Chief Information Officer (CIO); Vice President of Clinical Reimbursement; Chief Nursing Executives (CNEs); Vice Presidents of Operations; and Facility Administrators; Signature Rehab Consulting Services, LLC - Chief Executive Officer; Vice President of Clinical Services; Regional Operations Officers (ROOs); Directors of Clinical (DOCs); and Rehab Service Managers. For each Reporting Period, each Certifying Employee shall sign a certification that states:

> "I have been trained on and understand the compliance requirements and responsibilities as they relate to [insert name of department], an area under my supervision. My job responsibilities include ensuring compliance with regard to the [insert name of department] with all applicable Federal health care program requirements, obligations of the Corporate Integrity Agreement, and Signature policies, and I have taken steps to promote such compliance. To the best of my knowledge, the [insert name of department] of Signature is in compliance with all applicable Federal health care program requirements and the obligations of the Corporate Integrity Agreement. I understand that this certification is being provided to and relied upon by the United States."

If any Certifying Employee is unable to provide such a certification, the Certifying Employee shall provide a written explanation of the reasons why he or she is unable to provide the certification outlined above.

Within 120 days after the Effective Date, Signature shall develop and implement a written process for Certifying Employees to follow for the purpose of completing the certification required by this section (e.g., reports that must be reviewed, assessments that must be completed, sub-certifications that must be obtained, etc. prior to the Certifying Employee making the required certification).

B. Written Standards

Within 120 days after the Effective Date, Signature shall develop and implement written policies and procedures regarding the operation of its compliance program, including the compliance program requirements outlined in this CIA and Signature's compliance with Federal health care program requirements (Policies and Procedures). Throughout the term of this CIA, Signature shall enforce its Policies and Procedures and shall make compliance with its Policies and Procedures an element of evaluating the performance of all employees. The Policies and Procedures shall be made available to all Covered Persons.

At least annually (and more frequently, if appropriate), Signature shall assess and update, as necessary, the Policies and Procedures. Any new or revised Policies and Procedures shall be made available to all Covered Persons.

All Policies and Procedures shall be made available to OIG upon request.

C. Training and Education

1. *Covered Persons Training*. Within 120 days after the Effective Date, Signature shall develop a written plan (Training Plan) that outlines the steps Signature will take to ensure that all Covered Persons receive at least annual training regarding Signature's CIA requirements and Compliance Program and the applicable Federal health care program requirements, including the requirements of the Anti-Kickback Statute and the Stark Law. The Training Plan shall include information regarding the following: training topics, categories of Covered Persons required to attend each training session, length of the training session(s), schedule for training, and format of the training. Signature shall furnish training to its Covered Persons pursuant to the Training Plan during each Reporting Period.

2. *Board Member Training*. Within 120 days after the Effective Date, each member of the Board of Directors shall receive at least two hours of training. This training shall address the corporate governance responsibilities of board members, and the responsibilities of board members with respect to review and oversight of the Compliance Program. Specifically, the training shall address the unique responsibilities of health care Board members, including the risks, oversight areas, and strategic approaches to conducting oversight of a health care entity. This training may be conducted by an outside compliance expert hired by the Board and should include a discussion of the OIG's guidance on Board member responsibilities.

New members of the Board of Directors shall receive the Board Member Training described above within 30 days after becoming a member or within 120 days after the Effective Date, whichever is later.

3. *Training Records*. Signature shall make available to OIG, upon request, training materials and records verifying that Covered Persons and Board members have timely received the training required under this section.

D. Review Procedures

1. General Description

a. *Engagement of Independent Review Organization*. Within 90 days after the Effective Date, Signature shall engage an entity (or entities), such as an accounting, auditing, or consulting firm (hereinafter "Independent Review Organization" or "IRO"), to perform the reviews listed in this Section III.D. The applicable requirements relating to the IRO are outlined in Appendix A to this CIA, which is incorporated by reference.

b. *Retention of Records*. The IRO and Signature shall retain and make available to OIG, upon request, all work papers, supporting documentation, correspondence, and draft reports (those exchanged between the IRO and Signature) related to the reviews.

c. *Access to Records and Personnel*. Signature shall ensure that the IRO has access to all records and personnel necessary to complete the reviews listed in this Section III.D and that all records furnished to the IRO are accurate and complete.

2. *Rehabilitation Therapy Services Review*. The IRO shall review rehabilitation therapy services (rehab) provided by Signature and reimbursed by Medicare, to determine whether the items and services furnished were medically necessary and appropriately documented and whether the claims were correctly coded, submitted and reimbursed (Rehab Review) and shall prepare a Rehab Review Report, as outlined in Appendix B to this CIA, which is incorporated by reference.

3. *Therapy Systems Assessment*. For each Reporting Period, the IRO shall assess the effectiveness of Signature's rehabilitation therapy systems as outlined in Appendix C to this CIA, which is incorporated by reference.

4. *Independence and Objectivity Certification*. The IRO shall include in its report(s) to Signature a certification that the IRO has (a) evaluated its professional independence and objectivity with respect to the reviews required under this Section III.D and (b) concluded that it is, in fact, independent and objective, in accordance with the requirements specified in Appendix A to this CIA. The IRO's certification shall include a summary of all current and prior engagements between Signature and the IRO.

E. Risk Assessment and Internal Review Process

Within 120 days after the Effective Date, Signature shall develop and implement a centralized annual risk assessment and internal review process to identify and address risks associated with Signature's participation in the Federal health care programs, including but not limited to the risks associated with the submission of claims for items and services furnished to Medicare and Medicaid program beneficiaries. The risk assessment and internal review process shall require compliance, legal, and department leaders, at least annually, to: (1) identify and prioritize risks, (2) develop internal audit work plans related to the identified risk areas, (3) implement the internal audit work plans, (4) develop corrective action plans in response to the results of any internal audits performed, and (5) track the implementation of the corrective action

plans in order to assess the effectiveness of such plans. Signature shall maintain the risk assessment and internal review process for the term of the CIA.

F. Disclosure Program

Within 90 days after the Effective Date, Signature shall establish a Disclosure Program that includes a mechanism (e.g., a toll-free compliance telephone line) to enable individuals to disclose, to the Compliance Officer or some other person who is not in the disclosing individual's chain of command, any identified issues or questions associated with Signature's policies, conduct, practices, or procedures with respect to a Federal health care program believed by the individual to be a potential violation of criminal, civil, or administrative law. Signature shall appropriately publicize the existence of the disclosure mechanism (e.g., via periodic e-mails to employees or by posting the information in prominent common areas).

The Disclosure Program shall emphasize a nonretribution, nonretaliation policy and shall include a reporting mechanism for anonymous communications for which appropriate confidentiality shall be maintained. The Disclosure Program also shall include a requirement that all of Signature's Covered Persons shall be expected to report suspected violations of any Federal health care program requirements to the Compliance Officer or other appropriate individual designated by Signature. Upon receipt of a disclosure, the Compliance Officer (or designee) shall gather all relevant information from the disclosing individual. The Compliance Officer (or designee) shall make a preliminary, good faith inquiry into the allegations set forth in every disclosure to ensure that he or she has obtained all of the information necessary to determine whether a further review should be conducted. For any disclosure that is sufficiently specific so that it reasonably: (1) permits a determination of the appropriateness of the alleged improper practice; and (2) provides an opportunity for taking corrective action, Signature shall conduct an internal review of the allegations set forth in the disclosure and ensure that proper follow-up is conducted.

The Compliance Officer (or designee) shall maintain a disclosure log and shall record each disclosure in the disclosure log within two business days of receipt of the disclosure. The disclosure log shall include a summary of each disclosure received (whether anonymous or not), the status of the respective internal reviews, and any corrective action taken in response to the internal reviews.

G. Ineligible Persons

1. *Definitions*. For purposes of this CIA:

a. an "Ineligible Person" shall include an individual or entity who:

i. is currently excluded from participation in any Federal health care program; or

ii. has been convicted of a criminal offense that falls within the scope of 42 U.S.C. § 1320a-7(a), but has not yet been

excluded.

b. "Exclusion List" means the HHS/OIG List of Excluded Individuals/Entities (LEIE) (available through the Internet at http://www.oig.hhs.gov).

2. *Screening Requirements*. Signature shall ensure that all prospective and current Covered Persons are not Ineligible Persons, by implementing the following screening requirements.

a. Signature shall screen all prospective Covered Persons against the Exclusion List prior to engaging their services and, as part of the hiring or contracting process, shall require such Covered Persons to disclose whether they are Ineligible Persons.

b. Signature shall screen all current Covered Persons against the Exclusion List within 90 days after the Effective Date and on a monthly basis thereafter.

c. Signature shall implement a policy requiring all Covered Persons to disclose immediately if they become an Ineligible Person.

Nothing in this Section III.G affects Signature's responsibility to refrain from (and liability for) billing Federal health care programs for items or services furnished, ordered, or prescribed by an excluded person. Signature understands that items or services furnished, ordered, or prescribed by excluded persons are not payable by Federal health care programs and that Signature may be liable for overpayments and/or criminal, civil, and administrative sanctions for employing or contracting with an excluded person regardless of whether Signature meets the requirements of Section III.G.

3. *Removal Requirement*. If Signature has actual notice that a Covered Person has become an Ineligible Person, Signature shall remove such Covered Person from responsibility for, or involvement with, Signature's business operations related to the Federal health care program(s) from which such Covered Person has been excluded and shall remove such Covered Person from any position for which the Covered Person's compensation or the items or services furnished, ordered, or prescribed by the Covered Person are paid in whole or part, directly or indirectly, by any Federal health care program(s) from which the Covered Person has been excluded at least until such time as the Covered Person is reinstated into participation in such Federal health care program(s).

4. *Pending Charges and Proposed Exclusions*. If Signature has actual notice that a Covered Person is charged with a criminal offense that falls within the scope of 42 U.S.C. §§ 1320a-7(a), 1320a-7(b)(l)-(3), or is proposed for exclusion during the Covered Person's employment or contract term, during the term of a physician's or other practitioner's medical staff privileges, Signature shall take all appropriate actions to ensure that the responsibilities of that Covered Person have not and shall not adversely affect the quality of care rendered to any beneficiary or the accuracy of any claims submitted to any Federal health care program.

H. Notification of Government Investigation or Legal Proceeding

Within 30 days after discovery, Signature shall notify OIG, in writing, of any ongoing investigation or legal proceeding known to Signature conducted or brought by a governmental entity or its agents involving an allegation that Signature has committed a crime or has engaged in fraudulent activities. This notification shall include a description of the allegation, the identity of the investigating or prosecuting agency, and the status of such investigation or legal proceeding. Signature also shall provide written notice to OIG within 30 days after the resolution of the matter and a description of the findings and/or results of the investigation or proceeding, if any.

I. Overpayments

1. *Definition of Overpayment*. An "Overpayment" means any funds that Signature receives or retains under any Federal health care program to which Signature, after applicable reconciliation, is not entitled under such Federal health care program.

2. *Overpayment Policies and Procedures*. Within 120 days after the Effective Date, Signature shall develop and implement written policies and procedures regarding the identification, quantification, and repayment of Overpayments received from any Federal health care program.

J. Reportable Events

1. *Definition of Reportable Event*. For purposes of this CIA, a "Reportable Event" means anything that involves:

a. a substantial Overpayment;

b. a matter that a reasonable person would consider a probable violation of criminal, civil, or administrative laws applicable to any Federal health care program for which penalties or exclusion may be authorized;

c. the employment of or contracting with a Covered Person who is an Ineligible Person as defined by Section III.G.1.a; or

d. the filing of a bankruptcy petition by Signature.

A Reportable Event may be the result of an isolated event or a series of occurrences.

2. *Reporting of Reportable Events*. If Signature determines (after a reasonable opportunity to conduct an appropriate review or investigation of the allegations) through any means that there is a Reportable Event, Signature shall notify OIG, in writing, within 30 days after making the determination that the Reportable Event exists.

3. *Reportable Events under Section III.J.1.a. and III.J.1.b.* For Reportable Events under Section III.J.1.a and b, the report to OIG shall include:

a. a complete description of all details relevant to the Reportable Event, including, at a minimum, the types of claims, transactions or other conduct giving rise to the Reportable Event; the period during which the conduct occurred; and the names of individuals and entities believed to be implicated, including an explanation of their roles in the Reportable Event;

b. a statement of the Federal criminal, civil or administrative laws that are probably violated by the Reportable Event, if any;

c. the Federal health care programs affected by the Reportable Event;

d. a description of the steps taken by Signature to identify and quantify any Overpayments; and

e. a description of Signature's actions taken to correct the Reportable Event and prevent it from recurring.

If the Reportable Event involves an Overpayment, within 60 days of identification of the Overpayment, Signature shall repay the Overpayment, in accordance with the requirements of 42 U.S.C. § 1320a-7k(d) and 42 C.F.R. § 401.301-305 (and any applicable CMS guidance) and provide OIG with a copy of the notification and repayment.

4. *Reportable Events under Section III.J.1.c.* For Reportable Events under Section III.J.1.c, the report to OIG shall include:

a. the identity of the Ineligible Person and the job duties performed by that individual;

b. the dates of the Ineligible Person's employment or contractual relationship;

c. a description of the Exclusion List screening that Signature completed before and/or during the Ineligible Person's employment or contract and any flaw or breakdown in the screening process that led to the hiring or contracting with the Ineligible Person;

d. a description of how the Ineligible Person was identified; and

e. a description of any corrective action implemented to prevent future employment or contracting with an Ineligible Person.

5. *Reportable Events under Section III.J.1.d.* For Reportable Events under Section III.J.1.d, the report to OIG shall include documentation of the bankruptcy filing and a description of any Federal health care program requirements implicated.

6. *Reportable Events Involving the Stark Law*. Notwithstanding the reporting requirements outlined above, any Reportable Event that involves solely a probable violation of section 1877 of the Social Security Act, 42 U.S.C. §1395nn (the Stark Law) should be submitted by Signature to the Centers for Medicare & Medicaid Services (CMS) through the self-referral disclosure protocol (SRDP), with a copy to the OIG. If Signature identifies a probable violation of the Stark Law and repays the applicable Overpayment directly to the CMS contractor, then Signature is not required by this Section III.J to submit the Reportable Event to CMS through the SRDP.

IV. SUCCESSOR LIABILITY

In the event that, after the Effective Date, Signature proposes to (a) sell any or all of its business, business units, or locations (whether through a sale of assets, sale of stock, or other type of transaction) relating to the furnishing of items or services that may be reimbursed by a Federal health care program, or (b) purchase or establish a new business, business unit, or location relating to the furnishing of items or services that may be reimbursed by a Federal health care program, the CIA shall be binding on the purchaser of any business, business unit, or location and any new business, business unit, or location (and all Covered Persons at each new business, business unit, or location) shall be subject to the applicable requirements of this CIA, unless otherwise determined and agreed to in writing by OIG. Signature shall give notice of such sale or purchase to OIG within 30 days following the closing of the transaction.

If, in advance of a proposed sale or a proposed purchase, Signature wishes to obtain a determination by OIG that the proposed purchaser or the proposed acquisition will not be subject to the requirements of the CIA, Signature must notify OIG in writing of the proposed sale or purchase at least 30 days in advance. This notification shall include a description of the business, business unit, or location to be sold or purchased, a brief description of the terms of the transaction and, in the case of a proposed sale, the name and contact information of the prospective purchaser.

V. IMPLEMENTATION AND ANNUAL REPORTS

A. Implementation Report

Within 150 days after the Effective Date, Signature shall submit a written report to OIG summarizing the status of its implementation of the requirements of this CIA (Implementation Report). The Implementation Report shall, at a minimum, include:

1. the name, address, phone number, and position description of the Compliance Officer required by Section III.A, and a summary of other noncompliance job responsibilities the Compliance Officer may have;

2. the names and positions of the members of the Compliance Committee required by Section III.A;

3. the names of the Board members who are responsible for satisfying the Board of Directors compliance obligations described in Section III.A.3;

4. the names and positions of the Certifying Employees and written process

for Certifying Employees to follow for the purpose of completing the certification required by Section III.A.4;

5. a list of the Policies and Procedures required by Section III.B;

6. the Training Plan required by Section III.C.1 and a description of the Board of Directors training required by Section III.C.2 (including a summary of the topics covered, the length of the training, and when the training was provided);

7. the following information regarding the IRO(s): (a) identity, address, and phone number; (b) a copy of the engagement letter; (c) information to demonstrate that the IRO has the qualifications outlined in Appendix A to this CIA; and (d) a certification from the IRO regarding its professional independence and objectivity with respect to Signature;

8. a description of the risk assessment and internal review process required by Section III.E;

9. a description of the Disclosure Program required by Section III.F;

10. a description of the Ineligible Persons screening and removal process required by Section III.G;

11. a copy of Signature's policies and procedures regarding the identification, quantification and repayment of Overpayments required by Section III.I;

12. a description of Signature's corporate structure, including identification of any individual owners, parent and sister companies, subsidiaries, and their respective lines of business;

13. a list of all of Signature's locations (including locations and mailing addresses), the corresponding name under which each location is doing business, and the location's Medicare and state Medicaid program provider number and/or supplier number(s); and

14. the certifications required by Section V.C.

B. Annual Reports

Signature shall submit to OIG a report on its compliance with the CIA requirements for each of the five Reporting Periods (Annual Report). Each Annual Report shall include, at a minimum, the following information:

1. any change in the identity, position description, or other noncompliance job responsibilities of the Compliance Officer; a current list of the Compliance Committee members, a current list of the Board members who are responsible for satisfying the Board of Directors compliance obligations, and a current list of the Certifying Employees, along with the identification of any changes made during the Reporting Period to the Compliance Committee, Board of Directors, and Certifying Employees, and a description of any changes to the written

process, including the reasons for the changes;

2. the dates of each report made by the Compliance Officer to the Board (written documentation of such reports shall be made available to OIG upon request);

3. the Board resolution, and when applicable, the Compliance Program Review Report required by Section III.A.3 and a description of the documents and other materials reviewed by the Board, as well as any additional steps taken, in its oversight of the compliance program and in support of making the resolution;

4. a list of any new or revised Policies and Procedures developed during the Reporting Period;

5. a description of any changes to Signature's Training Plan developed pursuant to Section III.C, and a summary of any Board of Directors training provided during the Reporting Period;

6. a description of any changes to the risk assessment and internal review process required by Section III.E, including the reasons for such changes,

7. a summary of the following components of the risk assessment and internal review process during the Reporting Period: (a) work plans developed, (b) internal audits performed, (c) corrective action plans developed in response to internal audits, and (d) steps taken to track the implementation of the corrective action plans. Copies of any work plans, internal audit reports, and corrective action plans shall be made available to OIG upon request;

8. a summary of the disclosures in the disclosure log required by Section III.F that relate to Federal health care programs, including at least the following information: (a) a description of the disclosure, (b) the date the disclosure was received, (c) the resolution of the disclosure, and (d) the date the disclosure was resolved (if applicable). The complete disclosure log shall be made available to OIG upon request;

9. a description of any changes to the Ineligible Persons screening and removal process required by Section III.G, including the reasons for such changes;

10. a summary describing any ongoing investigation or legal proceeding required to have been reported pursuant to Section III.H. The summary shall include a description of the allegation, the identity of the investigating or prosecuting agency, and the status of such investigation or legal proceeding;

11. a description of any changes to the Overpayment policies and procedures required by Section III.I, including the reasons for such changes;

12. a summary of Reportable Events (as defined in Section III.J) identified during the Reporting Period;

13. a summary of any audits conducted during the applicable Reporting Period by any Medicare or state Medicaid program contractor or any government entity or

contractor, involving a review of Federal health care program claims, and Signature's response/corrective action plan (including information regarding any Federal health care program refunds) relating to the audit findings;

14. a description of all changes to the most recently provided list of Signature's locations as required by Section V.A.13;

15. a description of any changes to Signature's corporate structure, including any individual owners, parent and sister companies, subsidiaries, and their respective lines of business; and

16. the certifications required by Section V.C.

The first Annual Report shall be received by OIG no later than 60 days after the end of the first Reporting Period. Subsequent Annual Reports shall be received by OIG no later than the anniversary date of the due date of the first Annual Report.

The reports prepared pursuant to Section III.D, (which shall include certification from the IRO regarding its professional independence and objectivity with respect to Signature), Signature's response to the reports, along with corrective action plan(s) related to any issue raised by the reports shall be received by OIG according to the timing set forth in Appendix B and Appendix C. Subsequent reports prepared pursuant to Section III.D shall be received by OIG no later than the anniversary date of the due date of those reports.

C. Certifications

1. *Certifying Employees*. In each Annual Report, Signature shall include the certifications of Certifying Employees required by Section III.A.4;

2. *Compliance Officer and Chief Executive Officer*. The Implementation Report and each Annual Report shall include a certification by the Compliance Officer and Chief Executive Officer that:

a. to the best of his or her knowledge, except as otherwise described in the report, Signature has implemented and is in compliance with all of the requirements of this CIA;

b. he or she has reviewed the report and has made reasonable inquiry regarding its content and believes that the information in the report is accurate and truthful; and

c. he or she understands that the certification is being provided to and relied upon by the United States

3. *Chief Financial Officer*. The first Annual Report shall include a certification by the Chief Financial Officer that, to the best of his or her knowledge, Signature has complied with its obligations under the Settlement Agreement: (a) not to resubmit to any Federal health care program payors any previously denied claims related to the Covered

Conduct addressed in the Settlement Agreement, and not to appeal any such denials of claims; (b) not to charge to or otherwise seek payment from federal or state payors for unallowable costs (as defined in the Settlement Agreement); (c) to identify and adjust any past charges or claims for unallowable costs; and (d) he or she understands that the certification is being provided to and relied upon by the United States.

D. Designation of Information

Signature shall clearly identify any portions of its submissions that it believes are trade secrets, or information that is commercial or financial and privileged or confidential, and therefore potentially exempt from disclosure under the Freedom of Information Act (FOIA), 5 U.S.C. § 552. Signature shall refrain from identifying any information as exempt from disclosure if that information does not meet the criteria for exemption from disclosure under FOIA.

VI. NOTIFICATIONS AND SUBMISSION OF REPORTS

Unless otherwise stated in writing after the Effective Date, all notifications and reports required under this CIA shall be submitted to the following entities:

OIG:

Administrative and Civil Remedies
Branch Office of Counsel to the Inspector General
Office of Inspector General
U.S. Department of Health and Human Services Cohen Building, Room 5527
330 Independence Avenue, S.W.
Washington, DC 20201
Telephone: 202.619.2078
Facsimile: 202.205.0604

Signature:

Betsy Wade, MPH, CHC, CNA
Corporate Compliance Officer
Signature Healthcare, LLC
12201 Bluegrass Parkway
Louisville, KY 40299
Telephone: 502.568.7748
Facsimile: 502.389.5089

Unless otherwise specified, all notifications and reports required by this CIA may be made by electronic mail, overnight mail, hand delivery, or other means, provided that there is proof that such notification was received. Upon request by OIG, Signature may be required to provide OIG with an electronic copy of each notification or report required by this CIA in addition to a paper copy.

VII. OIG INSPECTION, AUDIT, AND REVIEW RIGHTS

In addition to any other rights OIG may have by statute, regulation, or contract, OIG or its duly authorized representative(s) may conduct interviews, examine and/or request copies of or copy Signature's books, records, and other documents and supporting materials, and conduct on-site reviews of any of Signature's locations, for the purpose of verifying and evaluating: (a) Signature's compliance with the terms of this CIA and (b) Signature's compliance with the requirements of the Federal health care programs. The documentation described above shall be made available by Signature to OIG or its duly authorized representative(s) at all reasonable times for inspection, audit, and/or reproduction. Furthermore, for purposes of this provision, OIG or its duly authorized representative(s) may interview any of Signature's owners, employees, contractors, and directors who consent to be interviewed at the individual's place of business during normal business hours or at such other place and time as may be mutually agreed upon between the individual and OIG. Signature shall assist OIG or its duly authorized representative(s) in contacting and arranging interviews with such individuals upon OIG's request. Signature's owners, employees, contractors, and directors may elect to be interviewed with or without a representative of Signature present.

VIII. DOCUMENT AND RECORD RETENTION

Signature shall maintain for inspection all documents and records relating to reimbursement from the Federal health care programs and to compliance with this CIA for six years (or longer if otherwise required by law) from the Effective Date.

IX. DISCLOSURES

Consistent with HHS's FOIA procedures, set forth in 45 C.F.R. Part 5, OIG shall make a reasonable effort to notify Signature prior to any release by OIG of information submitted by Signature pursuant to its obligations under this CIA and identified upon submission by Signature as trade secrets, or information that is commercial or financial and privileged or confidential, under the FOIA rules. With respect to such releases, Signature shall have the rights set forth at 45 C.F.R. § 5.42(a).

X. BREACH AND DEFAULT PROVISIONS

Signature is expected to fully and timely comply with all of its CIA obligations.

A. Stipulated Penalties for Failure to Comply with Certain Obligations

As a contractual remedy, Signature and OIG hereby agree that failure to comply with certain obligations as set forth in this CIA may lead to the imposition of the following monetary penalties (hereinafter referred to as "Stipulated Penalties") in accordance with the following provisions.

1. A Stipulated Penalty of $2,500 (which shall begin to accrue on the day after the date the obligation became due) for each day Signature fails to establish, implement or comply with any of the following obligations as described in Section III:

a. a Compliance Officer;

b. a Compliance Committee;

c. the Board of Directors compliance obligations and the engagement of a Compliance Expert, the performance of a Compliance Program Review and the preparation of a Compliance Program Review Report, as required by Section III.A.3;

d. the management certification obligations and the development and implementation of a written process for Certifying Employees, as required by Section III.A.4;

e. written Policies and Procedures;

f. the development of a written training plan and the training and education of Covered Persons and Board Members;

g. a risk assessment and internal review process;

h. a Disclosure Program;

i. Ineligible Persons screening and removal requirements;

j. notification of Government investigations or legal proceedings;

k. policies and procedures regarding the repayment of Overpayments; and

l. reporting of Reportable Events.

2. A Stipulated Penalty of $2,500 (which shall begin to accrue on the day after the date the obligation became due) for each day Signature fails to engage and use an IRO, as required by Section III.D, Appendix A, Appendix B, or Appendix C.

3. A Stipulated Penalty of $2,500 (which shall begin to accrue on the day after the date the obligation became due) for each day Signature fails to submit a complete Implementation Report, Annual Report or any certification to OIG in accordance with the requirements of Section V by the deadlines for submission.

4. A Stipulated Penalty of $2,500 (which shall begin to accrue on the day after the date the obligation became due) for each day Signature fails to submit any Rehabilitation Therapy Services Review Report or Therapy Systems Assessment Report in accordance with the requirements of Section III.D, Appendix B, and Appendix C or fails to repay any Overpayment identified by the IRO, as required by Appendix B.

5. A Stipulated Penalty of $1,500 for each day Signature fails to grant access as required in Section VII (This Stipulated Penalty shall begin to accrue on the date Signature

fails to grant access.).

6. A Stipulated Penalty of $50,000 for each false certification submitted by or on behalf of Signature as part of its Implementation Report, any Annual Report, additional documentation to a report (as requested by OIG), or otherwise required by this CIA.

7. A Stipulated Penalty of $2,500 for each day Signature fails to grant the IRO access to all records and personnel necessary to complete the reviews listed in Section III.D, and for each day Signature fails to furnish accurate and complete records to the IRO, as required by Section III.D and Appendix A.

8. A Stipulated Penalty of $1,000 for each day Signature fails to comply fully and adequately with any obligation of this CIA. OIG shall provide notice to Signature stating the specific grounds for its determination that Signature has failed to comply fully and adequately with the CIA obligation(s) at issue and steps Signature shall take to comply with the CIA. (This Stipulated Penalty shall begin to accrue 10 days after the date Signature receives this notice from OIG of the failure to comply.) A Stipulated Penalty as described in this Subsection shall not be demanded for any violation for which OIG has sought a Stipulated Penalty under Subsections 1-7 of this Section.

B. Timely Written Requests for Extensions

Signature may, in advance of the due date, submit a timely written request for an extension of time to perform any act or file any notification or report required by this CIA. Notwithstanding any other provision in this Section, if OIG grants the timely written request with respect to an act, notification, or report, Stipulated Penalties for failure to perform the act or file the notification or report shall not begin to accrue until one day after Signature fails to meet the revised deadline set by OIG. Notwithstanding any other provision in this Section, if OIG denies such a timely written request, Stipulated Penalties for failure to perform the act or file the notification or report shall not begin to accrue until three days after Signature receives OIG's written denial of such request or the original due date, whichever is later. A "timely written request" is defined as a request in writing received by OIG at least five days prior to the date by which any act is due to be performed or any notification or report is due to be filed.

C. Payment of Stipulated Penalties

1. *Demand Letter*. Upon a finding that Signature has failed to comply with any of the obligations described in Section X.A and after determining that Stipulated Penalties are appropriate, OIG shall notify Signature of: (a) Signature's failure to comply; and (b) OIG's exercise of its contractual right to demand payment of the Stipulated Penalties. (This notification shall be referred to as the "Demand Letter.")

2. *Response to Demand Letter*. Within 10 days after the receipt of the Demand Letter, Signature shall either: (a) cure the breach to OIG's satisfaction and pay the applicable Stipulated Penalties or (b) request a hearing before an HHS administrative law judge (ALJ) to dispute OIG's determination of noncompliance, pursuant to the agreed upon provisions set forth below in Section X.E. In the event Signature elects to request an ALJ hearing, the Stipulated Penalties shall continue to accrue until Signature cures, to OIG's satisfaction, the

alleged breach in dispute. Failure to respond to the Demand Letter in one of these two manners within the allowed time period shall be considered a material breach of this CIA and shall be grounds for exclusion under Section X.D.

3. *Form of Payment*. Payment of the Stipulated Penalties shall be made by electronic funds transfer to an account specified by OIG in the Demand Letter.

4. *Independence from Material Breach Determination*. Except as set forth in Section X.D.1.c, these provisions for payment of Stipulated Penalties shall not affect or otherwise set a standard for OIG's decision that Signature has materially breached this CIA, which decision shall be made at OIG's discretion and shall be governed by the provisions in Section X.D, below.

D. Exclusion for Material Breach of this CIA

1. *Definition of Material Breach*. A material breach of this CIA means:

a. repeated violations or a flagrant violation of any of the obligations under this CIA, including, but not limited to, the obligations addressed in Section X.A;

b. a failure by Signature to report a Reportable Event, take corrective action, or make the appropriate refunds, as required in Section III.J;

c. a failure to respond to a Demand Letter concerning the payment of Stipulated Penalties in accordance with Section X.C; or

d. a failure to engage and use an IRO in accordance with Section III.D, Appendix A, Appendix B, and Appendix C.

2. *Notice of Material Breach and Intent to Exclude*. The parties agree that a material breach of this CIA by Signature constitutes an independent basis for Signature's exclusion from participation in the Federal health care programs. The length of the exclusion shall be in the OIG's discretion, but not more than five years per material breach. Upon a determination by OIG that Signature has materially breached this CIA and that exclusion is the appropriate remedy, OIG shall notify Signature of: (a) Signature's material breach; and (b) OIG's intent to exercise its contractual right to impose exclusion. (This notification shall be referred to as the "Notice of Material Breach and Intent to Exclude.") The exclusion may be directed at one or more of Signature's facilities or corporate entities, depending upon the facts of the breach.

3. *Opportunity to Cure*. Signature shall have 30 days from the date of receipt of the Notice of Material Breach and Intent to Exclude to demonstrate that:

a. the alleged material breach has been cured; or

b. the alleged material breach cannot be cured within the 30 day

period, but that: (i) Signature has begun to take action to cure the material breach; (ii) Signature is pursuing such action with due diligence; and (iii) Signature has provided to OIG a reasonable timetable for curing the material breach.

4. *Exclusion Letter*. If, at the conclusion of the 30 day period, Signature fails to satisfy the requirements of Section X.D.3, OIG may exclude Signature from participation in the Federal health care programs. OIG shall notify Signature in writing of its determination to exclude Signature. (This letter shall be referred to as the "Exclusion Letter.") Subject to the Dispute Resolution provisions in Section X.E, below, the exclusion shall go into effect 30 days after the date of Signature's receipt of the Exclusion Letter. The exclusion shall have national effect. Reinstatement to program participation is not automatic. At the end of the period of exclusion, Signature may apply for reinstatement by submitting a written request for reinstatement in accordance with the provisions at 42 C.F.R. §§ 1001.3001-.3004.

E. Dispute Resolution

1. *Review Rights*. Upon OIG's delivery to Signature of its Demand Letter or of its Exclusion Letter, and as an agreed-upon contractual remedy for the resolution of disputes arising under this CIA, Signature shall be afforded certain review rights comparable to the ones that are provided in 42 U.S.C. § 1320a-7(f) and 42 C.F.R. Part 1005 as if they applied to the Stipulated Penalties or exclusion sought pursuant to this CIA. Specifically, OIG's determination to demand payment of Stipulated Penalties or to seek exclusion shall be subject to review by an HHS ALJ and, in the event of an appeal, the HHS Departmental Appeals Board (DAB), in a manner consistent with the provisions in 42 C.F.R. § 1005.2-1005.21. Notwithstanding the language in 42 C.F.R. § 1005.2(c), the request for a hearing involving Stipulated Penalties shall be made within 10 days after receipt of the Demand Letter and the request for a hearing involving exclusion shall be made within 25 days after receipt of the Exclusion Letter. The procedures relating to the filing of a request for a hearing can be found at http://www.hhs.gov/dab/divisions/civil/procedures/divisionprocedures.html

2. *Stipulated Penalties Review*. Notwithstanding any provision of Title 42 of the United States Code or Title 42 of the Code of Federal Regulations, the only issues in a proceeding for Stipulated Penalties under this CIA shall be: (a) whether Signature was in full and timely compliance with the obligations of this CIA for which OIG demands payment; and (b) the period of noncompliance. Signature shall have the burden of proving its full and timely compliance and the steps taken to cure the noncompliance, if any. OIG shall not have the right to appeal to the DAB an adverse ALJ decision related to Stipulated Penalties. If the ALJ agrees with OIG with regard to a finding of a breach of this CIA and orders Signature to pay Stipulated Penalties, such Stipulated Penalties shall become due and payable 20 days after the ALJ issues such a decision unless Signature requests review of the ALJ decision by the DAB. If the ALJ decision is properly appealed to the DAB and the DAB upholds the determination of OIG, the Stipulated Penalties shall become due and payable 20 days after the DAB issues its decision.

3. *Exclusion Review*. Notwithstanding any provision of Title 42 of the United States Code or Title 42 of the Code of Federal Regulations, the only issues in a proceeding for exclusion based on a material breach of this CIA shall be whether Signature was

in material breach of this CIA and, if so, whether:

a. Signature cured such breach within 30 days of its receipt of the Notice of Material Breach; or

b. the alleged material breach could not have been cured within the 30 day period, but that, during the 30 day period following Signature's receipt of the Notice of Material Breach: (i) Signature had begun to take action to cure the material breach; (ii) Signature pursued such action with due diligence; and (iii) Signature provided to OIG a reasonable timetable for curing the material breach.

For purposes of the exclusion herein, exclusion shall take effect only after an ALJ decision favorable to OIG, or, if the ALJ rules for Signature, only after a DAB decision in favor of OIG. Signature's election of its contractual right to appeal to the DAB shall not abrogate OIG's authority to exclude Signature upon the issuance of an ALJ's decision in favor of OIG. If the ALJ sustains the determination of OIG and determines that exclusion is authorized, such exclusion shall take effect 20 days after the ALJ issues such a decision, notwithstanding that Signature may request review of the ALJ decision by the DAB. If the DAB finds in favor of OIG after an ALJ decision adverse to OIG, the exclusion shall take effect 20 days after the DAB decision. Signature shall waive its right to any notice of such an exclusion if a decision upholding the exclusion is rendered by the ALJ or DAB. If the DAB finds in favor of Signature, Signature shall be reinstated effective on the date of the original exclusion.

4. *Finality of Decision*. The review by an ALJ or DAB provided for above shall not be considered to be an appeal right arising under any statutes or regulations. Consequently, the parties to this CIA agree that the DAB's decision (or the ALJ's decision if not appealed) shall be considered final for all purposes under this CIA.

XI. EFFECTIVE AND BINDING AGREEMENT

Signature and OIG agree as follows:

A. This CIA shall become final and binding on the date the final signature is obtained on the CIA.

B. This CIA constitutes the complete agreement between the parties and may not be amended except by written consent of the parties to this CIA.

C. OIG may agree to a suspension of Signature's obligations under this CIA based on a certification by Signature that it is no longer providing health care items or services that will be billed to any Federal health care program and it does not have any ownership or control interest, as defined in 42 U.S.C. §1320a-3, in any entity that bills any Federal health care program. If Signature is relieved of its CIA obligations, Signature shall be required to notify OIG in writing at least 30 days in advance if Signature plans to resume providing health care items or services that are billed to any Federal health care program or to obtain an ownership or

control interest in any entity that bills any Federal health care program. At such time, OIG shall evaluate whether the CIA will be reactivated or modified.

D. All requirements and remedies set forth in this CIA are in addition to and do not affect (1) Signature's responsibility to follow all applicable Federal health care program requirements or (2) the government's right to impose appropriate remedies for failure to follow applicable Federal health care program requirements.

E. The undersigned Signature signatories represent and warrant that they are authorized to execute this CIA. The undersigned OIG signatories represent that they are signing this CIA in their official capacities and that they are authorized to execute this CIA.

F. This CIA may be executed in counterparts, each of which constitutes an original and all of which constitute one and the same CIA. Electronically-transmitted copies of signatures shall constitute acceptable, binding signatures for purposes of this CIA.

ON BEHALF OF SIGNATURE HEALTHCARE, LLC.

/Lynn Fieldhouse/ 5/23/18

Lynn K. Fieldhouse, Esq. Date
Vice President & General Counsel, Litigation-Risk Services
Signature Healthcare, LLC

/Julie E. Kass/ 5/23/18

Julie E. Kass, Esq. Date
Baker, Donelson, Bearman, Caldwell & Berkowitz, PC
Counsel for Signature Healthcare, LLC

ON BEHALF OF THE OFFICE OF INSPECTOR GENERAL
OF THE
DEPARTMENT OF HEALTH AND HUMAN SERVICES

/Lisa M. Re/ 5/25/2018

LISA M. RE
Assistant Inspector General for Legal Affairs
Office of Inspector General
U.S. Department of Health and Human Services

Date

/Sandra Sands/ 5/25/18

SANDRA SANDS
Senior Counsel
Office of Inspector General
U.S. Department of Health and Human Services

Date

APPENDIX A

INDEPENDENT REVIEW ORGANIZATION

This Appendix contains the requirements relating to the Independent Review Organization (IRO) required by Section III.D of the CIA. Signature must engage the same IRO for both the Rehab Review and the Therapy Systems Assessment provided that the entity has the necessary expertise and capabilities to perform both reviews.

A. IRO Engagement

1. Signature shall engage an IRO that possesses the qualifications set forth in Paragraph B, below, to perform the responsibilities in Paragraph C, below. The IRO shall conduct the review in a professionally independent and objective fashion, as set forth in Paragraph D. Within 30 days after OIG receives the information identified in Section V.A.7 of the CIA or any additional information submitted by Signature in response to a request by OIG, whichever is later, OIG will notify Signature if the IRO is unacceptable. Absent notification from OIG that the IRO is unacceptable, Signature may continue to engage the IRO.

2. If Signature engages a new IRO during the term of the CIA, that IRO must also meet the requirements of this Appendix. If a new IRO is engaged, Signature shall submit the information identified in Section V.A.7 of the CIA to OIG within 30 days of engagement of the IRO. Within 30 days after OIG receives this information or any additional information submitted by Signature at the request of OIG, whichever is later, OIG will notify Signature if the IRO is unacceptable. Absent notification from OIG that the IRO is unacceptable, Signature may continue to engage the IRO.

B. IRO Qualifications

The IRO shall:

1. assign individuals to design and select the Rehab Review sample who are knowledgeable about the appropriate statistical sampling techniques;

2. create one coordinated interdisciplinary team who shall conduct both the Rehab Review and the Therapy Systems Assessment;

3. assign individuals to conduct the Rehab Review and the Therapy Systems Assessment who have expertise in the Medicare requirements relating to rehabilitation therapy in skilled nursing facilities and in the general requirements of the Federal health care program(s), and who have expertise in the generally accepted guidelines and standards of practice for rehabilitation therapy including those endorsed by the American Physical Therapy Association, the American Occupational Therapy Association, and the American Speech-Language-Hearing Association;

4. assign individuals to conduct the coding review portions of the Rehab Review who have a nationally recognized MDS or Resident Assessment Instrument certification and who have maintained this certification (e.g., completed applicable continuing education requirements); and

5. have sufficient staff and resources to conduct the reviews required by the CIA on a timely basis.

C. IRO Responsibilities

The IRO shall:

1. perform each Rehab Review and Therapy Systems Assessment in accordance with the specific requirements of the CIA;

2. follow all applicable Medicare rules and reimbursement guidelines in making assessments in both the Rehab Review and the Therapy Systems Assessment;

3. request clarification from the appropriate authority (e.g., Medicare contractor), if in doubt of the application of a particular Medicare policy or regulation;

4. respond to all OIG inquires in a prompt, objective, and factual manner; and

5. prepare timely, clear, well-written reports that include all the information required by Appendix B and Appendix C to the CIA.

D. Signature Responsibilities

Signature shall ensure that the IRO has access to all records and personnel necessary to complete the reviews listed in III.D of this CIA and that all records furnished to the IRO are accurate and complete.

E. IRO Independence and Objectivity

The IRO must perform the Rehab Review and the Therapy Systems Assessment in a professionally independent and objective fashion, as defined in the most recent Government Auditing Standards issued by the U.S. Government Accountability Office.

F. IRO Removal/Termination

1. Signature *and IRO*. If Signature terminates its IRO or if the IRO withdraws from the engagement during the term of the CIA, Signature must submit a notice explaining (a) its reasons for termination of the IRO or (b) the IRO's reasons for its withdrawal to OIG, no later than 30 days after termination or withdrawal. Signature must engage a new IRO in accordance with Paragraph A of this Appendix and within 60 days of termination or withdrawal of the IRO.

2. *OIG Removal of IRO*. In the event OIG has reason to believe the IRO does not possess the qualifications described in Paragraph B, is not independent and objective as set forth in Paragraph D, or has failed to carry out its responsibilities as described in Paragraph C, OIG shall notify Signature in writing regarding OIG's basis for determining that the IRO has not met the requirements of this Appendix. Signature shall have 30 days from the date of OIG's written notice to provide information regarding the IRO's qualifications, independence or performance of its responsibilities in order to resolve the concerns identified by OIG. If, following OIG's review of any information provided by Signature regarding the IRO, OIG determines that the IRO has not met the requirements of this Appendix, OIG shall notify Signature in writing that Signature shall be required to engage a new IRO in accordance with Paragraph A of this Appendix. Signature must engage a new IRO within 60 days of its receipt of OIG's written notice. The final determination as to whether or not to require Signature to engage a new IRO shall be made at the sole discretion of OIG.

APPENDIX B

REHABILITATION THERAPY SERVICES REVIEW

A. Rehabilitation Therapy Services Review. Signature shall retain an IRO to perform a Rehabilitation Therapy Services Review (Rehab Review) annually for each of the five Reporting Periods. The Rehab Review shall be conducted at six Signature facilities ("Subject Facilities") for each Reporting Period. The IRO shall perform all components of each Rehab Review.

1. *Definitions*. For the purposes of the Rehab Review, the following definitions shall be used:

a. Subject Facility: OIG will select the Subject Facilities that will be subject to the Rehab Review in each Reporting Period. OIG shall notify Signature and the IRO of its selection of Subject Facilities to be used at least 30 days prior to the end of each Reporting Period.

b. Rehab Therapy Patient: A Medicare patient who is covered under Medicare Part A and who received rehabilitation therapy services during their stay at a Subject Facility.

c. Patient Stay: A covered Medicare Part A stay in a Subject Facility for a Rehab Therapy Patient during the Reporting Period under review.

d. Rehab Therapy Services: All rehabilitation therapy services provided by Signature to a Rehab Therapy Patient during a Patient Stay.

e. Overpayment: The amount of money Signature has received in excess of the amount due and payable under Medicare program requirements, as determined by the IRO in connection with the Claims Review performed under this Appendix B.

f. Paid Claim: A request for payment submitted by Signature for services rendered to a Rehab Therapy Patient and for which Signature has received reimbursement from the Medicare Part A program.

g. Population: The Population shall be defined as all Patient Stays that took place at a Subject Facility and span at least 14 days, during the 12-month period covered by the Rehab Review. In OIG's discretion, OIG may limit the Population to one or more subset(s) of Patient Stays to be reviewed and shall notify Signature and the IRO of its selection of the Population to be used to create the Rehab Review Sample(s) at least 30 days prior to the end of each Reporting Period. Signature, or its IRO on behalf of Signature, may submit proposals identifying suggestions for the subset(s) of Patient Stays to be reviewed at least 90 days prior to the end of each Reporting Period.

In connection with limiting the Population, OIG may consider (1) data submitted by Signature as required under this Appendix B, (2) proposals submitted by Signature or its IRO, or (3) information furnished to OIG regarding the results of Signature's internal risk assessment or internal auditing required under Section III.A.2. The determination of whether, and in what manner, to limit the Population shall be made at the sole discretion of OIG.

2. *Selection of Subsets*. In order to facilitate the OIG's selection of the Subject Facilities, or Population, at least 90 days prior to the end of the Reporting Period, Signature shall furnish to OIG the following data for each Signature facility for the prior calendar year: (1) Geographic location, (2) Federal health care program patient census, (3) Medicare revenues, (4) Medicare Part A program Resource Utilization Group (RUG) levels, (5) patient lengths of stay, or (6) other data determined by the OIG in its discretion.

3. *Rehab Review Sample.* The IRO shall randomly select and review a sample of 25 Patient Stays at each Subject Facility (each selection of Patient Stays at a Subject Facility shall be referred to as a "Rehab Review Sample") and conduct the Rehab Review (as described below).

4. *Rehab Review Description.* The IRO shall review the Rehab Therapy Services for each Patient Stay selected. The Rehab Therapy Services shall be reviewed based on the supporting documentation available at Signature's corporate office, any of the relevant Subject Facilities, or under Signature's control and applicable Medicare Part A program requirements to determine whether the Rehab Therapy Services were medically necessary and appropriate and properly documented and whether the associated MDS and claims were medically necessary and correctly coded, submitted and reimbursed under the applicable regulations, manuals and guidance. The IRO's review shall include a determination of whether Signature adhered to 1) Federal healthcare program rules and regulations governing the provision of skilled rehabilitation therapy in SNFs; and 2) the generally accepted guidelines and standards of practice for rehabilitation therapy including those endorsed by the American Physical Therapy Association, the American Occupational Therapy Association, and the American Speech-Language-Hearing Association, related to the following:

a. eligibility for skilled rehabilitation therapy services;

b. timely physician order(s) for any therapy services;

c. comprehensive therapy assessments, which include a thorough initial examination, standardized tests and functional measurements to determine the individual needs of the patient;

d. written evaluations describing the needs of the patient including diagnosis, prognosis, particular physical impairments and specific functional limitations;

e. written therapy treatment plans that

i. list interventions targeted to the patient's specific impairments and functional limitations;

ii. set well-defined goals, consistent with the patient's diagnosis and prognosis; and

iii. include measurable objectives and timetables;

f. provision of services according to the frequency and duration prescribed in the therapy treatment plan;

g. provision of only therapy services that are reasonable and necessary given the patient's condition and SNF plan of care to improve, maintain, or slow deterioration of the patient's condition, or restore his or her prior levels of function;

h. provision of skilled therapy services as defined by Medicare guidance (e.g., services that can safely and effectively performed only by, or under the supervision of, a qualified therapist and the service, or the condition of the beneficiary is of a nature that requires the judgment, knowledge, and skills of physical, speech, or occupational therapists, among other types of medical professionals);

i. tracking of rehabilitation therapy minutes in accordance with Medicare program requirements (e.g., appropriately account for group and concurrent therapy, counts only skilled care); and

j. proper discharge planning.

In conducting the Rehab Review, the IRO shall, at a minimum, review policies and procedures, all medical and billing records, and therapy-related documentation. The portions of the medical record necessary to make the findings required under this Appendix B for the selected Patient Stays, may include, but not be limited to, hospital discharge summaries and transfer forms, physicians' orders, medical diagnoses, rehabilitation diagnosis (as appropriate), past medical history, treatment and flow charts, vital sign records, weight charts, medication records, nursing records, plans of care, therapy treatment plans, daily therapy encounter notes, progress notes that describe the patient's response to treatments and physical/mental status, CPT logs, discharge summaries, lab test results, therapy tests, measurement results, completed Resident Assessment Instrument (RAI), Minimum Data Set (MDS) forms, Other Medicare Required Assessment (OMRA) forms, and other documentation supporting the patient's need for the skilled services being provided in the SNF.

5. *Identification of Overpayments.*

a. For any Paid Claim within the Patient Stays, selected in the Rehab Review Samples, that involves a Rehab Therapy Service that the IRO has determined was not medically necessary and appropriate based on the Rehab Review, the IRO shall review the Paid Claim, the corresponding MDS and the medical record documentation supporting the MDS, and determine whether the Rehab Therapy

Services were correctly coded in the MDS and supported by the medical record documentation.

b. In those cases where the IRO determines the Rehab Therapy Services were not correctly coded in the MDS or not supported by the medical record documentation, the IRO shall re-enter data from that MDS into the IRO's grouper software to determine whether the correct RUG code was properly assigned on the Paid Claim. If an incorrect RUG code was assigned, this shall be considered an error.

c. If the error resulted in a downward change in RUG assignment, the IRO shall consider the dollar difference between the original RUG code submitted and the revised RUG code as determined by the IRO to be an Overpayment.

d. If an incorrect RUG was used, but it did not result in an Overpayment, it shall be noted in the Rehab Review Report.

6. *Other Requirements.*

a. Supplemental Materials. The IRO shall request all documentation and materials required for its review of the Rehab Therapy Services in each Patient Stay selected as part of the Rehab Review Samples and Signature shall furnish such documentation and materials for each Patient Stay selected as part of the Rehab Review Sample to the IRO prior to the IRO initiating its review of a specific Patient Stay in the Rehab Review Sample. If the IRO accepts any supplemental documentation or materials from Signature after the IRO has completed its initial review of the Rehab Therapy Services in a particular Patient Stay selected as part of the Rehab Review Samples (Supplemental Materials), the IRO shall identify in the Rehab Review Report the Supplemental Materials, the date the Supplemental Materials were accepted, and the relative weight the IRO gave to the Supplemental Materials in its review. In addition, the IRO shall include a narrative in the Rehab Review Report describing the process by which the Supplemental Materials were accepted and the IRO's reasons for accepting the Supplemental Materials.

b. Paid Claims without Supporting Documentation. Any Paid Claim for which Signature cannot produce documentation shall be considered an error and the total reimbursement received by Signature for such Paid Claim shall be deemed an Overpayment. Replacement sampling for Paid Claims with missing documentation is not permitted.

c. Use of First Samples Drawn. For the purposes of the Rehab Review Sample discussed in this Appendix, the first set of Patient Stays selected for each Subject Facility shall be used (i.e., it is not permissible to

generate more than one list of random samples and then select one for use with a Rehab Review Sample).

7. *Repayment of Identified Overpayments.* Signature shall repay within 60 days any Overpayment(s) identified by the IRO in the Rehab Review Samples, in accordance with the requirements of 42 U.S.C. § 1320a-7k(d) and 42 C.F.R. § 401.301-305 (and any applicable CMS guidance) (the "CMS overpayment rule"). If Signature determines that the CMS overpayment rule requires that an extrapolated Overpayment be repaid for any of the Subject Facilities, Signature shall repay that amount at the mean point estimate as calculated by the IRO. Signature shall make available to OIG all documentation that reflects the refund of the Overpayment(s) to the payor. OIG, in its sole discretion, may refer the findings of the Rehab Review (and any related work papers) received from Signature to the appropriate Medicare contractor for appropriate follow up by the payor.

B. Rehab Review Report. The IRO shall prepare a Rehab Review Report as described in this Appendix for each Rehab Review performed. The following information shall be included in the Rehab Review Report for each Rehab Review Sample.

1. *Rehab Review Methodology.*

   a. Review Population. A description of the Patient Stay Population subject to the Rehab Review.

   b. Review Objective. A clear statement of the objective intended to be achieved by the Rehab Review.

   c. Source of Data. A description of (1) the process used to identify Patient Stays and Paid Claims in the Population and (2) the specific documentation and other information sources relied upon by the IRO when performing the Rehab Review (e.g., patient medical records, Signature policies and procedures; Medicare carrier or intermediary manual or bulletins (including issue and date); practice guidelines endorsed by the American Physical Therapy Association, the American Occupational Therapy Association, and the American Speech-Language-Hearing Association; and other policies, regulations, or directives).

   a. Review Protocol. A narrative description of how the Rehab Review was conducted and what was evaluated.

   b. Supplemental Materials. A description of any Supplemental Materials as required by A.6.a., above.

2. *Statistical Sampling Documentation.*

a. A copy of the printout of the random numbers generated by the "Random Numbers" function of the statistical sampling software used by the IRO.

b. A description or identification of the statistical sampling software package used by the IRO.

3. *Rehab Review Findings.*

a. Narrative Results.

i. A narrative explanation of the IRO's findings regarding factors noted Section A.4 above and supporting rationale (including adequacy of documentation, patterns noted, etc.) regarding whether the Rehab Therapy Services in each Patient Stay reviewed by the IRO were medically necessary and appropriate.

ii. A narrative explanation of the IRO's findings and supporting rationale (including reasons for errors, patterns noted, etc.) regarding the identification of Overpayments.

iii. For each Paid Claim in any Rehab Review Sample that resulted in an Overpayment, the IRO shall describe and review the system(s) and process(es) that generated the Paid Claim (including the identification, by position description, of the personnel involved in coding and billing) and identify any problems or weaknesses that may have resulted in the identified Overpayments.

b. Quantitative Results.

i. Total number and percentage of Paid Claims reviewed in each Rehab Review Sample that the IRO determined Rehab Therapy Services that were:

1. Not medically necessary and appropriate;

2. Not medically necessary and appropriate and resulted in an Overpayment;

3. Not supported by sufficient documentation;

4. Not supported by sufficient documentation and resulted in an Overpayment;

5. Not coded correctly on the MDS form; and

6. Not coded correctly on the MDS form and resulted in an Overpayment.

ii. Total dollar amount of Paid Claims in each Rehab Review Sample.

iii. Total dollar amount of all Overpayments in each Rehab Review Sample.

iv. Error Rate in the each Rehab Review Sample. The Error Rate shall be calculated by dividing the Overpayment in each Rehab Review Sample by the total dollar amount associated with the Paid Claims in the Rehab Review Sample.

v. An estimate of the Overpayment at the mean point estimate for the Population in each Rehab Review Sample.

vi. A spreadsheet of the Rehab Review results that includes the following information for each Paid Claim that included a Rehab Therapy Service that the IRO determined was not medically necessary and appropriate:

A. Subject Facility;
B. Beneficiary health insurance claim number;
C. Dates of service;
D. RUG code submitted;
E. Initial amount reimbursed;
F. Revised RUG code as determined by the IRO;
G. Revised amount that should have been reimbursed as determined by the IRO; and
H. Dollar difference between initial amount reimbursed and revised amount that should have been reimbursed as determined by the IRO.

c. Recommendations. Based on the findings of the Rehab Review, the IRO's report shall include any recommendations for improvements to Signature's services and processes for determining the appropriate rehabilitation services to be provided, for documenting Rehab Therapy Services, and properly coding and billing for such services.

4. *Credentials*. The names and credentials of the individuals who: (1) designed the statistical sampling procedures and the review methodology utilized for the Rehab Review and (2) performed the Rehab Review including identification of Overpayments.

5. *Timing.* The IRO shall submit each Rehab Review Report to Signature and OIG no later than 90 days after the end of each Reporting Period.

APPENDIX C

THERAPY SYSTEMS ASSESSMENT

A. Therapy Systems Assessment.

1. For each Reporting Period, the IRO shall assess the effectiveness, reliability, and thoroughness of Signature's rehabilitative therapy systems and its oversight of therapy staff at each of the Subject Facilities (Therapy Systems Assessment). Keeping in mind the findings and observations from the Rehab Review, the IRO shall examine whether the Subject Facility considers and incorporates the following:

a. best practices in patient management including examination, evaluation, diagnosis, prognosis and intervention;

b. use of effective tests and measures to quantify a patient's impairments and functional limitations;

c. provides only therapy that is consistent with the nature and severity of the patient's individual illness or injury and in compliance with accepted standards of practice for rehabilitation therapy;

d. setting of goals consistent with a patient's diagnosis and prognosis;

e. use of appropriate interventions targeted to a patient's specific impairments and functional limitations;

f. utilization of evidence-based practice patterns;

g. consideration of issues specific to gerontology;

h. early assessment of a patient's cognitive capacity and whether the patient's mental abilities or impairments are appropriately incorporated into the patient's plan of care;

i. effective coordination between therapy staff and nursing staff;

j. appropriate monitoring of a patient's response to skilled therapy, which includes measuring changes in functional status and making corresponding adjustments in the plan of care;

k. bill as therapy only those services that that can safely and effectively performed only by, or under the supervision of, a qualified therapist and the service, or the condition of the beneficiary is of a nature that requires the judgment, knowledge, and skills of physical, speech, or occupational therapists, among other types of medical professionals;

l. appropriate use of supporting personnel, such as aides or nursing personnel, to provide services that do not require the skills of a qualified therapist or can be performed without the supervision of a therapist;

m. interaction between multidisciplinary therapy team members, effectiveness of interdisciplinary team work and rehabilitation goal setting where patient requires more than one type of rehabilitation;

n. ability of therapists to assess and treat patients according to their independent clinical judgment for appropriate patient care based on ethical and professional standards;

o. effective communication among the corporate, regional, and facility level employees who provide, manage, or oversee the delivery of skilled rehabilitative therapy services to Signature's patients; and

p. appropriate and relevant periodic training of rehabilitation therapy staff.

2. In conducting the Therapy Systems Assessments, the IRO shall visit Subject Facilities, observe the provision of therapy services, observe morning meetings, observe therapy-related care planning meetings, observe discharge meetings with family or caregivers, and interview key employees and contractors. Signature shall take all necessary steps to ensure the IRO has access to Signature's facilities, documents, employees, and contractors to perform the activities set forth in this Section A.1 in a legally and clinically appropriate manner.

B. Therapy Systems Assessment Report.

1. The IRO shall submit a written report to Signature and OIG (hereinafter the "Therapy Systems Assessment Report") that sets forth, at a minimum:

a. A summary of the IRO's activities in conducting the Therapy Systems Assessment;

b. The IRO's findings regarding the factors noted in Section A.1 above;

c. The IRO's recommendations to Signature as to how to improve the effectiveness, reliability, and thoroughness of Signature's rehabilitative therapy systems and its oversight of therapy staff based on finding regarding the factors noted in Section A.1 above;

d. The IRO's assessment of Signature's response to the IRO's recommendations in the prior Therapy Systems Assessment Reports (this does not need to be included in the Therapy Systems Assessment Report for the first Reporting Period); and

e. The names and credentials of the individuals who performed the Therapy Systems Assessment.

2. The IRO shall submit each Therapy Systems Assessment Report to Signature and OIG no later than 90 days after the end of each Reporting Period.

C. Signature's Response to the IRO's Therapy System Assessment Report.

Within 30 days after receipt of each IRO Therapy Systems Assessment Report, Signature shall submit to OIG and the IRO a written response to each recommendation contained in the Therapy Systems Assessment Report stating what action Signature took in response to each recommendation or why Signature has not elected to take action based on the recommendation.