

CORPORATE INTEGRITY AGREEMENT
BETWEEN THE
OFFICE OF INSPECTOR GENERAL
OF THE
DEPARTMENT OF HEALTH AND HUMAN SERVICES
AND
RITE AID CORPORATION

I. PREAMBLE

Rite Aid Corporation (“Rite Aid”) 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 by its officers, directors, pharmacists, pharmacy technicians, clerks, interns and other persons employed or engaged by Rite Aid to provide pharmacy services or prepare and/or submit claims for pharmacy services to any Federal health care program (as defined in 42 U.S.C. § 1320a-7b(f)) with the statutes, regulations and written directives of Medicare, Medicaid and all other Federal health care programs (“Federal health care program requirements”). Contemporaneously with this CIA, Rite Aid is entering into a Settlement Agreement with the United States, and this CIA is incorporated by reference into the Settlement Agreement. Contemporaneously with this CIA, Rite Aid will also enter into settlement agreements with various other states relating to the same matters, and Rite Aid’s agreement to this CIA is a condition precedent to those agreements.

II. TERM OF THE CIA

The period of the compliance obligations assumed by Rite Aid under this CIA shall be four years from the Effective Date of this CIA (unless otherwise specified). 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.”

Sections VII, VIII, IX, X, and XI shall expire no later than 120 days after the OIG’s receipt of: (1) Rite Aid’s final Annual Report; or (2) any additional materials submitted by Rite Aid pursuant to the OIG’s request, whichever is later.

III. CORPORATE INTEGRITY OBLIGATIONS

Rite Aid is in the process of establishing a compliance program consisting of the following compliance and audit procedures (the “Compliance Program”). Rite Aid agrees to continue the operation of its Compliance Program for the term of this CIA in accordance with the provisions set forth below. Rite Aid may modify the Compliance Program as appropriate, but, at a minimum, it shall comply with the integrity obligations enumerated in this CIA.

A. Compliance Officer and Committee.

1. *Compliance Officer.* To the extent not already accomplished, within 120 days after the Effective Date Rite Aid shall appoint an individual to serve as its Compliance Officer (“CO”) and shall establish a Compliance Committee in accordance with section III.A.2. The CO shall be responsible for overseeing the development of and coordinating the implementation of the Compliance Program policies, procedures, and practices designed to ensure compliance with the requirements set forth in this CIA and with Federal health care program requirements. Rite Aid agrees to maintain the position of CO during the term of this CIA. The CO shall be a member of senior management of Rite Aid and shall make periodic (at least semi-annual) reports regarding compliance matters directly to the Board of Directors of Rite Aid. The CO shall be authorized to report directly to the Board of Directors or to the Audit Committee of the Board at any time. The CO shall be responsible for monitoring the day-to-day compliance activities engaged in by Rite Aid as well as for any reporting obligations created under this CIA.

Rite Aid shall report to the OIG, in writing, any changes in the identity of or any material changes in the position description of the Compliance Officer, or any material actions or changes that would affect the Compliance Officer’s ability to perform the duties necessary to meet the obligations in this CIA within 15 days after such a change.

2. *Compliance Committee.* For at least the term of this CIA, Rite Aid shall maintain its Compliance Committee in accordance with this section III.A.2. The Compliance Committee shall, at a minimum, include the CO and other members of senior management necessary to meet the requirements of this CIA such as the Senior Vice President of Pharmacy Operations and the Director of Internal Audit or comparable officers. The CO shall chair the Compliance Committee and the Committee shall support the CO in fulfilling his/her responsibilities (e.g., shall assist in the analysis of the organization’s risk areas and shall oversee monitoring of internal and external audits and investigations).

Rite Aid shall report to the OIG, in writing, any changes in the composition of the Compliance Committee, or any material 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.

B. Written Standards.

1. *Code of Conduct.* Within 120 days after the Effective Date, to the extent not already accomplished, Rite Aid shall establish a written code of conduct statement and policy (hereafter "Code of Conduct"). The Code of Conduct shall be distributed to all pharmacists, pharmacy technicians, clerks, interns and all other persons employed or engaged by Rite Aid to provide pharmacy services or prepare and/or submit claims for pharmacy services to any Federal health care programs (hereafter "Relevant Covered Persons"), their supervisory management, to corporate management and to Rite Aid's officers and directors¹ within 120 days after the Effective Date. Rite Aid shall make the promotion of, and adherence to, the Code of Conduct an element in evaluating the performance of all employees.

The Code of Conduct shall set forth Rite Aid's commitment to comply with all Federal health care programs requirements, including its commitment to prepare and submit accurate billings consistent with Federal health care program requirements. The Code of Conduct shall also set forth Rite Aid's requirements that all Covered Persons shall be expected to comply with all Federal health care programs requirements and with Rite Aid's own Policies and Procedures implemented pursuant to section III.B.

The Code of Conduct will further set forth the possible consequences to both Rite Aid and any Covered Persons of a failure to comply with all Federal health care programs requirements and Rite Aid's Policies and Procedures; the requirement that all Rite Aid employees report suspected violations of Federal health care program requirements or Rite Aid's own policies and procedures to the CO or other appropriate individual designated by Rite Aid; and the right of all individuals to use the Confidential Disclosure Program required in Section III. E below and Rite Aid's commitment to maintain confidentiality, as appropriate, and non-retaliation with respect to such disclosures.

Within 150 days after the Effective Date, each Covered Person shall certify, in writing or electronically, that he or she has received and read the Code of Conduct,

¹ Relevant Covered Persons, their supervisory management, corporate management and Rite Aid's officers and directors shall collectively be referred to hereafter as "Covered Persons."

understands it, and will abide by it. New Covered Persons shall receive the Code of Conduct and shall complete the required certification within 30 days after becoming a Covered Person or within 150 days of the Effective Date, whichever is later.

The Compliance Committee shall annually review the Code of Conduct and revise it as necessary. To the extent any substantial changes are made to the minimum requirements of the Code of Conduct set forth above, a revised Code of Conduct shall be distributed within 30 days after finalizing such changes. Covered Persons shall certify that they have received, read, understood and will abide by the revised Code of Conduct within 30 days after the distribution of such revisions.

2. *Policies and Procedures.* To the extent not already accomplished, within 120 days after the Effective Date, Rite Aid shall implement written policies and procedures regarding the operation of Rite Aid's Compliance Program and its compliance with Federal health care program requirements ("Policies and Procedures"). At a minimum, the Policies and Procedures shall address:

- a. the subjects relating to the Code of Conduct identified in section III.B.1;
- b. the proper manner (as outlined below) in which Rite Aid shall submit claims to Federal health care programs for prescriptions that are only partially filled (*i.e.*, where only a portion of the prescribed medication is furnished on a given date to a Federal health care program beneficiary) ("Partial Fill Procedure");
- c. the proper manner (as outlined below) in which Rite Aid shall reconcile with or credit Federal health care programs for any amounts due in instances in which the full amount of a prescription was billed to a Federal health care program and paid by the program, but the full amount of the prescription was not ultimately delivered to the Federal health care program beneficiary ("Will Call Delete Policy"); and
- d. policies and procedures designed to prevent the dispensing of restocked medications that are out-of-date or expired or have been recalled by the manufacturer.

With regard to the Partial Fill Procedure, the Policies and Procedures shall continue to provide the following:

(1) when a Relevant Covered Person determines that the pharmacy has insufficient inventory to immediately fill a prescription in full, any existing claim for that prescription shall be reversed in accordance with Rite Aid's "Partial" program in its computer system. (The effect of such reversal will be that no claim for reimbursement for the prescription shall be submitted to any Federal health care program at that time.)

(2) the pharmacy shall provide the patient, free of charge, with a supply appropriate to provide for the patient's care for the time period estimated to be necessary to receive the remainder of the medication;

(3) upon receipt of the necessary remainder of the medication, the pharmacy shall fill the prescription fully, except for the amount given to the patient free of charge, and submit a claim for the entire amount to the appropriate third party payor;

(4) if the patient has not returned for the prescription on the day it is completed, the prescription shall be placed in the pharmacy's Will Call area.

With regard to the Will Call Delete Policy, the Policies and Procedures shall continue to provide that if Rite Aid bills a Federal health care program for a prescription that is not ultimately delivered to the Federal health care program beneficiary (e.g., the prescription has been deleted after being billed; the remainder of a Partial Fill prescription is not ultimately collected by the patient after being fully filled and being entered into the Pharmacy Dispensing System; or Rite Aid mailed any medication to a program beneficiary that was returned to Rite Aid and not delivered to the beneficiary), Rite Aid shall reconcile with or credit the applicable program to the extent of any payment made to Rite Aid for the undelivered portion of the prescription.

Rite Aid shall collect only a single dispensing fee from any Federal health care program beneficiary for any partially filled prescription. In a partial fill situation, Rite Aid shall not collect any additional co-payment amounts from program beneficiaries that exceed the total co-payment amount applicable to the prescription at issue.

Within 120 days after the Effective Date, the relevant portions of the Policies and Procedures shall be made available to all individuals whose job functions are related to those Policies and Procedures. Appropriate and knowledgeable staff should be available to explain the Policies and Procedures.

At least annually (and more frequently if appropriate), Rite Aid shall assess and update, as necessary, the Policies and Procedures. Within 30 days after the effective date of any revisions, the relevant portions of any such revised Policies and Procedures shall be made available to all individuals whose job functions are related to those Policies and Procedures.

C. Training and Education.

1. *Training.* Rite Aid shall continue its training and educational initiatives. To the extent not already accomplished, within 120 days after the Effective Date, Rite Aid shall provide appropriate training to each Covered Person². This training shall include a discussion of:

- a. Rite Aid's CIA requirements;
- b. Rite Aid's Compliance Program (including the Code of Conduct and the Policies and Procedures as they pertain to general compliance issues);
- c. the submission of accurate claims for services rendered to Federal health care program beneficiaries, including in situations in which prescriptions have been partially-filled, and Rite Aid's Partial Fill Procedure;
- d. Rite Aid's Will Call Delete Policy;
- e. the personal obligation of each individual involved in the billing process to ensure that billings to Federal health care programs are accurate;
- f. applicable reimbursement statutes, regulations, and program requirements and directives;
- g. the legal sanctions for improper billings; and

² Those Covered Persons (such as corporate management and Rite Aid's officers and directors) who do not provide pharmacy services or prepare and/or submit claims to any Federal health care program shall receive appropriate training on the items listed in Section III.C.1.a-b.

h. examples of proper and improper billing practices.

Persons providing the training must be knowledgeable about the subject areas. Rite Aid may provide the training outlined above through appropriate computer-based mechanisms (such as interactive CD ROM or other computer based training). If Rite Aid provides the training in such a manner, it shall also make available appropriately qualified and knowledgeable staff or trainers to answer questions or provide additional information to the Relevant Covered Persons who are receiving such training.

New Relevant Covered Persons shall receive this training within 30 days of the beginning of their employment or becoming Relevant Covered Persons or within 120 days after the Effective Date, whichever is later. A Rite Aid employee who has completed the specific training shall review a new Relevant Covered Person's work, to the extent that the work relates to the delivery of pharmacy services and/or the preparation or submission of claims for reimbursement from any Federal health care program, until such time as the new Relevant Covered Person completes his/her applicable training.

After receiving the initial training described in this section, every Relevant Covered Person shall receive appropriate refresher training on the items listed in sections III.C.1.c-h. annually. Rite Aid shall annually review the training and, where appropriate, update the training to reflect changes in Federal health care program requirements, any issues discovered during internal audits or IRO audits, and any other relevant information.

3. *Certification.* The applicable supervisor of the Covered Person, the individual providing the training, or the individual receiving the training shall certify, in writing, or in electronic form, that each Covered Person has received the required training. The certification shall specify the type of training received and the date received. The CO (or his or her designee) shall retain the certifications, along with all course materials. These shall be made available to OIG, upon written request.

D. Review Procedures.

1. *Internal Audits of Rite Aid Billing Practices.* Prior to the Effective Date, Rite Aid developed an internal audit workplan (the "IA Workplan") consisting of a Billing Audit as stipulated in Attachment A attached hereto and incorporated herein by reference, which may change from time to time as provided below. The Rite Aid Internal Audit Department ("IAD") will use this IA Workplan to assist Rite

Aid management in assessing the adequacy of Rite Aid's billing practices pursuant to this CIA.

2. *Retention of Independent Review Organization.* Within 120 days after the Effective Date, Rite Aid shall retain an entity (or entities), such as an accounting, auditing or consulting firm (hereinafter "Independent Review Organization" or "IRO"), to perform reviews as set forth in Attachment B attached hereto and incorporated herein by reference ("Agreed Upon Procedures Reviews") to assist Rite Aid in assessing and evaluating its billing obligations pursuant to Federal health care program requirements and this CIA. Each IRO retained by Rite Aid shall have expertise in the billing, reporting and other requirements of the Federal health care programs as they pertain to the retail pharmacy industry and in the general requirements of the Federal health care program(s) from which Rite Aid seeks reimbursement. Each IRO shall assess, along with Rite Aid, whether it can perform the IRO review in a professionally independent and/or objective fashion taking into account any other business relationships or other engagements that may exist.

3. *Frequency of Audits and Reviews.* The Billing Audits conducted pursuant to the IA Workplan and the Agreed Upon Procedures Reviews shall be performed annually and shall cover each of the Reporting Periods.

4. *Retention of Records.* The IRO and Rite Aid (including the IAD) shall retain and make available to the OIG, upon request, all work papers, supporting documentation, correspondence, and draft reports (including those exchanged between the IRO and Rite Aid) related to the Billing Audits and the Agreed Upon Procedures Reviews.

5. *Audit and Review Reports.* Annually, the IAD and the IRO shall each prepare a report based upon the respective audits and Agreed Upon Procedures Reviews performed. The report for each Billing Audit and the related Agreed Upon Procedures Review shall be reported with the corresponding Annual Report (as set forth in Section V.B below).

6. *Changes to IA Workplan and Agreed Upon Procedures.* The IA Workplan and corresponding Agreed Upon Procedures may change from time to time. If material changes are made to the IA Workplan or Agreed Upon Procedures, Rite Aid shall provide a copy of any revised IA Workplan and Agreed Upon Procedures to the OIG prior to the time they are implemented and the OIG shall have the opportunity to comment on the new workplans and/or Agreed Upon Procedures. Any comments or

recommendations made by the OIG after reviewing any revised IA Workplan or Agreed Upon Procedures will not preclude the OIG from making further comments or recommendations after reviewing the reports issued by the IAD or the IRO. Provided, however, that during the term of this CIA, the Billing Audit and the Agreed Upon Procedures Review will include reviews related to Rite Aid's compliance with its Partial Fill and Will Call Delete Policies. Once the IA Workplan has been developed each year by the IAD, the IAD will deliver the IA Workplan to the IRO. In addition, the IAD will share with the IRO any and all of the IAD's annual audit results under the IA Workplan.

7. *Validation Review.* In the event the OIG has reason to believe that: (a) Rite Aid's Billing Audit or the IRO's Agreed Upon Procedures Reviews (collectively the "Reviews") fails to conform to the requirements of this CIA; or (b) the findings or results of the Reviews are inaccurate, the OIG may, at its sole discretion, conduct its own review to determine whether the applicable Review complied with the requirements of the CIA and/or the Review findings or results are inaccurate ("Validation Review"). Rite Aid agrees to pay for the reasonable cost of any such review performed by the OIG or any of its designated agents so long as it is initiated before one year after Rite Aid's final submission (as described in section II) is received by the OIG.

Prior to initiating a Validation Review, the OIG shall notify Rite Aid of its intent to do so and provide a written explanation of why the OIG believes such a review is necessary. To resolve any concerns raised by the OIG, Rite Aid may request a meeting with the OIG to discuss the results of any Review submissions or findings; present any additional or relevant information to clarify the results of the Review or to correct the inaccuracy of the Review; and/or propose alternatives to the proposed Validation Review. Rite Aid agrees to provide any additional information as may be requested by the OIG under this section in an expedited manner. The OIG will attempt in good faith to resolve any Review issue with Rite Aid prior to conducting a Validation Review. However, the final determination as to whether or not to proceed with a Validation Review shall be made at the sole discretion of the OIG.

8. *Independence Certification.* The IRO shall include in its report(s) to Rite Aid a certification or sworn affidavit that it has evaluated its professional independence and/or objectivity, as appropriate to the nature of the engagement, and that it has concluded that it was, in fact, independent and/or objective.

E. Confidential Disclosure Program.

Within 120 days after the Effective Date, Rite Aid shall establish a Confidential Disclosure Program, that shall include a mechanism (e.g., a toll-free compliance telephone line or an e-mail compliance program (to the extent that anonymity can be preserved and access is widely available)) to enable individuals to disclose, to the CO or to a designee of the CO who is not in the disclosing individual's chain of command, any identified issues or questions associated with Rite Aid'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. Rite Aid 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 Confidential Disclosure Program shall emphasize a non-retribution, non-retaliation policy, and shall include a reporting mechanism for anonymous communications for which appropriate confidentiality will be maintained. Upon receipt of a disclosure, the CO (or designee) shall gather all relevant information from the disclosing individual. The CO (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, Rite Aid shall conduct an internal review of the allegations set forth in such a disclosure and ensure that proper follow-up is conducted.

The CO (or his or her designee) shall maintain a disclosure log, which shall include a record and 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. The disclosure log shall be available to OIG, upon written request, but only as to those log entries that relate to allegations received relating to the Federal health care programs or Rite Aid's practices or procedures in connection with Federal health care programs ("Federal health care program allegations") or any alleged patient harm or abuse resulting from Rite Aid's pharmacy practices ("patient harm allegations"). At such time as Rite Aid makes the confidential disclosure log available for review by the OIG as specified above, it will also report to the OIG the following information (but only as it relates to those log entries other than those for Federal health care program allegations or patient harm allegations): the total number of disclosures received and included in the confidential disclosure log for such period, the general categories into which the disclosures fell (including, at a minimum, the following categories: human resources, loss

prevention, controlled substance issues), the number of disclosures in each category, and a general description of how Rite Aid followed up on the disclosures in each category. Rite Aid is not required to provide log entries other than those for Federal health care program allegations and patient harm allegations when making the confidential disclosure log available to the OIG. When Rite Aid provides access to the confidential disclosure log to the OIG as specified in this section, it shall provide the log to the OIG upon request and as soon as practicable, but not later than 10 business days after the date of the OIG request.

F. Ineligible Persons.

1. *Definition.* For purposes of this CIA, an “Ineligible Person” shall be any individual or entity who: (a) is currently excluded, debarred, suspended or otherwise ineligible to participate in the Federal health care programs or in Federal procurement or non-procurement programs; or (b) has been convicted of a criminal offense that falls within the ambit of 42 U.S.C. § 1320a-7(a), but has not yet been excluded, debarred, suspended or otherwise declared ineligible.

2. *Screening Requirements.* Rite Aid shall not hire or engage as a Relevant Covered Person any Ineligible Person. To prevent hiring or contracting with any Ineligible Person, Rite Aid shall screen all prospective Relevant Covered Persons prior to engaging their services by: (a) requiring applicants to disclose whether they are Ineligible Persons; and (b) appropriately querying the General Services Administration’s List of Parties Excluded from Federal Programs (available through the Internet at <http://epls.arnet.gov>) and the HHS/OIG List of Excluded Individuals/Entities (available through the Internet at <http://oig.hhs.gov>) (these lists will hereinafter be referred to as the “Exclusion Lists”). Rite Aid may perform its review of the Exclusion Lists with its own resources by performing individual searches. Rite Aid may also choose to contract with a third party company for review of the Exclusion Lists. Provided each meets the requirements of this Section III.F, either method chosen by Rite Aid is acceptable and will satisfy its requirement to review the Exclusions Lists. Nothing in this section affects the responsibility of (or liability for) Rite Aid to refrain from billing Federal health care programs for services of the Ineligible Person.

3. *Review and Removal Requirement.* Within 90 days after the Effective Date, Rite Aid shall review its list of current Relevant Covered Persons against the Exclusion Lists. Thereafter, Rite Aid shall review its list of Relevant Covered Persons against the Exclusion Lists once annually. In addition, Rite Aid shall require Relevant

Covered Persons to disclose immediately any debarment, exclusion, suspension or other event that makes the individual an Ineligible Person.

If Rite Aid has actual notice that a Relevant Covered Person has become an Ineligible Person, Rite Aid shall remove such person from responsibility for, or involvement with, Rite Aid's business operations related to the Federal health care programs and shall remove such person from any position for which the person's compensation or the items or services rendered, ordered, or prescribed by the person are paid in whole or part, directly or indirectly, by Federal health care programs or otherwise with Federal funds at least until such time as the person is reinstated into participation in the Federal health care programs.

4. *Pending Charges and Proposed Exclusions.* If Rite Aid has actual notice that a Relevant Covered Person is charged with a criminal offense related to any Federal health care program, or is proposed for exclusion during his or her employment or contract term, Rite Aid shall take all appropriate actions to ensure that the responsibilities of that employee or contractor have not and shall not adversely affect the quality of care rendered to any beneficiary or patient or the accuracy of any claims submitted to any Federal health care program.

G. Notification of Government Investigation or Legal Proceedings.

Within 30 days after discovery, Rite Aid shall notify OIG, in writing, of any ongoing investigation known to Rite Aid or legal proceeding conducted or brought by a governmental entity or its agents involving an allegation that Rite Aid has committed a crime or has engaged in fraudulent activities. (However, Rite Aid shall not be required to report any information related to such investigation or proceeding if disclosure of that information to the OIG by Rite Aid would violate any applicable order by a competent court or any subpoena or other legal requirement that prevents such disclosure.) 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. Rite Aid shall also provide written notice to OIG within 30 days of the resolution of the matter, and shall provide OIG with a description of the findings and/or results of the proceedings, if any.

H. Reporting.

1. *Overpayments*

a. Definition of Overpayments. For purposes of this CIA, an “Overpayment” shall mean the amount of money Rite Aid has received in excess of the amount due and payable under any Federal health care program requirements.

b. Reporting of Overpayments. If, at any time, Rite Aid identifies or learns of any Overpayments, Rite Aid shall notify the payor (e.g., Medicaid contractor) within 30 days after identification of the Overpayment and take remedial steps within 60 days after identification (or such additional time as may be agreed to by the payor) to correct the problem, including preventing the underlying problem and the Overpayments from recurring. Also, within 30 days after identification of the Overpayment, Rite Aid shall repay the Overpayment to the appropriate payor to the extent such Overpayment has been quantified. If not yet quantified, within 30 days after identification, Rite Aid shall notify the payor of its efforts to quantify the Overpayment amount along with a schedule of when such work is expected to be completed. Notification and repayment to the payor should be done in accordance with the payor’s policies. Notwithstanding the above, notification and repayment of any Overpayment amount that routinely is reconciled or adjusted pursuant to policies and procedures established by the payor should be handled in accordance with such policies and procedures.

2. *Material Deficiencies.*

a. Definition of Material Deficiency. For purposes of this CIA, a “Material Deficiency” means anything that involves:

(i) a substantial Overpayment; or

(ii) 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.

A Material Deficiency may be the result of an isolated event or a series of occurrences.

b. Reporting of Material Deficiencies. If Rite Aid determines through any means that there is a Material Deficiency, Rite Aid shall notify OIG, in writing, within 30 days after making the determination that the Material Deficiency exists. The report to the OIG shall include the following information:

(i) If the Material Deficiency results in an Overpayment, the report to the OIG shall be made at the same time as the notification to the payor required in section III.H.1, and shall include all of the information provided to the payor, as well as:

(A) the payor's name, address, and contact person to whom the overpayment was sent; and

(B) the date of the check and identification number (or electronic transaction number) by which the overpayment was repaid/refunded;

(ii) a complete description of the Material Deficiency, including the relevant facts, persons involved, and legal and Federal health care program authorities implicated;

(iii) a description of Rite Aid's actions taken to correct the Material Deficiency; and

(iv) any further steps Rite Aid plans to take to address the Material Deficiency and prevent it from recurring.

IV. NEW BUSINESS UNITS OR LOCATIONS

In the event that, after the Effective Date, Rite Aid opens, purchases or otherwise acquires, new business units or entities engaged in or related to the provision of pharmacy services to Federal health care program beneficiaries, or expands its business into States in which Rite Aid had not operated as of the Effective Date, Rite Aid shall ensure that such entities and any new Covered Persons at such entities are in compliance with the terms of this CIA. Rite Aid shall notify the OIG of the change in its next subsequent

Annual Report. This notification shall include a description of the new business or acquisition and the location of the new site of business. All Covered Persons at such locations shall be subject to the applicable requirements in this CIA (e.g., completing certifications and undergoing training). If Rite Aid identifies a potential issue with regard to a newly opened or acquired entity or business in which Rite Aid believes the OIG would have particular interest, it will notify the OIG within 30 days of the change.

V. IMPLEMENTATION AND ANNUAL REPORTS

A. Implementation Report. Within 180 days after the Effective Date, Rite Aid shall submit a written report to OIG summarizing the status of its implementation of the requirements of this CIA. This Implementation Report shall include:

1. the name, address, phone number, and position description of the CO required by section III.A, and a summary of other non-compliance job responsibilities the CO may have;
2. the names and positions of the members of the Compliance Committee required by section III.A;
3. a copy of Rite Aid's Code of Conduct required by section III.B.1;
4. a copy of all Policies and Procedures required by section III.B.2;
5. a copy of all training materials used for the training required by section III.C, a description of such training, including a description of the targeted audiences, length of sessions, which sessions were mandatory and for whom, percentage of attendance, a description of the participation in interactive CD ROM or other computer training, and a schedule of when the training sessions were held;
6. a certification by the CO that:
 - a. the Policies and Procedures required by section III.B have been developed, are being implemented, and have been made available to all appropriate Covered Persons;
 - b. all Covered Persons have completed the Code of Conduct certification required by section III.B.1; and

- c. all Covered Persons have completed the applicable training and executed the certification(s) required by section III.C.

The documentation supporting this certification shall be available to OIG, upon request.

7. a description of the Confidential Disclosure Program required by section III.E;
8. the identity of the IRO(s), a summary/description of all engagements between Rite Aid and the IRO, including, but not limited to, any outside financial audits, compliance program engagements, or reimbursement consulting, and the proposed start and completion dates of the first annual Agreed Upon Procedures Review;
9. a certification from the IRO regarding its professional independence and/or objectivity from Rite Aid;
10. a summary of personnel actions (other than hiring) taken with regard to Ineligible Persons pursuant to section III.F;
11. a list of all of Rite Aid's business lines or entities engaged in or related to the provision of pharmacy services to Federal health care program beneficiaries, a brief explanation of the nature and locations of those businesses or entities, and a list of all states in which Rite Aid does business relating to the Federal health care programs;
12. a description of Rite Aid's corporate structure, including identification of any parent and sister companies, subsidiaries and their respective lines of business; and
13. the certification required by section V.C.

If any of the above-referenced materials were previously provided to the OIG, and the materials have changed since the time they were supplied, the Implementation Report may so indicate and the materials need not be supplied again.

B. Annual Reports. Rite Aid shall submit to OIG Annual Reports with respect to the status of, and findings regarding, Rite Aid's compliance activities for each of the four Reporting Periods.

Each Annual Report shall include:

1. any change in the identity, position description, or other non-compliance job responsibilities of the CO and any change in the membership of the Compliance Committee described in section III.A;
2. a certification by the CO that:
 - a. all Covered Persons have completed any Code of Conduct certifications required by section III.B.1;
 - b. all Covered Persons have completed the applicable training and executed the certification(s) required by section III.C;
 - c. Rite Aid has complied with its obligations under the Settlement Agreement: (i) 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; and (ii) not to charge to or otherwise seek payment from Federal or State payors for unallowable costs (as defined in the Settlement Agreement).

The documentation supporting this certification shall be available to OIG, upon request.

3. a summary of any significant changes or amendments to the Policies and Procedures required by section III.B and the reasons for such changes (e.g., change in contractor policy) and copies of any compliance-related Policies and Procedures;
4. a copy of all training materials used for the training required by section III.C (to the extent it has not already been provided as part of the Implementation Report), a description of such training conducted during the Reporting Period, including a description of the targeted audiences, length of sessions, which sessions were mandatory and for whom, percentage of attendance, a description of the participation in interactive CD ROM or

other computerized training, and a schedule of when the training sessions were held;

5. a complete copy of all reports prepared pursuant to the IAD's Billing Audit and the IRO's Agreed Upon Procedures Review, including a copy of the methodologies used, along with a copy of the IRO's engagement letter;

6. Rite Aid's response and corrective action plan(s) related to any issues raised by the IAD and the IRO(s);

7. a revised summary/description of all engagements between Rite Aid and the IRO, including, but not limited to, any outside financial audits, compliance program engagements, or reimbursement consulting, if different from what was submitted as part of the Implementation Report;

8. a certification from the IRO regarding its professional independence and/or objectivity from Rite Aid;

9. a summary of any Material Deficiencies (as defined in III.H) identified during the Reporting Period and the status of any corrective and preventative action relating to all such Material Deficiencies;

10. a report of the aggregate Overpayments that have been returned to the Federal health care programs during the Reporting Period. These Overpayment amounts should be broken down into the following categories (to the extent Rite Aid can identify the applicable payor): inpatient Medicare, outpatient Medicare, Medicaid (report each applicable state separately, if applicable) and other Federal health care programs. Overpayment amounts that are routinely reconciled or adjusted pursuant to policies and procedures established by the payor do not need to be included in this aggregate Overpayment report;

11. a summary of the disclosures in the disclosure log required by section III.E that relate to (as defined in Section III.E): (a) Federal health care program allegations; or (b) patient harm allegations;

12. a description of any personnel actions (other than hiring) taken by Rite Aid as a result of the obligations in section III.F, and the name, title, and

responsibilities of any person that falls within the ambit of section III.F.4, and the actions taken in response to the obligations set forth in that section;

13. a summary describing any ongoing investigation or legal proceeding required to have been reported pursuant to section III.G. 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;

14. a description of all changes to the most recently provided list (as updated) of Rite Aid's locations as required by section V.A.11; and

15. the certification required by section V.C.

The first Annual Report shall be received by the 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.

C. Certifications. The Implementation Report and Annual Reports shall include a certification by the CO that: (1) to the best of his or her knowledge, except as otherwise described in the applicable report, Rite Aid is in compliance with all of the requirements of this CIA; and (2) the CO has reviewed the Report, has made reasonable inquiry regarding its content and believes that the information is accurate and truthful.

D. Designation of Information: Rite Aid 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. Rite Aid 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 of this CIA, 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, SW
Washington, DC 20201
Phone: 202-619-2078
Fax: 202-205-0604

Rite Aid

August J. Dobish, Corporate Compliance Officer
cc: Vice President Regulatory Law
Rite Aid Corporation
30 Hunter Lane
Camp Hill, PA 17011
Phone: 717-975-5833
Fax: 717-975-5952

and to

Eric W. Sitarchuk, Esq.
Ballard Spahr Andrews & Ingersoll, LLP
1735 Market Street, 51st
Philadelphia, PA 19103
Phone: 215-864-8220
Fax: 215-864-9787

Unless otherwise specified, all notifications and reports required by this CIA may be made by certified mail, overnight mail, hand delivery or other means, provided that there is proof that such notification was received. For purposes of this requirement, internal facsimile confirmation sheets do not constitute proof of receipt.

VII. OIG INSPECTION, AUDIT AND REVIEW RIGHTS

In addition to any other rights the OIG may have by statute, regulation, or contract, the OIG or its duly authorized representative(s) may examine or request copies of Rite Aid's books, records, and other documents and supporting materials and/or conduct on-

site reviews of any of Rite Aid's locations for the purpose of verifying and evaluating: (a) Rite Aid's compliance with the terms of this CIA; and (b) Rite Aid's compliance with the requirements of the Federal health care programs in which it participates. The documentation described above shall be made available by Rite Aid to OIG or its duly authorized representative(s) at all reasonable times for inspection, audit or reproduction. Furthermore, for purposes of this provision, OIG or its duly authorized representative(s) may interview any of Rite Aid's employees, contractors, or agents 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. Rite Aid agrees to assist OIG or its duly authorized representative(s) in contacting and arranging interviews with such individuals upon OIG's request. Rite Aid's employees may elect to be interviewed with or without a representative of Rite Aid and/or the individual's counsel present. If any individual asserts any valid privilege in connection with such interviews, such assertion shall not be deemed a violation of Rite Aid's obligations under this section.

VIII. DOCUMENT AND RECORD RETENTION

Rite Aid shall maintain for inspection all documents and records relating to reimbursement from the Federal health care programs, or to compliance with this CIA, for five (5) years (or longer if otherwise required by law).

IX. DISCLOSURES

Consistent with HHS's FOIA procedures, set forth in 45 C.F.R. Part 5, the OIG shall make a reasonable effort to notify Rite Aid prior to any release by the OIG of information submitted by Rite Aid pursuant to its obligations under this CIA and identified upon submission by Rite Aid as trade secrets, or information that is commercial or financial and privileged or confidential, under the FOIA rules. With respect to such releases, Rite Aid shall have the rights set forth at 45 C.F.R. § 5.65(d).

Information provided under this CIA will be subject to the applicable exemptions from public disclosure contained in Subpart F of Part 5 of 45 C.F.R. Nothing in this CIA or any communication or report made pursuant to this CIA shall constitute or be construed as a waiver by Rite Aid of Rite Aid's attorney-client, work product or other applicable privileges. Notwithstanding that fact, the existence of any such privilege does not affect Rite Aid's obligation to comply with the provisions of the CIA.

X. BREACH AND DEFAULT PROVISIONS

Rite Aid 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, Rite Aid and OIG hereby agree that failure to comply with certain obligations 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 Rite Aid fails to have in place any of the obligations described in section III above:

- a. a Compliance Officer;
- b. a Compliance Committee;
- c. a written Code of Conduct;
- d. written Policies and Procedures;
- e. a requirement that Covered Persons be trained; and
- f. a Confidential Disclosure Program.

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 Rite Aid fails to use the IAD or retain an IRO as required in section III.D.

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 Rite Aid fails to meet any of the deadlines for the submission of the Implementation Report or any Annual Report to OIG.

4. A Stipulated Penalty of \$2,000 (which shall begin to accrue on the date the failure to comply began) for each day Rite Aid employs or contracts with an Ineligible Person as a Relevant Covered Person and that person: (i) has responsibility for, or involvement with, Rite Aid’s business operations related to the Federal health care programs; or (ii) is in a position for which the person’s salary or the items or services

rendered, ordered, or prescribed by the person are paid in whole or part, directly or indirectly, by Federal health care programs or otherwise with Federal funds (the Stipulated Penalty described in this paragraph shall not be demanded for any time period during which Rite Aid can demonstrate that it did not discover the person's exclusion or other ineligibility after making a reasonable inquiry (as described in section III.F) as to the status of the person).

5. A Stipulated Penalty of \$1,500 for each day Rite Aid fails to grant reasonable access to the information or documentation as required in section VII of this CIA. (This Stipulated Penalty shall begin to accrue on the date Rite Aid fails to grant access.)

6. A Stipulated Penalty of \$5,000 for each false certification submitted by or, on behalf of, Rite Aid as part of its Implementation Report, Annual Report, additional documentation to a report (as requested by the OIG) or otherwise required by this CIA.

7. A Stipulated Penalty of \$1,000 for each day Rite Aid fails to comply fully and adequately with any obligation of this CIA. In its notice to Rite Aid, OIG shall state the specific grounds for its determination that Rite Aid has failed to comply fully and adequately with the CIA obligation(s) at issue and steps Rite Aid must take to comply with the CIA. (This Stipulated Penalty shall begin to accrue 10 days after Rite Aid receives notice from the OIG of the failure to comply.) A Stipulated Penalty as described in this paragraph shall not be demanded for any violation for which the OIG has sought a Stipulated Penalty under paragraphs 1-6 of this section.

B. Timely Written Requests for Extensions. Rite Aid 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 Rite Aid 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 business days after Rite Aid 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 business 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 Rite Aid 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 Rite Aid of: (a) Rite Aid's failure to comply; and (b) the OIG's exercise of its contractual right to demand payment of the Stipulated Penalties (this notification is hereinafter referred to as the "Demand Letter").

2. *Response to Demand Letter.* Within 10 days after receipt of the Demand Letter, Rite Aid 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 Rite Aid elects to request an ALJ hearing, the Stipulated Penalties shall continue to accrue until Rite Aid 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 the OIG to impose an enhanced stipulated penalty under section X.D.

3. *Form of Payment.* Payment of the Stipulated Penalties or the Material Breach Penalties shall be made by certified or cashier's check, payable to: "Secretary of the Department of Health and Human Services," and submitted to OIG at the address set forth in section VI.

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 Rite Aid 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. Monetary Penalty for Material Breach of this CIA

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

- a. a failure by Rite Aid to report a Material Deficiency, take corrective action and make the appropriate refunds, as required in section III.H.2;
- b. a repeated or flagrant violation of the obligations under this CIA, including, but not limited to, the obligations addressed in section X.A;

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 retain and use the IAD and an IRO in accordance with section III.D.

2. Notice of Material Breach and Intent to Collect Material Breach

Penalty. The parties agree that a material breach of this CIA by Rite Aid constitutes grounds for the OIG to impose an enhanced stipulated penalty that is separate and apart from the Stipulated Penalties described in Section X.A. This monetary penalty (hereinafter referred to as the “Material Breach Penalty”) shall be \$20,000 per day. Upon a determination by OIG that Rite Aid has materially breached this CIA and that a Material Breach Penalty should be imposed, OIG shall notify Rite Aid, in accordance with section VI, of: (a) Rite Aid’s material breach and the specific grounds for the OIG’s determination that Rite Aid materially breached the CIA; and (b) OIG’s intent to exercise its contractual right to impose a Material Breach Penalty (this notification is hereinafter referred to as the “Notice of Material Breach Letter”).

3. Opportunity to Cure. Rite Aid shall have 30 days from the date of receipt of the Notice of Material Breach Letter to demonstrate to OIG’s satisfaction that:

a. Rite Aid is in compliance with the obligations of the CIA cited by the OIG as being the basis for the material breach;

b. the alleged material breach has been cured; or

c. the alleged material breach cannot be cured within the 30-day period, but that: (i) Rite Aid has begun to take action to cure the material breach; (ii) Rite Aid is pursuing such action with due diligence; and (iii) Rite Aid has provided to OIG a reasonable timetable for curing the material breach.

4. Material Breach Penalty Letter. If at the conclusion of the 30-day period, subject to any extension granted pursuant to section X.B., Rite Aid fails to satisfy the requirements of section X.D.3, OIG may impose the Material Breach Penalty on Rite Aid and the Material Breach Penalty will begin to accrue on that day. OIG will notify Rite Aid in writing, in accordance with section VI, of its determination to impose the Material Breach Penalty (this letter shall be referred to hereinafter as the “Material Breach Penalty Letter”). Within 10 days after receipt of the Material Breach Penalty Letter, Rite Aid shall either: (i) cure the material breach to the OIG’s satisfaction and pay

the applicable Material Breach Penalty; or (ii) request a hearing before an ALJ to dispute the OIG's determination of material breach, pursuant to the agreed upon provisions set forth in Section X.E. In the event Rite Aid elects to request an ALJ hearing, the Material Breach Penalties shall continue to accrue until Rite Aid cures, to the OIG's reasonable satisfaction, the alleged material breach in dispute.

E. Dispute Resolution

1. *Review Rights.* Upon OIG's delivery to Rite Aid of its Demand Letter or of its Material Breach Penalty Letter, and as an agreed-upon contractual remedy for the resolution of disputes arising under this CIA, Rite Aid 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 Material Breach Penalties sought pursuant to this CIA. Specifically, OIG's determination to demand payment of Stipulated Penalties or Material Breach Penalties 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 Material Breach Penalties shall be made within 10 days after receipt of the Material Breach Penalty Letter.

2. *Stipulated Penalties Review.* Notwithstanding any provision of Title 42 of the United States Code or Chapter 42 of the Code of Federal Regulations, the only issues in a proceeding for Stipulated Penalties under this CIA shall be: (a) whether Rite Aid was in full and timely compliance with the obligations of this CIA for which the OIG demands payment; and (b) the period of noncompliance. Rite Aid shall have the burden of proving its full and timely compliance and the steps taken to cure the noncompliance, if any. The 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 Rite Aid to pay Stipulated Penalties, such Stipulated Penalties shall become due and payable 20 days after the ALJ issues such a decision unless Rite Aid 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. *Material Breach Review.* Notwithstanding any provision of Title 42 of the United States Code or Chapter 42 of the Code of Federal Regulations, the only issues

in a proceeding for the imposition of Material Breach Penalties based on a material breach of this CIA shall be:

- a. whether Rite Aid was in material breach of this CIA;
- b. whether such breach was continuing on the date of the Material Breach Letter; and
- c. whether the alleged material breach could not have been cured within the 30-day period, but that: (i) Rite Aid had begun to take action to cure the material breach within that period; (ii) Rite Aid has pursued and is pursuing such action with due diligence; and (iii) Rite Aid provided to OIG within that period a reasonable timetable for curing the material breach and Rite Aid has followed the timetable.

If Rite Aid invokes the Dispute Resolution Procedures in this section, the Material Breach Penalty shall be imposed only after an ALJ decision that is favorable to the OIG. If the ALJ sustains the determination of the OIG and determines that the imposition of the Material Breach Penalty is authorized, payment of the Material Breach Penalty will be required 20 days after the ALJ issues such a decision, unless Rite Aid 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 the OIG, the Material Breach Penalty shall become due and payable 20 days after the DAB issues its decision.

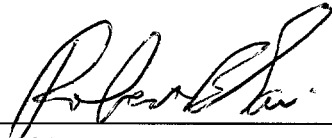
XI. EFFECTIVE AND BINDING AGREEMENT

Consistent with the provisions in the Settlement Agreement pursuant to which this CIA is entered, and into which this CIA is incorporated, Rite Aid and OIG agree as follows:

- A. This CIA shall be binding on the successors, assigns, and transferees of Rite Aid;
- B. This CIA shall become final and binding on the Effective Date;
- C. Any modifications to this CIA shall be made with the prior written consent of the parties to this CIA;

D. The undersigned Rite Aid signatories represent and warrant that they are authorized to execute this CIA. The undersigned OIG signatory represents that he is signing this CIA in his official capacity and that he is authorized to execute this CIA.

ON BEHALF OF RITE AID CORPORATION



Printed Name: Robert B. Sari
Title: Senior Vice President, General Counsel
and Secretary

August 12, 2003

DATE

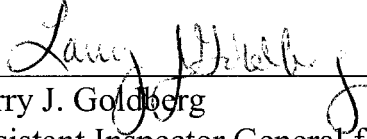


Eric W. Sitarchuk, Esq.
Ballard Spahr Andrews & Ingersoll, LLP
Counsel for Rite Aid Corporation

5/28/04

DATE

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



Larry J. Goldberg
Assistant Inspector General for Legal Affairs
Office of Inspector General
U. S. Department of Health and Human Services

3/4/04
DATE

ATTACHMENT A TO CIA BETWEEN OIG AND RITE AID CORPORATION

Billing Audit – Internal Audit Workplan

I. Billing Audit

Rite Aid Corporation (“Rite Aid”) has developed this audit work plan to enable Rite Aid and the Office of Inspector General (“OIG”) to assess compliance with the company’s policies, procedures, and practices with regard to its Partial Fill Policy and its Will Call Delete Policy and to determine whether Rite Aid has taken appropriate steps to comply with Federal health care program requirements. These audit procedures were developed based on Rite Aid’s information systems, data, and current policies and procedures.

A. Partial Fill Procedures

The following procedures will be performed by Rite Aid’s Internal Audit Department to assess partial fill prescriptions dispensed by Rite Aid to beneficiaries of the Federal health care programs. These Partial Fill procedures will be performed monthly using electronic data that is received at the Corporate Office through electronic transmission from each store location.

1. Each month capture the prescription history for Rite Aid’s partial fill prescriptions billed to the Federal health care programs. The sampling population will be comprised of all prescriptions that were originally coded as “Partials” per Rite Aid’s Partial Fill Policy and subsequently billed to a Federal health care program (“Federal Health Care Program Partial Fill Prescription”). The sampling unit is defined as a unique individual claim for a given store number, prescription number, fill number, and dispense date from Rite Aid’s monthly Partial Fill report.

The Partial Fill population will not include the following transactions:

Any prescriptions originally coded as “Partials” that remain in partial fill status and have not yet been billed to or adjudicated by a third party payor.

Any prescriptions subsequently billed to a non-federal health care government plan.

Any prescriptions where the claim and the credit occurred on the same date.

2. Each month, randomly select a sample of 250 Federal Health Care Program Partial Fill Prescriptions from the prescriptions identified in Step 1 above. These sample units shall be selected through the use of RAT-STATS ‘Random Numbers’ function. Using Rite Aid’s computer system, identify the selected prescription number, fill number, and dispense date. Once the proper prescription is identified, test the sample unit as follows:

Review the transaction’s billing history;

Verify that Rite Aid has not billed in a manner inconsistent with Rite Aid’s Partial Fill Policy.

Document observations and deviations in Rite Aid’s Billing Audit Observations and Deviations Report. A deviation consists of a Federal Health Care Program Partial Fill Prescription transaction for which Rite Aid billed the Federal health care program in a manner inconsistent with Rite Aid’s Partial Fill Policy.

3. Each month, quantify the dollar value of any deviations. Probable dollar exposure will be computed by multiplying the average dollar error per sample unit by the number of sample units in the total population.
4. Each month, review those Exception Reports that the Corporate Office has developed to track non-compliance with Rite Aid’s Partial Fill Policy. Document observations in Rite Aid’s Audit Observations and Deviations Report and note how Rite Aid has implemented action plans to enforce compliance with Rite Aid’s Partial Fill Policy.

B. Will Call Delete Procedures

The following procedures will be performed by Rite Aid’s Internal Audit Department to assess Will Call prescriptions and associated reversals of payment within the company. The store performance of Will Call Delete procedures will be assessed monthly using electronic data that is received at the Corporate Office through electronic transmission from each store location.

1. Each month capture the prescription history for all of Rite Aid’s cancelled prescriptions billed to the Federal health care programs which include Will Call prescriptions. The sampling population will be comprised of all cancelled prescriptions that were billed to the Federal health care programs (“Federal Health Care Program Cancelled Prescriptions”). This population will include all electronic as well as manual cancellations, as well as any cancellations to Federal health care programs that were subsequently billed

to a third party. The sampling unit is defined as a unique individual claim for a given store number, prescription number, fill number, and dispense date from Rite Aid's monthly Cancellation Report.

The cancellation population will not include the following transactions:

- Any cancelled prescriptions relating to a non-federal health care government plan.
- Any prescriptions where the billing and cancellation occurred on the same date.

2. Each month, randomly select a sample of 50 Federal Health Care Program Cancelled Prescriptions from the prescriptions identified in Step 1 above. These sample units shall be selected through the use of the RAT-STATS random sampling technique. Using Rite Aid's computer system, identify the selected prescription number, fill number, and dispense date. Once the proper prescription is identified, test the sample units as follows:

Review the transaction's billing history;

- Verify that the Federal Health Care Program Cancelled Prescription was properly credited to the Federal health care program in accordance with Rite Aid's policies on cancellation prescriptions, including Rite Aid's Will Call Delete Policy (such verification to include on-line and manual transactions); and
- Document observations and deviations in Rite Aid's Billing Audit Observations and Deviations Report. A deviation consists of a Federal Health Care Program Cancelled Prescription transaction where Rite Aid billed the Federal health care program in a manner inconsistent with Rite Aid's policies on cancellation prescriptions, including Rite Aid's Will Call Delete Policy.

3. Monthly, quantify the dollar value of deviations. Probable dollar exposure will be computed by multiplying the average dollar error per sample unit by the number of sample units in the total population.
4. Each month, review those Exception Reports that the Corporate Office has developed to track non-compliance with Rite Aid's Will Call Delete Policy. Document observations in Rite Aid's Audit Observations and Deviations Report and note how Rite Aid has implemented action plans to enforce compliance with Rite Aid's Will Call Delete Policy.

C. Partial Fill and Will Call Delete On-Site Procedures

Rite Aid's Internal Audit Department will perform procedures related to Partial Fill and Will Call Delete activity. Using a random sampling technique, Rite Aid will select a sample of 100 pharmacy locations in which to perform these procedures on an annual basis. The stores will be selected as follows. Rite Aid's Internal Audit Department will divide its pharmacy locations into four geographic quadrants. Once the four quadrants have been selected, Rite Aid's Internal Audit Department will select (through a random-selection process) twenty-five stores from each of the four quadrants for its on-site review.

These procedures will assess each pharmacy's compliance with Rite Aid's Partial Fill and Will Call Delete Policies as follows:

- Interview Relevant Covered Persons at the pharmacy to verify knowledge of and compliance with Rite Aid's Partial Fill and Will Call Delete Policies; and
- Conduct a general inspection of the pharmacy area to verify that prescriptions are being processed according to Rite Aid's Partial Fill and Will Call Delete Policies.

At the completion of each review, the Internal Auditor will record his/her findings in the "On-Site Compliance Report". The Internal Auditor will send the On-Site Compliance Report to the Compliance Officer. Based on the On-Site Compliance Report, Rite Aid will implement a corrective action plan for those pharmacies not in compliance with Rite Aid's Partial Fill and Will Call Delete Policies. Rite Aid will make the corrective action plan and any written description of follow-up activities taken in response to the corrective action plan available to the OIG upon written request.

ATTACHMENT B TO CIA

**Rite Aid Corporation
IRO Agreed Upon Procedures Review
Work Plan — Year 1**

	Procedures	CIA Citation	Relevant Contract Provisions, Regulations, And Guidelines	Work Paper Ref.
A.	Billing Engagement			
	The purpose of this agreed-upon procedures engagement is to present findings to assist Rite Aid Corporation (“Rite Aid”) and the Office of the Inspector General (“OIG”) of the United States Department of Health and Human Services (“DHHS”) (“the specified users”) on whether Rite Aid has performed the Internal Audit Department (“IAD”) procedures as specified in Attachment A of the Corporate Integrity Agreement (“CIA”) entered into by and between Rite Aid and the OIG and dated <insert date.>			
	Pursuant to the terms of the CIA, Rite Aid must retain an Independent Review Organization (“IRO”) to present findings on whether Rite Aid performed the IA procedures as specified in Attachment A of the CIA.			
	The IRO will obtain and read IAD’s Workpapers and perform re-testing on ten percent of the partial fill items and ten percent of the will call delete sample items selected by IAD.			
B.	Partial Fill Procedures			
1.	Obtain and read Rite Aid’s IAD’s workpapers related to its annual Partial Fill Procedures as noted in Attachment A and note the procedures for claims submissions to the Federal health care programs.			
2.	Obtain and read IAD’s workpaper documentation and note whether the documentation supports that IAD performed the monthly Audits as			

ATTACHMENT B

**Rite Aid Corporation
IRO Billing Engagement Agreed Upon Procedures Review
Work Plan—Year 1**

	Procedures	CIA Citation	Relevant Contract Provisions, Regulations, And Guidelines	Work Paper Ref.
	specified in Attachment A.			
3.	Obtain and read IAD’s workpaper documentation associated with sample selection and note whether the documentation contains support that the sample was generated randomly.			
4.	Obtain and read IAD workpapers for calculation of the average dollar error per sample unit and the dollar value of deviations and note whether calculations were performed correctly.			
5.	Obtain and read the billing history and all other documentation relied on by IAD for the Partial Fill Procedures for ten percent of the sample units selected by IAD for the Partial Fill audit and note (based on retesting) whether the items were billed in a manner consistent with Rite Aid’s Partial Fill Policy.			
6.	Obtain and read IAD workpaper documentation associated with reviewing the Exception Reports developed by the Corporate Office to monitor non-compliance with Rite Aid’s Partial Fill Policy. Note whether associated action plans were developed and implemented to enforce compliance.			
7.	Document observations and exceptions on workpapers.			
C.	Will Call Delete Procedures			

ATTACHMENT B

**Rite Aid Corporation
IRO Billing Engagement Agreed Upon Procedures Review
Work Plan—Year 1**

	Procedures	CIA Citation	Relevant Contract Provisions, Regulations, And Guidelines	Work Paper Ref.
1.	Obtain and read Rite Aid’s IAD’s workpapers related to its annual Will Call Delete Procedures as noted in Attachment A and note the procedures for claims submissions to the Federal health care programs.			
2.	Obtain and read IAD’s workpaper documentation and note whether the documentation supports that IAD performed the monthly audits as specified in Attachment A.			
3.	Obtain and read IAD’s workpaper documentation associated with sample selection and note whether the documentation contains support that the sample was generated randomly.			
4.	Obtain and read IAD workpapers for calculation of the average dollar error per sample unit and the dollar value of deviations and note whether calculations were performed correctly.			
5.	Obtain and read the billing history and all other documentation relied on by IAD for its Will Call Delete Procedures for ten percent of the sample units selected by IAD and note (based on re-testing) whether the items were billed in a manner consistent with Rite Aid’s policies on cancellation prescriptions including the Will Call Delete Policy.			

ATTACHMENT B

**Rite Aid Corporation
IRO Billing Engagement Agreed Upon Procedures Review
Work Plan—Year 1**

	Procedures	CIA Citation	Relevant Contract Provisions, Regulations, And Guidelines	Work Paper Ref.
6.	Obtain and read IAD workpaper documentation associated with reviewing the Exception Reports developed by the Corporate Office to monitor non-compliance with Rite Aid's Will Call Delete Policy. Note whether associated action plans were developed and implemented to enforce compliance.			
7.	Document observations and exceptions on workpapers.			
D.	On-Site Pharmacy Review Procedures			
1.	Obtain and read workpapers related to pharmacies reviewed pursuant to Rite Aid's Partial Fill and Will Call Delete On-Site Procedures identified in Attachment A and note findings.			
2.	Obtain and read workpapers for the selected pharmacies and note whether Relevant Covered Persons are following Rite Aid's Partial Fill and Will Call Delete Procedures as set forth in Attachment A.			
3.	Obtain and read all applicable documents relating to the On-Site reviews for selected pharmacies and interview the Compliance Officer and note whether Rite Aid is implementing corrective action plans for those pharmacies identified as not being in compliance with Rite Aid's Partial Fill and Will Call Delete Policies.			
E.	Report Generation			
1.	The IRO's report will contain:			

ATTACHMENT B

**Rite Aid Corporation
IRO Billing Engagement Agreed Upon Procedures Review
Work Plan—Year 1**

	<ul style="list-style-type: none">• The findings of the IRO relating to the steps outlined in sections B, C, and D above.• The time frame of the review.• Other applicable documentation supporting the findings.			
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