

**CORPORATE INTEGRITY AGREEMENT
BETWEEN THE
OFFICE OF INSPECTOR GENERAL
OF THE
DEPARTMENT OF HEALTH AND HUMAN SERVICES
AND
ECKERD CORPORATION**

I. PREAMBLE

Eckerd Corporation ("Eckerd") 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, and all other persons employed or engaged by Eckerd to provide pharmacy services or prepare and/or submit claims for pharmacy services to any Federal health care program (as defined below) 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"). Contemporaneously with this CIA, Eckerd is entering into a Settlement Agreement with the United States relating to the partial filling of prescriptions, and this CIA is incorporated by reference into the Settlement Agreement. Contemporaneously with this CIA, Eckerd is also entering into settlement agreements with various other states relating to these same matters, and Eckerd'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 Eckerd under this CIA shall be 5 years from the effective date of this CIA (unless otherwise specified). The effective date of this CIA shall be the date on which the final signatory of this CIA executes this CIA ("Effective Date").

Sections VII, VIII, IX, X and XI shall remain in effect until OIG has completed its review of the final Annual Report and any additional materials submitted by Eckerd pursuant to OIG's request.

III. CORPORATE INTEGRITY OBLIGATIONS

Eckerd hereby agrees to establish or maintain a Compliance Program that includes the following elements:

A. Compliance Officer and Committee.

1. *Compliance Officer.* Prior to the Effective Date of this CIA, Eckerd appointed a Compliance Officer who is responsible for overseeing the development of, and coordinating the implementation of, policies, procedures, and practices designed to ensure compliance with the requirements set forth in this CIA and with Federal health care program requirements. The Compliance Officer is and shall remain a member of senior management of Eckerd and shall make periodic (at least quarterly) reports regarding compliance matters directly to the Board of Directors of Eckerd. The Compliance Officer is and shall remain authorized to report on compliance matters directly to the Board of Directors at any time. The Compliance Officer shall be responsible for monitoring the day-to-day compliance activities engaged in by Eckerd as well as for any reporting obligations created under this CIA.

Any changes in the identity or position description 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, must be reported to OIG, in writing, within 15 days of such a change.

2. *Compliance Committee.* Prior to the Effective Date of this CIA, Eckerd appointed a Compliance Committee. The Compliance Committee includes the Compliance Officer and the heads of the accounting, audit, human resources, information technology, pharmacy operations, and training departments. The Compliance Officer chairs the Compliance Committee and the Committee supports the Compliance Officer in fulfilling his/her responsibilities (e.g., assists in the analysis of Eckerd's risk areas and oversees monitoring of internal and external audits and investigations). The Compliance Committee arrangements outlined in this section III.A.2 shall continue during the term of this CIA.

Any changes in the composition of the Compliance Committee, or any actions or changes that would affect the Compliance Committee's ability to perform the duties

necessary to meet the obligations in this CIA, must be reported to OIG, in writing, within 15 days of such a change.

B. Written Standards.

1. *Code of Conduct.* Eckerd is currently subject to the Statement of Business Ethics developed by its parent company, J.C. Penney Company, Inc. (“J.C. Penney”), and which includes provisions for compliance with pharmacy-related laws. Within 90 days of the Effective Date of this CIA, Eckerd shall develop and implement a new written Code of Conduct. The Code of Conduct shall be distributed to all pharmacists, pharmacy technicians, and all other persons employed or engaged by Eckerd to provide pharmacy services or prepare and/or submit claims for pharmacy services to any Federal health care programs (hereafter “Covered Persons”¹) within 90 days of the Effective Date of this CIA. Eckerd shall make the promotion of, and adherence to, the Code of Conduct an element in evaluating the performance of all Covered Persons. The Code of Conduct shall, at a minimum, set forth:

- a. Eckerd’s commitment to full compliance with all Federal health care program requirements, including its commitment to prepare and submit accurate claims consistent with such requirements;
- b. Eckerd’s requirement that all of its Covered Persons shall be expected to comply with all Federal health care program requirements and with Eckerd’s own Policies and Procedures as implemented pursuant to section III.B (including the requirements of this CIA);
- c. the requirement that all of Eckerd’s Covered Persons shall be expected to report to the Compliance Officer or other individual

¹For purpose of this CIA, a “Covered Contractor” is a contractor engaged by Eckerd on a temporary basis to provide pharmacy services or to prepare and/or submit claims for pharmacy services to any Federal health care program. Although Covered Contractors are not Covered Persons for purposes of this CIA, Eckerd agrees to comply with the requirements set forth in Sections III.D., III.G. and V. pertaining to the Covered Contractors.

designated by Eckerd suspected violations of any Federal health care program requirements or of Eckerd's own Policies and Procedures;

d. the possible consequences to both Eckerd and Covered Persons of failure to comply with all Federal health care program requirements and with Eckerd's own Policies and Procedures or of failure to report such non-compliance; and

e. the right of all individuals to use the Disclosure Program described in section III.F, and Eckerd's commitment to maintain confidentiality, as appropriate, and non-retaliation with respect to disclosures.

Within 150 days of the Effective Date of the CIA, each Covered Person shall certify, in writing or electronically, that he or she has received, read, understood, and will abide by Eckerd's Code of Conduct. New Covered Persons shall receive the Code of Conduct and shall complete the required certification within 4 weeks after becoming a Covered Person or within 150 days of the Effective Date of the CIA, whichever is later.

Eckerd shall annually review the Code of Conduct to determine if revisions are appropriate and shall make any necessary revisions based on such a review. Any such revised Code of Conduct shall be distributed within 30 days of finalizing such changes. Covered Persons shall certify that they have received, read, understood and will abide by the revised Code of Conduct within 60 days of the distribution of such revisions.

2. *Policies and Procedures.* To the extent not already accomplished, within 90 days of the Effective Date of this CIA, Eckerd shall implement written Policies and Procedures regarding the operation of Eckerd's compliance program and its compliance with Federal health care program requirements. 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 Eckerd 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 Policy”); and

c. the proper manner (as outlined below) in which Eckerd shall reconcile with or credit Federal health care programs for undelivered medications in those instances in which the full amount of a prescription was billed to a Federal health care program, but the full amount of the prescription was not ultimately delivered to the Federal health care program beneficiary (“Return to Stock Policy”).

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

(1) after a prescription has been presented for filling and once it is determined that the pharmacy has insufficient inventory to immediately and fully fill any prescription, the Covered Person shall “reverse” any claims submitted to any Federal health care program and no claim for reimbursement shall be submitted to any Federal health care program at that time;

(2) the Federal health care program beneficiary or recipient shall be given a 3 day supply of the medication without any charge or co-payment at that time and affirmatively informed that he/she is being furnished with less medication than prescribed and that he/she should return to the store to pick up the balance of the prescription when it is available in order to comply with his/her physicians’ care instructions;

(3) when the pharmacy receives the balance of the medication and fills the remainder of the prescription, the Covered Person bills the full amount of the prescription to the Federal health care program and notifies the beneficiary or recipient that the prescription is ready for pick-up;

(4) pharmacy personnel check the prescription bins daily to identify any prescriptions that have not been picked up within 3 days of the dispense date. If a prescription is 3 days old and it has not been picked up by the beneficiary or recipient, pharmacy personnel call the individual to remind him/her that the prescription is available. If the beneficiary or recipient does not pick up the prescription within 3 days of the dispense date, pharmacy personnel will call the beneficiary or recipient 7 days after

the dispense date and 14 days after the dispense date to remind the individual that the prescription is ready;

(5) if the beneficiary or recipient has not picked up the balance of the prescription within 14 days after the dispense date, the Covered Person reverses in full the charge to the Federal health care program. Eckerd does not currently charge for the 3 day supply previously dispensed, but reserves the right to do so in the future.

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

With regard to Eckerd's Return to Stock Policy, the Policies and Procedures provide that when a Federal health care program has been billed for medication that is not delivered to the program beneficiary or recipient (*e.g.*, the prescription has been cancelled after being billed, or Eckerd mailed any medication to a program beneficiary or recipient that was returned to Eckerd and not delivered to the beneficiary or recipient), Eckerd credits back or reconciles with the applicable Federal health care program for any payment made to Eckerd by such Federal health care program for the undelivered prescription.

Within 90 days of the Effective Date of the CIA, 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), Eckerd shall assess and update as necessary the Policies and Procedures. Within 30 days of 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.* Within 120 days of the Effective Date of this CIA, Eckerd shall provide appropriate training to each Covered Person. This training, at a minimum, shall include an explanation of:

- a. Eckerd's CIA requirements;
- b. Eckerd'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 Eckerd's Partial Fill Policy;
- d. Eckerd's Return to Stock Policy;
- e. the personal obligation of each individual involved in the billing process to ensure that such billings are accurate;
- f. applicable reimbursement statutes, regulations, and program requirements and directives;
- g. the legal sanctions for improper billings; and
- h. examples of proper and improper billing practices.

Persons providing the training must be knowledgeable about the subject area.

New Covered Persons shall receive this training within 30 days of the beginning of their employment or becoming a Covered Person or within 120 days of the Effective Date of this CIA, whichever is later. An Eckerd employee who has completed this training shall review a new Covered Person's work, to the extent that the work relates to the delivery of pharmacy items or services or to the preparation and/or submission of claims

for reimbursement from any Federal health care program, until such time as the new Covered Person completes applicable training.

If Eckerd has provided training that satisfies the requirements set forth above in sections III.C.1.c-h to Covered Persons within 180 days prior to the Effective Date of this CIA, OIG shall credit that training for purposes of satisfying, in part, Eckerd's training obligations for the first year of this CIA, and Eckerd need only train those Covered Persons about the topics listed in sections III.C.1.a-b.

After the first year of the CIA, Eckerd shall provide all Covered Persons with an annual newsletter describing Eckerd's Partial Fill and Return to Stock policies and make available appropriate individuals to answer any questions about the newsletter or the policies outlined therein.

2. *Certification.* Persons providing 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 Compliance Officer (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. Requirements Pertaining to Covered Contractors

Beginning no later than 90 days after the Effective Date of the CIA, for each of its Covered Contractors, Eckerd shall: 1) provide each Covered Contractor with a copy of the Code of Conduct referenced in Section III.B.1 and a copy of the Policies and Procedures referenced in Section III.B.2.a-c; and 2) require that each Covered Contractor certify that he or she has received, read, understood, and will abide by the Code of Conduct and the Policies and Procedures referenced in Section III.B.2.a-c.

In addition, beginning no later than 120 days after the Effective Date of the CIA, if any Covered Contractor prepares and/or submits claims for pharmacy services to any Federal health care program, Eckerd shall train such individuals in accordance with the requirements of Section III.C before those individuals engage in any claims preparation or claims submission activity.

E. Review Procedures.

1. *Internal Audits of Eckerd Billing and CIA Compliance Practices.* Prior to the Effective Date, Eckerd developed an internal audit workplan (the "IA Workplan") consisting of a Billing Audit and CIA Compliance Audit, as stipulated in Attachment A attached hereto and incorporated herein by reference, which may change from time to time as provided below. The Eckerd Internal Audit Department ("IAD") will use this IA Workplan to assist Eckerd management in assessing the adequacy of Eckerd's billing and compliance practices pursuant to this CIA.

2. *Retention of Independent Review Organization.* To the extent not already accomplished, within 120 days of the Effective Date of this CIA, Eckerd shall retain an entity such as an accounting, auditing, or consulting firm ("Independent Review Organization" or "IRO") to conduct agreed upon procedures ("Agreed Upon Procedures"), as stipulated in Attachments B and C attached hereto and incorporated herein by reference, which may change from time to time as provided below, and to report, in accordance with the standards of the American Institute of Certified Public Accountants, regarding its findings pursuant to the Agreed Upon Procedures to assist Eckerd's management in evaluating the effectiveness of its Compliance Program consistent with the requirements of this CIA. The IRO shall assess annually, along with Eckerd, whether it can perform the IRO engagements in a professionally independent fashion taking into account any other business relationships or other engagements that may exist.

3. *Frequency of Reviews.* The Billing Audits conducted pursuant to the IA Workplan and the Agreed Upon Procedures shall be performed annually and each shall cover the successive 12-month period based on the successive anniversary dates of the Effective Date of this CIA. The results of each 12-month Billing Audit and the related Agreed Upon Procedures shall be reported with the corresponding Annual Report (as set forth in Section V.B below). The CIA Compliance Audit conducted pursuant to the IA Workplan and Agreed Upon Procedures shall be performed during the first one-year period beginning with the Effective Date of this CIA. The results of the Compliance Audit and the corresponding Agreed Upon Procedures shall be reported with the Annual Report submitted for the first year of this CIA. Both the IAD and the IRO must have expertise in billing, claims submission, reporting, and other requirements of the Federal health care programs from which Eckerd seeks reimbursement.

4. *Retention of Records.* The IRO and Eckerd shall retain and make available to the OIG, upon written request, all work papers, supporting documentation, correspondence, and draft reports (those exchanged between the IRO and Eckerd) related to the Agreed Upon Procedures performed by the IRO.

5. *Changes to IA Workplan and Agreed Upon Procedures.* The IA Workplan and corresponding Agreed Upon Procedures may change from time to time. If changes are made to the CIA Compliance or Billing Audits, Eckerd 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 (as defined below) will include an engagement related to the Partial Fill and Return to Stock issues. 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.

6. *Billing and Compliance Audits.* The IAD will conduct two separate audits in accordance with the IA Workplan. The first review will allow Eckerd to present findings on the adequacy of procedures for Eckerd's partial fill and return to stock claims submissions to the Federal health care programs ("Billing Audit"). The second review will allow Eckerd to present findings on its compliance with this CIA ("Compliance Audit"). The IRO will perform the Agreed Upon Procedures to present findings on the determinations made by IAD under the IA Workplan and to present findings on Eckerd's compliance with the terms of this CIA and Eckerd's Partial Fill and Return to Stock claims submissions to Federal health care programs.

7. *Validation Review.* In the event the OIG has reason to believe that: (a) Eckerd's Billing or Compliance Audits fails to conform to the requirements of this CIA or the findings of such audits are inaccurate; or (b) the IRO's performance of the Agreed Upon Procedures fails to conform to the requirements of this CIA, the OIG may, at its sole discretion, conduct its own review ("Validation Review") to determine whether the audits and the performance of the Agreed Upon Procedures comply with the requirements of the CIA and/or the findings or results are inaccurate. Eckerd 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 the final submission (as described in section II) is received by the OIG.

Prior to initiating a Validation Review, the OIG shall notify Eckerd of its intent to do so and provide an explanation for why it believes such a review is necessary. In order to resolve any concerns raised by the OIG, Eckerd may request a meeting with the OIG to discuss the results of any audits or the Agreed Upon Procedures; present any additional or relevant information to clarify the results of the audits or the Agreed Upon Procedures or to correct the identified inaccuracies; and/or propose alternatives to the proposed Validation Review. Eckerd 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 Billing or Compliance Audit or Agreed Upon Procedures issues with Eckerd 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.* Within 120 days from the Effective Date of this CIA, the IRO shall provide to Eckerd a certification or sworn affidavit that it has evaluated its professional independence with regard to the Billing and Compliance Audits and that it has concluded that it is, in fact, independent. Such certification shall be included in Eckerd's Implementation Report submission. Thereafter, the IRO shall certify its independence on an annual basis and the certification shall be included in the corresponding Annual Report submission.

F. Disclosure Program.

Prior to the Effective Date of this CIA, Eckerd established a Disclosure Program that includes 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 Eckerd'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. Eckerd shall appropriately publicize the existence of the compliance telephone line (e.g., by electronic or written notification to employees or by posting the information in prominent common areas). Eckerd shall continue the Disclosure Program during the term of the CIA as set forth in this section III.F.

The Disclosure Program emphasizes a non-retribution, non-retaliation policy, and includes a reporting mechanism for anonymous, confidential communications. Upon receipt of a disclosure, the Compliance Officer (or designee) gathers all relevant information from the disclosing individual. The Compliance Officer (or designee) makes 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, Eckerd conducts an internal review of the allegations set forth in such a disclosure and ensures that proper follow-up is conducted.

The Compliance Officer (or his or her designee) shall maintain a confidential disclosure log, which shall include a record and summary of each disclosure received through the program (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 Eckerd'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 Eckerd's pharmacy practices ("patient harm allegations"). At such time as Eckerd 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 Eckerd followed up on the disclosures in each category. Eckerd 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 Eckerd 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 from the date of the OIG request.

G. Ineligible Persons.

1. *Definition.* For purposes of this CIA, an “Ineligible Person” shall be any individual or entity who: (a) is currently excluded, debarred, 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 related to the provision of health care items or services, but has not yet been excluded, debarred, or otherwise declared ineligible.

2. *Screening Requirements.* Eckerd shall not hire or engage as Covered Persons or Covered Contractors any Ineligible Persons. To prevent hiring any Ineligible Person, Eckerd shall screen all prospective Covered Persons and prior to engaging their services by: (a) requiring applicants to disclose whether they are Ineligible Persons; and (b) reviewing 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://www.hhs.gov/oig>) (these lists will hereinafter be referred to as the “Exclusion Lists”).

To prevent engaging any Ineligible Person as a Covered Contractor, each time Eckerd engages a Covered Contractor, even if that Covered Contractor has been previously engaged by Eckerd, Eckerd shall: (a) require the Covered Contractor to certify that he/she is not an Ineligible Person; and (b) require the agency with which Eckerd contracts to screen the prospective Covered Contractor prior to engaging his/her services on behalf of Eckerd in the same manner as set forth above for prospective Covered Persons.

3. *Review and Removal Requirement.* Within 90 days of the Effective Date of this CIA, Eckerd shall review its list of current Covered Persons against the Exclusion Lists. Thereafter, Eckerd shall review its list of Covered Persons against the Exclusion Lists annually. In addition, Eckerd shall require Covered Persons and Covered Contractors to disclose immediately any debarment, exclusion, or other event that makes the individual an Ineligible Person.

If Eckerd has notice that a Covered Person or Covered Contractor has become an Ineligible Person, Eckerd shall remove such person from responsibility for, or

involvement with, Eckerd's business operations related to the Federal health care programs and shall remove such person from any 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 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 Eckerd has notice that a Covered Person or Covered Contractor 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, then Eckerd shall take all appropriate actions to ensure that the responsibilities of that Covered Person or Covered Contractor have not and shall not adversely affect the quality of care rendered to any beneficiary, patient or resident, or the accuracy of any claims submitted to any Federal health care program.

H. Notification of Government Investigation or Legal Proceedings.

Within 30 days of discovery, Eckerd shall notify OIG, in writing, of any ongoing investigation or legal proceeding conducted or brought by a governmental entity or its agents, that is reported to Eckerd's corporate headquarters or senior management, involving an allegation that Eckerd 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. Eckerd 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.

I. Reporting.

1. *Overpayments*

a. *Definition of Overpayments.* For purposes of this CIA, an "overpayment" shall mean the amount of money Eckerd has received in excess of the amount due and payable under any Federal health care program requirements. Eckerd may not subtract any underpayments for purposes of determining the amount of relevant "overpayments" for CIA reports.

b. *Reporting of Overpayments.* If, at any time, Eckerd identifies or learns of any overpayments, Eckerd shall notify the payor (e.g., Medicare fiscal intermediary or carrier) within 30 days of identification of the overpayment and take remedial steps within 60 days of 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 of identification of the overpayment, Eckerd shall repay the overpayment to the appropriate payor to the extent such overpayment has been quantified. If not yet quantified, within 30 days of identification, Eckerd 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 foregoing, routine individual claim reversals or credits properly handled in the ordinary course of business are not subject to the reporting requirements set forth above, but Eckerd agrees to repay any amounts associated with such adjustments in accordance with the applicable payor's policies.

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 potential 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 Eckerd determines through any means that there is a Material Deficiency, Eckerd shall notify

OIG, in writing, within 30 days of 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.I.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) on 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 Eckerd's actions taken to correct the Material Deficiency; and

(iv) any further steps Eckerd 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 of this CIA, Eckerd opens, or purchases or otherwise acquires, new business lines or entities engaged in or related to the provision of pharmacy services to Federal health care program beneficiaries, or expands its business that is engaged in or related to the provision of pharmacy services to Federal health care program beneficiaries into States in which Eckerd had not operated as of the Effective Date of the CIA, Eckerd shall ensure that such entities and any new Covered Persons and Covered Contractors at such entities are in compliance with the terms of this CIA and shall notify the OIG of this fact in its Annual Report. If Eckerd identifies a potential issue

with regard to a newly acquired business in which Eckerd believes the OIG would have an interest, it will notify the OIG prior to the submission of the Annual Report.

V. IMPLEMENTATION AND ANNUAL REPORTS

A. Implementation Report. Within 180 days after the Effective Date of this CIA, Eckerd 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, position description, and summary of other non-compliance job responsibilities of the Compliance Officer required by section III.A;
2. the names and positions of the members of the Compliance Committee required by section III.A;
3. a copy of Eckerd's Code of Conduct required by section III.B.1;
4. an index of the 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, which sessions were mandatory and for whom, percentage of attendance, and a schedule of when the training sessions were held;
6. a certification by the Compliance Officer 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 and Covered Contractors;
 - b. all Covered Persons and Covered Contractors have completed the Code of Conduct certification required by sections III.B.1 and III.D;
 - c. all Covered Contractors have completed the Policies and Procedures certification required by section III.D, and

d. all Covered Persons, and, where required, Covered Contractors, have completed the applicable training and the persons providing the training have executed the certifications required by sections III.C. and III.D;

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

7. a description of the Disclosure Program required by section III.F;
8. the identity of the IRO(s), a summary/description of all engagements between Eckerd 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 review;
9. a certification from the IRO regarding its professional independence from Eckerd;
10. a summary of personnel actions (other than hiring) taken pursuant to section III.G.;
11. a list of all of Eckerd's locations (including locations and mailing addresses), the corresponding name under which each location is doing business, the corresponding phone numbers and fax numbers, each location's Medicaid provider identification number(s) and the contractor's name and address that issued each provider identification number;
12. to the extent not already furnished to OIG, or if modified, a description of Eckerd'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.

B. Annual Reports. Eckerd shall submit to OIG Annual Reports with respect to the status of, and findings regarding, Eckerd's compliance activities for each of the five

one-year periods beginning on the Effective Date of the CIA. (The one-year period covered by each Annual Report shall be referred to as the "Reporting Period").

Each Annual Report shall include:

1. any change in the identity, position description, or other non-compliance job responsibilities of the Compliance Officer and any change in the membership of the Compliance Committee described in section III.A;
2. a certification by the Compliance Officer that:
 - a. all Covered Persons and Covered Contractors have completed any Code of Conduct and Policies and Procedures certifications required by sections III.B.1 and III.D;
 - b. all Covered Persons, and, where required, Covered Contractors have completed the applicable training and the persons providing the training have executed the certifications required by sections III.C and III.D;
 - c. Eckerd 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 written request.

3. a summary of any significant changes or amendments to the Code of Conduct or 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 revised Code of Conduct or 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, which sessions were mandatory and for whom, percentage of attendance, and a schedule of when the training sessions were held;
5. a complete copy of the final report from the IAD and the IRO based on the reviews conducted pursuant to the IA Workplan and the Agreed Upon Procedures for the applicable 12-month period;
6. Eckerd's response and any corrective action plan(s) related to any issues raised by the IAD or IRO;
7. a revised summary/description of all engagements between Eckerd 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, and a certification of independence from the IRO;
8. a summary of any Material Deficiencies (as defined in III.I) identified during the Reporting Period and the status of any corrective and preventative action relating to all such Material Deficiencies;
9. a report of any aggregate overpayments that have been returned to the Federal health care programs pursuant to Section III.I.1. Overpayment amounts should be broken down into the following categories to the extent possible: inpatient Medicare, outpatient Medicare, Medicaid (report each applicable state separately) and other Federal health care programs;
10. a summary of the disclosures in the disclosure log required by section III.F that relate to, as defined in section III.F: (a) Federal health care program allegations; or (b) patient harm allegations;
11. a description of any personnel actions (other than hiring) taken by Eckerd as a result of the obligations in section III.G, and the name, title, and

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

12. 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;

13. a description of all changes to the most recently provided list (as updated) of Eckerd's locations (including locations and mailing addresses) as required by section V.A.11, the corresponding name under which each location is doing business, the corresponding phone numbers and fax numbers, each location's Federal health care program provider identification number(s), and the contractor name and address that issued each provider identification number; and

14. 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 Compliance Officer that: (1) except as otherwise described in the applicable report, Eckerd is in compliance with all of the requirements of this CIA, to the best of his or her knowledge; and (2) the Compliance Officer has reviewed the Report and has made reasonable inquiry regarding its content and believes that the information is accurate and truthful.

D. Designation of Information: Eckerd 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. Eckerd 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:

Civil Recoveries Branch - Compliance Unit
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

Eckerd:

Michael T. Lops, Esquire
Compliance Officer
Eckerd Corporation
8333 Bryan Dairy Road
CW-2E
Clearwater, FL 33758
Phone: (727) 395-6129
Fax: (727) 395-7287

Eugene Tillman, Esquire
Reed Smith LLP
1301 K Street, N.W.
Suite 1100 - East Tower
Washington, DC 20005
Phone: (202) 414-9200
Fax: (202) 414-9299

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 OIG may have by statute, regulation, or contract, OIG or its duly authorized representative(s) may examine or request copies of Eckerd's books, records, and other documents and supporting materials, and/or conduct on-site reviews of any of Eckerd's locations for the purpose of verifying and evaluating: (a) Eckerd's compliance with the terms of this CIA; and (b) Eckerd's compliance with the requirements of the Federal health care programs in which it participates. The documentation described above shall be made available by Eckerd 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 Eckerd'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. Eckerd agrees to assist OIG or its duly authorized representative(s) in contacting and arranging interviews with such individuals upon OIG's request. Eckerd's employees may elect to be interviewed with or without a representative of Eckerd present.

VIII. DOCUMENT AND RECORD RETENTION

Eckerd shall maintain for inspection all documents and records relating to reimbursement from the Federal health care programs, or to compliance with this CIA, for six 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 Eckerd prior to any release by OIG of information submitted by Eckerd pursuant to its obligations under this CIA and identified upon submission by Eckerd as trade secrets, or information that is commercial or financial and privileged or confidential, under the FOIA rules. With respect to such releases, Eckerd shall have the rights set forth at 45 C.F.R. § 5.65(d). Eckerd shall refrain from identifying any information as exempt from release if that information does not meet the criteria for exemption from disclosure under FOIA.

X. BREACH AND DEFAULT PROVISIONS

Eckerd 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, Eckerd and OIG hereby agree that Eckerd's 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 Eckerd fails to have in place any of the following during the entire period beginning 150 days after the Effective Date of this CIA and concluding at the end of the term of this CIA as provided in Section II:

- 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 and, consistent with Section III.D, Covered Contractors be trained; and
- f. a 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 Eckerd fails to retain an IRO, as required in section III.E.

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 Eckerd fails to meet any of the deadlines for the submission of the Implementation Report or the Annual Reports 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 Eckerd employs or contracts, to Eckerd's

knowledge, with an Ineligible Person to be a Covered Person or Covered Contractor and that person: (i) has responsibility for, or involvement with, Eckerd'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 Eckerd can demonstrate that it did not discover the Covered Person's or Covered Contractor's exclusion or other ineligibility after making a reasonable inquiry (as described in section III.G) as to the status of the individual).

5. A Stipulated Penalty of \$1,500 for each day Eckerd 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 Eckerd fails to grant the access.)

6. A Stipulated Penalty of \$1,000 for each day Eckerd fails to comply fully and adequately with any obligation of this CIA. In its notice to Eckerd, OIG shall state the specific grounds for its determination that Eckerd has failed to comply fully and adequately with the CIA obligation(s) at issue and steps Eckerd must take to comply with the CIA. (This Stipulated Penalty shall begin to accrue 10 days after the date that OIG provides notice to Eckerd 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 1-5 of this section.

B. Timely Written Requests for Extensions. Eckerd 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 Eckerd 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 Eckerd 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 Eckerd 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 Eckerd, in accordance with section VI, of: (a) Eckerd'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 of the receipt of the Demand Letter, Eckerd 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 Eckerd elects to request an ALJ hearing, the Stipulated Penalties shall continue to accrue until Eckerd 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 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 Eckerd 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 Eckerd to report a Material Deficiency, take corrective action, and make the appropriate refunds, as required in section III.I;

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 an Independent Review Organization in accordance with section III.E.

2. *Notice of Material Breach and Intent to Collect Material Breach Penalty.* The parties agree that a material breach of this CIA by Eckerd 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 Eckerd has materially breached this CIA and that a Material Breach Penalty should be imposed, OIG shall notify Eckerd, in accordance with section VI, of: (a) Eckerd’s material breach and the specific grounds for the OIG’s determination that Eckerd 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.* Eckerd shall have 30 days from the date of receipt of the Notice of Material Breach Letter to demonstrate to OIG’s satisfaction that:

a. Eckerd 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) Eckerd has begun to take action to cure the material breach; (ii) Eckerd is pursuing such action with due diligence; and (iii) Eckerd has provided to OIG a reasonable timetable for curing the material breach.

4. *Penalty Letter.* If at the conclusion of the 30-day period, subject to any extension granted pursuant to section X.B., Eckerd fails to satisfy the requirements of

section X.D.3, OIG may impose the Material Breach Penalty on Eckerd and the Material Breach Penalty will begin to accrue on that day. OIG will notify Eckerd 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, Eckerd 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 Eckerd elects to request an ALJ hearing, the Material Breach Penalties shall continue to accrue until Eckerd cures, to the OIG’s reasonable satisfaction, the alleged material breach in dispute.

E. Dispute Resolution

1. *Review Rights.* Upon OIG’s delivery to Eckerd 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, Eckerd 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 or Material Breach Penalties shall be made within 10 days of the receipt of the Demand Letter or 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 Eckerd was in full and timely compliance with the obligations of this CIA for which the OIG demands payment; and (b) the period of noncompliance. Eckerd shall have the burden of proving its full and timely compliance and the steps taken to cure the noncompliance, if any. If the ALJ agrees with OIG with regard to a finding of a breach of this CIA and orders Eckerd to pay Stipulated Penalties, such Stipulated Penalties shall become due and payable 20 days after the ALJ issues such a decision unless Eckerd 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 exclusion based on a material breach of this CIA shall be:

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

If Eckerd 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 Eckerd 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, Eckerd and OIG agree as follows:

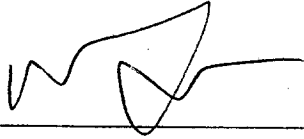
A. This CIA shall be binding on the successors, assigns, and transferees of Eckerd;

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

C. Any modifications to this CIA shall be made with the prior written consent of the parties to this CIA;

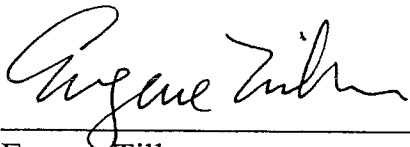
D. The undersigned Eckerd signatories represent and warrant that they are authorized to execute this CIA. The undersigned OIG signatory represents that he is signing this CIA in his official capacity and that he is authorized to execute this CIA.

ON BEHALF OF ECKERD CORPORATION



Name
Title Vice President/General Counsel


May 24, 2002
DATE



Eugene Tillman
Tamara V. Scoville
Counsel for Eckerd

May 20, 2002
DATE

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



LEWIS MORRIS

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

5/16/02
DATE

ATTACHMENT A

ECKERD CORPORATION
Billing and CIA Compliance
Internal Audit Workplan

I. Billing Audit

Eckerd Corporation ("Eckerd") has developed this billing internal audit workplan to enable Eckerd and the Office of Inspector General ("OIG") to assess compliance with the company's policies, procedures, and practices with regard to partial fill and returned to stock prescriptions and to determine whether Eckerd has taken appropriate steps to comply with Federal health care program requirements. These audit procedures were developed based on Eckerd's information systems, data, and current policies and procedures.

A. Partial Fill Procedures

The following procedures will be performed by Eckerd's internal audit department to assess partial fill prescriptions dispensed by Eckerd 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 Eckerd's partial fill prescriptions billed to the Federal health care programs. The sampling population will be comprised of all prescriptions that were filled using the plan code 0999 designation (or other appropriate plan code) for a partial fill prescription 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 Eckerd's monthly Partial Fill report.

The Partial Fill population will not include the following transactions:

- Any prescriptions currently residing in plan code 0999 that have not yet been adjudicated to 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. The sample shall be selected through the use of RAT-STATS "Random Numbers" function. Using Eckerd's computer system, identify the selected prescription number, fill number, and dispense date. Once the proper prescription is identified, test the prescription as follows:
 - Review the transaction's billing history;
 - Verify that Eckerd has not billed in a manner inconsistent with Eckerd's Partial Fill Policy.
 - Document observations and deviations in Eckerd's Billing Audit Observations and Deviations Report attached hereto. A deviation consists of a Federal Health Care Program Partial Fill Prescription transaction where Eckerd billed the Federal health care program in a manner inconsistent with Eckerd's Partial Fill Policy.
 4. 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.

B. Return To Stock Procedures

The following procedures will be performed by Eckerd's internal audit department to assess return to stock prescriptions and associated credit payments within the company. These Return to Stock 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 all of Eckerd's cancelled prescriptions billed to the Federal health care programs which include return to stock 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 Eckerd'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. This sample shall be selected through the use of RAT-STATS "Random Numbers" function. Using Eckerd's computer system, identify the selected prescription number, fill number, and dispense date. Once the proper prescription is identified, test the prescription 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 Eckerd's policies on cancellation prescriptions, including Eckerd's Return to Stock Policy (such verification to include on-line and manual transactions); and
 - Document observations and deviations in Eckerd's Billing Audit Observations and Deviations Report attached hereto. A deviation consists of a Federal Health Care Program Cancelled Prescription transaction where Eckerd billed the Federal health care program in a manner inconsistent with Eckerd's policies on cancellation prescriptions, including Eckerd's Return to Stock 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.

C. Partial Fill and Return to Stock On-Site Procedures

Eckerd's designated Pharmacy Compliance Specialists ("Compliance Specialists") will perform procedures related to Partial Fill and Return to Stock activity. Using RAT-STATS, Eckerd will randomly select a sample of 100 pharmacy locations in which to perform these procedures on an annual basis.

These procedures will assess each pharmacy's compliance with Eckerd's Partial Fill and Return to Stock Policies as follows:

- Interview Covered Persons and Covered Contractors, if any are present, at the pharmacy to verify knowledge of and compliance with Eckerd's Partial Fill and Return to Stock Policies; and
- Conduct a general inspection of the pharmacy area to verify that prescriptions are being processed according to Eckerd's Partial Fill and Return to Stock Policies.

At the completion of each review, the Compliance Specialist will record his/her findings (the "On-Site Compliance Report"). The Compliance Specialist will send the On-Site Compliance Report to the Compliance Officer. Based on the On-Site Compliance Report, Eckerd will implement a corrective action plan for those pharmacies not in compliance with Eckerd's partial fill and return to stock policies. Eckerd 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.

II. Compliance Audit

Eckerd has developed this compliance internal audit workplan to enable Eckerd and the OIG to assess Eckerd's compliance with the CIA.

- A. Covered Persons – Note whether Eckerd engages any Covered Contractors to provide pharmacy services or to prepare and/or submit, or assist in the preparation and/or submission of, claims for pharmacy services to any Federal health care programs in Eckerd pharmacies.
 - 1. Review contracts between Eckerd and the agencies with whom it contracts.
- B. Corporate Compliance Officer (“CO”) -- Verify that the CO is functioning in a manner consistent with the terms of the CIA and meeting reporting obligations:
 - 1. Verify that the CO job description includes the job requirements as set forth in the CIA.
 - 2. Interview CO to verify that he/she is performing the job requirements set forth in the CIA.
 - 3. Inquire of the CO whether a new CO has been appointed during the term of the CIA, and if so, whether Eckerd made the required notification to the OIG.
 - 4. Document observations and exceptions on Workpapers.
- C. Compliance Committee (“CC”) -- Verify that the CC is functioning in a manner consistent with the terms of the CIA and meeting reporting obligations:
 - 1. Review CC membership list to verify that the committee is composed of the CO and senior managers of Eckerd's major departments.
 - 2. Review CC agenda and minutes for review period.
 - 3. Determine whether there have been any changes in the composition of the CC that would affect the CC's ability to perform duties necessary to meet the obligations under the CIA. If such changes have occurred, verify that Eckerd notified the OIG as required under the terms of the CIA.
 - 4. Document observations and exceptions on Workpapers.
- D. Code of Conduct -- Verify that the Eckerd Code of Conduct is functioning in a manner consistent with the terms of the CIA:
 - 1. Review the Code of Conduct to verify that it sets forth the minimum requirements delineated in the CIA.
 - 2. Verify that performance evaluation materials for Covered Persons include the adherence and promotion of the Code of Conduct as an element within the evaluation.
 - 3. Verify that Eckerd has established a mechanism for timely distribution of the Code of Conduct to each Covered Person and Covered Contractors as required under the terms of the CIA.
 - 4. Review applicable documentation to verify that Eckerd employees, new Eckerd employees who are Covered Persons (as such term is defined in the CIA) and Covered Contractors are completing the required Code of Conduct certifications in accordance with the CIA.
 - a) Select sample of 25 Covered Persons, 25 new Covered Persons, and 25 Covered Contractors to review.

- b) For individuals selected, verify certification or recertification documentation is proper.
 5. Interview CO and verify that Eckerd has annually reviewed the Code of Conduct and made any revisions.
 6. If the Compliance Committee has made material revisions to the Code of Conduct, verify that such changes were distributed within 30 days of the change.
 7. Document observations and exceptions on Workpapers.
- E. Policies and Procedures -- Verify that Eckerd's Policies and Procedures are functioning in a manner consistent with the terms of the CIA and Federal health care program requirements:
1. Interview CO and review relevant documentation to verify that Eckerd has reviewed existing policies and procedures within 90 days of the Effective Date of the CIA.
 2. Review relevant policies and procedures to verify that they address the categories delineated in the CIA and comply with Federal health care program requirements.
 3. Review billing policies and procedures to verify that they address the manner in which Eckerd shall submit claims to Federal health care programs for partial-fill prescriptions and the return to stock situations as required in the CIA.
 4. Interview CO and verify that policies and procedures are disseminated as required under the terms of the CIA.
 5. Interview CO and verify that policies and procedures are assessed at least annually and that any appropriate changes are made.
 6. Document observations and exceptions on Workpapers.
- F. Training and Education -- Verify that Eckerd CIA training initiatives are functioning in a manner consistent with the terms of the CIA:
1. Review the relevant training materials, policies, and other compilations required by the CIA to verify that such material includes the content required in the CIA.
 2. Review relevant policies, materials and directives that pertain to training new Covered Persons and verify that these materials require new Covered Persons to attend training within 30 days of employment or within 120 days of the effective date of this CIA, whichever is later.
 3. After the first year of the CIA, review the annual newsletter sent to Covered Persons in accordance with the CIA requirements to verify that it describes Eckerd's Partial Fill and Return to Stock Policies.
 4. Review relevant policies, materials and directives that pertain to training Covered Contractors and verify that these materials require training Covered Contractors as set forth in Section III.D.
 5. Review documentation that tracks and identifies those Covered Persons and any Covered Contractors who must be trained in accordance with the CIA and the documentation that tracks and identifies those Covered Persons and Covered Contractors who have and have not received the training set forth in the CIA to verify that all appropriate Covered Persons and Covered Contractors have been trained and that persons providing the training are completing the required certifications in accordance with the CIA.
 - a) Select a sample of 25 Covered Persons and 25 Covered Contractors to review.
 - b) For individuals selected, verify that certification documentation is proper.
 6. Document observations and exceptions on Workpapers.

- G. Review Procedures -- Verify that Eckerd's Billing and CIA Compliance audit procedures are functioning in a manner consistent with the terms of the CIA:
1. Verify that Eckerd has developed an internal audit workplan as required under the terms of the CIA.
 2. Verify that Eckerd has retained an independent review organization within 120 days of the Effective Date of the CIA to perform the duties set forth in the CIA.
 3. Document observations and exceptions on Workpapers.
- H. Confidential Disclosure Program -- Verify that the Confidential Disclosure Program is functioning in a manner consistent with the terms of the CIA:
1. Review the Confidential Disclosure Program to verify that the policy is current and meets the requirements of the CIA.
 2. Review materials distributed and made available to Eckerd employees to verify that Eckerd maintains procedures to notify employees of the existence of the Confidential Disclosure Program.
 3. Review the Confidential Disclosure Program log to verify that:
 - a) log entries are kept, including log entries related to federal health care program allegations and patient harm allegations;
 - b) the nature of the call is documented completely and classified properly;
 - c) follow-up is completed; and
 - d) remedial action is taken as outlined in the CIA.
 4. Document observations and exceptions on Workpapers.
- I. Ineligible Persons -- Verify that the ineligible persons screening, review, and removal procedures are functioning in a manner consistent with the terms of the CIA:
1. Review all applicable documentation to verify that Covered Persons and Covered Contractors are checked against the General Service Administration and HHS/OIG lists of excluded individuals and entities and that any Ineligible Persons (as such term is defined in the CIA) are removed from any position or responsibilities, as required in the CIA.
 2. Review employment application for Covered Persons and appropriate documents for Covered Contractors to verify that the documents require applicants to disclose whether they are Ineligible Persons.
 3. Review any actions taken by Eckerd when Eckerd has notice that a Covered Person or Covered Contractor 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 with Eckerd to verify that Eckerd has taken all appropriate actions as required by the CIA.
 4. Document observations and exceptions on Workpapers.
- J. Notification of Government Investigations/Proceedings -- To verify that reporting obligations are met in a manner consistent with the terms of the CIA:
1. Review any notifications to the OIG concerning any ongoing government investigation or legal proceeding conducted or brought by a governmental entity or its agents involving

an allegation that Eckerd has committed a crime or has engaged in fraudulent activities to verify that such notifications are completed as required in the CIA.

2. Verify through appropriate methods that all notifications required to have been made to the OIG in accordance with Section III.H of the CIA were, in fact, made.
3. Document observations and exceptions on Workpapers.

K. Reporting -- To verify that reporting obligations are met in a manner consistent with the terms of the CIA:

1. Obtain and read Eckerd's overpayment policy and procedures and verify that the procedures provide that Eckerd shall notify the payor (within 30 days) and make any repayments or adjustments as required under the terms of the CIA.
2. Obtain and read correspondence to the OIG regarding any material deficiency and verify that the correspondence notifies the OIG of:
 - a) a complete description of the material deficiency, including the relevant facts, persons involved and legal and program authorities;
 - b) Eckerd's actions to correct such material deficiency; and
 - c) any further steps Eckerd plans to take to address such material deficiency and prevent it from recurring.
3. If the Material Deficiency resulted in an overpayment, verify that the correspondence to the OIG included the following:
 - a) the payor's name, address and contact person where the overpayment was sent; and
 - b) the date of the check and identification number (or electronic transaction number) on which the overpayment was repaid.

L. Implementation Report -- To verify that reporting obligations are met in a manner consistent with the terms of the CIA:

1. Review the Implementation Report and verify that it was issued within 180 days after the Effective Date of the CIA.
2. Verify that the report includes the content required under the CIA.

ATTACHMENT B

Eckerd Corporation IRO Billing Engagement Agreed Upon Procedures 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 Eckerd Corporation (“Eckerd”) and the Office of the Inspector General (“OIG”) of the United States Department of Health and Human Services (“DHHS”) (“the specified users”) on whether Eckerd has performed the Internal Audit (“IA”) procedures as specified in Attachment A of the Corporate Integrity Agreement (“CIA”) entered into by and between Eckerd and the OIG and dated <insert date.>			
	Pursuant to the terms of the CIA, Eckerd must retain an Independent Review Organization (“IRO”) to present findings on whether Eckerd performed the IA procedures as specified in Attachment A of the CIA.			
	The IRO will obtain and read IA’s workpapers and perform re-testing of IA’s work steps on ten percent of the partial fill items and ten percent of the return to stock items selected by IA.			
B.	Partial Fill Procedures			
1.	Obtain and read Eckerd’s IA’s departments workpapers related to its annual Partial Fill “audit” as noted in Attachment A and note the procedures for claims submissions to the Federal health care programs.			
2.	Obtain and read IA’s workpaper documentation and note whether the documentation supports that IA performed the monthly audits as specified in			

ATTACHMENT B

Eckerd Corporation IRO Billing Engagement Agreed Upon Procedures Work Plan – Year 1

	Procedures	CIA Citation	Relevant Contract Provisions, Regulations, and Guidelines	Work Paper Ref.
	Attachment A.			
3.	Obtain and read IA's workpaper documentation associated with sample selection and note whether the documentation contains support that the sample was generated randomly.			
4.	Obtain and read IA 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 IA for the Partial Fill audit for ten percent of the items selected by IA for the Partial Fill audit and note (based on re-testing) whether the items were billed in a manner consistent with Eckerd's Partial Fill Policy.			
6.	Document observations and exceptions on workpapers.			
C.	Return to Stock			
1.	Obtain and read Eckerd's IA's departments workpapers related to its annual Return to Stock "audit" as noted in Attachment A and note the procedures for claims submissions to the Federal health care programs.			
2.	Obtain and read IA's workpaper documentation and note whether the documentation supports that IA performed the monthly audits as specified in Attachment A.			

ATTACHMENT B

Eckerd Corporation IRO Billing Engagement Agreed Upon Procedures Work Plan – Year 1

	Procedures	CIA Citation	Relevant Contract Provisions, Regulations, and Guidelines	Work Paper Ref.
3.	Obtain and read IA's workpaper documentation associated with sample selection and note whether the documentation contains support that the sample was generated randomly.			
4.	Obtain and read IA 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 for ten percent of the items selected by IA for the Return to Stock audit and all other documentation relied on by IA for the Return to Stock audit and note (based on re-testing) whether the items were billed in a manner consistent with Eckerd's policies on cancellation prescriptions including the Return to Stock Policy.			
6.	Document observations and exceptions on workpapers.			
D.	On-Site Pharmacy Review Procedures			
1.	Obtain and read workpapers related to pharmacies reviewed pursuant to Eckerd's Partial Fill and Return to Stock On-Site Procedures identified in Attachment A and note findings.			
2.	Obtain and read workpapers for the selected pharmacies and note whether the Compliance Specialists are following Eckerd's Partial Fill and Return to Stock On-Site Procedures as set forth in Attachment A.			

ATTACHMENT B

Eckerd Corporation IRO Billing Engagement Agreed Upon Procedures Work Plan – Year 1

	Procedures	CIA Citation	Relevant Contract Provisions, Regulations, and Guidelines	Work Paper Ref.
3.	Obtain and read all applicable documents relating to the On-Site reviews for selected pharmacies and interview the Compliance Officer and note whether Eckerd is implementing corrective action plans for those pharmacies identified as not being in compliance with Eckerd's Partial Fill and Return to Stock Policies.			
E.	Report Generation			
1.	<p>The IRO's report will contain:</p> <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. 			

ATTACHMENT C

Eckerd Corporation IRO CIA Compliance Engagement Agreed-Upon Procedures Workplan - Year 1

Procedures	Hrs.	Performed		W/P Ref
		Init.	Date	
<p>Compliance Engagement Objective — To define procedures that will be followed by Eckerd’s IRO to provide information in assisting the OIG and Eckerd (“the Specified Parties”) in evaluating compliance with the Corporate Integrity Agreement (“CIA”) dated <Insert the Effective Date of the CIA>. In order to gather evidence to establish whether Eckerd is in compliance with the terms of the CIA, the IRO shall perform the following procedures and provide a findings report, as required by the CIA.</p>				
<p>A. Covered Persons -- To note whether Eckerd engages any Covered Contractors to provide pharmacy services or to prepare and/or submit, or assist in the preparation and/or submission of, claims for pharmacy services to any Federal health care program, we will:</p>				
<p>1. Obtain and review contracts between Eckerd and the agencies with whom it contracts.</p>				
<p>B. Compliance Officer and Compliance Committee Responsibilities - To note whether the Eckerd Compliance Officer (“CO”) and the Compliance Committee are functioning in a manner consistent with the terms of the CIA, we will:</p>				
<p>2. Through inquiry of the CO, note the appointment of the CO position within Eckerd.</p>				
<p>3. Obtain and read the CO job description to note whether the job description includes the following components:</p> <ul style="list-style-type: none"> • Is responsible for overseeing the development of, and coordinating the implementation of policies, procedures and practices designed to ensure compliance with the requirements set forth in this CIA and with the requirements of the Federal health care programs; • Is and shall be a member of senior management; • Is authorized to report compliance matters directly to the Eckerd Board of Directors (at least quarterly); and • Is responsible for monitoring the day-to-day compliance activities 				

ATTACHMENT C

Eckerd Corporation IRO CIA Compliance Engagement Agreed-Upon Procedures Workplan - Year 1

Procedures	Hrs.	Performed		W/P Ref
		Init.	Date	
engaged in by Eckerd to further its compliance objectives.				
4. Interview CO and note whether he/she is performing the job requirements set forth in the CIA, including preparing and submitting reports to the OIG and reporting to the Board of Directors as required under the CIA.				
5. Inquire of the CO whether there has been a new CO appointed during the term of the CIA.				
6. In the event that a new CO has been appointed, obtain and read the notification to the OIG and note whether Eckerd made the notification in writing to the OIG within 15 days of the appointment of the new CO.				
7. Obtain and read a copy of the Compliance Committee meeting minutes to note whether the committee is composed of the CO and senior managers of Eckerd's major departments, whether such members are attending committee meetings, and whether the committee is assisting the CO in fulfilling his/her responsibilities under the CIA.				
8. Inquire of the CO whether there have been any changes in the composition of the Compliance Committee, or any actions or changes that would affect the Compliance Committee's ability to perform duties necessary to meet the obligations of the CIA.				
9. In the event that there have been any changes in the composition of the Compliance Committee, or any actions or changes that would affect the Compliance Committee's ability to perform duties necessary to meet the obligations of the CIA, obtain and read the notification to the OIG and note whether Eckerd made the notification in writing to the OIG within 30 days of the date of any such changes.				
C. <u>Written Standards</u> - To note whether Eckerd's Code of Conduct and Policies and Procedures function in a manner consistent with the terms of the CIA, we will:				
10. Obtain and read the performance evaluation materials for Covered Persons and note whether the adherence and promotion of the Code of Conduct is an element within the evaluation.				

ATTACHMENT C

Eckerd Corporation IRO CIA Compliance Engagement Agreed-Upon Procedures Workplan - Year 1

Procedures	Hrs.	Performed		W/P Ref
		Init.	Date	
<p>11. Obtain and read the current Code of Conduct and any amendments made thereto and note whether the following components are included:</p> <ul style="list-style-type: none"> • the commitment to full compliance with all statutes, regulations, and guidelines applicable to the Federal health care programs, including its commitment to prepare and submit accurate claims consistent with such requirements; • the requirement that all Covered Persons¹ shall be expected to comply with all Federal health care programs and with Eckerd's own policies and procedures (including the requirements of this CIA); • the requirement that all of Eckerd's Covered Persons shall be expected to report to the Compliance Officer or other individual designated by Eckerd suspected violations of any statute, regulation or guidelines applicable to the Federal health care programs or of Eckerd's own policies and procedures; • the possible consequences to both Eckerd and to any Covered Person of failure to comply with all Federal health care program requirements and with Eckerd's own Policies and Procedures or failure to report such non-compliance; and • the right of all individuals to use the confidential disclosure program as well as Eckerd's commitment to confidentiality, as appropriate, and non-retaliation with respect to disclosures. 				
<p>12. Through inquiry of the CO and obtaining supporting documentation, note whether Eckerd has established a mechanism for timely distribution of the Code to each Covered Person within 90 days of the Effective Date of the CIA and for timely distribution of the Code of Conduct to Covered Contractors.</p>				

¹ "Covered Persons" is defined in the CIA as pharmacists, pharmacy technicians, and all other persons employed or engaged by Eckerd to provide pharmacy services or prepare and/or submit claims for pharmacy services to any Federal health care program, and does not include contractors.

ATTACHMENT C

Eckerd Corporation IRO CIA Compliance Engagement Agreed-Upon Procedures Workplan - Year 1

Procedures	Hrs.	Performed		W/P Ref
		Init.	Date	
13. Review Eckerd's Internal Audit workpapers and note whether Eckerd employees who are Covered Persons, and Covered Contractors, are completing the required Code of Conduct certifications.				
14. Review Eckerd's Internal Audit workpapers and note whether new Eckerd employees who are Covered Persons are completing the required Code of Conduct certifications.				
15. Through inquiry of the CO and supporting documentation note whether Eckerd has annually reviewed the Code of Conduct.				
16. If the Compliance Committee has made material revisions to the Code of Conduct, obtain and read documentation from the CO and note whether such changes were distributed within 30 days of the change.				
17. Through inquiry of the CO and obtaining supporting documentation, note whether Eckerd has reviewed existing policies and procedures within 90 days of the Effective Date of the CIA.				
18. Through inquiry of the CO and obtaining supporting documentation, note whether Eckerd has distributed the Policies and Procedures referenced in Sections III.B.2.a-c. to Covered Contractors, if any, and obtained certifications from the Covered Contractors about the Policies and Procedures as set forth in Section III.D.				
19. Obtain and read the written Compliance Policies and Procedures regarding the operation of Eckerd's corporate integrity program and Eckerd's compliance with the requirements of the Federal health care programs and note whether these policies and procedures address: <ul style="list-style-type: none"> • the subjects relating to the Code of Conduct identified in section II.B.1; • the proper manner (as outlined below) in which Eckerd shall submit claims to the 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 Policy"); and 				

ATTACHMENT C

Eckerd Corporation IRO CIA Compliance Engagement Agreed-Upon Procedures Workplan - Year 1

Procedures	Hrs.	Performed		W/P Ref
		Init.	Date	
<p>20. Obtain and read the "Partial Fill Policy" and note whether the policy and procedures provide for the following:</p> <ul style="list-style-type: none"> • the proper manner (as outlined below) in which Eckerd shall reconcile with or credit Federal health care programs for undelivered medications in those instances in which the full amount of a prescription was billed to the Federal health care program, but the full amount of the prescription was not ultimately delivered to the Federal health care program beneficiary ("Return to Stock Policy." • After a prescription pharmacy/billing employees shall "reverse" claims submitted once it is determined that the pharmacy has insufficient inventory to immediately and fully fill any prescription. • The customer is given a three (3) day supply of the prescription without charge and is alerted to return to the store to pick up the balance of the prescription. • When the balance of the product is received by the pharmacy, usually within one (1) day, the remainder of the prescription is filled, the full prescription is billed to the payor, and the customer is notified that the prescription is ready for pick-up. • Eckerd checks the prescription bins daily to identify any prescriptions that have not been picked up within three (3) days from the dispense date. • If a prescription is three (3) days old, and the customer has not picked it up, Eckerd telephones the customer to remind him or her that the prescription is ready for pick-up. • If the beneficiary or recipient does not pick up the prescription within three (3) days of the dispense date, Eckerd will call the beneficiary or recipient seven (7) days after the dispense date and fourteen (14) days after the dispense date to remind him or her that the prescription is ready. • If, after fourteen (14) days, the customer does not return to pick up the 				

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Eckerd Corporation IRO CIA Compliance Engagement Agreed-Upon Procedures Workplan - Year 1

Procedures	Hrs.	Performed		W/P Ref
		Init.	Date	
<p>balance of the prescription, the charge to the payor is reversed in full and there is no charge for the three (3) day supply previously dispensed.</p> <p>21. Obtain and read the "Return to Stock Policy" and note whether the policy and procedures provide for the following:</p> <ul style="list-style-type: none"> • When a Federal health care program has been billed for medication that is not delivered to the program beneficiary or recipient (e.g., the prescription has been canceled after being billed, or Eckerd mailed any medication to a program beneficiary or recipient that was returned to Eckerd and not delivered to the beneficiary or recipient), Eckerd credits back or reconciles with the applicable program for any payment made to Eckerd for the undelivered prescription. <p>22. Through inquiry of the CO, note whether the Compliance Committee has assessed the Compliance Policies and Procedures at least annually.</p> <p>23. Inquire of the CO as to the method of dissemination of Compliance Policies and Procedures and note these methods.</p>				
<p>D. Training and Education - To note whether the Eckerd Training and Education Procedures function in a manner consistent with the terms of the CIA, we will:</p>				
<p>24. Obtain and read relevant materials, policies, and other compilations required by the CIA and note whether such materials include the following:</p> <ul style="list-style-type: none"> • Eckerd's CIA requirements • Eckerd's Compliance Program (including the Code of Conduct and the Policies and Procedures as they pertain to general compliance issues) • 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 Eckerd's Partial Fill Policy; • Eckerd's Return to Stock Policy; • The personal obligations of each individual involved in the billing process to ensure that such billings are accurate; 				

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Eckerd Corporation IRO CIA Compliance Engagement Agreed-Upon Procedures Workplan - Year 1

Procedures	Hrs.	Performed		W/P Ref
		Init.	Date	
<ul style="list-style-type: none"> • The applicable reimbursement statutes, regulations and program requirements and directives; • The legal sanctions for improper billing; and • Examples of proper and improper billing practices. 				
25. Obtain and read relevant policies, materials and directives that pertain to training new Covered Persons and note whether these materials require new Covered Persons to attend training within 30 days of employment or within 120 days of the Effective Date of this CIA, whichever is later.				
26. Obtain and read relevant policies, materials and directives that pertain to training Covered Contractors and note whether these materials require training for Covered Contractors in accordance with Section III.D.				
27. Review Eckerd's Internal Audit workpapers and note whether all Covered Persons, new Covered Persons, and, if required, Covered Contractors are completing the training as required by the CIA and persons providing the training are completing the required certification documentation.				
E. Confidential Disclosure Program: To note whether the Eckerd Confidential Disclosure Program functions in a manner consistent with the terms of the CIA, we will:				
28. Obtain and read Eckerd's policy and procedures regarding the Confidential Disclosure Program and note whether the policy is current and meets the requirements of the CIA.				
29. Obtain and read materials distributed and made available to Eckerd employees and note whether Eckerd maintains procedures to notify employees of the existence of the Confidential Disclosure Program.				
30. Call the Confidential Disclosure Hotline and note whether it meets the requirements of the CIA.				
31. Obtain and read the completeness of the log of disclosures and note whether:				

ATTACHMENT C

Eckerd Corporation IRO CIA Compliance Engagement Agreed-Upon Procedures Workplan - Year 1

Procedures	Hrs.	Performed		W/P Ref
		Init.	Date	
<ul style="list-style-type: none"> • log entries are kept, including log entries related to Federal health care program allegations and patient harm allegations; • the nature of the call is documented completely and classified properly; • follow-up call is completed; and • Remedial action is taken as outlined in the CIA. 				
<p>F. Ineligible Persons - To note whether Eckerd has established a method to screen Covered Persons and Covered Contactors for exclusion, suspension, debarment or otherwise ineligibility to participate in the Federal health care programs consistent with the terms of the CIA, we will:</p>				
32. Obtain and read all applicable documentation that verifies that Covered Persons and Covered Contractors are checked against the General Service Administration and HHS/OIG lists of excluded individuals and entities and that any Ineligible Persons (as such term is defined in the CIA) are removed from any position or responsibilities, as required by the CIA.				
33. Select 20 Covered Persons and 20 Covered Contractors and obtain and read documentation, and note whether the Covered Person and Covered Contractor was checked against the General Service Administration and HHS/OIG list of excluded individuals and entities and is not an Ineligible Person.				
34. Obtain and read employment applications for new Covered Persons and appropriate documents for Covered Contractors and note whether the applicant is required to disclose whether they are an Ineligible Person.				
35. Obtain and read documentation that Eckerd has a policy that upon notification that a Covered Person or Covered Contractor 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, Eckerd shall take appropriate steps to ensure that the responsibilities of that Covered Person or Covered Contractor have not and will not adversely affect the quality of care rendered to any beneficiary, patient or resident, or the accuracy of any				

ATTACHMENT C

Eckerd Corporation IRO CIA Compliance Engagement Agreed-Upon Procedures Workplan - Year 1

Procedures	Hrs.	Performed		W/P Ref
		Init.	Date	
claims submitted to any Federal health care program.				
G <u>Notification of Government Investigation or Legal Proceedings</u> - To note whether Eckerd is providing the required notification to the OIG of any investigation or legal proceeding conducted by a governmental entity, we will:				
36. Inquire of the CO and obtain and read Compliance Committee minutes and note whether Eckerd has received notification of any investigation or legal proceeding brought by a governmental entity or its agents involving an allegation that Eckerd has committed a crime or has engaged in fraudulent activities.				
37. Obtain and read Eckerd's correspondence notifying the OIG of such investigations. Note whether this correspondence was made within 30 days of discovery and included a description of the allegation, the identity of the investigating or prosecuting agency, and the status of such investigation or legal proceeding. Also note whether the resolution of such matter was communicated to the OIG within 30 days of such resolution.				
H <u>Reporting</u> - To note whether the Eckerd reporting obligations are met in a manner consistent with the terms of the CIA, we will:				
38. Obtain and read Eckerd's overpayment policy and procedures to note whether the procedures provide that Eckerd shall notify the payor (within 30 days) and make any repayments or adjustments as required under the terms of the CIA.				
39. Obtain and read correspondence to the OIG regarding any Material Deficiency and note whether the correspondence notifies the OIG of: <ul style="list-style-type: none"> • a complete description of the Material Deficiency, including the relevant facts, persons involved and legal and program authorities; • Eckerd's actions to correct such Material Deficiency; and • any further steps Eckerd plans to take to address such Material Deficiency and prevent it from recurring. 				

ATTACHMENT C

Eckerd Corporation IRO CIA Compliance Engagement Agreed-Upon Procedures Workplan - Year 1

Procedures	Hrs.	Performed		W/P Ref
		Init.	Date	
<p>If the Material Deficiency resulted in an overpayment, note whether the correspondence to the OIG included the following:</p> <ul style="list-style-type: none"> • the payor's name, address and contact person where the overpayment was sent; and • the date of the check and identification number (or electronic transaction number) on which the overpayment was repaid. 				
<p>I. Implementation Report - To note whether the implementation report was submitted in accordance with the requirements of the CIA, we will:</p>				
<p>40. Review the Implementation Report and note whether it was issued within 180 days after the Effective Date of the CIA.</p>				
<p>41. Note whether the report includes the content required in the CIA.</p>				