

COMPLIANCE PROGRAM

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MCS HEALTHCARE HOLDINGS, LLC

2019 MCS Compliance Program

Originally adopted by the Board of Directors on: June 24, 2010
Last Revision Date: December 14, 2018

CORPORATE COMMITMENT – COMPLIANCE PROGRAM

The Board of Directors (the "Board") of MCS Healthcare Holdings, LLC and its affiliated companies (collectively "MCS"), as well as MCS's officers and management endorse this 2019 Compliance Program and affirm their support and commitment to ensure that MCS's ongoing success is built on a culture of integrity and commitment to the highest professional and ethical standards.

This Compliance Program (the "Program") includes measures to prevent, detect and correct instances of noncompliance. This Program is tailored to MCS's operations and specific circumstances, builds upon earlier versions and reflects valuable feedback received from regulators, members of the Boards, officers and employees.

The excellent reputation MCS enjoys and its ability to operate in a compliant manner is a direct reflection of the high ethical and business standards expected of and demonstrated by the individuals who are integral to its operations: the members of its Board, its officers, its employees, and the employees of its First Tier, Downstream and Related Entities ("FDRs").

Having a strong Program helps build confidence in MCS and those who act on its behalf. Nevertheless, the Program cannot cover all non-compliance issues that you may encounter. Sound personal judgment and a strong sense of right and wrong must always play a role in maintaining a compliant culture. Through active collaboration and strong commitment by each one of us, MCS can and will strengthen its culture of Accountability, Compliance and Trust.

Thank you for all you do to make compliance a daily priority and help us to fulfill our company's vision of being the leaders of the healthcare industry in Puerto Rico.

Sincerely,



Keith A. Maib
Chair, Board Compliance Compliance



James P. O'Drobinak
Chief Executive Officer

Approved by the Board of Directors: December 14, 2018.

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MISSION AND VISION OF THIS PROGRAM

MISSION

Promote and support the highest level of compliance and ethical behavior throughout MCS and among all employees, Board of Directors members and FDRs.

VISION

To elevate corporate performance in all its relationships by upholding and supporting proper compliance and ethical conduct.

COMPLIANCE PROGRAM OVERVIEW

INTRODUCTION

MCS adopted and implemented a Compliance Program that includes measures to prevent, detect, and correct instances of non-compliance as well as potential fraud, waste, and abuse ("FWA"). This Compliance Program is tailored to MCS's operations and unique circumstances. It is reviewed and revised on an annual basis, or more frequently, as required. It may be modified or amended, as needed, upon approval of the members of the Board. This Compliance Program:

- Demonstrates to employees, members of the Board, beneficiaries, FDRs, and regulators our commitment to responsible corporate conduct.
- Creates and reinforces an environment that requires employees, FDRs, and beneficiaries to report potential or actual cases of non-compliance, including potential FWA, confidentially, anonymously and without fear of retaliation or intimidation.
- Establishes controls to monitor MCS's operational areas and FDRs to ensure compliance with applicable laws, regulations and guidelines.
- Designates a single department responsible for interpreting and distributing compliance requirements and responsibilities, while compelling all employees, members of the Board, FDRs and beneficiaries to take accountability for identifying and reporting suspected or actual compliance violations, including potential FWA.
- Provides a mechanism to keep the Corporate Compliance Committee, Senior Management, the Board Compliance Committee and the Board of Directors apprised of compliance matters on an ongoing basis.

The implementation of this Program cannot guarantee that improper conduct will be entirely eliminated. Nonetheless, MCS expects full compliance from all employees and FDRs (collectively, "Covered Persons") with policies and procedures established in support of the MCS Compliance Program and Code of Conduct. They outline the basic principles that should guide all of MCS's activities.

At MCS, activities are conducted in accordance with MCS's corporate values:

- **Accountability:** You are accountable for fulfilling your obligations and assuming responsibility for the results.
- **Compliance:** All of your actions and decisions are driven by the highest ethical standards and in accordance with applicable laws and regulations.
- **Trust:** You create trust and long lasting relationship with MCS beneficiaries, employees, business partners, and the community, through the compliance with your commitments and goals.

The general guidelines of this Compliance Program, in combination with the Code of Conduct, the MCS Employee Handbook and MCS's policies and procedures guide us in the right direction and provide us with MCS' expectations regarding business dealings.

It is each employee's responsibility to be familiar with the Compliance Program and adhere to all applicable MCS policies and procedures and corporate standards. Violations of this Program, the MCS Code of Conduct, policies, procedures or applicable laws or regulations may result in employee disciplinary actions, up to and including employment termination and, with respect to contractors, in corrective actions, monetary penalties and/or contract termination. All corrective actions will be applied on a timely and consistent manner.

WHY IS COMPLIANCE IMPORTANT?

Compliance is the act of adhering to established guidelines, requirements, and legislation. Compliance with requirements is extremely important. Failure to comply with requirements is costly and can have significant repercussions for an organization including fines, bad press, a tarnished business reputation, sanctions, and contract termination with the regulators. MCS is subject to adhering to laws, regulations, and guidance which include, but are not limited to the following:

- Title XVIII of the Social Security Act
- Code of Federal Regulations, specifically 42 CFR §§422, 423 and 438
- Federal Sentencing Guidelines
- Federal and State False Claims Acts
- Federal Criminal False Claim Statutes
- Stark Law (Physician Self-Referral Statute)
- Anti-Kickback Statute
- Civil Monetary Penalties and Exclusions
- The Beneficiary Inducement Statute
- Fraud Enforcement and Recovery Act of 2009 Whistleblower (qui tam) Protection Act
- Health Insurance Portability and Accountability Act (HIPAA)
- Prohibitions against employing or contracting with persons or entities that have been excluded from doing business with the Federal government

- Health Information Technology for Economic & Clinical Health (HITECH)
- HPMS memos
- Medicare Managed Care Manual
- Prescription Drug Benefit Manual
- Medicare Improvements for Patients and Providers Act (MIPPA)
- Patient Protection and Affordable Care Act
- The U.S. Department of Health and Human Services (HHS), Office of Inspector General (OIG) Work Annual Plan
- Puerto Rico Insurance Code
- Puerto Rico Health Insurance Code
- Medicare Advantage and Part D Fraud Handbook

WHO IS RESPONSIBLE FOR COMPLIANCE?

Compliance is everyone's responsibility. This includes members of the Board, officers, employees (including temporary), and FDRs. Everyone is responsible for understanding and abiding by the requirements that govern our business and conducting business in a compliant and ethical manner.

COMPLIANCE PROGRAM DESCRIPTION

This Compliance Program includes the following core requirements:

- I. Written Policies, Procedures, and Code of Conduct;
- II. Compliance Officer, Compliance Committee and High Level Oversight;
- III. Effective Training and Education;
- IV. Effective Lines of Communication;
- V. Well Publicized Disciplinary Standards;
- VI. Effective System for Routine Monitoring and Identification of Compliance Risk; and,
- VII. Procedures and System for Prompt Response to Compliance Issues.

I. WRITTEN POLICIES, PROCEDURES AND CODE OF CONDUCT

CODE OF CONDUCT

MCS adopted and implemented a Code of Conduct to describe compliance expectations from all employees, members of the Board, and FDRs to conduct themselves in a compliant and ethical manner; that issues of non-compliance and potential FWA are reported through appropriate mechanisms; and that reported issues will be addressed and corrected. The MCS Code of Conduct is approved by the Board of Directors.

COMPLIANCE POLICIES AND PROCEDURES

MCS has compliance policies and procedures that are detailed and specific, that describe and implement the operation of the MCS Compliance Program. MCS updates the policies and procedures to incorporate changes in applicable laws, regulations, and others requirements. New and/or revised compliance policies and procedures are presented to the Corporate Compliance Committee (“CCC”) for review and approval.

DISTRIBUTION AND ACKNOWLEDGEMENT

MCS distributes the Code of Conduct, the Compliance Program, and compliance policies and procedures to employees within ninety (90) days of hire, when there are updates and annually thereafter. As a condition of employment with MCS, all employees are required to annually acknowledge in writing that they have received, read, and agree to comply with the Code and related policies and procedures. All documents are also well-publicized using electronic tools accessible to all employees and shared with FDRs. FDRs may utilize their own compliance policies and procedures and Code of Conduct as long as they are:

- Comparable to those used by MCS.
- Compliant with federal, local and other applicable laws, regulations, and guidance.

MCS uses a variety of mechanisms to ensure that the FDRs distribute the Code of Conduct and compliance policies and procedures to their employees and members of their board, including but not limited to including appropriate contract provisions in the First Tier’s contract and periodic monitoring of them.

For more information, refer to *MCS-Policy-001 Policies, Procedures, Code of Conduct and Compliance Program* and related procedure.

II. COMPLIANCE OFFICER, COMPLIANCE COMMITTEE AND HIGH LEVEL OVERSIGHT

COMPLIANCE ORGANIZATIONAL STRUCTURE

MCS has implemented a Compliance organizational structure that promotes a culture of compliance and ethical behavior, maintains open lines of communication, and provides effective oversight of the Compliance Program. For more information, refer to *MCS-Policy-002 Compliance Officer, Compliance Committee and High Level Oversight*.



The Board of Directors is a body of elected or appointed members who jointly oversee MCS activities. The Board of Directors appoints the Board Compliance Committee ("BCC") to assist it in overseeing the MCS Compliance Program, Code of Conduct, and compliance policies and procedures. The BCC is chaired by a member of the Board of Directors. The BCC is constituted of at least 3 members of the Board and the Chief Compliance Officer ("CCO").

The Board of Directors appoints the CCC to support the BCC in overseeing the MCS Compliance Program, Code of Conduct, and compliance policies and procedures. The CCC is chaired by the CCO. The members of the CCC include the Chief Executive Officer (CEO), a member of the BCC, and key members of MCS management. The Special Investigations and Delegation Oversight Committees provide support to the CCC.

The CCO reports to the Board of Directors but has a dotted line to the CEO. The CCO maintains open lines of communication with the Board of Directors by providing them with regular compliance updates and can report compliance matters directly to the Board of Directors without first going through any other layers of management.

MCS BOARD OF DIRECTORS

The Board of Directors is responsible for providing ethical leadership and ensuring that resources are available to facilitate compliance and reduce risk of unlawful or improper actions. Members of the Board are responsible for supporting and conveying an expectation of a corporate-wide culture of compliance and excellence in every phase of the operations. It is the responsibility of the Board of Directors to review, approve, support, and be knowledgeable about the contents and operation of the Compliance Program, Code of Conduct, and compliance policies and

procedures. The Board of Directors is further responsible for exercising reasonable oversight with respect to the effectiveness of the Compliance Program and Code of Conduct. The members of the Board must demonstrate commitment to compliance with all applicable laws, regulations, and contractual obligations including, but not limited to, those with the Centers for Medicare and Medicaid Services ("CMS"), the Puerto Rico Health Insurance Administration ("ASES" by its Spanish acronym), the Office of the Commissioner of Insurance ("OCI"), and other regulatory entities. Finally, the members of the Board are ultimately responsible for overseeing compliance throughout the organization and among FDRs. Board oversight is critical to promote corporate governance that protects the mission of MCS and its beneficiaries. For more information, refer to *MCS-Policy-002 Compliance Officer, Compliance Committee and High Level Oversight*.

BOARD COMPLIANCE COMMITTEE

The BCC is responsible for providing oversight of the structure and efficacy of the Compliance Program. The BCC meets regularly to oversee the implementation and effectiveness of the Compliance Program. They also receive and review periodic reports from the CCO. The BCC reports to and coordinates with the Audit Committee and/or Internal Audit Department regarding regulatory compliance matters that may affect the MCS business, financial statements, or compliance policies, including any material reports or inquiries from regulatory or governmental agencies. In addition, they also receive reports from, and coordinate with, the Audit Committee and/or Internal Audit Department regarding regulatory compliance issues arising as a result of the MCS internal audit function. For more information, refer to *MCS-Policy-002 Compliance Officer, Compliance Committee and High Level Oversight*.

CORPORATE COMPLIANCE COMMITTEE

The CCC meets at least quarterly or more frequently, as necessary. The meeting is chaired by the CCO and includes key management from business units throughout MCS, as well as the CEO, General Counsel, Chief Medical Officer, Chief Audit Executive, Chief Operating Officer, Chief Financial Officer, and a member of the Board of Directors. The role of this Committee is to advise, report to, and support the BCC; take actions as needed to assist the BCC in performing its responsibilities; advise the CCO; and assist in the implementation and management of the Compliance Program. For more information, refer to *MCS-Policy-002 Compliance Officer, Compliance Committee and High Level Oversight*.

SPECIAL INVESTIGATIONS COMMITTEE

The Special Investigations Committee ("SI Committee") assists the CCC, Board of Directors and MCS in overseeing the Special Investigations Unit's ("SIU") cases of potential FWA. The main responsibility of the SI Committee is to provide feedback to the SIU regarding the administrative actions to be taken in the investigated cases of potential FWA. The SI Committee applies disciplinary guidelines enforced through the appropriate established internal or external entity. For more information, refer to *MCS-Policy-002 Compliance Officer, Compliance Committee and High Level Oversight*.

DELEGATION OVERSIGHT COMMITTEE

The Delegation Oversight Committee assists the CCC and is tasked with enforcing the Delegation Oversight Program at an operational level, including support to MCS operational areas. The main responsibility of the Committee is to provide feedback to the CCC regarding the functions delegated by MCS to different First Tier Entities to ensure compliance. For more information, refer to *MCS-Policy-002 Compliance Officer, Compliance Committee and High Level Oversight*.

CHIEF COMPLIANCE OFFICER

The CCO is a full-time employee of MCS that has overall responsibility for implementing and managing the Compliance Program and Code of Conduct, and for serving as a member of the executive leadership team and has direct access to the Chief Executive Officer (CEO) and Board of Directors in order to provide unfiltered, in-person reports to them, and is vested with the authority to ensure full compliance with the Compliance Program. The CCO also provides periodic reports to the CEO, CCC, BCC and the Board on the status and activities of the Compliance Program. For more information, refer to *MCS-Policy-002 Compliance Officer, Compliance Committee and High Level Oversight*.

PRIVACY OFFICER

The Privacy Officer is a full time employee of MCS, who reports to the CCO and is responsible for the organization's Privacy Program including the daily operations of the program, development, implementation, and maintenance of privacy policies and procedures, monitoring program compliance, investigation and tracking of incidents and breaches and insuring patients' rights in compliance with federal and state laws. For more information, refer to *MCS-Policy-002 Compliance Officer, Compliance Committee and High Level Oversight*.

INFORMATION SECURITY OFFICER

The Information Security Officer ("ISO") is an employee of MCS responsible for day-to-day oversight of all ongoing activities that serve to provide appropriate access to and protect the confidentiality and integrity of insured member, provider, employee and other business information in compliance with applicable laws, regulations, policies and standards in MCS. The ISO is responsible for managing and supervising the execution and use of security measures to protect data and support the Human Resources Department in managing and supervising the conduct of personnel in relation to the protection of data. This responsibility is carried out by working with the other members of the MCS Information Security Leadership structure and appropriate offices and committees to foster the developmental and operational elements needed *MCS-Policy-054 TITLE*.

III. EFFECTIVE TRAINING AND EDUCATION

GENERAL COMPLIANCE TRAINING

MCS cultivates a culture of compliance by establishing, implementing, and providing effective training and education to the members of the Board, all employees, and FDRs. MCS supports the Compliance Program and Code of Conduct by ensuring that each of these individuals is provided with appropriate training to understand regulatory mandates, as well as his or her responsibilities associated with compliance. General Compliance Trainings are provided to all employees and members of the Board within ninety (90) days of initial hiring, or appointment, when there are updates and annually thereafter. Attendance and participation in trainings and education is a mandatory condition of employment for MCS employees and is a criterion in employee evaluations. Separate trainings related to FWA, are also provided by MCS. For more information, refer to *MCS-Policy-003 Effective Training and Education* and related procedures.

The purpose of these trainings is to ensure that all employees receive, understand, and retain appropriate information to conduct business in an ethical and compliant manner. Also, training may be provided when employees are found to be noncompliant, as a corrective action, to address a noncompliance issue; and when an employee works in an area implicated in past FWA.

SPECIALIZED COMPLIANCE TRAINING

MCS provides specialized compliance and/or FWA trainings to employees in order for them to become aware of Medicare, Commercial, or other compliance requirements related to their job function. These trainings are provided at initial hiring, when there are updates and/or as result of an Internal/External Audit, Monitoring or Investigation process. For more information, refer to *MCS-Policy-003 Effective Training and Education* and related procedures.

EFFECTIVENESS OF TRAINING AND EDUCATION

MCS uses a variety of mechanisms to evaluate training and education effectiveness to ensure that all employees receive, understand, and retain appropriate information to conduct business in an ethical and compliant manner. For more information, refer to *MCS-Policy-003 Effective Training and Education* and related procedures.

EDUCATION TO MCS EMPLOYEES

MCS reinforces the compliance culture through different mechanisms. For more information, refer to *MCS-Policy-003 Effective Training and Education* and related procedures.

FDRs TRAINING AND EDUCATION

MCS distributes the general compliance trainings to First Tier entities when the initial contract is executed, when there are updates and annually thereafter. For more information, refer to *MCS-Policy-003 Effective Training and Education* and related procedures.

EDUCATION TO MCS MEMBERS

MCS has identified that the compliance culture should be expanded to our beneficiaries and subscribers. MCS has different mechanisms to educate our beneficiaries on compliance, on how to identify and report potential FWA and the protections for whistleblowers. For more information, refer to *MCS-Policy-003 Effective Training and Education* and related procedures.

IV. EFFECTIVE LINES OF COMMUNICATION

COMMUNICATION AND REPORTING MECHANISMS

MCS has implemented a way to communicate information from the Chief Compliance Officer to others. Such information commonly includes laws, regulation, statutory, regulatory, and sub-regulatory changes (e.g., HPMS memos) that serves as guidance for MCS and FDR's operations.

The dissemination of information from the CCO is made within a reasonable time using a variety of mechanisms described in the **EFFECTIVE TRAINING AND EDUCATION** section of this Program.

MCS recognizes that having open lines of communication and appropriate reporting mechanisms is crucial for an effective compliance program. Thus, MCS has implemented a system to receive record, respond to, and track compliance questions or reports of suspected or detected non-compliance or potential FWA from employees, members of the Board, beneficiaries, and FDRs and their employees. MCS educates beneficiaries, employees, and FDRs about identification and reporting of potential FWA. Education methods are described in **EFFECTIVE TRAINING AND EDUCATION** section of this Program, as applicable.

MCS's reporting mechanisms ensures confidentiality (to the greatest extent possible) to the Chief Compliance Officer, members of the Corporate and Board Compliance Committee, employees, members of the Board, and FDRs. MCS utilizes reports to demonstrate operational compliance including those of suspected non-compliance and/or FWA which are maintained and reviewed by the Chief Compliance Officer, Corporate Compliance Committee, Senior Management, Board Compliance Committee, or the Board of Directors, as appropriate. In some instances, as required by federal and local laws and other applicable regulations or guidelines, such reports are also submitted to regulatory agencies and/or their designees.

MCS presents reports to the Corporate Compliance Committee on a regular basis at the Committee meetings. Such reports include the Compliance recommendations for corrective action plans for any identified areas of non-compliance. If a report indicates that a corrective action plan is necessary, management takes the necessary steps to correct problems, mitigate negative impact, and prevent deficiencies from recurring.

ROLE IN REPORTING ACTUAL OR POTENTIAL NON-COMPLIANCE, MISCONDUCT AND FWA

Members of the Board, employees, and FDRs are required to report actual or potential non-compliance, misconduct, FWA or violations of the Compliance Program, Code of Conduct, and compliance policies and procedures or other incidents of non-compliance or non-ethical behavior. Reporting may be done without fear of intimidation or retaliation.

HOW TO REPORT ACTUAL OR POTENTIAL NON-COMPLIANCE

All employees, members of the Board, and FDRs must promptly report any situation that involves an actual or potential issue of ethics, compliance, misconduct, and/or FWA by contacting any of the following **Confidential Reporting Lines**:

- Your immediate supervisor or manager
- The Chief Compliance Officer or any member of the Compliance Department
- The **ACTright** Hotline & Web Reporting Line (available 24 hours/7 days to all Covered Persons and members of the Governing Board) at:
1-877-627-0004 / mcs.com.pr
- The Email: mcscompliance@medicalcardsystem.com
- The Human Resources Department
- Any attorney in the Legal Department

If you wish to report anonymously a suspected violation of this Compliance Program or any other behavior that is of concern to you, you may call **1.877.627.0004** or access mcs.com.pr. Please refer to policy *MCS-Policy-004 Effective Lines of Communication* and related procedures for additional details regarding how to utilize the **Hotline & Web Reporting Line (ACTright)**.

If you feel uncomfortable using these channels, you may write to the members of the Board of Directors at:

MCS Board of Directors
JLL Partners
450 Lexington Avenue
31st Floor
New York, NY 10017

CONFIDENTIAL REPORTING

MCS strives to preserve the confidential nature of the reports it receives, including the identity of the person making the report, if requested. As outlined in this Program, all Covered Persons have the option of reporting compliance concerns anonymously through the **Hotline & Web Reporting Line (ACTright)** and may feel secure that their anonymity will be maintained, except when (a) disclosure becomes necessary for a proper investigation, and even then, disclosure will be made solely on an as-needed basis, or (b) when disclosure is legally required by subpoena or court order. MCS conducts investigations of any actual, potential or suspected misconduct with

utmost discretion and confidentiality, being careful to protect the reputations and identities of those being investigated. Please refer to policy *MCS-Policy-004 Effective Lines of Communication* and related procedures for additional details.

NON-RETALIATION AND NON-INTIMIDATION

MCS prohibits retaliation and intimidation against any Covered Person for good faith participation in the compliance program and making a good-faith report of concerns about actual or potential wrongdoing, including but not limited to, violations of the Code, the MCS Compliance Program, policies and procedures, or of any applicable law or regulation. No adverse action will be taken by MCS against a Covered Person for complaining about, reporting, participating, investigating or assisting in the investigation of a suspected violation, unless the allegation made or information provided is found to be intentionally false. Retaliation and intimidation against any Covered Person, who in good faith assists in the investigation of any reported concern, is also prohibited. Any Covered Person, who engages in retaliation, intimidation and/or harassment, may be subjected to disciplinary action in the case of employees, or other appropriate action in the case of contractors.

All, employees, and FDRs are responsible for ensuring the effectiveness of the MCS Compliance Program and Code of Conduct by actively participating in the reporting of potential compliance violations and any instances of suspected retaliatory and intimidating acts. MCS abides by all federal regulatory requirements regarding reporting compliance concerns and maintaining a culture of non-retaliation and non-intimidation, including but not limited to the False Claims Act and associated whistleblower provisions.

Concerns about retaliatory or intimidating behavior should immediately be reported through the MCS [Confidential Reporting Lines](#). Please refer to policy *MCS-Policy-008 Non Retaliation and Non Intimidation* and related procedures.

ACCESSIBILITY OF THE COMPLIANCE OFFICER

The CCO serves as a consultant to all employees, FDRs, beneficiaries, and members of the Board to ensure that compliance concerns are handled according to federal, local, and other applicable laws, regulations, and policies and/or procedures. MCS employees, FDRs, beneficiaries, and members of the Board are encouraged to contact the Compliance Officer via telephone, e-mail, memorandum, or visits to his or her office whenever a concern or question arises regarding compliance. MCS maintains an “open door” policy and encourages communication among MCS operational areas and FDRs. Please refer to policy *MCS-Policy-004 Effective Lines of Communication* and related procedures for additional details.

DOCUMENTATION

Documentation is critical to reporting. All activities involved in receiving, investigating, and responding to reports of non-compliance or FWA are thoroughly documented. Detailed, accurate, and timely documentation demonstrates that MCS takes the responsibility of reporting seriously. MCS encourages all employees to report and document appropriately. MCS

investigates and takes appropriate actions in response to reports, and tracks trends across all operational areas of the organization.

INVESTIGATION OF COMPLIANCE CONCERN

Upon receipt of a report of suspected or actual non-compliance and/or FWA through the reporting mechanism, MCS will initiate an investigation as quickly as possible, but no later than two (2) weeks after the date when the potential noncompliance or potential FWA incident was identified or reported. Investigation activities include, but are not limited to, review of all related documentation, and interviews of appropriate individuals. A determination will be made, and cases of confirmed non-compliance may result in employee disciplinary actions, up to and including employment termination and, with respect to contractors, in corrective actions, monetary penalties and/or contract termination.

Please refer to policy *MCS-Policy-004 Effective Lines of Communication* and related procedures for additional details.

AUDITS AND INVESTIGATIONS

All Covered Persons are required to cooperate fully in all audits, inquiries, investigations or other reviews conducted by MCS, its designee, outside parties and/or regulators. Full cooperation includes promptly, completely and truthfully complying with all requests for documents, information and interviews, including, but not limited to:

- Retaining and producing, as requested, all potentially relevant records;
- Attending interviews and responding completely and truthfully to interview questions;
- Complying with outside party requests, as directed by the Compliance, Human Resources, or Legal departments, when there is an audit, inquiry, investigation or other review being conducted.

Failure of MCS employees to comply with this provision of the Code of Conduct and Compliance Program may lead to disciplinary action, up to and including termination. Appropriate measures will be undertaken in the case of contractors.

V. WELL-PUBLICIZED DISCIPLINARY STANDARDS

MCS is committed to encouraging good faith participation in the Compliance Program by publicizing disciplinary standards for employees and FDRs. A variety of mechanisms are used to publicize expectations described in the MCS Compliance Program, Code of Conduct, and compliance policies and procedures, that include expectations for reporting compliance issues and assisting in their resolution; identify non-compliance and/or ethical behavior; provide for timely, consistent, and effective enforcement of the standards when non-compliance and unethical behavior is determined. Please refer to policy *MCS-Policy-005 Well Publicized Disciplinary Standards* and related procedures for additional details.

ENFORCEMENT OR DISCIPLINARY ACTIONS

MCS enforces effective correction through disciplinary measures, including but not limited to employment or contract termination. Enforcement and/or disciplinary actions are designed to correct the underlying problem that results in Compliance Program and Code of Conduct violations and to prevent future non-compliance. Failure to detect or report an offense is a serious act of non-compliance and equally as deserving of discipline as the actual misconduct. Compliance is an active, on-going process that is everyone's responsibility.

MCS expects the conduct of all employees to be governed by the highest ethical standards, for employees to exercise good judgment, to meet their job responsibilities and have consideration of others. Any act that may be considered to be contrary to the policy and purpose of the Program, Federal and Commonwealth laws and regulations, MCS Code of Conduct and compliance policies and procedures or harmful to another person, may result in employee disciplinary actions, up to and including employment or contract termination. Acts that are subject to immediate corrective action include, but are not limited to, the following:

- Violating laws, regulations, this Program, the MCS Code of Conduct, the MCS Employee Handbook, or MCS policies and procedures.
- Failing to satisfactorily implement corrective actions as a result of noncompliance actions.
- Directing or encouraging others to violate laws, regulations, this Program, the MCS Code of Conduct, the MCS Employee Handbook, or MCS' policies and procedures.
- Failing to report known or suspected violations of laws, regulations, this Program, the MCS's Code of Conduct, the MCS Employee Handbook, or MCS' policies and procedures.
- Failing to exercise reasonable due diligence to detect misconduct on the part of employees or business partners under your supervision.
- Interfering with or being uncooperative during an internal or external investigation or audits.
- Knowingly, willfully or negligently providing false or incorrect information to MCS or to a government agency, beneficiaries or contractors or falsifying any document or MCS record.
- Intentional or willful destruction of MCS's records or of any evidence relevant to an investigation of a suspected violation of law or of MCS's Code of Conduct, Compliance Program and/or MCS policies and procedures.
- Intimidation or retaliating against others for reporting a concern or a suspected or actual violation.

Enforcement and disciplinary actions for violations of the Program may include documented meetings, verbal or written corrective notifications, performance improvement plans, suspension or termination of employment and, with respect to contractors, corrective action plans, monetary penalties or contract termination. The corrective action will be timely, consistent and proportional with the seriousness of the violation. Covered Persons also should be mindful that violations of laws, regulations, this Program, the MCS Code of Conduct, the MCS Employee Handbook, or MCS's policies and procedures could trigger external legal action against the wrongdoers in an individual or collective level. Criminal or government enforcement action can

include suspension or revocation of licenses, sanctions, monetary fines, criminal penalties, and imprisonment.

MCS maintains for a period of ten (10) years all records of compliance violations, enforcement and/or disciplinary actions, capturing the date the violation was reported, a description of the violation, date of investigation, a summary of findings, disciplinary actions taken, and the date they were taken. MCS periodically reviews these records of discipline to ensure that disciplinary actions are appropriate to the seriousness of the violation, fairly and consistently administered, and imposed within a reasonable timeframe.

For more information, refer to *MCS-Policy-026 Employee Disciplinary Standards - Non Compliance Instances* and related procedures.

EMPLOYEES

Enforcement and/or disciplinary actions resulting from a compliance and/or ethical violation by an employee are reviewed and evaluated on a case by case basis and disciplinary action will be applied in a timely and consistent manner. Disciplinary action may include remedial steps such as additional training, also based on the severity of the infraction, and may apply the following:

- Documented meetings
- Verbal or written corrective notifications
- Performance Improvement Plans
- Suspension
- Termination

For more information, refer to *MCS-Policy-026 Employee Disciplinary Standards - Non Compliance Instances* and related procedures.

FDRs

Failure to develop and implement action plans, as required, and/or ethical violation is subject to enforcement action. Enforcement actions may include remedial steps such as additional training, also based on the severity of the infraction, may apply the following:

- Sanctions
- Penalties
- Contract non-renewal
- Contract termination

VI. EFFECTIVE SYSTEM FOR ROUTINE MONITORING AND IDENTIFICATION OF COMPLIANCE RISK

MCS is committed to overseeing the accuracy, timeliness, and effectiveness of its own and FDR's performance to ensure compliance with federal and local laws and regulations, other applicable

laws and regulations, MCS policies and procedures, and contractual obligations. Thus, MCS has established and implemented an effective system for routine monitoring and identification of compliance risks. The system includes internal monitoring and audits and, as appropriate, external monitorings and audits, including FDRs compliance with regulatory agencies requirements, such as CMS, and the overall effectiveness of the Compliance Program. MCS develops monitoring and auditing work plans that address FWA risks and regulatory risks. For more information, refer to *MCS-Policy-006 Effective System for Routine Monitoring and Auditing* and related procedures.

ANNUAL RISK ASSESSMENT

MCS conducts an annual risk assessment of all operational areas and First Tiers Entities in order to determine where MCS is at risk for potential non-compliance or FWA and identification of areas in which additional controls should be implemented. Through this process MCS assesses major compliance and FWA risk areas. For more information, refer to *MCS-Policy-006 Effective System for Routine Monitoring and Auditing* and related procedures.

MONITORING AND AUDITING WORK PLANS

Once the risk assessments are completed, monitoring and auditing work plans are developed prioritizing the identified compliance and FWA risks. MCS uses the monitoring and auditing work plans as a guideline to assure identified operational areas and First Tiers Entities are monitored and/or audited through the year and to allocate the available resources. Please refer to *MCS-Policy-006 Effective System for Routine Monitoring and Auditing* and *MCS CA-COMP-008 Risk Assessment*

AUDITS AND MONITORING

An audit is a formal review of compliance with a particular set of standards (i.e. policies, and procedures, laws and regulations) used as base measures.

A monitoring activity is a regular review performed as part of normal operations to confirm ongoing compliance and to ensure that corrective actions are undertaken and effective.

Further detail regarding the audit and monitoring processes, the audit and monitoring schedule and methodology is included in the following procedures: *CA-COMP-039 Delegation Oversight Procedure* and *CA-COMP-040 Internal Compliance Auditing and Monitoring*.

AUDIT AND MONITORING REPORTS

Each audit and monitoring activity performed by the Compliance Department is documented through a written report that records results, and serves as an effective vehicle to communicate those results to the impacted operational area or First Tier Entity. The report identifies deficiencies that require remediation and recommendations for ways to improve performance and prevent future deficiencies. For more information, please refer to *CA-COMP-039 Delegation Oversight* and *CA-COMP-040 Internal Compliance Auditing and Monitoring*.

AUDIT OF MCS'S COMPLIANCE PROGRAM

The Compliance Program's effectiveness is audited on an annual basis, through external auditors in order to avoid self-policing, and audit results are presented to the CCC and BCC. However less formal measures are used to monitor the Compliance Program effectiveness.

MONITORING AND AUDITING FDRs

MCS may enter into agreements with appropriate entities to carry out core administrative functions. An example of such delegation is the administration of pharmacy benefits to a PBM. MCS remains accountable for all functions carried out by the Delegated Entity. For more information, refer to *MCS-Policy-006 Effective System for Routine Monitoring and Auditing* and related procedures.

ROUTINE MONITORING AND IDENTIFICATION OF FWA

MCS engages in a variety of monitoring activities focused proactively on identifying potential non-compliance and FWA among its operational areas and First Tier Entities. MCS revises and refines its monitoring activities aimed at potential non-compliance, and FWA as new schemes and methods are uncovered in the industry and on a risk basis. MCS conducts periodic meetings and maintains communication with First Tier Entities regarding processes and policies to prevent, identify and report potential or actual non-compliance and FWA.

MCS through the Special Investigations Unit (SIU) performs effective monitoring in order to prevent and detect FWA which rely primarily on data analysis to identify patterns of aberrant and potentially abusive utilization and other forms of FWA are conducted by MCS and by First Tier Entities, as required. For more information, related to these monitoring activities, refer to *MCS-Policy-006 Effective System for Routine Monitoring and Auditing* and related procedures.

FWA REPORTING

MCS, through the SIU prepares periodic reports for presentation to the CCO, including, data trends, cases investigated, and submitted to the I-MEDIC and other regulatory and law enforcement agencies and recovery amounts. For more information, related to FWA Reporting activities, refer to *MCS-Policy-007 Prompt Response to Compliance Issues*, and related procedures.

EXCLUSION FROM FEDERAL PROGRAMS

MCS abides by CMS's requirement to screen all individuals and entities excluded from participation in Federal Health Care Programs. This takes place through screening of new employees, temporary employees, consultants, members of the Board, and FDRs, at time of hire, appointment or execution of a contract and monthly thereafter.

MCS screens individuals and entities at the time of hire, appointment or execution of a contract, and monthly thereafter against the exclusion list maintained by the Office of the Inspector General

("OIG") of the Department of Health and Human Services, and the list maintained by the General Services Administration ("GSA"). If the name of an individual or entity appears on either the OIG or GSA list, MCS will not contract with that individual or entity and, if a relationship exists, the same will be terminated.

In addition, MCS screens against the Preclusion List, issued by CMS, to identify providers and prescribers who are precluded from receiving payment for Medicare and Medicaid items and services, and/or Part D drugs furnished or prescribed to Medicare and Medicaid beneficiaries.

FDRs are responsible for ensuring a process is in place to screen both potential and actual employees, contracted and/or individual entities against the OIG and GSA exclusion lists and the preclusion list and report to MCS on a periodic basis. For more information, refer to *MCS-Policy-006 Effective System for Routine Monitoring and Auditing* and related procedures.

VII. PROCEDURES AND SYSTEM FOR PROMPT RESPONSE TO COMPLIANCE ISSUES

MCS has established and implemented policies and procedures for promptly responding to compliance issues as they are raised, investigating potential compliance problems as identified in the course of self-evaluations and audits, correcting such problems promptly and thoroughly to reduce the potential for recurrence, and ensuring ongoing compliance with regulatory requirements.

PROMPT RESPONSE

MCS implements appropriate corrective actions in response to potential noncompliance or potential FWA. MCS initiates a reasonable inquiry as quickly as possible, but not later than two (2) weeks after the date the potential non-compliance or potential FWA incident was identified. The corrective actions are designed to correct the underlying problems that result in program violations and to prevent future noncompliance. A root cause analysis determines what caused or allowed the FWA problem or deficiency to occur. The corrective actions are tailored to address the particular FWA problem or deficiency identified and include timeframes for specific achievements. MCS adheres to the CMS defined levels of corrective action based upon its published audit protocols.

Details regarding the format for responses and actions required are included in the policy *MCS-Policy-007 Prompt Response to Compliance Issues*, and related procedures.

SELF-REPORTING FWA AND NON-COMPLIANCE

MCS recognizes self-reporting of potential FWA and non-compliance issues are an important practice in maintaining an effective compliance program. If after a preliminary investigation of the matter by the CCO or a delegated member of the Compliance Department, it is determined that a potential misconduct has occurred, MCS will report the issue to the appropriate regulatory agencies, such as I-MEDIC, Office of Inspector General (OIG), CMS, Office of the Commissioner

of Insurance (OCI), Puerto Rico Health Insurance Administration (PRHIA) and any other applicable federal or local agency.

If MCS discovers an incident of significant or serious Medicare program non-compliance, MCS reports the incident to its CMS Account Manager as soon as possible after its discovery.

For more information, refer to *MCS-Policy-007 Prompt Response to Compliance Issues* and related procedures.

CORRECTIVE ACTIONS

MCS undertakes appropriate actions in response to potential noncompliance or potential FWA. The MCS operational area or First Tier Entity identified as responsible for a deficiency must develop and submit an action plan following MCS's standard format and tailored to address the deficiencies to the Compliance Department within the timeframe established by the Compliance Department.

Failure to develop and implement action plans, as required, and/or ethical violation(s) are subject to enforcement or disciplinary actions. Enforcement or disciplinary actions may include remedial steps described under the **ENFORCEMENT OR DISCIPLINARY ACTIONS** section. For more information, refer to *MCS-Policy-007 Prompt Response to Compliance Issues* and related procedures.

CONCLUSION

Your commitment to act in compliance and follow this Compliance Program maintains a culture of integrity in MCS. You can access the MCS Compliance Program through MCS Compliance 360, Policy and Procedures (Corporate Policies, Code of Conduct and Compliance Program Folder). Thank you for your individual and group efforts to achieve our shared goal.

DEFINITIONS

1. **ASES:** Spanish acronym for the Puerto Rico Health Insurance Administration, a public corporation having full legal capacity to administer and enter into contracts with private health care service providers to the medically indigent population of Puerto Rico.
2. **Centers for Medicare and Medicaid Services (CMS):** The Federal agency within the Department of Health and Human Services (DHHS) that administers the Medicare program.
3. **FDR: First Tier, Downstream and Related Entity**
 - **First Tier Entity:** is any party that enters into a written arrangement, acceptable to CMS, with an MAO or Part D plan sponsor or applicant to provide administrative services or health care services to a Medicare eligible individual under the MA program or Part D program. (See, 42 C.F.R § 422.501 and § 423.501).
 - **Downstream Entity:** is any party that enters into a written arrangement, acceptable to CMS, with persons or entities involved with the Medicare Advantage (MA) benefit or Part D benefit, below the level of the arrangement between a Medicare Advantage Organization (MAO) or applicant or a Part D plan sponsor or applicant and a first tier entity. These written arrangements continue down to the level of the ultimate provider of both health and administrative services. (See, 42 C.F.R. § 422.501 and §, 423.501).
 - **Related Entity:** means any entity that is related to an MAO or Part D sponsor by common ownership or control and performs some of the MAO or Part D plan sponsor's management functions under contract or delegation; furnishes services to Medicare enrollees under an oral or written agreement; or leases real property or sells materials to the MAO or Part D plan sponsor at a cost of more than \$2,500 during a contract period. (See, 42 C.F.R. § 422.501 and §423.501).
4. **HIPAA:** The Health Insurance Portability and Accountability Act is a federal legislation approved by Congress regulating the continuity and portability of health plans, mandating the adoption and implementation of administrative simplification standards to prevents, fraud, abuse, improve health plan overall operations and guarantee the privacy and confidentiality of individually identifiable health information, among others requirements.
5. **I-MEDIC:** Qlarant is the Medicare Part C and Part D program integrity contractor for the Centers for Medicare & Medicaid Services (CMS) under the Investigations Medicare Drug Integrity Contract (I-MEDIC). The purpose of the I-MEDIC is to detect and prevent fraud, waste and abuse in the Part C (Medicare Advantage) and Part D (Prescription Drug Coverage) programs on a national level.
6. **OCI:** Acronym for the Office of the Commissioner of Insurance of Puerto Rico. It is responsible for authorizing, regulating and auditing persons or entities who engage in the insurance business in Puerto Rico.
7. **PBM:** Acronym for the Pharmacy Benefits Manager contracted to provide services with pharmacy networks, to process and adjudicate pharmacy claims, and manage preauthorization for medication, among other functions.



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