

COMPLIANCE PLAN
FOR
AMSTERDAM NURSING HOME CORPORATION (1992)

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COMPLIANCE PLAN FOR AMSTERDAM NURSING HOME

I. GENERAL STATEMENT AND CODE OF CONDUCT

Amsterdam Nursing Home (“Amsterdam”) is committed to integrity as the fundamental guiding principle for the actions of all our employees and any others who act on Amsterdam’s behalf (“Agents”), and has prepared this Compliance Plan (“Plan”) to specify the rules and policies applicable to the maintenance of this commitment. The Plan applies to all Amsterdam employees (including for all purposes of this Plan, physicians and nurses who provide services at Amsterdam) directors, officers and Agents. Amsterdam expects outside colleagues, e.g., vendors, consultants and others whose actions could be attributed to Amsterdam, to adhere to the same standards in their dealings with us and with others on our behalf. Our mission is to improve the health of the residents we serve by providing superlative, effective health care worthy of regional, national and international renown. The guidelines contained in this Plan are designed to assist you in making the right choices with respect to matters covered by the Plan. In addition, when any such matter arises, you should not rely solely on your own judgment but should discuss the matter in full with your supervisor, department head or Amsterdam’s Compliance Officer. It is your responsibility to provide an Amsterdam authority with full and timely disclosure of the facts that give rise to a compliance problem through any one of the reporting procedures outlined in Section X, *Compliance with the Plan*. Amsterdam further requires its employees and Agents to assist in implementing policies or procedures designed to obtain or maintain compliance. Indeed, adherence to the Plan is a

significant element in evaluating employees and Agents. Individuals having supervisory authority are responsible for assuring consistent adherence to the letter and spirit of this Plan and any related procedures. In addition to this Plan, there are other Amsterdam policies and procedures, many of which are required by New York law, with which employees must comply, and distribution of this Plan is not intended to imply that this Plan sets forth all of the obligations of an employee or Agent of Amsterdam.

If you have any good faith suspicion that a director, officer, employee or Agent, or any party with whom Amsterdam deals, has engaged or is engaging in any behavior that may be improper or inconsistent with the Plan or the law, you should report it immediately in accordance with the methods outlined in Section X, *Compliance with the Plan*. Anything that would constitute improper or questionable behavior on the part of a director, officer, employee or Agent is also unacceptable if engaged in through a third party, such as a spouse, other family member, friend or any other person or entity with whom the employee is closely identified or in which he or she has any significant ownership or financial interest or position. If a violation of this Plan is established, any responsible director, officer, employee or Agent is subject to discipline, which may include termination of employment, and reporting of misconduct to any appropriate government authorities.

While this Plan imposes certain requirements that may be more stringent than those mandated by law, we believe that all persons associated with Amsterdam must conduct themselves with the highest level of integrity. The willingness of each of us to raise ethical and legal concerns is essential. Ultimately, the responsibility for ethical behavior rests with each of us in the exercise of our independent judgment.

The following Code of Conduct is intended to guide Amsterdam directors, officers, employees and Agents:

LEGAL AND ETHICAL REQUIREMENTS

- Amsterdam, its employees and contractors will comply with all laws, rules and regulations that pertain to Amsterdam Nursing Home.
- Amsterdam, its employees and contractors will use high ethical standards and use good judgment.
- Amsterdam, its employees and Agents shall deal fairly and honestly with those who are affected by our actions and shall treat them as we would expect them to treat us if the situation were reversed.

RESIDENT RELATIONS

- Amsterdam, its employees and contractors will provide resident care that is medically necessary and appropriate in a respectful and dignified manner, without regard to race, color, creed, religion, gender, sexual orientation, national origin, age, disability, source of payment, or other classification prohibited by law.
- Amsterdam, its employees and contractors will not be verbally, mentally or physically abuse its residents and will not inappropriately use physical or chemical restraints.
- Amsterdam, its employees and contractors recognize the residents' rights to make informed decisions about medical treatment and advanced directives.
- Amsterdam employees will report incidents of mistreatment, neglect or abuse of residents to their supervisors, the administrator of the facility or the Compliance Officer, who in turn will handle these reports as required by law.
- Amsterdam is committed to providing the care and services necessary to attain or maintain its residents' highest practicable physical, mental and psychosocial well-being.

CONFIDENTIAL INFORMATION AND RECORD KEEPING

- Amsterdam, its employees and contractors will protect and keep private the information created or used at Amsterdam including resident medical records, staff data, financial data, statistical information, purchasing agreements and contracts.
- Amsterdam, its employees and contractors will retain, store and dispose of resident and business records as required by law and standard business practices.

BILLING FOR SERVICES

- Amsterdam and all its employees and contractors will code, bill, and submit claims for reimbursement for resident medical and custodial care that is provided according to legal requirements and agreements with Medicare, Medicaid, insurance companies and residents.
- Amsterdam will submit claims to Medicare, Medicaid, insurance companies and residents only for equipment, medical supplies and services that are medically necessary and will not submit claims for items or services not ordered or not provided.
- Amsterdam will comply with all Medicare and Medicaid requirements in the preparation and submission of reports concerning the costs of its operations.

BUSINESS PRACTICES

- Amsterdam will choose suppliers, vendors, contractors and consultants based upon fair, competitive practices and objective factors including quality, price, service and delivery.

CONFLICTS OF INTEREST

- Amsterdam employees will avoid situations or conduct that may involve a conflict between their personal interests and the interests of Amsterdam or its residents, as discussed in Part VI(B) of this Compliance Plan.

WORKPLACE PRACTICES

- Amsterdam prohibits discrimination in employment or contracting based on race, color, creed, religion, gender, sexual orientation,

national origin, age, disability, citizenship status, disability or other classification prohibited by law and prohibits sexual harassment.

- Amsterdam will make certain that all licensed professionals at Amsterdam have all their required licenses and certifications and that all employees and vendors of Amsterdam have not been excluded from participation in Medicare or Medicaid.

Your commitment to the Plan is imperative. It is our vehicle to furthering Amsterdam's mission to provide quality care to residents in an environment that fosters integrity among the employees and Agents of Amsterdam. Because the actions of some of our outside colleagues, *i.e.*, vendors, consultants and others could, under certain circumstances, be attributed to Amsterdam, we expect them to adhere to the same standards in their dealings with us and with others on our behalf.

In addition to the guidelines set forth specifically within this Plan, all of us have an obligation to be familiar with, and follow, those existing Amsterdam policies and procedures covering our responsibilities at Amsterdam. Any employee or Agent who has a question regarding our policies, or the application or interpretation of the Plan, should use the procedure specified in Section X of this Plan, entitled "*Compliance with the Plan.*"

II. CONDUCTING AMSTERDAM'S BUSINESS

Amsterdam's activities require the handling of, or accounting for, numerous transactions each day and the provision of care and medical treatment to all of its residents. We must have strict rules to guard against fraud, dishonesty and resident or patient neglect and abuse. We also need guidelines for handling these problems should they occur.

If you detect or suspect fraud, dishonesty, neglect or abuse on the part of any employee or Agent of Amsterdam or any person with whom Amsterdam deals, you should report

it immediately so that the appropriate investigation is initiated. Please use the procedure specified in Section X of this Plan entitled “*Compliance with the Plan.*”

Any evidence of fraud, dishonesty, neglect or abuse will be reviewed by the Compliance Officer, and where appropriate, the Compliance Officer will consult with Amsterdam’s legal counsel. If evidence of a crime is established, any involved employee or Agent is subject to termination. Referral will be made to an appropriate law enforcement agency for prosecution when appropriate.

A. Medical Necessity and Quality of Care

Through the efforts of each employee and Agent, Amsterdam is committed to the provision of quality care to each of our residents and to ensuring that the services for which Amsterdam bills meet applicable standards of medical necessity (see also Part III). The provision of quality care has many components including efforts to:

- Staff in such a way that individual nursing care assignments are based upon resident needs, skill levels and individual personnel abilities;
- Communicate in such a way that nursing personnel are able to adequately inform physicians to facilitate the interpretation and processing of diagnostic and therapeutic orders given for resident care and to provide for their implementation and coordination;
- Provide resident care in such a way that nursing personnel administer appropriate medications, provide all treatments and, in general, facilitate the best possible resident outcomes;
- Maintain all information received from or about a resident in a confidential manner so that the information is only shared with appropriate facility personnel or other authorized individuals for the benefit of the individual involved;

- Conduct care and discharge plans in such a way that each resident is evaluated on an ongoing basis to determine care needs and discharge status, receives the necessary care and is encouraged and assisted to return home if at all possible;
- Provide resident education in such a way that nursing personnel instruct residents and/or families as necessary concerning treatments, conditions and medications in keeping with professional and legal guidelines;
- Maintain all nursing facility records, care plans and reports in accordance with facility policies and procedures;
- Address safety in such a way that all employees are able to recognize possible safety hazards and demonstrate proper protocol to follow in the event of such hazards; and
- Orient all employees completely to the facility and appropriate policies and procedures.

With our commitment to quality care also comes our responsibility to recognize and bring attention to those practices or instances when quality care could be, is or has been jeopardized. As a condition of continued employment, every employee is required to bring to the attention of his or her supervisor and/or the Compliance Officer all such instances, including any suspected instances of resident abuse or neglect. To the extent a supervisor appears unresponsive to any concern regarding quality of care raised by any employee, the employee is expected to raise the concern with the Compliance Officer or his/her delegates.

Amsterdam will review and analyze the results of any government surveys of the facility, to ensure that all quality of care deficiencies or concerns cited in the surveys have been addressed fully and effectively, and where appropriate, will train or retrain employees to ensure that patient care standards are met or exceeded.

B. Compliance With Anti-Kickback Statutes and Corrupt Influence Statutes

Federal and New York State laws that are commonly referred to as anti-kickback statutes specifically prohibit any form of kickback, bribe or rebate made directly or indirectly, overtly or covertly, in cash or in kind to induce the purchase, recommendation to purchase or referral of any kind of health care goods, services or items paid for by Medicare or the Medicaid program. The term “kickback” as defined in these statutes means the giving of remuneration, which under these laws means anything of value, including cash, gifts or trips. Under the federal law, the offense is classified as a felony and is punishable by fine and imprisonment for up to five years.

To list everything that may constitute an improper inducement under the anti-kickback laws would not be possible, but Amsterdam and its employees must scrupulously avoid offering or receiving an improper inducement. Care must be taken in structuring relationships between Amsterdam and others to avoid a situation where Amsterdam appears to be offering an improper inducement to those who may be in a position to refer or influence the referral of residents to Amsterdam, or a situation in which Amsterdam or its employees appear to be receiving an improper inducement for referring residents to others.

The Office of the Inspector General (OIG) of the Department of Health and Human Services has issued safe harbor regulations, fraud alerts and other guidance with respect to arrangements that may violate the anti-kickback statutes. For example, the offering of free goods or services, or those priced below market value, to hospitals, physicians, or home care companies, for the purpose of influencing them to refer residents to, or utilize the professional services offered by, Amsterdam would be improper. Also, interest-free loans, below-market

rents or excessive payments for administrative services to physicians or other health care providers in a position to refer residents would be improper.

Similarly, as a provider of resident care, Amsterdam and its employees should not receive any improper inducement from its vendors of goods and services to influence it in making decisions regarding its own purchase of goods or services. Examples of such improper inducements would be the acceptance by Amsterdam or its employees of free goods or services, or those priced below market value, from vendors of goods and services to Amsterdam or its residents where the provision of such free or below market priced goods or services can arguably be construed as an attempt to influence Amsterdam or its employees to purchase, refer or recommend to residents particular providers of goods and services that would be paid for by the Medicare or Medicaid program. There are certain exceptions to these rules, including those that permit discounts, rebates and allowances under appropriate circumstances, provided there is proper disclosure of the discount or other remuneration to third-party payors such as Medicare or Medicaid. Given the complexity of those rules, no free goods or services, discounts, rebates, or allowances should be accepted, by an employee personally or on behalf of Amsterdam, without prior approval of the Compliance Officer.

Other federal and state laws known as “Stark” or “physician self-referral” laws prohibit Amsterdam from billing for certain types “designated health services” (e.g., physical therapy, x-rays, laboratory services and pharmaceuticals) if the physician who orders those services, or his or her family member, has a financial relationship with the entity furnishing the services, unless the financial arrangement satisfies one of the exceptions to such laws. Given the complexity of these laws, all arrangements between Amsterdam and physicians, between

Amsterdam and companies owned by physicians, should not be entered into without prior review by the Compliance Officer, who shall, where appropriate, consult with Amsterdam's legal counsel.

It is also a violation of Amsterdam's policy, and an offense for which dismissal may be considered, for any officer, employee or any other person acting on behalf of or in the name of Amsterdam to make or authorize the paying of any bribe, any payment for an illegal act or any other use of an Amsterdam resource which, although arguably not illegal, could be interpreted as improper or unwarranted.

In general, any money, property or favor offered or given to induce someone to forego normal business or professional considerations in making decisions that affect Amsterdam constitutes improper use of a resource. Equally improper is any payment of any kind to consultants, agents, brokers, attorneys, other individuals or firms if there is reason to suspect that some or all of the payment is to be used to do anything that is prohibited by this Plan.

One useful test to apply in determining whether a payment -- or any other transaction -- is proper is whether such transaction, if disclosed publicly, could adversely affect the reputation of Amsterdam. Another useful principle to follow is not to give anything to a vendor, client or other person doing business with Amsterdam which you could not yourself accept under Amsterdam's policies (see *Gifts and Entertainment* below) if it were offered to you under similar circumstances. If you have any doubts as to whether a payment is lawful, you should consult the Compliance Officer.

Any question concerning these laws or any existing business arrangement that may be subject to anti-kickback or anti-referral laws should be directed to your supervisor, or the

Compliance Officer, who may consult with Amsterdam's legal counsel, which has access to federal government (including OIG) guidance on these matters. In addition, before entering into any new business or contractual relationship or joint venture with any person or organization that may raise a question under the anti-kickback laws or the anti-referral laws, or with any physician or other health care practitioner who makes or may make referrals to Amsterdam, you must obtain approval from Amsterdam's Compliance Officer, who may consult with Amsterdam's legal counsel.

C. Contracts, Agents, Vendors, Exclusion

All contracts must be submitted for review by the CFO of Amsterdam, who will consult with the relevant department supervisor. Generally, all contracts must be executed by the CEO or COO of Amsterdam. The finance office maintains the original copy of every contract. All contractual relationships between Amsterdam and potential referral sources, such as physicians and hospitals, are reviewed by legal counsel to confirm compliance with law.

In connection with all contractors and vendors, Amsterdam has verified that none of those vendors are listed on the HHS/OIG List of Individuals and entities excluded from government health care programs (available through the Internet at <http://www.hhs.gov/progorg/oig/cumsan/index.htm>) or on the Federal General Services Administration list of debarred contractors, known as the "List of Parties Excluded From Federal Procurement and Nonprocurement Programs" (available at www.arnet.gov/epl). Hereinafter, Amsterdam will review the exclusion lists annually, and prior to entering into or renewing any contracts. If Amsterdam has notice that a contractor becomes excluded from a government health care program, Amsterdam will remove such contractor from responsibility for, or

involvement with, Amsterdam's business operations related to the government health care programs and shall remove such contractor from any position for which services rendered, ordered, or prescribed by the excluded contractor are paid in whole or part, directly or indirectly, by government health care programs until such time as the contractor is reinstated into participation in the government health care programs. Further, hereinafter, Amsterdam shall require that each of its vendors ensure that it has verified that no employee or contractor of such vendor who provides services in connection with Amsterdam has been excluded or sanctioned by a federal health care program, and that it will immediately remove any such employees or contractors from service at Amsterdam in the event that such employees or contractors become so sanctioned or excluded.

If Amsterdam has notice that a contractor is charged with a criminal offense related to any government health care program, or is being investigated for possible exclusion during the term his or her contract, Amsterdam shall take all appropriate actions to ensure that the responsibilities of that contractor do not adversely affect the quality of care rendered to any resident or resident, or the accuracy of any claims submitted to any government health care program.

D. Tax Issues

Amsterdam is a not-for-profit corporation, exempt from taxation by the federal, state and local governments. Violation of the tax law can give rise to criminal penalties as well. Questions on tax issues should be referred to the Compliance Officer.

In order to maintain federal tax exempt status, which is critical to Amsterdam's survival, Amsterdam must operate for the benefit of the community and must avoid what the tax

law calls “private inurement” and “private benefit.” Accordingly, all nonexempt individuals or entities must pay fair market value for use of the services or property of Amsterdam. Revocation of an organization’s tax-exempt status is the most extreme civil penalty available to the IRS. However, charitable organizations are also subject to civil penalty excise taxes known as “intermediate sanctions” that may be financially severe and that, in any degree, would damage Amsterdam’s reputation. Intermediate sanctions may be imposed on persons in a position to exercise substantial influence over the affairs of an organization exempt from taxation under § 501(c)(3) (“insiders,” such as directors and officers) who engage in an “excess business transaction” with the organization, such as entering into a non-fair-market-value transaction or receiving unreasonable compensation. Penalties could be imposed on any officer, director or trustee, or individual employee having similar powers or responsibilities, who knowingly participates in a transaction that is questionable under tax law as being excessive or unreasonable in its compensation terms. An example of a transaction that could be problematic is one where a not-for-profit nursing home pays excessive fees to a medical supply company that is owned by one of the directors or officers.

Care must also be taken that Amsterdam’s sales tax exemption is used only for legitimate nursing facility activities. Personal items should not be purchased through Amsterdam, even if Amsterdam is reimbursed by the employee.

All appropriate taxes must be withheld from employees’ wages, and the use of a purchase order to compensate individuals must be limited to true independent contractors and first cleared by Chief Financial Officer or the Compliance Officer.

E. Bad Debts & Credit Balances

The Medicare and Medicaid programs require particular reporting of bad debts and credit balances. Amsterdam shall, on at least an annual basis, review its methods for reporting bad debts and credit balances to ensure that such methods provide for timely and accurate reporting and comply with federal and state statutes and regulations. In conducting such review, the Compliance Officer shall consult with Amsterdam's legal counsel or any qualified professional organization such as a law firm, accounting firm or consulting firm. Such a review should ensure that Amsterdam has established reasonable procedures for collecting beneficiary deductibles or co-payments and has not claimed as bad debts any routinely waived Medicaid or Medicare co-payments and deductibles which waiver also constitutes a violation of the anti-kickback statute. Such a review should also ensure that appropriate accounting mechanisms exist to segregate resident accounts reflecting credit balances, thereby facilitating the tracking of such credit balances for verbal processing of reimbursement to the Medicaid or Medicare programs or other applicable payors.

On a periodic (at least annual) basis, Amsterdam shall review bad debt expenses and credit refunds actually reported to Medicare to ensure the accuracy of such numbers. Amsterdam shall designate one individual in the Finance Department to track records and report bad debt expenses and credit balances on a periodic basis.

All personnel in the Finance Department shall undergo specialized compliance training concerning applicable policies and procedures of Amsterdam and the federal and state statutes and regulations. Questions or concerns regarding bad debt and credit refund reporting procedures should be brought to the attention of the Department head or the Compliance Officer, who, if necessary, shall consult with the fiscal intermediary.

F. Environment, Health and Safety

In the course of Amsterdam's operations, hazardous materials and infectious wastes are sometimes used or generated. Amsterdam is financially and legally responsible for the proper handling and disposal of these materials. Environmental responsibility is also an important component of our duty to the public and our good reputation.

It is essential that everyone at Amsterdam who deals with hazardous materials and infectious waste complies with environmental laws and regulations, and follows the environmental safety procedures explained in Amsterdam's programs and existing manuals. Employees are also expected to ensure that Amsterdam:

- Complies with all laws and regulations governing the handling, storage and use of hazardous materials, other pollutants and infectious wastes;
- Complies with its permits (if any) that allow it to safely discharge pollutants into the air, sewage systems, water pollution control facilities, or onto or into land;
- Hires only reputable licensed services to transport and dispose of hazardous and/or polluted materials and infectious wastes; and
- Accurately maintains the records required by the environmental laws and regulations, including those that require precise description of the amount, concentration, and make-up of hazardous materials or other regulated pollutants and infectious wastes that are used, stored, discharged or generated; and the time, place of origin, destination and transporter of hazardous materials, and discharge of pollutants. None of these records may be destroyed without the express permission of the Compliance Officer.

No one at Amsterdam may participate in concealing improper discharge or disposal of hazardous materials, pollutants or infectious wastes. Any Agent or employee who has reason to believe that there have been violations of this or any other aspect of Amsterdam's

environmental compliance procedures should report immediately to the Compliance Officer, who will initiate an investigation and, if appropriate, will notify appropriate government agencies as required by law.

Before proceeding to act on any instruction of questionable propriety, or to take any environment-related action about which they are unsure, employees are expected to discuss their questions with the appropriate responsible person or Amsterdam's Compliance Officer. The consequences of environmental violations are very serious. It is never wrong to ask; it is always wrong to act when in doubt.

Both federal and state laws regarding the promotion of occupational safety and avoidance of job related hazards are designed to ensure that each of us works in a safe environment and that our residents live in a safe environment. Due regard and attention should be paid to these laws and regulations. Each of us plays a valuable role in providing the services of Amsterdam. Without a safe and non-hazardous environment in which to work, none of us can achieve the goals of quality resident care and community service to which we strive. Should you notice a potential or actual infringement of the laws and rules regarding occupational safety, advise your supervisor or Amsterdam's Compliance Officer immediately.

G. Pharmaceuticals, Prescription Drugs, Controlled Substances

Certain of Amsterdam's employees have responsibility for or access to prescription drugs, controlled substances, drug samples and other regulated pharmaceuticals such as hypodermic needles. Amsterdam is legally responsible for the proper distribution and handling of these pharmaceutical products. Federal, state and local laws covering prescription drugs and controlled substances are intended to maintain the integrity of our drug distribution

system and protect consumers by assuring that prescription drugs are safe, properly labeled and administered to the proper residents.

These laws include prohibitions against diversion of any prescription drug or controlled substance, including a drug sample, in any amount and for any reason to an unauthorized individual or entity. The distribution of adulterated, misbranded, mislabeled, expired or diverted pharmaceuticals is a violation of federal and state law for which severe criminal penalties may be imposed on individual violators as well as on Amsterdam.

It is Amsterdam's policy that all employees be both diligent and vigilant in carrying out their obligations to handle and dispense prescription drugs and controlled substances in accordance with all applicable laws, regulations and Amsterdam procedures. These Amsterdam procedures and policies are available from the Human Resources Department. Every employee or Agent authorized to prescribe, dispense, or handle prescription drugs or controlled substances is expected to maintain the highest professional standards in safeguarding pharmaceuticals of all kinds and in preventing unauthorized access to them. This includes adherence to laws and regulations governing procedures for securing scheduled controlled substances and for their return or destruction.

No prescription drug or controlled substance may be sold, transferred or otherwise distributed unless authorized by a written Amsterdam policy or authorized by the appropriate Amsterdam individual charged with such responsibility.

Any violation of any law or of any Amsterdam policy involving prescription drugs, controlled substances or other pharmaceuticals will constitute grounds for dismissal. Each employee is expected to protect Amsterdam's integrity by safeguarding the drugs entrusted to us

for appropriate institutional medical use. If you become aware of any potential lapses in security, or any actual infringement of any law, policy or regulation relating to drugs, you must advise your supervisor or Amsterdam's Compliance Officer immediately.

H. Trade Practices and Antitrust

Antitrust laws are designed to preserve and foster fair and honest competition within the free enterprise system. To accomplish this goal, the language of these laws is deliberately broad, prohibiting such activities as "unfair methods of competition" and agreements "in restraint of trade." This language gives enforcement agencies the right to examine many different business activities to judge their effect on competition.

Amsterdam's policy requires full compliance with the letter and spirit of all antitrust laws. No employee, under any circumstances, has the authority to approve a violation of the law. Anyone who violates the law or knowingly permits a subordinate to do so is subject to disciplinary action, including demotion or dismissal.

Penalties for antitrust violations are severe for Amsterdam and for the individual.

They include the following:

- Imprisonment of individuals;
- Substantial fines against Amsterdam and against the individual for each criminal offense;
- Payment of treble damages, plus attorneys' fees and litigation costs, to firms or individuals injured by the violation; and
- Injunctions or consent decrees prohibiting certain activities. Consent decrees can seriously limit a company's future freedom to engage in business activity and can be applied across a broader scope than was involved in the original alleged violation.

The greatest danger for violations of antitrust laws rests in contacts with Amsterdam's competitors. Antitrust laws make illegal any agreement or understanding, expressed or implied, written or oral, that restricts competition or interferes with the ability of the free market system to function properly. In the eyes of the law, good intentions, customer benefits or consumer benefits do not justify or excuse violations.

There can be two different types of interaction with competitors. First, the contact with competitors may arise as part of a legitimate business transaction among or between the parties. It is obvious that some transactions, such as joint purchasing or marketing agreements, must be evaluated under the antitrust laws; while the antitrust risks of other transactions may not be readily apparent. But our personnel must be ever mindful of the antitrust implications, if any, of every transaction among or between competitors. Exclusive purchasing or sales contracts, an unusual pricing formula, or other agreements with physicians, suppliers, insurance companies or residents may cause antitrust problems.

Second, the contacts with competitors may occur outside the context of a business transaction among or between nursing homes. For example, competitors may meet as part of a gathering of members of a professional association, at trade shows or possibly at social events. Sometimes, at these professional association gatherings or similar events, representatives of various nursing facilities may meet to discuss quality of care issues at their respective facilities. Those type of discussions — relating to resident care or quality of services — are permissible, and Amsterdam employees and officers may have these discussions and take all other efforts that are designed to improve the quality of care furnished to Amsterdam's residents. Sometimes, however, general conversations about nursing home business and financial matters, followed by

similar actions by more than one nursing home may be misconstrued as an implied agreement by the nursing homes to take certain joint action, even if at the time of the conversations, the nursing home representatives thought their conversations were harmless. Amsterdam employees must be aware that in a government investigation, every communication, written or oral, will be scrutinized, even if those conversations take place in a casual setting.

Therefore, you should not engage in discussions with Amsterdam's competitors regarding the circumstances under which business will be conducted with suppliers, referral sources or residents. Most significantly, you should never have discussions with representatives of other nursing homes regarding the prices or reimbursement levels of Amsterdam or of other nursing facilities — these discussions are illegal under federal antitrust laws. Two competitors should not share this information directly between themselves, even if the information is available through public sources. Further, you should avoid discussions regarding the future business plans of Amsterdam or those of its competitors. Finally, you should not have conversations with Amsterdam's competitors about marketing efforts, because those conversations could be misinterpreted as a plan between Amsterdam and the other nursing homes to divide up the "market" for nursing home residents (for example, Amsterdam agrees to market only to hospitals, home care companies and individuals who are in Manhattan north of 110th Street, while another nursing home agrees to concentrate its marketing efforts to other parts of the city.) Dividing up the market is a violation of antitrust laws.

These points do not include every instance in which federal and state antitrust laws may apply. If you have questions or are uncertain about how they may apply to certain activity, contact Amsterdam's Compliance Officer.

I. Proper Use of Amsterdam's Assets

It is absolutely against Amsterdam's policy, and an offense for which dismissal will be considered, for any officer, management employee, or any other employee or other person acting on behalf of or in the name of Amsterdam, to make or authorize the paying of any bribe, any payment for an illegal act or any other use of an Amsterdam resource which, although arguably not illegal, could be interpreted as improper or unwarranted if subjected to the light of public disclosure. Further, established accounting practices and procedures must be followed to assure the complete and accurate recording of all transactions.

If you become aware of any improper use of, or accounting for, Amsterdam's resources, you should report the matter immediately to your supervisor as to Amsterdam's Compliance Officer.

All managers are responsible for the establishment of appropriate internal accounting controls over all areas under their supervision to ensure the safeguarding of Amsterdam's assets and the accuracy of its financial records and reports. All employees, within their respective areas of responsibility, are expected to adhere to these established controls.

In general, any money, property or favor offered or given to induce someone to forego normal business or professional considerations in making decisions that affect Amsterdam constitutes improper use of a resource. Equally improper is any payment of any kind to consultants, agents, brokers, attorneys, other individuals or firms if there is reason to suspect that some or all of the payment is to be used to do indirectly anything that is prohibited by this Plan from being done directly.

A useful test to apply in determining whether a payment — or any other transaction — is proper is whether the transaction, if disclosed publicly, could adversely affect Amsterdam’s reputation. Another useful principle to follow is not to give anything to a vendor, client or other person which you could not yourself accept under Amsterdam’s policies (*See* Section II(J) below, entitled “*Gifts and Entertainment*”) if it were offered to you under similar circumstances. If you have any doubts as to whether a payment is lawful, you should consult your supervisor or Amsterdam’s Compliance Officer.

To be certain Amsterdam’s policies on proper use of resources are carried out, you are expected to observe the following longstanding accounting rules:

- Make outside payments only with a draft or check or through other properly documented sources. No payment on behalf of Amsterdam should be approved or made without adequate supporting documentation or with the intention or understanding that any part is to be used in any way other than described in the supporting documents.
- Do not establish any undisclosed or unrecorded corporate account, fund or asset for any purpose.
- Get proper authorization before opening any new account, either on Amsterdam’s books or with an outside agency, such as a bank.
- Do not use any account for a misleading purpose or to conceal the existence or use of any corporate resource.
- Record every payment to and every transaction with an outside party on Amsterdam’s books promptly, accurately and through normal financial reporting channels. If you are involved in or accountable for any such transaction, you are expected to make sure a prompt and accurate accounting is made.

You are expected to select Amsterdam’s business partners solely on their merits, in the best interest of Amsterdam, and without regard to non-business-related considerations.

The following examples illustrate the kinds of relationships with business partners that are prohibited:

- Personal financial involvement or ownership of a substantial interest that has not been disclosed and approved in accordance with Amsterdam's Conflict of Interest Policy (*See Section VI below, entitled "Employee Loyalty and Conflicts of Interest"*) in organizations with whom Amsterdam does business, such as vendors, suppliers, agents, customers, contractors, licensees or sponsors;
- Accepting or giving personal payments, services or loans from or to such organizations; and
- Ownership of property affected by Amsterdam's actions, or acquired as a result of Amsterdam-related confidential information.

Anything that would constitute improper or questionable behavior on the part of an employee is also unacceptable if engaged in through a third party, such as a spouse, family member, friend or any other person or entity with whom the employee is closely identified or in which he or she has any significant ownership or financial interest or position.

J. Gifts and Entertainment

Gifts and entertainment represent an area of potential conflict in situations where a competitive, regulatory or adversarial relationship could exist. Giving or accepting gifts and entertainment can sometimes be construed as an attempt unduly to influence the relationship.

Generally, you should not provide or accept gifts of more than nominal value or entertainment of greater than usual or customary expense. Gifts of money or receipt of money gifts are never permissible. Your judgment should tell you when a gift is improper and should be refused to prevent embarrassment and to avoid what may be an unintentional violation of the law.

Business entertainment can be a difficult area. Paying for or letting someone else pay for a business lunch or dinner or a trip to a sporting event or the theater may be permissible. However, a clear business purpose must be involved and the amount involved must be sufficiently small so as to be above reproach as a bribe or reward for any choice to do business with the person or entity that has paid for the vendor entertainment activity. Employees will be reimbursed for reasonable travel and entertainment expenses incurred for the benefit of Amsterdam that are necessary, legally incurred, properly authorized, and reported and approved in accordance with Amsterdam's administrative policies.

Federal and state laws restrict the ability to give a gratuity to government employees, including politicians. These laws specifically prohibit giving a gratuity to a government employee in connection with a business transaction. (*See Section V below, entitled "Doing Business with the Government."*)

III. CODING, DOCUMENTATION, BILLING AND PAYMENT STANDARDS

A. General Guidelines

It is the policy of Amsterdam that the appropriate codes for each service provided to a resident be documented and that all services be billed appropriately. Amsterdam personnel responsible for coding are expected to understand the rules relating to billing, whether for Medicare, Medicaid or commercial insurers, and to refer immediately any questions to the Compliance Officer prior to entering a resident status or other code. Incorrectly reported codes submitted to government health care programs may be considered false claims that could subject Amsterdam and/or the individual health care professional to substantial penalties. Accordingly, if coding and claim forms are prepared incorrectly by Amsterdam employees, such employees

may be subjected to discipline, up to and including termination. It is critical to Amsterdam that all codes and all claims submitted for reimbursement for medical services be appropriate and accurate.

Included among those billing and coding-related practices that are prohibited by Amsterdam are the following:

- Billing for items or services not rendered or provided as claimed;
- Billing for non-covered services as though they are covered services;
- Submitting claims for equipment, medical supplies and services that are medically unnecessary (See Section III.B. below);
- Misrepresenting the diagnosis or condition of a resident to justify services or equipment furnished;
- Altering billing or claim forms to obtain a higher payment amount;
- Applying for duplicative payments in an attempt to get paid twice;
- Misrepresenting the identity of the person receiving the services, dates of services, services received, or other associated information;
- Participating in schemes that involve collusion between a provider and a beneficiary, or between a supplier and a provider, and result in additional or higher costs or charges to the Medicare or Medicaid program;
- Billing based on “gang visits,” *e.g.*, a physician visits a nursing home and bills for 20-minute nursing home visits without furnishing any specific service to, or on behalf of, individual residents;
- Submitting claims to Medicare Part A for residents who are not eligible for Part A coverage;
- Failing to identify and refund credit balances;
- Submitting claims for items or services not ordered;

- Knowingly billing for inadequate or substandard care;
- Providing misleading information about a resident’s medical condition on the Minimum Data Set (“MDS”) or otherwise providing inaccurate information used to determine the Resource Utilization Group (“RUG”) assigned to the resident;
- Upcoding (designating a billing code for services that will result in greater payments than the code that accurately reflects the level of service provided) or “RUG creep” (falsely or fraudulently completing the MDS, which results in assigning a resident to a higher RUG category);
- Billing for individual items or services when they either are included in Amsterdam’s per diem rate or are of the type of item or service that must be billed as a unit and may not be unbundled (“unbundling” is billing separately for services that are included in a single payment rate);
- Billing residents for items or services that are included in the per diem rate or otherwise covered by the third-party payor;
- Forging physician or beneficiary signatures on documents used to verify that services were ordered and/or provided;
- Failing to maintain sufficient documentation to establish that the services were ordered and/or performed; and
- Preparing false cost reports.

The Compliance Officer will work with various departments within Amsterdam to arrange any necessary training in-house, or through outside programs, for appropriate finance and billing staff regarding these rules and their implementation. When finance and billing personnel make inquiry of an intermediary, other Medicare or Medicaid authority or other third party payor regarding a significant policy or procedure issue, they will, as necessary, document advice received from the payor; this will allow the Compliance Officer and other Amsterdam staff to identify third-party payor representations on which Amsterdam has relied in its cost

reporting and billing practices.

B. Medical Record Documentation Supporting Billed Services: Medical Necessity

Physicians' and allied health professionals' documentation in the medical record and all information on all encounter forms must support the services or procedures selected for billing. Accuracy in all respects, including accurate diagnoses, is essential. The general rules relating to documentation for all services and procedures furnished under Amsterdam's policy include documentation of the medical necessity of the service.

The identity of the individual providing the service should always be included in the medical record documentation. Where required for billing purposes or otherwise appropriate, the documentation for services and procedures should record the length of time spent in conducting the activity leading to the record entry. Medical records, notes and other documents should be appropriately organized and legible so they can be audited and reviewed.

Third party payors, including the Medicare and Medicaid programs, routinely provide reimbursement only for services that are medically necessary for the diagnosis and treatment of residents. Residents who pay out-of-pocket for their medical care or who pay a deductible for that care also routinely expect that the care provided to them by Amsterdam staff will include only those services that are medically necessary. Moreover, applicable professional legal and ethical standards require that physicians and other health professionals order tests, treatments, and use of treatment facilities only when warranted by the condition of the resident.

Services that are medically necessary to prevent, diagnose, correct or cure a condition include medical services and supplies that: (1) meet the resident's medical needs; (2)

reduce the resident's physical or mental disability; (3) restore the resident to his or her best possible functional level; or (4) improve the resident's capacity for normal activity. The judgment of medical necessity must be made in light of each resident's particular circumstances and each resident's ability to make use of the services and supplies. Further, the ordering physician or other health professional is responsible for assuring that appropriate but less expensive treatment alternatives have been considered, if any such alternatives exist.

C. Medicare and Medicaid Coverage; Secondary Payors

In order for Amsterdam to be reimbursed as a participating provider by the Medicare and Medicaid programs for services provided to residents, the resident must be eligible for coverage. For Medicare reimbursement, the resident must have been admitted to the long-term care facility within 30 days after the date of discharge from a three-day qualifying hospitalization, must be receiving services under the care of a physician who establishes a plan of care, and must have his or her eligibility certified and recertified in accordance with federal regulation and HCFA policy. In addition, the resident may receive no more than 100 days of skilled nursing care in each skilled nursing facility benefit period. For Medicaid reimbursement, the resident must have a physical or mental condition that requires services above the level of room and board, the resident must require services covered under the New York State Medicaid program that are available only through institutional facilities, and the services provided must be ordered by, provided under the direction of, and furnished pursuant to a plan of care established by a physician who has certified the resident's eligibility for nursing facility care.

Further, Medicare is considered a "secondary payor." Accordingly, Medicare will only reimburse for medical services furnished to eligible residents, if such residents do not have

health insurance that covers the same medical services. Therefore, Amsterdam carefully determines the availability to a resident of alternate insurance before submitting claims to Medicare for services that are also covered by such other insurance.

In order to ensure that Amsterdam complies with all eligibility and payor status of each resident, the facility checks and rechecks each resident's financial and insurance information. First, the Admissions Office verifies all resident insurance and financial information at the time of admission. As a follow-up, after ninety (90) days following the verification by the Admissions Office, but prior to submission of all claims to any residents or payors, the Finance Department re-verifies and documents the government or third-party payor status and/or Medicare or Medicaid eligibility for each resident.

D. Standards for Certain Billing and Accounting Procedures

Certain billing and accounting processes or procedures may reflect the existence of regulatory compliance issues. Such processes or procedures include the following:

1. *Medicaid Audits, Insurance Rejections and Declines*

The results of Medicaid audits, payment rejections, denials and recoupments from government payors or insurance companies can provide valuable insight into processes that are not functioning properly, such as resident registration, financial verification, coding and data entry. It is important that all copies of third party payor claims rejections received be analyzed in detail by a member of Amsterdam's billing staff, and the results must be provided to the Compliance Officer when it appears that there is a systemic or recurrent problem with specific categories of claims disallowances.

Analysis should include tracking by type of claim disallowance and by provider and a report should be made available to the Compliance Officer or designee at the time of quality monitoring review.

2. *No Charge Visits, Insurance Only Billings and Balance Write-offs*

If an insurance company or government payor is billed for a professional service, the resident is responsible for any out-of-pocket co-payments, deductibles and/or noncovered services. These amounts are not to be written-off unless attempts at collection have been made, financial hardship has been thoroughly established and documented, and, in the event of a Medicare or Medicaid resident, approval of the Compliance Officer has been obtained.

3. *Overpayments*

As payments are received, Amsterdam's finance staff will match all payments received to claims submitted to ensure that payments are not received in error. Payments received for which there was no bill submitted by Amsterdam must be researched and refunded expeditiously to the resident, government payor, or third party.

A billing compliance review may reveal instances of overbilled (miscoded) services or services that should not have been billed at all. If payment has been received for an overbilled service, Amsterdam's Compliance Officer shall be notified immediately, and shall determine whether a formal self-disclosure is required, and if so, shall be responsible for making such self-disclosure consistent with applicable statutes, regulations, guidance, and/or contractual provisions. In the event the Compliance Officer determines that no formal self-disclosure is required, the full amount must be refunded as soon as practicable with (i) a letter explaining the billing error, (ii) a new claim form with the corrected billing, and (iii) a request for the new claim

to be processed. If payment has been received for a service that should not have been billed at all, the full amount must be refunded as soon as practicable with a letter explaining the billing error.

Copies of billing error letters must be kept on file for six (6) years and noted in the appropriate billing ledger. All information regarding credit balances must be made available to the Compliance Officer or designee at his or her request.

E. Minimum Data Set (“MDS”)

As noted above, it is particularly important to accurately complete the MDS and any other form that evaluates a resident’s medical condition and affects reimbursement for services furnished to the resident. Therefore, Amsterdam ensures that all nurses responsible for completion of MDS first receive inside or outside training in proper completion of the form. Each MDS form is then reviewed by Amsterdam’s MDS Coordinator, who verifies the accuracy of the form as compared with the resident’s medical chart. If the MDS Coordinator determines that there are any problems with any nurse’s completion of MDS, then the MDS Coordinator meets with the nurse and reviews the appropriate procedures for completion of the MDS, and if deemed necessary by the MDS Coordinator, accompanied by written counseling on appropriate procedures.

In addition to general audits described in Section XI below, Amsterdam retains an outside consultant to conduct a random retrospective audit of MDS. Amsterdam ensures that the MDS audit is conducted by qualified individuals. If any problem is detected, the forms are corrected in compliance with law, and the individual responsible for completion of the form is appropriately counseled.

IV. POLITICAL PARTICIPATION

A. General Statement

Participation in the political process is one of every American's most basic rights. Federal and state laws, however, limit the nature and extent of individual and organizational political participation. For example, both federal and state laws prohibit organizations from contributing, or strictly limit their contributions, to political candidates or officeholders. Further, Federal law states that no one will be reimbursed for personal political contributions. Personal compensation will not be altered in any way under any circumstances to reflect such contributions.

Amsterdam encourages employees to participate in the American political process as they so desire. They may make personal political contributions, or communicate their personal beliefs to elected officials. It is important, however, to distinguish between personal and organizational political activities. As a responsible citizen, Amsterdam occasionally will speak out on issues of importance to it. Senior management is responsible for developing Amsterdam's position on relevant legislative and regulatory issues.

Unless you are specifically requested by Amsterdam to represent it before legislative or other governmental bodies, be sure that you clearly label any personal communication with legislators as your own beliefs. If you are contacted by legislators or regulators regarding Amsterdam's position on public issues, you should refer them to the appropriate individual within Amsterdam's corporate structure who is designated to address these issues.

B. Lobbying

Certain management personnel may periodically be called upon by Amsterdam to make contact with members of local, state or federal legislative bodies and other officials to set forth and advocate for Amsterdam's positions on issues. These persons are expected to abide by all applicable laws at all times. To assure that these laws are fully complied with, no employee should engage in lobbying without authorization from the designated individual within Amsterdam's corporate structure. Amsterdam also periodically engages lobbyists or lobbying firms to help promote its interests, and has established internal controls to assure that all activities are legal. Written authorization must be obtained from the appropriate individual within Amsterdam's corporate structure prior to engaging any lobbyist, outside legal counsel or consultant to lobby for or otherwise promote Amsterdam's interests on any legislative, regulatory or other governmental issue. The following evidence must be submitted along with the proper request for authorization to justify the engagement:

- The purpose for the engagement and the nature and extent of services to be performed;
- The basis for selecting the proposed individual, firm or company; and
- The agreed-upon fee and the means by which the fee was determined to be reasonable and appropriate for the services to be performed.

All requests for reimbursement of expenses incurred by a lobbyist must be accompanied by a specific expense reporting form completed and signed by that lobbyist.

V. DOING BUSINESS WITH THE GOVERNMENT

A. Medicare and Medicaid Requirements

Amsterdam participates in the Medicare and Medicaid programs. Both programs are governed by complicated laws and regulations that must be met by participants. These laws and regulations impose strict requirements on providers, which are significantly different and more extensive than those one encounters in non-government commercial contracts. For example, Medicare and Medicaid have very complicated payment guidelines that identify both the circumstances under which, and the amounts, those programs will reimburse Amsterdam for goods and services rendered to residents covered under those programs. These guidelines are often different than directives received from other non-governmental, private third-party payors. Violation of Medicare and Medicaid laws and regulations can result in criminal sanctions being imposed not only on the persons actually involved, but also on the organization on whose behalf those persons act. Moreover, if Amsterdam were found to be involved, it could be entirely precluded from participating in the Medicare and Medicaid programs. It is essential, therefore, that there be strict compliance with all Medicare and Medicaid laws and regulations — in both spirit and letter — while providing services under these government programs. Deviations from the terms of the government requirements should not be made without the written authorization of the appropriate government representative.

Examples of areas of specific concern to the Medicare and Medicaid program, in addition to those set forth in other sections of this Plan, include:

- Failing to comply with state and federal reporting requirements for elder abuse or neglect;
- Failing to provide an appropriate quality of care to residents;
- Paying or receiving kickbacks or rebates;
- Failing to purchase items and supplies as a prudent buyer;

- Using unlicensed, untrained or inadequate staff;
- Falsifying plans of care;
- Forging physician signatures on plans of care;
- Failing to adjust cost report figures to properly reflect related party transactions;
- Receiving and/or storing excessive volumes of inventory for lengthy periods;
- Failing to maintain and retain accurate books and records;
- Hiring or retaining nurse aides or other professional staff who have been reported for abuse, neglect or misappropriation of an individual's property; and
- Commingling or theft of resident funds, including resident trust funds.

B. No Gifts, Meals or Gratuities for Government Personnel

As indicated generally in Section II.B. above, you may not provide or pay for meals, refreshments, travel or lodging expenses for government employees, including surveyors and representatives of the Medicare and Medicaid programs. Very strict guidelines prohibit any type of gratuity, with very few exceptions, and your strict compliance is required. Government employees are also well aware of these regulations and should automatically decline any gratuity which they feel could jeopardize their compliance.

As a basic rule, government employees must pay their fair share whenever Amsterdam and government personnel participate in a joint endeavor. If business extends over a mealtime, you must make arrangements for the government personnel to pay for their own lunch.

The laws could be violated if anything of value is given to a government employee even if there is no intent to influence an official action or decision. Therefore, no

employee should entertain a public official or otherwise engage in lobbying efforts without authorization from Amsterdam's Compliance Officer. (*See* also Section IV above, entitled "*Political Participation.*")

VI. EMPLOYEE LOYALTY AND CONFLICTS OF INTEREST

Amsterdam expects its employees to serve Amsterdam with undivided loyalty and with full regard to Amsterdam's interest and the public interest. Each employee is expected to devote his or her full time and ability to Amsterdam's interest during his or her regular hours of employment and for whatever additional time may be properly required and to use assets of Amsterdam only for its business.

You should put Amsterdam's interests ahead of any other business and commercial interest you may have as an individual. (*See* also Section II, *Conducting Amsterdam's Business.*) Employment or personal business commitments outside regular hours of employment are prohibited if these would tend to impair your ability to meet your regular job responsibilities to Amsterdam. Extra employment or other outside business commitments must receive the approval of proper supervisory authority.

A. Outside Associations and Activities

Participation in civic, welfare, political and similar activities is strongly encouraged in the interest of service to the public and the development of the individual, but if the nature of the association with an organization is such that Amsterdam's name may be publicly identified with the organization, it is expected that employees will be sensitive to any embarrassment that may be caused Amsterdam and will seek the guidance of responsible

supervisory authority before making commitments that may be potentially harmful to Amsterdam's interest.

B. Conflicts of Interest

It is the responsibility of all employees of Amsterdam to familiarize themselves with Amsterdam's Conflict of Interest Policy, which is set forth below, to comply with its requirements, and, in appropriate cases, to assure that members of their families are fully familiar with and do not violate the policy.

Amsterdam employees and officers are prohibited from having a direct or indirect interest, financial or otherwise, in a corporation or business, engage in a professional activity, or incur an obligation of any nature that is in substantial conflict with or might reasonably tend to influence the discharge of the employee's official duties at Amsterdam. All employees are expected to disclose, annually, any financial arrangement with a company or entity external to Amsterdam that might create a potential conflict of interest. You should avoid situations in which a conflict of interest, or the appearance of a conflict, could arise.

VII. USE OF NURSING HOME INFORMATION

A. Safeguarding the Privacy of Our Residents

Our profession requires that we gather a great deal of personal information about individuals. Therefore, we must carefully avoid any unwarranted invasion of the individual's right to privacy. This applies to information about our residents and our employees. For this reason, and to assure the accuracy of the information we retain, the following guidelines apply:

- Access to information regarding individuals should be limited to employees of Amsterdam responsible for maintenance of Amsterdam's records and others who need to know the information for the care of residents, and for the residents' insurance and payment purposes.
- Use only legitimate means to collect the information and whenever practical, obtain it directly from the individual concerned.
- When release of any information with respect to residents in drug and alcohol treatment programs is contemplated, the special federal confidentiality laws and regulations applicable to these residents must be adhered to carefully. Similarly, the New York State confidentiality laws and regulations applicable to disclosure of HIV/AIDS status and to psychiatric information must be strictly followed.

Any employee or agent of Amsterdam who, without authorization, discloses information in violation of the privacy rights of our residents or others may be subject to discipline up to and including immediate termination (in addition to possible civil or criminal sanctions including loss of licensure for licensed health care professionals). Any person who becomes aware of such unauthorized disclosure should report it immediately to the Compliance Officer.

B. Confidentiality of Amsterdam Information

One of Amsterdam's most valuable assets is its body of confidential information. The widespread use of computer terminals and computer systems has caused this information to be accessible by many employees. Failure to protect this information adequately can lead to the loss of highly confidential data and may place Amsterdam legally at risk. Because of this risk of harm to Amsterdam, its employees and residents, without the written consent of Amsterdam, no employee may, during the term of employment or thereafter, use for his or her benefit or disclose to others any confidential information obtained during the course of employment. Further,

employees or Agents who depart from Amsterdam may not take resident medical information or records with them, nor may they take with them any other Amsterdam documents, information or intellectual property.

Confidential information includes Amsterdam's methods, processes, techniques, computer software, equipment, servicemarks, copyrights, clinical data, marketing and sales information, personnel data, resident lists, financial data, plans and all other know-how and trade secrets that are in Amsterdam's possession and which have not been published or disclosed to the general public.

As an employee or Agent, you are responsible and accountable for the integrity and protection of business information and must take steps to protect information that has been entrusted to you. For example, you must not make inappropriate modifications of information or destroy or disclose information. Documents containing sensitive data, including information concerning residents, should be handled carefully during work hours and must be properly secured at the end of the business day. Particular attention must be paid to the security of data stored on the computer system. If you observe individuals whom you do not recognize using terminals in your area, immediately report this to your supervisor.

C. Information Owned by Others

Like Amsterdam, other organizations have intellectual property they want to protect. So do individuals. Also like Amsterdam, these other parties are sometimes willing to disclose their confidential information for a particular purpose. If you are on the receiving end of another party's confidential information, you must proceed with caution to prevent any accusations that Amsterdam misappropriated or misused someone's confidential information.

To avoid the risk of you or Amsterdam being accused of misappropriating or misusing someone's confidential or restricted information, it is preferable that you only accept confidential or restricted information from someone else (whether that information is oral, visual or written), if the terms for your or Amsterdam's use of that information have been set forth in a written agreement with the party providing the confidential information. If there is such a formal written agreement regarding the use of someone else's confidential information, you must not use, copy, distribute or disclose that information except in accordance with the terms of that written agreement.

In any case, do not take the status of information for granted. If you have information in your possession that you believe may be confidential to a third party or may have restrictions placed on its use, you should consult with Amsterdam's Compliance Officer.

Special care should be taken in acquiring software from others. As intellectual property, software is protected by copyright laws and may also be protected by patent, trade secret laws or as confidential information. Such software includes computer programs, databases and related documentation owned by the party with whom you are dealing or by another party. Before you accept software or sign a license agreement, you must follow established Amsterdam procedures. The terms and conditions of such license agreements -- such as provisions not to copy or distribute programs -- must be strictly followed. Also, if you acquire software for your personally-owned equipment, you should not copy any part of that software in any work you do for Amsterdam, place it on any Amsterdam-owned computer system or equipment, or bring it onto Amsterdam premises.

D. Records Retention/Destruction

Since many of Amsterdam's records serve as a basis for treatment decisions for its residents, as a compilation of goods and services rendered for billing purposes, and as a recordation of historical courses of treatment, it is critical to the successful accomplishment of Amsterdam's professional goals that its records be fully and accurately completed and maintained consistent with proper business practices. Consequently, the proper and contemporaneous creation of fully accurate and complete records is a duty of each employee of Amsterdam.

Federal and New York State laws and regulations govern the implementation of a system for creating, maintaining and destroying both resident records and records necessary to protect the integrity of Amsterdam's Compliance Plan. Amsterdam is required by law to maintain certain types of medical and business records, and to store them for at least a specified period of time. Failure to retain such documents for such minimum period could subject Amsterdam to penalties and fines, cause the loss of rights, obstruct justice, place Amsterdam in contempt of court or put Amsterdam at a serious disadvantage in litigation. Accordingly, Amsterdam has established policies to assure retention of records for the legally required periods. Even if a document is retained for the minimum period, legal liability could still result if a document is destroyed before its scheduled destruction date.

It is important to recognize that the handling of all such records may raise a variety of legal issues, such as resident privacy and confidentiality. Personnel who are involved in the creation, retention or destruction of resident records and Compliance Plan records must treat these records as confidential and be sensitive to residents' rights of privacy. Such personnel shall receive specialized training in the federal and state statutes and regulations, as well as

Amsterdam's internal policies and procedures, that pertain to such records. If you have any questions regarding the appropriate handling of such records, you should immediately contact your supervisor or the Compliance Officer.

You are expected to comply fully with the records retention and destruction schedule for the department in which you work. If you believe that documents should be saved beyond the applicable retention period, consult your supervisor, who in turn should contact Amsterdam's Compliance Officer.

E. Government Investigations

It is the policy of Amsterdam to cooperate with all government investigations and to encourage its employees to cooperate with such investigations. The following guidelines regarding the response to government inquiries are intended to protect Amsterdam employees as well as avoid providing inaccurate or incomplete information to government officials and to prevent unauthorized disclosure of information that may, among other things, jeopardize our residents' rights to privacy.

Two agencies by statute are entitled to immediate access to information: the Office of the Inspector General of the United States Department of Health and Human Services and New York State Medicaid Fraud Control Unit. Inspectors of the United States Food and Drug Administration ("FDA") must present appropriate credentials and a written notice (but do not need a search warrant) in order to inspect equipment, containers and so forth in facilities where food, drugs and devices are held. However, such inspections must be conducted at reasonable times, within reasonable limits and in a reasonable manner. FDA inspectors may also inspect records and files pertaining to prescription drugs or restricted devices under certain

circumstances, including, upon request of an FDA official, all records and reports required to be kept or maintained in connection with scientific investigation of the safety and effectiveness of drugs and medical devices, including records relating to reports of adverse effects. Upon notice that the FDA has reason to suspect the submission or maintenance of improper records, including that adequate informed consent was not obtained, investigators are required to permit FDA officers to inspect and copy records that identify subjects. In addition, if requested by an FDA officer or employee, Amsterdam must permit that FDA officer or employee at all reasonable times and in a reasonable manner to have access to, and to copy and verify, all records that Amsterdam must maintain under the medical devices provisions of the Food, Drug and Cosmetics Act relating to information that reasonably suggests that a device has or may have caused or contributed to the death or serious illness of, or serious injury to a resident, or other significant adverse device experience.

Other governmental agencies, including the Federal Bureau of Investigation, the Drug Enforcement Administration, the United States Postal Inspector, the New York State Attorney General (with the exception of the Medicaid Fraud Control Unit), the New York County prosecutor, and New York City Police Departments, may look at Amsterdam documents and other materials only by Amsterdam's consent or by proper legal process, such as a search warrant obtained from a court of competent jurisdiction.

In all cases, when a request is made by federal or state law enforcement agency seeking information about any aspect of the operations of Amsterdam, or the job-related activities of any of Amsterdam's officers, employees, or agents, your supervisor should be notified immediately. All supervisors should notify Amsterdam's Compliance Officer

immediately, and the Compliance Officer should undertake to supervise the provision of the requested information. If the Compliance Officer cannot be located immediately, then Amsterdam's legal counsel or the Chief Executive Officer should be contacted to supervise the provision of the requested information to the authorities. Further, to the extent possible, upon receipt of any request for information, prior to providing the information, employees should (in addition to notifying the Compliance Officer) obtain the name and organizational affiliation of all persons from whom a request for access to information is received or to whom access is permitted. Employees should also maintain a written record of each document to which access is given and keep a detailed record of all telephone contacts made, including specifically the name and affiliation of the parties to each conversation, the information requested, and the response given during the conversation. If Amsterdam employees are contacted at home regarding their activities at Amsterdam, unless the government enforcement agency has a subpoena or a warrant, the employees have a right to speak with the Compliance Officer before turning over any documents, and a right to request that the government agents interview them in the office during business hours.

Specific federal and state confidentiality laws relating to medical records pertaining to HIV/AIDS and substance abuse (controlled drugs and alcohol) and to psychiatric records may limit the general authority of government investigators. Employees should be certain that any disclosure of such records complies with Amsterdam policies and procedures.

VIII. HUMAN RESOURCES/CREDENTIALING/EXCLUSION CHECKS

Amsterdam has established human resources policies to guide Amsterdam's activities in employee relations. Each employee is responsible for familiarity with and adherence

to Amsterdam's human resources policies, which include protection of the health and safety of employees in their work environment, as well as Amsterdam's commitment to fairness and non-discrimination.

A. New Employee Policy

Amsterdam shall conduct a reasonable and prudent background investigation and reference check before hiring employees who have access to residents or their possessions, or who have discretionary authority to make decisions that may involve compliance with the law. Amsterdam shall require all applicants to disclose any criminal convictions or actions to exclude or sanction them under any government health care programs. Amsterdam shall not employ and shall terminate immediately any current employment of, any individuals who have been convicted of a criminal offense related to health care or who are debarred, excluded, or otherwise become ineligible for participation in Federal or state health care programs. Amsterdam shall also comply with all federal and New York State licensing and credentialing requirements for all staff who are licensed by state law, and shall periodically re-verify the credentials of all such staff to the extent required by law or regulation.

B. OIG Exclusion Database

Amsterdam shall screen all prospective employees prior to commencement of employment by reviewing the HHS/OIG List of Excluded Individuals/Entities (available through the Internet at <http://www.hhs.gov/progorg/oig/cumsan/index.htm>) (this list which names all those who have been excluded from participation in federal government health care programs will be referred to as the "Exclusion List"). Amsterdam will document that the prospective

employee's name did not appear on the Exclusion List. Amsterdam will not hire any individuals who are named on the Exclusion List as of the date they seek to start working at Amsterdam.

Amsterdam has conducted an initial check of the Exclusion List and has verified that none of its current employees are named on the Exclusion List. Hereafter, Amsterdam will, on an annual basis, check the Exclusion List to ensure that none of the then current Amsterdam employees are included on the Exclusion List, and will document the results of checking the Exclusion List. If at any time, Amsterdam has notice that an employee has become excluded or sanctioned by a government health care program, Amsterdam either will terminate that employee, or at Amsterdam's discretion, remove that person from responsibility for, or involvement with, Amsterdam's business operations related to government health care programs and will remove that 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 government health care programs until such time as the person is reinstated into participation in the government health care programs.

If Amsterdam has notice that an employee is proposed for exclusion during his or her employment or contract, or is charged with a criminal offense related to any Federal health care program, Amsterdam shall take all appropriate actions to ensure that the responsibilities of that employee do not adversely affect the quality of care rendered to any resident or resident, or the accuracy of any claims submitted to any Federal health care program.

C. Commitment To Fairness to Employees

Amsterdam recognizes that its greatest strength lies in the talent and ability of its employees. It is Amsterdam's policy:

- To provide equal opportunity for employment and advancement on the basis of ability and aptitude without regard to race, color, creed, religion, gender, sexual orientation, national origin, age, disability, citizenship status, except where age or sex is a bona fide occupational qualification, or where disability, even with reasonable accommodation, prevents the employee from participating in the basic duties of a position.
- To evaluate employees according to their performance, including compliance with this Plan.

D. Non-Discrimination Policy

Amsterdam is committed to a work environment in which all individuals are treated with respect and dignity. Each person has the right to work in a professional atmosphere that promotes equal opportunities and prohibits discriminatory practices, including sexual harassment. Discrimination or harassment, whether based on race, color, religion, gender, national origin, age, disability or sexual orientation, regardless of whether it occurs at the office or in other Amsterdam-sponsored settings, is unacceptable and will not be tolerated. All employees are expected to adhere to all federal, state and local laws prohibiting discrimination and harassment, including the federal Americans With Disabilities Act. Any unwanted sexual or social advances, or any comments of a sexual nature by a co-worker, including but not limited to a superior, particularly when persistent, could constitute sexual harassment.

E. Immigration

Federal law prohibits employers from hiring employees who are not legally authorized to work in this country. Unless an employee is a U.S. citizen, or has a “green card” or visa which authorizes him or her to work in the position in question, Amsterdam may be subject to civil or criminal penalties if he or she is placed on the payroll. All prospective employees

must present appropriate hiring or human resources documentation of their citizenship or immigration status to the appropriate individual within Amsterdam's corporate structure. Wherever possible, this should be done well in advance of the employee's first day of work to avoid hardship or embarrassment. Questions on immigration issues should be referred to Amsterdam's Human Resources Department or the Compliance Officer.

F. Human Resources Manual

The Human Resources Department has prepared a manual of policies designed to implement the above-stated goals of Amsterdam as well as the collective bargaining agreements into which Amsterdam enters with the various unions that represent Amsterdam's employees.

IX. GOVERNANCE AND COMPLIANCE TRAINING

Amsterdam's Board of Directors has the ultimate authority and responsibility for ensuring Amsterdam's compliance with its obligations under law. Amsterdam's Compliance Officer is always authorized to report directly to the Chair of Amsterdam's Board when appropriate or advisable in the Compliance Officer's discretion. Board members shall be made aware of its compliance function upon joining the Board and annually, so as to ensure they are equipped to carry out their compliance function.

Through delegation to the CEO, the Board retains the authority to appoint and discharge all employees, and the responsibility to ensure that key management employees are appropriately conducting the affairs of the organization. It is comprised so as to include individuals with a range of knowledge and experience that can be drawn upon in assessing the

operations of the organization. The Board is empowered to retain outside expertise when necessary to fully discharge its oversight activities.

Amsterdam makes training available to assist employees in compliance with the Plan to the extent it is relevant to their responsibilities within the facility. Some of the training is conducted in the facility, and some is conducted by requiring that employees attend certain outside training. Topics of training include coding requirements, claims development and submission processes, third-party billing policies, medical necessity standards, updates on reimbursement principles, documentation guidelines and records requirements, marketing practices that reflect current legal and program standards, and policies and procedures for reporting and correcting perceived problems. In addition to such training, the Compliance Officer shall disseminate information by routing to employees and Agents publications that describe current requirements and/or posting information in areas in which affected employees and Agents are likely to see such information.

The Compliance Officer shall work with department heads and managers to identify those areas that require specialized training, to develop the curriculum, and to schedule such training programs. Attendance at all required training programs, which shall be tracked by the Compliance Officer, is a significant element of each employee's and Agent's evaluation. The failure to attend such programs shall result in disciplinary action, including possible termination. If you have any questions regarding the training sessions that you are required to attend or if you wish to inquire about other training programs available to you, contact the Compliance Officer.

X. COMPLIANCE WITH THE PLAN

While Amsterdam has a designated Compliance Officer, compliance with this Plan and all applicable statutes and regulations is the responsibility of every employee and Agent of Amsterdam at all levels. You are responsible not only for your own compliance with the Plan and laws, but for alerting your supervisor or the Compliance Officer of any violations of which you become aware.

A. Compliance Officer

The role of the Compliance Officer is to serve as the focal point for all compliance monitoring activities throughout Amsterdam. The Compliance Officer maintains accountability and structure in Amsterdam's Compliance Plan, which includes this document and all the policies incorporated within the Plan. The Compliance Officer has direct access to Amsterdam's Chief Executive Officer and Board of Directors in order to ensure independent and objective legal reviews and financial analysis of Amsterdam's compliance efforts. Furthermore, the Compliance Officer shall have authority to review all documents and other information relevant to compliance activities, including, but not limited to, resident records, billing records, records concerning the marketing efforts of the facility and Amsterdam's arrangements with other parties, including employees and Agents. In conjunction with Amsterdam's legal counsel, the Compliance Officer shall review contracts and obligations that may contain referral and payment issues that could violate federal or state statutes and regulations.

Specifically, the Compliance Officer shall oversee and monitor the implementation of the Plan. The Compliance Officer shall report, on at least an annual basis, to the Board of Directors of Amsterdam. This report shall encompass a summary of the effectiveness of the Compliance Plan, significant incidents reported to the Compliance Officer, a

description of violations, and actions taken to deal with significant violations. The Compliance Officer shall also report at least annually to Amsterdam's Chief Executive Officer on the progress of implementation of the Plan, and when the Compliance Officer deems appropriate, to the ad hoc Compliance Committee (described below). The Compliance Officer shall meet periodically with the various department supervisors to solicit their input in addressing compliance issues, including establishing methods to improve Amsterdam's quality of services, and to reduce Amsterdam's vulnerability to fraud, abuse and waste.

The Compliance Officer shall periodically revise the Plan in light of changes in the needs of Amsterdam, and in the law and policies and procedures of government and private payor health plans. The Compliance Officer shall ensure that all such changes are effectively communicated to employees and Agents of Amsterdam to ensure timely compliance with such changes.

The Compliance Officer shall develop, coordinate and participate in a multifaceted educational and training program that focuses on the elements of the Plan and is designed to ensure that all appropriate employees and Agents are knowledgeable of, and comply with pertinent federal and state standards. The Compliance Officer shall coordinate with all departments to identify those employees and Agents who require specialized training because the functions they perform are particularly subject to federal and state regulation or are particularly vulnerable to fraud, dishonesty or simple error.

The Compliance Officer shall coordinate personnel issues with Amsterdam's Human Resources Department to ensure that the National Practitioner Data Bank, to the extent applicable, and the Exclusion List have been checked with respect to all employees and Agents,

including medical staff and independent contractors, provided, that Amsterdam may require that vendors, by contract, check such exclusion and credentials, of all employees or consultants of such Agents who provide services at Amsterdam. The Compliance Officer shall also work with Amsterdam's Human Resources Department to ensure that all physicians, supervisors, and management employees and designated Agents receive copies of the Plan and initiate training in areas of compliance.

The Compliance Officer shall assist Amsterdam's financial management in coordinating internal compliance review and monitoring activities, including annual or periodic review of departments. The Compliance Officer shall also assist Amsterdam's financial management in reviewing and maintaining its systems for tracking and reporting bad debts and credit balances to the Medicare program.

The Compliance Officer shall maintain a log of all allegations of wrongdoing or violations of the Plan reported to the Compliance Officer, through direct reports, through the confidential reporting system, or through any other means. The Compliance Officer shall design and coordinate with all applicable Amsterdam departments, employees and Agents, internal investigation procedures and any necessary corrective action procedures. The Compliance Officer shall independently investigate and act on matters related to compliance. A record of all investigations and related corrective actions shall be maintained by the Compliance Officer for at least six years, and summaries of all compliance investigations, and results thereof shall be made to the CEO and the Board of Amsterdam on a regular basis.

The Compliance Officer shall maintain policies and programs that encourage employees and Agents to report suspected fraud and other improprieties without fear of

retaliation. The Compliance Officer shall maintain an “open-door” policy to all levels of employees and Agents who have concerns regarding compliance. In addition, the Compliance Officer shall respect the wishes of any individual reporting suspected violations who seeks confidentiality or anonymity, unless the appropriate investigation of the alleged violation cannot be conducted without revealing the reporting person’s identity.

B. Compliance Committee

The Compliance Officer, at his or her discretion, shall appoint, as needed, an ad hoc Compliance Committee or Committees to assist the Compliance Officer in the implementation of Amsterdam’s Compliance Plan. Depending upon the particular compliance concerns at issue, the Compliance Committee may be comprised of individuals having various perspectives on, and responsibilities within, Amsterdam and could include managers or department supervisors in finance, operations, and human resources as well as other key operating units and the medical staff as needed.

C. Reporting Suspected Violations

As part of its commitment to ethical and legal conduct, Amsterdam expects its employees and Agents to bring to the attention of the Compliance Officer, or any appropriate person designated by the Compliance Officer, information regarding conduct that the employee or Agent believes in good faith to be potentially inappropriate, unethical or illegal. Because failure to report criminal conduct can itself be understood to condone the crime, we emphasize the importance of reporting. Failure to report knowledge of wrongdoing may itself result in disciplinary action against those who fail to report. Any manager or employee relations

representative receiving a report of a potential Plan violation must likewise immediately advise the Compliance Officer of the violation or possible violation.

Amsterdam acknowledges that some employees or Agents of Amsterdam may hesitate to alert supervisors or other Amsterdam authorities to the existence of potential violations due to the fear of retaliation, the sense that such reports will be diverted by supervisors or other authorities, or the fear that such reporting employee or Agent is, in part, responsible for such potential violation. Amsterdam maintains strict policies prohibiting any type of retribution or retaliation against an employee or Agent who, in good faith, reports a question or concern about a compliance matter. Nevertheless, because compliance is of paramount importance to Amsterdam, Amsterdam has developed several independent mechanisms for employees and Agents to report suspected fraud, waste or abuse that should allay the concerns of reporting employees or Agents. The mechanisms are designed to maintain confidentiality and, if necessary, anonymity, and permit direct access to the Compliance Officer, thereby avoiding diversions by supervisors. In addition, in the event that the reporting employee or Agent is, in part, responsible for the violation, the employee or Agent's voluntary disclosure of such violation shall be a significant consideration in any decisions regarding potential disciplinary action.

If employees or Agents merely seek clarification of particular policies or procedures, they may seek guidance from their direct supervisors or department heads. If such clarification is insufficient, the employee or Agent should submit a written, dated request for a clarification to the Compliance Officer. The Compliance Officer shall investigate the questioned policy or procedure and shall respond to such request in writing within a reasonable time. If

deemed appropriate, the Compliance Officer shall update the Plan or the applicable policy or procedure and share the response with employees or Agents in order to resolve any uncertainty surrounding the subject policy or procedure.

Similarly, if employees or Agents have suggestions as to ways in which to improve particular policies or procedures that implicate compliance issues, such individuals are strongly encouraged to speak with their immediate supervisor or department head and, after consultation with such supervisor or department head, to submit a written, dated suggestion. Serious efforts to improve the Plan and Amsterdam's compliance program affirmatively demonstrate a commitment to compliance, which is an element of all employees' evaluations, as well as decisions to continue relationships and contracts with Agents.

Amsterdam strongly urges all employees and Agents who, in good faith, suspect the existence of violations of laws, rules, or regulations, or policies of Amsterdam, including the Plan, to contact the Compliance Officer directly. Amsterdam prohibits any type of retribution or retaliation against an employee or Agent who, in good faith, reports a question or concern about a compliance matter. Furthermore, the Compliance Officer will assist such reporting employee or Agent in maintaining complete confidentiality. All written communication to the Compliance Officer intended to be kept confidential should be sealed in an envelope that is clearly marked "Confidential." The Compliance Officer, as well as those assisting the Compliance Officer in investigating potential compliance violations, shall treat as confidential all such communication, as well as any verbal communication that a reporting employee or Agent desires to keep confidential. However, there may be a point where a reporting individual's identity may have to

be revealed should governmental authorities become involved, or if necessary to conduct and conclude an investigation of the reported or alleged violations.

Without limiting the foregoing, consistent with the provisions of sections 740 and 741 of New York State Labor Law, no employee, director, officer or agent of Amsterdam may take any retaliation action against an employee, director, officer or agent of Amsterdam because such individual:

- discloses or threatens to disclose to a supervisor or a public body an activity, policy or practice of Amsterdam that is in violation of law, rule or regulation which violation creates and presents a substantial and specific danger to the public health or safety, which constitutes health care fraud, or which otherwise constitutes improper quality of care;
- provides information to, or testifies before, any public body conducting an investigation, hearing or inquiry into such violation of a law, rule or regulation of Amsterdam; or
- objects to or refuses to participate in any such activity, policy or practice which is a violation of a law, rule or regulation or otherwise reasonably believed to constitute improper quality of care.

This protection shall not apply to an employee, director, officer or agent who makes such disclosures to a public body unless such individual has brought the activity, policy or practice in violation of law, rule or regulation, or otherwise reasonably believed to constitute improper quality of care, to the attention of a supervisor of Amsterdam and has offered Amsterdam a reasonable opportunity to correct such activity, policy or practice, provided, however, that this exemption shall not apply to an action or failure to act where the improper quality of care presents an imminent threat to public health or safety or to the health of a specific

resident and such employee, director, officer or agent reasonably believes in good faith that reporting to a supervisor or would not result in a corrective action.

D. Anonymous Reporting

Amsterdam has established a Compliance Hotline by which anonymous reports of potential non-compliance may be made. The Compliance Hotline is 212-531-7807. Amsterdam has established a locked complaint/suggestion box placed near the time clock where most employees check in, to be used for the reporting of suspected violations of laws, rules, or regulations, and/or this Plan. Those submitting reports or suggestions to the box may identify themselves, or may choose to remain completely anonymous. All submissions to the hotline or box shall be reviewed at least every 48 hours (excluding weekends), logged, reviewed by the Compliance Officer for the existence of potential compliance problems and, if necessary, investigated. Amsterdam shall provide information regarding the existence and location of the reporting box to all employees and Agents during their initial training and during retraining programs. In addition, Amsterdam shall post information regarding this box in conspicuous places in common work areas.

The Compliance Officer, or his or her designee, shall maintain a confidential log of all complaints made through the reporting mechanisms, and if appropriate, shall investigate the complaints, as set forth below.

E. Investigation of Violations

All reported violations, or potential compliance issues identified through self-evaluations and audits, of the Plan will be promptly evaluated by Amsterdam and will be treated

confidentially to the extent consistent with Amsterdam's interests and its legal obligations. All investigations by Amsterdam of wrongdoing will be directed by Amsterdam's Compliance Officer, and may in the discretion of the Compliance Officer, be conducted in consultation with legal counsel. Employees are required to cooperate in the investigation of an alleged violation of the Plan. If the Compliance Officer believes the integrity of the investigation may be jeopardized due to the presence of employees or Agents under investigation, those individuals will be removed from their current work activity until the investigation is completed. If the result of the investigation indicates that corrective action is required, Amsterdam will decide what steps it should take to rectify the problem and avoid the likelihood of its recurrence. To the extent an overpayment is identified, the procedures set forth in Part III(D)(3) shall apply.

As noted above, the Compliance Officer shall maintain a record of all investigations and related corrective actions, resolutions of the investigations, as well as remedial steps, if any, taken in response to the results of the investigation.

F. Mandatory Reporting

Amsterdam's commitment to compliance with its legal obligations extends to all areas in which it is required by law or regulation to file any reports with any governmental or other organization. Where an obligation to report is unclear, Amsterdam's senior management and its Compliance Officer may draw upon outside legal counsel in determining whether Amsterdam is obligated to report. Such mandatory reporting obligations shall include, but are not limited to, the duty to report data security breaches to the Secretary of Health and Human Services in accordance with the Health Insurance Portability Act of 1996 and the Health Information Technology for Economic and Clinical Health ("HITECH") Act of 2009, as well as

the obligation to report professional misconduct pursuant to Section 2803-e of the New York Public Health Law.

G. Discipline for Violations of Plan

The following shall be deemed violations of Amsterdam’s Compliance Plan and shall warrant disciplinary action consistent with such policies:

- (a) violating any law, regulation or the Plan while conducting the affairs of Amsterdam;
- (b) encouraging, facilitating, or permitting actively or passively any violation of law, regulation or the Plan by another individual conducting the affairs of Amsterdam;
- (c) failing to report any suspected violation of law, regulation or the Plan by anyone conducting the affairs of Amsterdam;
- (d) failing to cooperate in any investigation undertaken by the Compliance Officer in accordance with the Plan;
- (e) encouraging, directing, facilitating or permitting non-compliant behavior; and
- (f) retaliating in any way against any individual making a report, cooperating with any investigation, or otherwise acting in accordance with the Plan.

Without in any way limiting the foregoing, no individual filing a good faith report pursuant to the Plan shall be subject to any form of discipline or adverse action by reason of filing such report, irrespective of the outcome of the Compliance Officer’s investigation of same.

All sanctions imposed under the disciplinary policies shall be consistent with past practices for similar violations.

H. Evaluation of Conflicts of Interest

All responses to the annual Conflict of Interest Questionnaire required to be submitted by designated categories of Amsterdam employees, and all other reports of actual or potential conflicts of interest, will be reviewed and evaluated initially by the Compliance Officer, with advice of legal counsel, as appropriate.

The Compliance Officer shall present to the Board of Directors a proposed recommendation for action with respect to all conflicts or potential conflicts identified in accordance with this Plan. Such recommendation may include the following: that no action be taken; that the individual identified not be involved in decision-making situations relative to those companies or individual(s) listed by the employee; that the individual be requested to resolve the conflict to the satisfaction of Amsterdam; or that disciplinary action be taken. When necessary, an investigation shall be conducted to determine the facts and circumstances surrounding the conflict or alleged conflict and for recommendation of action warranted, if any. All employees shall have an obligation to answer inquiries in this regard. Such investigations shall be confidential, and no action shall be taken against an employee based upon his/her participation in such an investigation, in the absence of intentional or reckless misrepresentation.

I. Acknowledgment and Certification of Compliance

Amsterdam requires that all directors, officers, supervisors of departments, management and other high level administrators, physicians, nurses, and finance office staff sign an acknowledgment confirming that they have received, read and understand the Plan, and that they will comply with the Plan (“Acknowledgment”). Such directors and employees must also acknowledge that the Plan has been or will promptly be communicated to all employees and agents under their supervision. In addition, each year these employees will be asked to submit an

updated Acknowledgment. All new employees in such positions will be required to sign an Acknowledgment as a condition of employment.

XI. IDENTIFICATION OF RISK AREAS AND AUDITING

The Compliance Officer shall, in consultation with department heads and other such individuals as the Compliance Officer deems appropriate, and upon review of applicable guidance materials and other industry standards, routinely identify such compliance risk areas, which shall be assessed based upon review of applicable state work plans and audits, internal and external reviews, complaint investigations, benchmarks and trends and general industry guidance. As one means of identifying risk areas, the Compliance Officer shall monitor federal and state agency websites (e.g., OIG and OMIG) for guidance, reports, and other publications indicating potential areas of weakness in compliance.

In order to ensure the effectiveness of this Plan, and to ascertain and improve Amsterdam's compliance with laws, rules, and regulations, engages in regular monitoring and auditing of its practices and policies. The compliance auditing and monitoring is not intended to replace, but rather to supplement, Amsterdam's existing auditing and review systems that evaluate the quality of medical care at the facility. The monitoring process for purposes of the Compliance Plan will include a review of such matters as effectiveness of communication of the Compliance Plan to affected individuals and departments, adherence to established training standards, consistent application of disciplinary guidelines, and promptness of follow-through on reported potential and actual violations.

Monitoring and audit procedures will be conducted under the supervision of the Compliance Officer and/or the Quality Management Coordinator, who will, in conjunction with

Quality Management Committee, develop a priority schedule of audits to be conducted of areas deemed to warrant audit review. The audits will be designed to address Amsterdam's compliance with laws, regulations, and policies governing, among other things, kickback arrangements, quality of care issues, MDS completion (as discussed above in Section III.E.), claim development and submission, reimbursement, cost reporting and marketing. Amsterdam will also consider auditing matters raised through its confidential reporting system, if the Compliance Officer determines that such matters require auditing to determine the validity of the complaint or the extent of the allegedly wrongful activity. When appropriate, internal and external experts who have expertise in federal and state health care statutes and regulations, and government health care program requirements will be engaged to supplement or assist in the monitoring process. The Compliance Officer, in his or discretion, may conduct audits under the supervision of Amsterdam's legal counsel. Audits and reviews may consist of interviews with personnel involved in management, operations, coding, claim development and submission, resident care, and other related activities, reviews of written materials, sampling techniques and trend analyses.

Those individuals participating in the audit and review process shall have access to existing audit and health care resources, relevant personnel and all relevant areas of operation. The reviewers shall present evaluative reports on compliance activities to the Compliance Officer on a regular basis and shall specifically identify areas where corrective actions are needed.

XII. INDIVIDUAL JUDGMENT

The foregoing guidelines are to help all of us better understand what we believe to be in the best interest of our employees, residents, those with whom we do business and the public at large.

As you contemplate a particular situation, consideration of the following factors may help you arrive at a satisfactory answer:

- Is my action consistent with Amsterdam practices?
- Could my action give the appearance of impropriety?
- Will the action bring discredit to any employee or to Amsterdam if disclosed fully to the public?
- Can I defend my action to my supervisor, other employees and to the general public?
- Does my action meet my personal code of behavior?
- Does my action conform to the spirit of this Plan?

Remember always to use good judgment and common sense. This Plan is intended to reflect the collective good judgment and common sense of all of us. Whenever you see a situation where this purpose does not appear to be served by the Plan, you have the responsibility to bring your concern to the attention of the Compliance Officer.

* * *

Please indicate that you have received, read and will abide by this statement of policy by signing your name and dating the attached acknowledgment and returning it promptly to Michele Sarlo, Compliance Officer.

ACKNOWLEDGMENT

I certify that I have received information on Amsterdam’s Compliance Plan, that it has been explained to me, and that the full plan has been made available to me. I promise to abide by Amsterdam’s Compliance Plan concerning compliance with law. I also certify that I have no knowledge of any past or present violation of this Plan that I have not appropriately reported to my supervisor or to Amsterdam’s Compliance Officer. I further certify that I will promote adherence to the Plan among all employees or vendors of Amsterdam whom I supervise.

(Signature)

(Print your name)

Date: _____