



Genesis Compliance and Ethics Program

Doing the Right Thing

January 2019

Mission Statement

We improve the lives we touch through the delivery of high quality health care and everyday compassion.

Core Values

Our Core Belief is that patients and residents are the center of our work. Employees, directors, officers and contractors are expected to uphold the principles of the Genesis Core Values.

CARE & COMPASSION FOR EVERY LIFE WE TOUCH.

RESPECT & APPRECIATION FOR EACH OTHER.

TEAMWORK & ENJOYMENT IN WORKING TOGETHER.

FOCUS & DISCIPLINE ON IMPROVING THE QUALITY OF CARE.

CREATIVITY & INNOVATION TO DEVELOP EFFECTIVE SOLUTIONS.

HONESTY & INTEGRITY IN ALL DEALINGS.

Standard of Conduct

Genesis is committed to the delivery of high quality healthcare services. To achieve that goal, it is the policy of Genesis to conduct all business affairs with the highest level of integrity. Genesis requires that every employee strictly complies with all applicable laws and regulations. The Genesis Standard of Conduct applies to all aspects of its operations including patient care, billing, maintenance of accurate corporate records, business conduct and all other facets of the Company's operations.

All references to the "company" include Genesis HealthCare, Inc. and its subsidiaries. For purposes of this Code of Conduct, all references to "covered persons," are intended to include directors, officers and any employees of Genesis HealthCare, Inc. and its subsidiaries and any independent contractors performing functions similar to those of employees. This Code of Conduct applies to all covered persons. Any waiver of the Code for executive officers or directors may only be made by the Board of Directors or a Board Committee.

Genesis Compliance and Ethics Program

INTRODUCTION

Genesis is committed to advancing the state of healthcare services for the elderly, and to patients needing rehabilitation therapy. Genesis is in the business of providing cost-effective, outcome oriented services. Genesis continuously strives to provide quality care and services consistent with ethical and lawful standards.

Genesis expects covered persons to honor this commitment in accordance with the principles set forth in the Genesis Code of Conduct, employee handbook, related policies, procedures and standards developed in connection with this Compliance and Ethics Program (referred to in this document as the Compliance Program).

The Compliance Program was developed to assure that Genesis continues to achieve its goals of providing quality care and service in a manner that is consistent with applicable laws and the Genesis Standard of Conduct. The Compliance Program is intended to empower personnel to prevent, detect and resolve any conduct or action which fails to comport with applicable law, or which fails to satisfy the Genesis Standard of Conduct.

This Compliance Program is also intended to assist key leaders in developing and implementing internal controls and procedures that promote adherence to the applicable statutes and regulations of the Federal and State healthcare programs, and private insurance program requirements. The information presented in the Compliance Program, in concert with associated policies and procedures, demonstrates Genesis's good faith effort to comply with applicable statutes, regulations, and other requirements, and is designed to reduce the risk of unlawful conduct and corresponding sanctions.

Genesis is dedicated to full implementation of this Program. It is the intention of the Company to create and maintain a Company culture that refuses to tolerate non-compliance, in any respect, with law or with Genesis' Standard of Conduct. This Program applies to all Genesis subsidiaries, including managed operations where management arrangements so provide.

This Compliance Program has been designed to comply with the Patient Protection and Affordable Care Act, the Department of Health and Human Services Centers for Medicare and Medicaid Services (CMS) rules, and CMS program requirements related to the Medicare Shared Savings Program, and was developed based on the Department of Health and Human Services Office of Inspector General (OIG) Compliance Guidance for Skilled Nursing Facilities, the OIG Supplemental Compliance Program Guidance for Skilled Nursing Facilities, and the Federal Sentencing Guidelines. Annual and periodic re-evaluation of the Compliance Program is conducted to assure ongoing compliance.

ELEMENTS OF THE GENESIS HEALTHCARE COMPLIANCE AND ETHICS PROGRAM

OVERVIEW

The following elements comprise the Genesis Compliance Program. These elements are more fully described in subsequent sections of this document. These elements are discussed in further detail in **Supplemental Compliance Program Standards** for each business line.

Element 1: Code of Conduct and Written Policies and Procedures

The Genesis Code of Conduct and written policies and procedures are the foundation of the Compliance Program.

Element 2: Compliance Leadership

Location Leaders, Compliance Liaisons and the Compliance Team are responsible for the Compliance Program throughout the Company and its business lines.

Element 3: Workforce Integrity: Ineligible Persons, Background Screening, Drug Testing, and Licensure

Genesis selects employees only after a thorough sanction, criminal, and credential background review and drug test. Covered persons must maintain licensure and certifications as required for their positions.

Element 4: Effective Education and Training

A comprehensive training and education program helps Genesis employees and contractors understand their compliance responsibilities.

Element 5: Reach Out Confidential Disclosure Program

Multiple mechanisms are available to report issues of concern and to ask questions, including the toll-free, confidential hotlines. A policy of non-retaliation is strictly enforced. Internal compliance issues are reported to the Compliance Department for advice and oversight.

Element 6: Internal Monitoring and Auditing

Each business line monitors and audits clinical and billing practices to ensure that Genesis standards, policies and procedures, as well as government requirements, are met.

Element 7: Corrective Actions

When mistakes are made or problems are discovered, the Compliance Program provides ways to correct and resolve them.

Element 8: Disciplinary Guidelines

And finally, the Compliance Program ensures that appropriate disciplinary actions are taken if employees do not meet Genesis's standards of proper clinical, ethical and legal behavior.

ELEMENTS OF THE GENESIS HEALTHCARE COMPLIANCE AND ETHICS PROGRAM

Element 1: Code of Conduct and Written Policies and Procedures

The Genesis Code of Conduct (Code) and written policies and procedures are the foundation of the Compliance Program.

The Code of Conduct is the primary element of the Compliance Program because it provides the primary standards for covered persons to follow. The Code is a guide to appropriate workplace behavior; it helps covered persons make the right decisions. The Code of Conduct applies to everyone at Genesis -- from entry-level employees to top management.

The Code describes Genesis's commitment to legal, ethical and professional conduct in everything we do. This commitment is evident in the work done each day, in caring for patients, ordering supplies, preparing meals, keeping records, paying invoices or making decisions about the future of the Company. Success as a provider of healthcare services depends on each person's personal and professional integrity, the responsibility to act in good faith and the obligation to do the right things for the right reasons.

For employees, the Code of Conduct supplements the Employee Handbook and the specific policies and procedures that apply to each job. Because no single resource can answer every question or cover every concern encountered at work, employees are also guided by certification and licensing professional standards and individual integrity.

The Code emphasizes each covered person's responsibility to report issues of concern. All covered persons must help ensure that the Company is doing everything practical to comply with applicable laws. Observations or suspicions that a situation that may be unethical, illegal, unprofessional or wrong, clinical, ethical or financial concerns, and violations of the Code of Conduct, are required to be promptly reported. Covered persons are expected to satisfy this duty by complying with the Reporting Process (further described below in Element 5, Reach Out Confidential Disclosure Program) and applicable federal, state and local reporting obligations.

The principles in the Code of Conduct are not suggestions; they are mandatory standards. As the Code states, there is no justification for departing from the Code of Conduct, no matter what the situation may be. Violations of the Code of Conduct or policies and procedures are grounds for dismissal. During orientation and annually, all covered persons are required to certify receipt, understanding, and agreement to abide by the Code.

Written policies and procedures are prepared and adopted by each business location to conform with the myriad of regulations by which each skilled nursing center and business line must abide. Policies and procedures provide specific guidance and steps to follow to ensure compliance. Employees and covered persons are expected to be familiar with and comply with the content of policies, follow designed procedures, and to seek out additional guidance when necessary to perform their assigned tasks. Changes to policies and procedures are communicated to covered persons using various means including electronic newsletters, postings in the business location, web-based circulation and via educational sessions.

Element 2: Compliance Leadership

Compliance Liaisons and the Compliance Team are responsible for the Compliance Program throughout the Company and its business lines.

In Genesis Centers¹, each Administrator/Executive Director is a Compliance Liaison, responsible for ensuring that the Compliance Program is implemented and followed. Regional Vice Presidents, Senior Vice Presidents, Executive Vice Presidents of Operations and the Chief Operating Officer have similar responsibilities and are designated as Compliance Liaisons for their areas of oversight.

Similarly, in Genesis Rehabilitation Services and Respiratory Health Services, the Clinical Operator Area Directors are designated Compliance Liaisons. Regional Vice Presidents, Division/Senior Vice Presidents and the President of GRS are designated as Compliance Liaisons for their areas of oversight.

Compliance Liaisons

Administrator/Executive Director, Clinical Operator Area Director and Regional Vice President of Operations responsibilities are summarized as follows:

- Acts as Civil Rights Coordinator and promotes compliance with Sec.1557 of the Patient Protection and Affordable Care Act (ACA) and associated laws and regulations that prohibit discrimination. Investigates grievances alleging non-compliance with Section 1557.
- Complies with and promotes adherence to applicable legal requirements, standards, policies and procedures including but not limited to those within the Compliance and Ethics Program, Standard/Code of Conduct, Federal False Claims Act and HIPAA.
- As the center Compliance Liaison, provides leadership and support for the Compliance and Ethics Program within management area.
- Attempts to resolve any compliance issues brought to his/her attention, and reports all significant compliance issues to the Compliance Officer, and assists in their resolution in any way necessary.
- Ensures timely and accurate reporting and responses to compliance and HIPAA-related issues and monitors the implementation of corrective action plans related to such issues.
- Ensures that staff participates in orientation and training programs including but not limited to all required compliance courses and relevant policies and procedures, and that such training is properly documented. Participates in compliance and other required training programs.
- Provides open lines of communication regarding compliance issues within management area and access to the Reach Out Line, and ensures that retaliation against staff who report suspected incidences of non-compliance does not occur. Promptly reports concerns and suspected incidences of non-compliance to supervisor, Compliance Liaison and/or to the Compliance Officer.
- Participates in and completes education, monitoring and auditing activities and investigations, and implementing quality assurance and performance improvement processes, as required.

¹ Similarly, other Genesis business lines have designated Compliance Liaisons, as discussed in each business line's *Supplemental Compliance Program Standards*.

- Completes performance reviews and determines compensation and promotions based on the accomplishment of established standards that promote adherence to compliance and quality standards.
- Acts as business location Privacy Officer.
- Prepares compliance reports, as required.

Division Vice President, Senior Vice President of Operations, Executive Vice President of Operations and Chief Operating Officer responsibilities are summarized as follows:

- Complies with applicable legal requirements, standards, policies and procedures including but not limited to those within the Compliance Process, Standard/Code of Conduct, Federal False Claims Act, HIPAA and Sarbanes Oxley.
- Specific responsibilities for implementing and monitoring the Compliance Program include:
 - Providing leadership and support regarding the Compliance Program.
 - Promoting adherence to applicable legal requirements, standards, policies and procedures as specified within the Compliance Program and Standard/Code of Conduct.
 - Ensuring that written compliance-related materials are distributed, as required.
 - Ensuring the provision of appropriate orientation and training programs including but not limited to all required compliance courses and relevant policies and procedures, and that such training is properly documented.
 - Ensuring open lines of communication regarding compliance issues and access to the confidential disclosure program reporting lines, and specifically re-enforcing that retaliation against staff who report suspected incidences of non-compliance must not occur.
 - Participating in and completing monitoring and auditing activities and investigations, and implementing quality improvement processes, as required.
 - Ensuring the appropriate distribution of internal and external compliance reports to relevant managers and monitoring of corrective action plans related to such reports.
 - Ensuring timely and accurate reporting and responses to compliance and HIPAA-related issues to the Compliance Officer, and monitoring the implementation of corrective action plans related to such issues.
 - Monitoring staff in the execution of their compliance-related functions.
- Works in conjunction with assigned Compliance Department staff as well as Human Resources, Risk Management, Internal Audit, Law, Reimbursement/Finance and other support departments, as required, in establishing and maintaining all components of the Compliance Program.
- Ensures that performance reviews, compensation, incentives, and promotions are based upon the accomplishment of established standards that promote adherence to compliance and quality standards.
- Participates in compliance and other required training programs.
- Prepares compliance reports, as required.

Liaisons must attempt to resolve any compliance issues brought to their attention, and report all significant compliance issues to the Compliance Officer, and assist in their resolution in any way necessary.

Compliance Officer

The Compliance Officer is responsible for the administration and oversight of the Compliance Program for all business lines. Any questions, complaints, concerns or suggestions regarding the Program should be directed to the Compliance Officer at (800-893-2094).

The Compliance Officer is responsible for answering questions, initiating internal investigations when necessary, and resolving problems. The Compliance Officer, with the concurrence of the Chief Executive Officer, may use any of the Company's resources, including any outside consultants deemed useful or necessary, to evaluate and to resolve compliance issues and to ensure the overall effectiveness of the Compliance Program.

If warranted, the Compliance Officer may take action as a result of a compliance issue in accordance with this Compliance Program. The Compliance Officer reviews and, if necessary, updates the Program annually. The Compliance Officer reports significant compliance issues to the Chief Executive Officer, the Genesis HealthCare Law Department, the Corporate Compliance Committee and the Board Nominating, Corporate Governance, Quality and Compliance Committee including the results of investigations and any subsequent disciplinary or remedial actions taken.

The Compliance Officer reports directly to the Chief Executive Officer, to the President and Chairman of the Accountable Care Organization, and to the Genesis HealthCare, Inc. Board of Directors Nominating, Governance, Quality and Compliance Committee, and fulfills duties solely related to the administration of the Compliance Program. The Compliance Officer does not act as legal counsel for Genesis, and is not subordinate to the General Counsel, Chief Financial Officer or the Chief Operating Officer.

The fact that Genesis has designated a Compliance Officer does not diminish or alter any employee's independent duty to abide by the Program or the responsibility of any supervisor to ensure compliance by those employees and covered persons he or she supervises.

Compliance Directors and Compliance Staff

The Compliance Department team conducts investigations, monitors internal and external data and information, and audits controls and procedures that promote adherence to the applicable statutes and regulations by which Genesis must abide. The audit processes include reviews of procedures established under the Compliance Program, verification that important Compliance Program tasks are being performed, and reviews of written acknowledgments and certifications. Additional audits that focus on the effectiveness of financial controls are conducted by the Genesis Internal Audit Department. The Internal Audit Department's results are communicated on an on-going basis to the Compliance Officer.

Corporate Compliance Committee

The Corporate Compliance Committee advises and assists the Compliance Officer with oversight of the Compliance Program. Committee members include the senior leaders of all Genesis business lines. The Committee reviews and addresses matters relating to the structure and functions of the Compliance Program. Specifics are discussed in the Corporate Compliance Committee Charter.

Sub-Committees of the Corporate Compliance Committee

Sub-committees function at the direction of the Corporate Compliance Committee and the Compliance Officer:

- Civil Rights Compliance Committee
- Business Line Compliance Committees
- Bundled Payments for Care Improvement (BPCI)/Accountable Care Organization Oversight Committee

The Compliance Officer reports sub-committee discussions and initiatives to the Corporate Compliance Committee.

Genesis HealthCare, Inc. Board of Directors Nominating, Governance, Quality and Compliance Committee (Board Committee)

As it relates to the Compliance Program, the Board Committee is responsible for ensuring the ongoing commitment of the Company and its subsidiaries to compliance with applicable healthcare laws, regulations, professional standards, industry guidelines and the respective policies and procedures of the Company and its subsidiaries that support and enhance the quality of care provided by subsidiaries of the Company. The Board Committee has specific duties and responsibilities as discussed in the Board Committee Charter.

Element 3: Workforce Integrity: Ineligible Persons, Background Screening, Drug Testing, and Licensure

Genesis selects employees only after a thorough sanction, criminal, and credential background review and drug test. Covered persons must maintain licensure and certifications as required for their positions.

Ineligible Persons

Federal law prohibits the Company from contracting with, employing, or billing for services provided by an individual or entity that is excluded or ineligible to participate in federal healthcare programs, suspended or debarred from federal government contracts, or has been convicted of a criminal offense related to the provision of healthcare items or services and has not been reinstated in a federal healthcare program after a period of exclusion, suspension, debarment, or ineligibility. Prior to hire, and routinely afterwards, the Compliance Department searches the Department of Health and Human Services' Office of Inspector General List of Excluded and Individuals and Entities, as well as similar state lists, to ensure that excluded individuals are not employed or contracted by the Company. Covered persons are required to report exclusions that occur after hire and/or contracting with Genesis.

Background Screening

Genesis conducts background investigations on all applicants to whom a conditional offer of employment has been made. Investigations of other individuals are conducted in accordance with federal and state regulations, and include fingerprinting where required. Background investigations are also completed for regular volunteers. New background screenings are required for all employees after a 90-day break in service, or sooner where required by business line policies and/or state regulations. Conditional hire may be pursued if allowed by state law, if the prospective employee attests that he/she has never been convicted of a crime and he/she completes an Attestation of Good Moral Character.

The Company maintains barrier crime matrices for each state. If an applicant has been convicted of a crime, and that crime does not bar employment in the specific state, then the hiring manager consults with the Human Resources Department to determine eligibility for employment. All convictions are considered in terms of relevance to the position sought and the time elapsed since conviction.

Applicants are required to provide information relevant to at least five years of prior employment. Genesis verifies previous employment for all new hires. Reference checks are also conducted for new hires in certain clinical and professional positions. If an applicant indicates that he/she had been previously employed by Genesis, then eligibility for re-hire is verified.

If the reference check of an employment applicant is unsatisfactory, the hiring manager consults with the Human Resources Manager or Human Resources Department for guidance.

To ensure a safe work environment for patients, residents, staff, and visitors, covered persons are required to report arrests, convictions, and indictments should they occur during employment with Genesis. If the employee is convicted of certain serious crimes, he/she will not be permitted to continue employment.

Drug Testing

Genesis is committed to achieving a safe and healthy work environment, free from drug and alcohol abuse. Company policy strictly prohibits the illegal use, solicitation, sale or possession of narcotics, drugs, alcohol, or controlled substances while on the job or on Company property. Violation is a dischargeable offense.

Off-the-job use, solicitation, sale or possession of narcotics, drugs, alcohol, or controlled substances which adversely affect an employee's job performance, potentially affect the Company's reputation or standing in the community, or which could jeopardize the safety of others or the public or safe use of Company equipment is proper cause for disciplinary action up to and including termination of employment.

All drug testing is completed in compliance with federal and state law. Prior to hire, drug/alcohol testing is completed within 72 hours of offer of employment. Drug/alcohol testing is also conducted if there is reasonable suspicion of inappropriate drug/alcohol use.

Authorizations to conduct background investigations and drug/alcohol testing are collected in accordance with Genesis policies and federal and state requirements.

Licensure

Credentials, including licenses, certifications and degrees are verified prior to and during employment. All covered persons who need licenses or certifications are required to maintain credentials in compliance with state and federal laws. Every employee is required to report if any licensing agency has initiated an investigation, if action has been taken against his/her license or certification, or if he/she has worked when his/her required license/certification has expired or lapsed. Failure to report results in discipline, up to and including termination of employment. A specific disciplinary process is followed when it has been determined that an employee has worked without a current, valid license or certification.

Element 4: Effective Education and Training

A comprehensive training and education program helps Genesis employees and covered persons understand their compliance responsibilities.

Covered persons are expected to be generally familiar with the Genesis Compliance Program. All covered persons have a responsibility for compliance throughout the Company, and are encouraged to ask questions about the application of the Compliance Program and the Code of Conduct to ensure understanding of the content and expectations.

To facilitate familiarity with the Compliance Program and Code of Conduct, newly hired employees are required to attend general orientation and participate in the Genesis Welcoming Program. As a component of training, every employee reviews the Code of Conduct and certifies agreement to abide by the content of the Code, by completing the Code of Conduct Acknowledgment. Completed Acknowledgements are stored electronically.

Within 30 days of hire and annually, employees attend an instructor-led, live training session or complete compliance training online using the content, process and links on Genesis Central. The highest level manager of each business unit provides the oversight of training for his or her direct reports.

Managers at all levels and divisions of the Company have the primary responsibility for communicating, both formally and informally, the paramount importance of compliance to all employees and for actively promoting adherence to the Program. Informally, managers focus on open communication about integrity and create an atmosphere that encourages integrity and that fosters reporting of compliance issues and non-retaliation. Managers answer questions raised by employees or obtain the answer from a Liaison or the Compliance Officer.

Employees electronically certify acceptance of the Code of Conduct and completion of training at the conclusion of training. The certification includes a requirement that each employee report all previously unreported or unaddressed issues of concern. The Compliance Department investigates all concerns reported on certifications.

Health Insurance Portability and Accountability Act (HIPAA) training is included in the Welcoming Program and in general compliance training every year.

The Company also requires employees to complete assigned mandatory courses as required by state and federal guidelines, and based on each employee's position. Mandatory education is provided in a variety of independent study and instructor-led formats.

As stated above, Center Administrators/Executive Directors, Regional Vice Presidents, Senior Vice Presidents of Operations, Executive Vice Presidents and the Chief Operating Officer ensure the provision of appropriate orientation and training programs including but not limited to all required compliance courses and relevant policies and procedures, and that such training is properly documented.

Element 5: Reach Out Confidential Disclosure Program

Genesis strives to discover issues of concerns and resolve allegations regarding violations of compliance and regulatory standards. Multiple mechanisms are available to report issues of concern and to ask questions, including the toll-free, confidential hotlines. A policy of non-retaliation is strictly enforced. Compliance issues are reported to the Compliance Department for advice and oversight.

All covered persons must help ensure that the Company is doing everything practical to comply with applicable laws. All covered persons are required to promptly report observations or suspicions of unethical, illegal, and unprofessional behavior as well as clinical, ethical or financial concerns and potential violations of the Code of Conduct.

Genesis has adopted the phrase, “When in Doubt, Reach Out” to remind all that reporting issues of concern is an essential expectation of our staff, and that reaching out helps us to identify and correct practices as necessary.

The Company has a specific Four-Step Reporting Process for communicating compliance issues that is discussed in the Code of Conduct as follows:

- *First, talk to your supervisor or manager. He or she is most familiar with the laws, regulations and policies that relate to your work.*
- *If you are not comfortable talking with your supervisor or are not satisfied with the response you receive, talk to another member of the management team, or someone from human resources.*
- *If you still have a concern, discuss with a regional representative or Compliance Liaison.*
- *If none of the above steps resolves your questions or concerns, or if you prefer, call the toll-free Genesis Reach Out Line at (800-893-2094) for assistance. You may call anonymously.*

Any step in the process may be used at any time.

Personnel also have access to the Employee Relations Line at 888-472-8442.

Anyone who is uncertain whether a particular situation constitutes a compliance issue is encouraged to discuss the issue with his or her supervisor, a member of management, a Liaison or the Compliance Officer. All members of management are required to report significant compliance issues to the Compliance Officer for investigation and resolution.

Residents and family members are encouraged to report issues locally, and also may report issues via the Genesis Dialogue Line at 800-944-7776. The WeCare (wecare@genesishcc.com) email address may also be used to report concerns.

These toll-free phone numbers and reporting mechanisms are publicized in business locations via postings in locations visible to the potential users of these services.

Reports may be filed anonymously, but must provide enough information to start the investigation process. Reporters may make reports without fear of reprisal, retaliation or punishment for reporting. Anyone, including a supervisor, who retaliates against anyone for reporting an issue, is disciplined, including possible dismissal.

Each covered person is expected to ask any questions he or she might have about the Compliance Program. If anyone is unclear as to responsibilities under the Program, clarification should be sought from a supervisor, management, a Liaison or the Compliance Officer. All employees are required to act in accordance with the Program as a condition of employment. Similarly contractors and others must comply in accordance with contractual obligations. When an employee promptly discloses his or her own non-compliance, this positive action is considered when the Company is deciding on the appropriate consequences.

It is the Company's policy to provide information about the state and federal fraud laws, including the False Claims Act, to all covered persons, including remedies available under these provisions and how covered persons and others can use them, and about whistleblower protections available to anyone who claims a violation of the federal or state false claims act. The specific policies are described in the Employee Handbook and supplemental policies.

The Genesis Reach Out Confidential Disclosure Program includes a specific process to respond to matters brought to our attention by families, residents, patients, employees and other stakeholders, in an efficient and effective manner. This Program includes all forms of Confidential Disclosures including phone calls, emails, Code of Conduct Acknowledgments, Compliance Program Certification Forms, satisfaction surveys, exit interviews and letters, and issues reported directly to the Compliance Department by management and staff.

All cases are handled in a manner that protects the identity of the individual and confidentiality of the investigation to the extent practicable. Retaliation or any form of harassment directed against the reporters of concerns is not permitted.

All cases are documented and maintained in a secure case file database. The majority of investigations are initiated within one working day of receipt of the concern. Exceptions may occur due to the complexity of cases that require additional review and/or management level discussion to determine the most appropriate investigator(s) and investigation methodology.

Cases are investigated by personnel with the required level of expertise and knowledge to perform an effective investigation of the presented issue.

The Compliance Officer and subsidiary senior management or designee monitors the investigation of material violations to ensure that any inappropriate or improper practice is addressed. Corrective and disciplinary actions in response to substantiated allegations are determined by the ranking manager, in consultation with the Compliance, Human Resources and Legal Departments, and are documented. Each case is reviewed by the Compliance Coordinator (or designee), and the Compliance Officer or Compliance Manager/Director.

It is the policy of Genesis to seriously consider all reports of alleged misconduct. Reports of misconduct may be submitted multiple ways, including via reports to supervisors and management, contact to the anonymous hotlines, via email or written correspondence.

The Compliance Officer will, where necessary, document actions taken regarding the complaint, including an explanation of the nature of the compliance issue and its resolution. No commitments are generally made to the party reporting the incident regarding his or her liability

or what steps the Company may take in response to the report of wrongdoing. When an employee promptly discloses his or her own non-compliance, this positive action is considered when deciding on the appropriate consequences.

The Compliance Officer with the assistance of General Counsel or designee, as needed, determines whether the alleged misconduct is a violation of federal or state law, the Company's Code of Conduct, poses a risk to the general public, or otherwise subjects the Company to risk of economic injury or injury to its reputation. Thereafter, the Compliance Officer shall take action commensurate with the gravity of the allegation to determine the validity of the allegation, and what remedial action and/or disciplinary action, if any, is warranted. Where appropriate and necessary, the Compliance Officer shall report violations of federal or state law to the General Counsel and Chief Executive Officer, and externally as required by law.

The Compliance Officer attempts to ensure that all records related to reports of misconduct are preserved in accordance with law and in a manner that provides maximum appropriate protection under the attorney-client privilege and attorney work product doctrine.

All employees are obligated to assist in the investigation of alleged compliance issues.

Summary reports from the case file database are provided to Company management on a quarterly basis. Compliance staff reviews the summary reports with subsidiary management on an as-needed basis.

Grievances and complaints regarding the provision of auxiliary aids and services, and alleged discrimination based on disability are referred directly to the Compliance Officer (or designee) to ensure priority handling.

Business location (e.g., Centers, Gyms) complaint logs and letters that come directly to sites of service and are not also sent or copied to the corporate office are outside the scope of this system and are to be handled at the local level, with regional, area and/or division oversight where necessary or required by business line operations. Notwithstanding the above, if the same grievance/complaint is reported through a direct disclosure, it is handled as a Confidential Disclosure.

Element 6: Internal Monitoring and Auditing

Each business line monitors and audits clinical and billing practices to ensure that Genesis standards, policies and procedures, as well as government requirements, are met.

Monitoring

In the Genesis Compliance Process, monitoring functions are generally described as either: 1) ongoing processes that generate data and information that the organization uses to routinely evaluate outcomes or 2) non-independent, continuous tests of key business processes and controls. Management has responsibility for monitoring functions. Monitoring functions may produce no known issues, or may result in informational trends or alerts that require response from management and/or the Compliance Department.

Each business line has adopted procedures to monitor resident care and procedures to monitor reimbursement. These procedures are summarized in **Supplemental Compliance Program Standards** documents that are reviewed and updated annually.

Auditing

The term “audit” is used to describe a comprehensive process of testing and corrective action necessary to identify issues and follow them through to closure. While similar to monitoring, audits are conducted by individuals who are independent from management, with appropriate expertise, following a standard protocol. For purposes of the Compliance Program, audits may be conducted by Company personnel, for example the Compliance or Internal Audit Department personnel, or by contractors. Audits assess the effectiveness of management’s controls and monitoring procedures.

Many processes in the Company are identified as “audits” for ease of understanding by the users. Most of these processes are actually monitoring functions by definition.

Genesis uses monitoring, auditing and/or other risk evaluation techniques to monitor compliance, identify problem areas, and assist in the reduction of identified problems. While these efforts are generally focused on internal operations, reviews of contractors and partners are completed as necessary based on risk assessment and reported issues.

Element 7: Corrective Actions

When mistakes are made or problems are discovered, the Compliance Program provides ways to correct and resolve them.

Disclosures, coupled with routine, periodic reviews, such as the monitoring and auditing processes described above, increase the likelihood of detection and prevention of unlawful and unethical behavior and as a consequence allow for the correction of such behavior at an early stage.

Detected and uncorrected deficiencies could seriously damage Genesis's reputation. Corrective action is expected promptly every time an opportunity for improvement is discovered.

Corrective action plans should include steps to correct each problem. As appropriate, steps that are generally considered are:

- Education or re-education on regulations, policies and procedures and expectations coupled with monitoring to ensure that the education has been effective;
- Modification of controls to ensure early detection of issues;
- Additional testing to determine scope and severity of issues and/or effectiveness of corrective actions. Audits are not closed until detected issues are re-tested and confirmed remediated;
- Disciplinary action (discussed further in Element 8);
- Return of discovered overpayments in accordance with timelines and procedures set forth in regulatory guidance;
- Referral to law enforcement and/or licensure authorities;
- Re-evaluation and amendment of policies and procedures;
- Modification of the Compliance Program elements as necessary to close gaps;
- Other corrective action as indicated by findings of audits and investigations.

Audit and investigation findings are not closed until areas found to be non-compliant are in compliance. In significant cases, the Compliance Department collects documentation to support implementation of corrective actions.

Element 8: Disciplinary Guidelines.

The Compliance Program ensures that appropriate disciplinary actions are taken if employees do not meet Genesis's standards of proper clinical, ethical and legal behavior.

All covered persons are expected to comply with the Company's conduct and performance standards. Conduct that interferes with operations, discredits the Company, or is offensive to patients/residents or other employees will not be tolerated. Unacceptable conduct or performance makes an employee subject to the Performance Improvement Process.

No conduct which limits, restricts, or interferes with our ability to respond to our residents'/patients' needs or that interferes with another person's ability to respond to our residents'/patients is acceptable.

Genesis strives to help develop talents by providing job-related educational in-services, demonstrating proper techniques and modeling behaviors consistent with the Core Values.

Covered persons are responsible for the lives of those in our care, for the safety of our employees, and for compliance with multiple federal, state and local regulatory agencies. To meet our obligations and to create a safe and respectful environment for everyone, Genesis has established a set of conduct, performance and attendance standards based on the Core Values of our organization, best practices for good patient care and legal requirements.

Employees whose performance or conduct fails to meet the expectations for the job may be given an opportunity to work with their supervisors to develop an action plan for improved performance. The Performance Improvement Process deals with unsatisfactory performance and/or misconduct, attendance concerns, and serious infractions which can result in immediate dismissal.

Typically, the process involves four steps, from counseling to termination.

At each step, the identified problems are discussed with the employee. An action plan is developed to correct the performance issues along with a timeline to assess progress toward identified goals.

Genesis reserves the right to determine the appropriate level of discipline based upon the particular circumstances and severity of each matter, and may move to any level in the counseling process as it deems appropriate.

Failure to meet the expectations established in the action plan will result in moving to the next step in the process. Genesis uses a 12-month look-back period to determine the next level of individual improvement. If an employee has not received any warnings in the previous 12 months, he/she will return to the beginning of the four-step process. If he/she has received a warning in the previous 12 months, he/she will move to the next level in the process. Each step of the process is documented in employee files.

The above notwithstanding, it is important to note that Genesis reserves the right to determine the appropriate level of discipline based upon the particular circumstances (including the persons

and designated job duties of each) and severity of each matter, and may move to any level in the counseling process as it deems appropriate.

The Employee Handbook includes lists of conduct and performance violations. No list can include all instances which can result in counseling, and the examples in the Employee Handbook do not replace sound judgment.

Dismissal is an immediate termination of an employee for serious breaches, including violations of the Code of Conduct, of responsibility, and for unsatisfactory performance or gross misconduct. Due to the seriousness of these offenses, the person(s) accused may be suspended of all duties pending the outcome of a thorough investigation. If the allegations are not substantiated and the employee is returned to work, he or she is paid for all scheduled time missed. The employee may be disciplined for a lesser infraction based on the investigation findings, if warranted. If the allegation is substantiated, the employee may be dismissed without back pay for scheduled shifts not worked.

It is the policy of Genesis to seriously consider all reports of alleged misconduct. As stated above, the Compliance Officer and subsidiary senior management or designee monitors the investigation of material violations to ensure that any inappropriate or improper practices are addressed. Corrective and disciplinary actions in response to substantiated allegations are determined by the ranking manager, in consultation with the Compliance, Human Resources and Legal Departments, and are documented.

Conclusion

The elements of the Compliance and Ethics Program do not function independently, rather the elements, working together, provide a framework for risk detection and risk mitigation. The Code of Conduct provides the initial and primary expectations for all Genesis covered persons. Strong compliance leadership throughout the organization provides the support for the Code of Conduct to be a constant focus as the Company operates every day. Background and drug screening, and reference and licensure verification help the organization to identify and hire an honest and trustworthy workforce focused on care quality. Effective education ensures that each employee understands his or her responsibilities for quality work in compliance with the multiple laws, regulations and contractual relationships by which Genesis abides. Multiple avenues to report issues of concern, and a robust network of monitoring and auditing protocols allow Genesis to self-identify and correct compliance issues before they become major problems. Consistent disciplinary practices are followed to ensure that compliance issues are directly addressed in a timely manner.