CORPORATE INTEGRITY AGREEMENT
BETWEEN THE
OFFICE OF INSPECTOR GENERAL
OF THE
DEPARTMENT OF HEALTH AND HUMAN SERVICES
AND
TRIAD HOSPITALS, INC.

I. PREAMBLE

Triad Hospitals, Inc. ("Triad") hereby enters into this Corporate Integrity Agreement ("CIA") with the Office of Inspector General ("OIG") of the United States Department of Health and Human Services ("HHS") to promote compliance by Triad's officers, directors, employees, contractors, and agents (as required by this CIA) and Triad's subsidiaries and their officers, directors, employees, contractors, and agents (as defined in this CIA) with the statutes, regulations and other legally binding authority of Medicare, Medicaid and all other Federal health care programs (as defined in 42 U.S.C. § 1320a-7b(f)) ("Federal health care program requirements").

Triad acquired Quorum Health Group, Inc. ("Quorum") on April 27, 2001. The OIG and Quorum previously entered into a Corporate Integrity Agreement, effective June 30, 2001 ("Quorum CIA"), in connection with the Settlement Agreement and Release ("Settlement Agreement") dated April 23, 2001, between Quorum and the United States. However, the OIG and Triad have determined that it would be preferable for a single CIA to apply to all of Triad's operations. As a result, this CIA supersedes the Quorum CIA, which obligations, as of August 10, 2001, were suspended.

Prior to the execution of this CIA, Triad voluntarily established a compliance program (the "Compliance Program"). Triad hereby agrees to maintain the Compliance Program during the term of this CIA. The Compliance Program may be modified by Triad as appropriate but, at a minimum, it shall comply with the integrity obligations enumerated in this CIA.

II. TERM OF THE CIA AND DEFINITIONS

A. Term. The period of the compliance obligations assumed by Triad under this CIA shall be five (5) years from the effective date of this CIA (unless otherwise specified). The effective date of this CIA shall be November 1, 2001.

Sections VII, VIII, IX, X and XI of this CIA shall remain in effect for a period of up to 120 days from OIG's receipt of (i) Triad's final annual report, or (ii) any additional materials submitted by Triad pursuant to OIG's request, whichever is later.

B. Definition of Covered Person. For purposes of this CIA, a "Covered Person" means: (i) any officer, director, or employee of Triad, any Triad/Quorum Hospital (as defined in section II.E. below) and Quorum Health Resources, LLC ("QHR"); and (ii) Covered Contractors (as defined in section C. below). Notwithstanding the above, part-time or per diem agents, employees, or contractors who work less than 160 hours per year are not Covered Persons.

C. Definition of Covered Contractor. For purposes of this CIA, a "Covered Contractor" is any agent or contractor who (i) furnishes direct patient care services at any Triad/Quorum Hospital for which Triad or such Triad/Quorum Hospital seeks payment from any Federal health care program; or (ii) participates directly in the preparation or submission of claims, cost reports, or other requests for payment on behalf of Triad or any Triad/Quorum Hospital with respect to items or services for which Triad or such Triad/Quorum Hospital seeks payment from any Federal health care program.

D. Definition of Pre-Existing Contractor. For purposes of this CIA, a "Pre-Existing Contractor" is any agent or contractor who (i) furnishes direct patient care services at any Triad/Quorum Hospital for which Triad or such Triad/Quorum Hospital seeks payment from any Federal health care program; or (ii) participates directly in the preparation or submission of claims, cost reports, or other requests for payment on behalf of Triad or any Triad/Quorum Hospital with respect to items or services for which Triad or such Triad/Quorum Hospital seeks payment from any Federal health care program; and (iii) has an existing contract with Triad or any Triad/Quorum Hospital on the effective date of this CIA. Once Triad or any Triad/Quorum Hospital renegotiates, modifies, or renews a contract with a Pre-Existing Contractor, that Pre-Existing Contractor shall be considered a Covered Contractor for purposes of this CIA, unless the Pre-Existing Contractor would not otherwise be a Covered Contractor under section II.C.

E. Definition of Quorum Hospitals, Triad Hospitals and Triad/Quorum Hospitals.

1. *Quorum Hospitals*. For purposes of this CIA, the hospitals identified on Appendix E to this CIA are the "Quorum Hospitals."

2. *Triad Hospitals*. For purposes of this CIA, the hospitals owned by Triad Hospitals, Inc., not including the Quorum Hospitals identified on Appendix E to this CIA, as well as any hospitals that are subsequently owned by Triad after the effective date of this CIA, are "Triad Hospitals."

3. *Triad/Quorum Hospitals*. For purposes of this CIA, the Quorum Hospitals and Triad Hospitals shall collectively be referred to as "Triad/Quorum Hospitals."

F. HCA Investigation and Contingent Release. Triad is entering into this CIA in connection with the investigation by the United States of HCA - The Healthcare Company ("HCA") (f/k/a Columbia/HCA). HCA and the United States have entered into a settlement agreement related to that investigation and are expected to enter into additional settlement agreements related to that investigation. The Triad Hospitals were formerly owned by HCA and Triad and its subsidiaries may be subject to permissive exclusion pursuant to 42 U.S.C. § 1320a-7(b) for conduct that occurred while the hospitals were owned by HCA. Upon the effective date of this CIA, OIG agrees to release and refrain from the imposition of civil monetary penalties or instituting any action seeking exclusion from the Medicare, Medicaid, or other Federal health care programs against Triad and its subsidiaries under 42 U.S.C. § 1320a-7a (Civil Monetary Penalties Law) or 42 U.S.C. § 1320a-7(b) (permissive exclusion) for conduct described in any settlement agreement(s) entered into between the United States and HCA ("Covered Conduct"). The release described in this paragraph is subject to the same limitations and conditions with respect to Triad and its subsidiaries as apply to the parallel release granted to HCA for the Covered Conduct; provided, however, that the terms of such release shall not impose additional obligations on Triad and its subsidiaries beyond those contained in this CIA. Notwithstanding the foregoing, the release that applies to the Quorum Hospitals is that set forth in the Settlement Agreement.

III. CORPORATE INTEGRITY OBLIGATIONS

Triad hereby agrees that, for the term of this CIA, Triad shall operate its Compliance Program to include the following elements:

A. Compliance Officers and Committees.

1. *Board Compliance Committee*. Triad currently has a compliance committee of the Triad Board of Directors ("Board Compliance Committee"). Triad represents that the Board Compliance Committee is responsible for oversight of Triad's Compliance Program. The Board Compliance Committee shall meet at least quarterly and shall maintain a written record of its meetings. Any changes in the identity of the Board Compliance Committee members, or the responsibilities or authorities of the Board Compliance Committee, must be reported to OIG, in writing, within 15 days of such a change.

2. *Corporate Compliance Officer.* Triad has established a corporate compliance officer position and has appointed an individual to serve in that capacity ("Compliance Officer"). The Compliance Officer has full-time responsibility for overseeing the Compliance Program and for developing and overseeing the implementation of policies, procedures, and practices designed to promote compliance with the requirements set forth in this CIA and with Federal health care program requirements. The Compliance Officer reports directly to Triad's Senior Vice-President of Administration ("SVP-A") and the Board Compliance Committee. The Compliance Officer shall report on compliance issues to the SVP-A and/or the Board Compliance Committee at least quarterly. Any changes in the identity or position description of the Compliance Officer, or any actions or changes that would affect the Compliance Officer's ability to perform the duties necessary to meet the obligations in this CIA, must be reported to OIG, in writing, within 15 days of such a change.

3. *Corporate Compliance Committee.* Triad represents that, prior to and as of the effective date of this CIA, it has a corporate compliance committee ("Compliance Committee"). The Compliance Committee is chaired by the Compliance Officer and includes management representatives from each major department (e.g., internal audit, human resources, finance, and legal). The Compliance Committee supports the Compliance Officer in fulfilling his/her responsibilities for overseeing the implementation and operation of the Compliance Program and Triad's compliance with this CIA and Federal health care program requirements. The Compliance Committee shall meet at least quarterly and shall maintain a written record of its meetings. Any changes in the composition of the Compliance Committee, or any actions or changes that would affect the Compliance Committee's ability to perform the duties necessary to meet the obligations in this CIA, must be reported to OIG, in writing, within 15 days of such a change. If a Compliance Committee member resigns or is terminated from employment with Triad, and the individual who assumes that member's core job functions also assumes the member's responsibilities on the Compliance Committee, such change in the composition of the Compliance Committee may be reported to OIG in accordance with section V.B. (Annual Reports) and does not need to be reported within 15 days.

4. *Facility Compliance Officers.* Triad represents that, prior to and as of the effective date of this CIA, each Triad/Quorum Hospital has a compliance officer ("Facility Compliance Officer") who is responsible for implementation and oversight of the Compliance Program at his/her hospital and for the hospital's compliance with this CIA and Federal health care program requirements. With respect to compliance matters, the Facility Compliance Officer for each hospital reports directly to that hospital's Chief Executive Officer ("CEO") and/or to the Compliance Officer, or if the Facility Compliance Officer is the CEO, then he or she reports directly to the Compliance Officer. Any changes in the responsibilities or authorities of the Facility Compliance

Officers relating to the Compliance Program must be reported to OIG, in writing, within 15 days of such a change.

5. *Facility Compliance Committees.* Triad represents that, prior to and as of the effective date of this CIA, each Triad/Quorum Hospital has a Compliance Committee ("Facility Compliance Committee"). Each Facility Compliance Committee is chaired by the Facility Compliance Officer and currently includes members of the facility's senior management, such as the facility's CEO, Chief Operating Officer ("COO"), Chief Financial Officer ("CFO"), Chief Nursing Officer ("CNO"), or department heads. Throughout the term of this CIA, each Facility Compliance Committee shall continue to include senior representatives who oversee departments or functions within the hospital necessary to meet the requirements of this CIA (e.g., medical records, business offices, clinical, marketing, and human resources). Each Facility Compliance Committee is responsible for assisting the Facility Compliance Officer in implementing and overseeing the Compliance Program at the hospital and ensuring the hospital's compliance with this CIA. Each Facility Compliance Committee shall meet at least quarterly and shall maintain a written record of its proceedings. Any changes in the responsibilities or authorities of the Facility Compliance Committees relating to the Compliance Program must be reported to OIG, in writing, within 15 days of such a change.

B. Written Standards.

1. *Code of Conduct.* Triad currently has a Code of Conduct. Triad shall make the promotion of, and adherence to, the Code of Conduct an element in evaluating the performance of all employees who are Covered Persons. Triad represents that it has implemented a program to distribute its Code of Conduct to its employees who are Covered Persons and to obtain an acknowledgment that each such employee has received and will agree to read and abide by the Code of Conduct. Following the effective date of this CIA, Triad will implement a process to distribute the Code of Conduct to all other Covered Persons. Prior to the filing of the Implementation Report, Triad shall have obtained a certification from each of its facilities and corporate office that, within 90 days of the effective date of this CIA, all Covered Persons have received the Code of Conduct and each Covered Person has certified, in writing, that he or she has received, will agree to read, and will abide by Triad's Code of Conduct, except as provided in sections III.B.2. and III.B.3. below.

Except as provided in section III.B.2., new Covered Persons shall receive the Code of Conduct and shall complete the required certification within 30 days after becoming a Covered Person or within 90 days of the effective date of the CIA, whichever is later.

Triad shall annually review the Code of Conduct to determine if revisions are appropriate and shall make any necessary revisions based on such a review. Any such revised Code of Conduct shall be distributed to Covered Persons, except as provided in section III.B.2., within 30 days of finalizing such changes. Covered Persons shall certify that they have received, agree to read, and will abide by the revised Code of Conduct within 30 days of the distribution of such revisions.

2. *Covered Contractor Requirements*. Triad shall require its Covered Contractors to: (a) agree to abide by Triad's Code of Conduct or adopt its own Code of Conduct substantially similar to Triad's Code of Conduct; (b) agree to distribute either (i) Triad's Code of Conduct or (ii) the Covered Contractor's Code of Conduct and information about Triad's Disclosure Program (including the Ethics and Compliance Hotline number) to employees working on Triad matters; and (c) certify to Triad that employees of the Covered Contractor working on Triad matters have received a copy of (i) Triad's Code of Conduct or (ii) the Covered Contractor's Code of Conduct and information about Triad's Disclosure Program (including the Ethics and Compliance Hotline number). Where the Covered Contractor is a solo practitioner, the Covered Contractor must be provided with Triad's Code of Conduct and certify that he or she will abide by it.

3. *Pre-Existing Contractor Requirements*. Triad's only obligation pursuant to section III.B. of this CIA with respect to Pre-Existing Contractors shall be to use reasonable efforts to obtain each Pre-Existing Contractor's compliance with the requirements of section III.B.2. above. At a minimum, Triad must request in writing that the Pre-Existing Contractor comply with the requirements of section III.B.2.

4. *Policies and Procedures*. Triad represents that, as of the effective date of this CIA, it has developed and implemented a policy manual that contains policies and procedures regarding the operation of its Compliance Program and Triad's compliance with Federal health care program requirements. Triad shall ensure that, during the term of this CIA, its policy manual includes policies and procedures that address the following topics:

a. Triad's commitment to full compliance with all Federal health care program requirements, including its commitment to prepare and submit accurate claims consistent with such requirements;

b. Triad's requirement that all Covered Persons shall be expected to comply with all Federal health care program requirements and with Triad's own policies and procedures;

c. the requirement that all of Triad's Covered Persons are expected to report to the Compliance Officer or other individual designated by Triad suspected violations of any Federal health care program requirements or of Triad's own policies and procedures;

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

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

f. proper Federal health care program cost reporting, billing, coding, medical record documentation, and claims submission practices.

Within 90 days of the effective date of the CIA, Triad shall ensure that the relevant portions of the Policies and Procedures have been be distributed to all individuals whose job functions are related to those Policies and Procedures. Appropriate and knowledgeable staff should be available to explain the Policies and Procedures.

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

C. Training and Education. Triad shall meet the following training requirements. The training requirements are cumulative, i.e., not exclusive, so that one person may be required to attend training in one or more substantive areas in addition to the general training. All training requirements set forth in paragraphs 1 through 4 below shall be completed within 90 days of the effective date of this CIA, and annually thereafter, and conducted as specified below. With respect to the initial training required during the first 90 days after the effective date of this CIA, Triad need not provide such training to persons who have received training after January 1, 2001, if the training provided meets all the subject matter and duration requirements that would apply to the initial training under this CIA, notwithstanding the fact that such training did not cover this CIA.

Covered Persons who have received initial training under the Flowers Hospital CIA shall not be required to receive initial training pursuant to this CIA.

1. *General Training*. Triad shall require at least two hours of initial general training for each Covered Person. This training, at a minimum, shall explain Triad's Compliance Program (including the Code of Conduct and the Policies and Procedures as they pertain to general compliance issues) and Triad's CIA requirements. After receiving the initial training described above, each Covered Person shall receive at least one hour of general training annually. Notwithstanding the foregoing, Triad shall be required to provide the general training described in this paragraph only to individual Covered Contractors and employees of a Covered Contractor who provide direct patient care services on a full-time or substantially full-time basis at any Triad/Quorum Hospital. However, Triad shall make its general training available to all other individual Covered Contractors and employees of Covered Contractors working on Triad matters and shall maintain records of the attendance of any of its Covered Contractors (or their employees, as applicable) at the general training.

2. *Coding Training*. Each Covered Person whose job responsibilities directly relate to or include the coding of services for which reimbursement is sought from any Federal health care program shall receive adequate hours of coding training annually in addition to the general training required above.

3. *Billing Training*. Each Covered Person whose job responsibilities directly relate to or include the preparation or submission of claims for reimbursement other than cost reports, cost statements, information statements or similar documents from any Federal health care program shall receive adequate hours of billing training annually in addition to the general training required above. This billing training shall include a discussion of (i) the submission of accurate bills for services rendered to Federal health care program beneficiaries; (ii) the personal obligation of each individual involved in the billing process to ensure that such billings are accurate; (iii) applicable reimbursement statutes, regulations, and program requirements and directives; (iv) the legal sanctions for improper billings; and (v) examples of proper and improper billing practices.

4. *Cost Report Training*. Each Covered Person whose job responsibilities directly relate to or include the preparation or submission of cost reports to any Federal health care program shall receive adequate hours of cost report training annually in addition to the general training required above. This cost report training shall include a discussion of (i) the personal obligation of each individual involved in the cost reporting process to ensure that such cost reports are accurate; (ii) applicable cost reporting statutes, regulations, and program requirements and directives; (iii) the legal sanctions for

filing inaccurate cost reports; and (iv) examples of proper and improper cost reporting practices.

All training materials must be made available to OIG, upon request. Persons providing the above-described specific training must be knowledgeable about the subject area.

5. *New Covered Persons*. New Covered Persons shall receive the required training within 30 days of the beginning of their employment or becoming a Covered Person or within 90 days of the effective date of this CIA, whichever is later. A Triad employee who has completed the specific training shall monitor carefully a new Covered Person's work, to the extent that the work relates to the preparation or submission of cost reports or other claims for reimbursement from any Federal health care program, until such time as the new Covered Person completes applicable training.

6. *Covered Contractors*. Triad must document completion of the applicable coding, billing, or cost report training to employees of Covered Contractors working on Triad matters if: (i) the Covered Contractor is a solo-practitioner; (ii) the Covered Contractor was not retained because of its professional expertise in the area for which training is necessary; or (iii) the Covered Contractor has not complied with the requirements of section III.B.2. Triad is responsible for determining the expertise and compliance of Covered Contractors.

7. *Pre-Existing Contractors*. Triad's only obligations with respect to Pre-Existing Contractors for whom Triad otherwise would be required under section III.C.6. to document completion of the applicable coding, billing, or cost reporting training, are to: (i) make such training available to the Pre-Existing Contractor or employees of the Pre-Existing Contractor working on Triad matters (as applicable), (ii) use reasonable efforts to encourage attendance at training by the Pre-Existing Contractor or the Pre-Existing Contractor's employees (as applicable), and (iii) maintain records of such attendance.

8. *Certifications and Retention*. Triad shall maintain sufficient records to demonstrate that the required training has occurred. These records shall include certifications from Covered Persons that they have attended the required training. The certifications may be acquired through: attendance/sign-in sheets for in-person group training sessions; computer attestations for computer-based training; or similar mechanisms for other forms of training. Facility Compliance Officers or their designees shall retain training records and certifications in a manner that permits reporting to the Compliance Officer to enable the Compliance Officer to report on the training, and provide the specific course materials and certifications, to the OIG upon request.

D. Engagement Procedures.

1. *General Description.*

a. Retention of Independent Review Organization. Within 90 days of the effective date of this CIA, Triad shall retain an entity (or multiple entities), such as an accounting, auditing or consulting firm (hereinafter "Independent Review Organization" or "IRO"), to perform engagements to assist Triad in assessing and evaluating its billing and coding practices and its compliance obligations pursuant to this CIA and the Settlement Agreement. Each Independent Review Organization retained by Triad shall have expertise in the billing, coding, cost reporting and other requirements of the particular section of the health care industry pertaining to this CIA and in the general requirements of the Federal health care program(s) from which Triad seeks reimbursement. Each IRO shall assess, along with Triad, whether it can perform the IRO engagements in a professionally independent fashion taking into account any other business relationships or other engagements that may exist.

b. Types of Engagements. Triad's Audit Services Department and the Independent Review Organization(s) shall conduct the following engagements. One engagement shall address Triad's billing and coding to the Federal health care programs ("Triad Hospitals Engagement"), including an analysis of DRG claims and laboratory claims. The second engagement shall address Triad's compliance with the obligations assumed under this CIA and, with respect to the Quorum Hospitals, Triad's compliance with certain obligations assumed under the Settlement Agreement ("Compliance Engagement"). The third engagement shall address billing and coding to the Federal health care programs by the Quorum Hospitals, including an analysis of DRG claims ("Quorum Hospitals Engagement").

c. Frequency of Engagements. The Triad Hospitals Engagement shall be performed annually and shall cover the appropriate 12-month period(s) as required in section III.D.2. The Quorum Hospitals Engagement shall be performed annually and shall cover the appropriate 12-month periods as required in section III.D.4. The

IRO(s) and Triad's Audit Services Department shall perform the components of each annual Triad Hospitals Engagement and Quorum Hospitals Engagement, as described below. The Compliance Engagement shall be performed by Triad's Audit Services Department for the first 12-month period beginning with the effective date of this CIA.

d. Retention of Records. The IRO and Triad shall retain and make available to the OIG, upon request, all work papers, supporting documentation, correspondence, and draft reports (those exchanged between the IRO and Triad) related to the engagements.

2. *Triad Hospitals Engagement.* The Triad Hospitals Engagement shall be composed of the following types of engagements: a "Triad Hospitals Systems Engagement," a "Triad Hospitals DRG Claims Engagement" and a "Triad Hospitals Laboratory Claims Engagement." The Triad Hospitals DRG Claims Engagement and Triad Hospitals Laboratory Claims Engagement are collectively referred to as the "Triad Hospitals Claims Engagements." The Triad Hospitals Claims Engagements and corresponding Triad Hospitals Claims Engagement Reports are discussed in detail in Appendix A to this CIA, which is incorporated by reference.

a. Triad Hospitals Systems Engagement. The IRO shall perform procedures to analyze Triad's billing and coding systems and/or operations (the "Triad Hospitals Systems Engagement") for the first 12-month period following the effective date of this CIA. Thereafter, during the remaining term of this CIA, Triad's Audit Services Department shall conduct the Triad Hospitals Systems Engagement. The IRO or Triad's Audit Services Department, as applicable, shall conduct Triad Hospitals Systems Engagements at a minimum of 15% of the Triad Hospitals or 4 Triad Hospitals, whichever is greater, for each 12-month period during the term of this CIA. The Triad Hospitals subject to the engagement shall be selected randomly using RAT-STATS. Each Triad Hospitals Systems Engagement shall consist of a thorough analysis of the following:

i. Triad's billing systems and/or operations relating to inpatient and outpatient claims submitted to all Federal health care programs (including, but not limited to, the operation of the billing system, safeguards to ensure proper claim

submission and billing, and procedures to correct inaccurate billing); and

ii. Triad's coding systems and/or operations relating to inpatient and outpatient claims submitted to all Federal health care programs (including, but not limited to, the process by which claims are coded, safeguards to ensure proper coding, and procedures to correct inaccurate coding).

b. Triad Hospitals Systems Engagement Report. The IRO or Triad's Audit Services Department, as applicable, shall prepare a report based upon each Triad Hospitals Systems Engagement performed ("Triad Hospitals Systems Engagement Report"). The Triad Hospitals Systems Engagement Report shall include the findings and supporting rationale of the IRO or Triad's Audit Services Department, as applicable, regarding:

i. the weaknesses in Triad's billing systems and/or operations;

ii. the weaknesses in Triad's coding systems and/or operations; and

iii. any recommendations the IRO or Triad's Audit Services Department, as applicable, may have to improve any of these systems, operations, and processes. Triad may prepare a response to each report identifying those recommendations that Triad intends to implement and those recommendations that Triad intends to reject, along with the reasons therefore. Nothing in this CIA shall obligate Triad to implement, in whole or in part, any of the recommendations set forth in the Triad Hospitals Systems Engagement Report and such action shall not be construed automatically as non-compliance with this CIA.

c. Triad Hospitals DRG Claims Engagement. The IRO shall perform the Triad Hospitals DRG Claims Engagement to identify any overpayments through an appraisal of inpatient discharges paid on the basis of DRGs by the Medicare program. The Triad Hospitals DRG Claims Engagement shall be performed in accordance with the procedures set forth in Appendix A to this CIA.

The IRO shall perform Triad Hospitals DRG Claims Engagements at a minimum of 15% of Triad Hospitals or 4 Triad Hospitals, whichever is greater, during each year of the term of this CIA. Each Triad Hospitals DRG Claims Engagement shall cover an appropriate prior 12-month period, as determined by the IRO or Triad's Audit Services Department, as applicable. The Triad Hospitals subject to review shall be selected randomly using RAT-STATS.

d. Triad Hospitals Laboratory Claims Engagement. The IRO shall perform the Triad Hospitals Laboratory Claims Engagement to identify any overpayments through an appraisal of outpatient laboratory claims paid by the Medicare program. The Triad Hospitals Laboratory Claims Engagement shall be performed in accordance with the procedures set forth in Appendix A to this CIA. Each Triad Hospitals Laboratory Claims Engagement shall cover the same 12-month period covered by the Triad Hospitals DRG Claims Engagement. The IRO shall perform Triad Hospitals Laboratory Claims Engagements at a minimum of four Triad Hospitals during each 12-month period. The Triad Hospitals subject to review shall be selected randomly, using RAT-STATS.

e. Triad Hospitals Claims Engagement Reports. The IRO shall prepare a report based upon each Triad Hospitals DRG Claims Engagement and Triad Hospitals Laboratory Claims Engagement performed ("Triad Hospitals Claims Engagement Report"). Each Triad Hospitals Claims Engagement Report shall be created in accordance with the procedures set forth in Appendix A to this CIA.

3. *Compliance Engagement.*

a. CIA Obligations Compliance Engagement. Triad's Audit Services Department and the IRO shall perform agreed-upon procedures regarding Triad's compliance activities ("CIA Compliance Engagement"). The CIA Compliance Engagement shall consist of an analysis by Triad's Audit Services Department of Triad's adherence to the obligations set forth in sections I through VIII of this CIA.

b. Unallowable Costs Compliance Engagement. A separate engagement shall be performed by the IRO to test Triad's compliance with section XI of this CIA and the Quorum Hospitals'

compliance with certain provisions of the Settlement Agreement. With respect to Triad's compliance with section XI of this CIA and the Quorum Hospitals' compliance with certain provisions of the Settlement Agreement, the IRO shall determine whether Triad and the Quorum Hospitals have complied with their obligation not to charge to, or otherwise seek payment from, Federal or State payors for unallowable costs (for Triad, as defined in section XI of this CIA and, for the Quorum Hospitals, as defined in the Settlement Agreement) and their obligation to identify to applicable Federal or State payors any unallowable costs included in payments previously sought from the United States, or any State Medicaid program. This unallowable cost analysis shall include, but not be limited to, payments sought in any cost reports, cost statements, information reports, or payment requests already submitted by Triad or the Quorum Hospitals (as applicable), and to request, and agree, that such cost reports, cost statements, information reports or payment requests, even if already settled, be adjusted to account for the effect of the inclusion of the unallowable costs. In making this determination, the IRO may need to review cost reports and/or financial statements from the year in which this CIA or the Settlement Agreement (as applicable) was executed, as well as from previous years.

b. Compliance Engagement Report. Triad's Audit Services Department and the IRO shall prepare a report based upon the Compliance Engagement performed (the "Compliance Engagement Report"). The Compliance Engagement Report shall include:

i. Triad's Audit Services Department's findings, supporting rationale, and a summary of such findings and rationale regarding Triad's compliance with the terms of sections I through VIII of the CIA, as applicable;

ii. the IRO's findings and supporting rationale regarding whether, with respect to the Triad Hospitals, Triad has complied with its obligation not to charge to, or otherwise seek payment from, Federal or State payors for unallowable costs (as defined in section XI) and its obligation to identify to applicable Federal or State payors any unallowable costs included in payments previously sought from such payor; and

iii. the IRO's findings and supporting rationale regarding whether, with respect to the Quorum Hospitals, the Quorum Hospitals have complied with their obligation not to charge to, or otherwise seek payment from, Federal or State payors for unallowable costs (as defined in the Settlement Agreement) and its obligation to identify to applicable Federal or State payors any unallowable costs included in payments previously sought from such payor.

4. *Quorum Hospitals Engagement.* The Quorum Hospitals Engagement shall be composed of the following types of engagements: a "Quorum Hospitals Systems Engagement," and a "Quorum Hospitals DRG Claims Engagement." The Quorum Hospitals DRG Claims Engagement and corresponding Quorum Hospitals DRG Claims Engagement Report are discussed in detail in Appendix B to this CIA, which is incorporated by reference.

a. Quorum Hospitals Systems Engagement. The IRO shall perform procedures to analyze the billing and coding systems and/or operations and cost report preparation process for the Quorum Hospitals for the first 12-month period following the effective date of this CIA. Thereafter, during the remaining term of this CIA, Triad's Audit Services Department shall conduct the Quorum Hospitals Systems Engagement. The IRO or Triad's Audit Services Department, as applicable, shall conduct Quorum Hospitals Systems Engagements at a minimum of 5 Quorum Hospitals for each 12-month period during the term of this CIA. The Quorum Hospitals subject to the engagement shall be selected randomly using RAT-STATS. Each Quorum Hospitals Systems Engagement shall consist of a thorough analysis of the following:

i. the Quorum Hospital's billing systems and/or operations relating to inpatient and outpatient claims submitted to all Federal health care programs (including, but not limited to, the operation of the billing system, safeguards to ensure proper claim submission and billing, and procedures to correct inaccurate billing);

ii. the Quorum Hospital's coding systems and/or operations relating to inpatient and outpatient claims submitted to all Federal health care programs (including, but not limited to,

the process by which claims are coded, safeguards to ensure proper coding, and procedures to correct inaccurate coding); and

iii. the Quorum Hospital's cost report, cost statement, information statement and payment request preparation process relating to any and all costs submitted to Federal health care programs (including, but not limited to, the steps the Quorum Hospital takes to ensure that the proper information is being recorded on submissions to Federal health care programs and safeguards to ensure that only proper costs and dollar amounts are being submitted for reimbursement to such programs).

b. Quorum Hospitals Systems Engagement Report. The IRO or Triad's Audit Services Department, as applicable, shall prepare a report based upon each Quorum Hospitals Systems Engagement performed ("Quorum Hospitals Systems Engagement Report"). The Quorum Hospitals Systems Engagement Report shall include the findings and supporting rationale of the IRO or Triad's Audit Services Department, as applicable, regarding:

i. the weaknesses in each Quorum Hospital's billing systems and/or operations;

ii. the weaknesses in each Quorum Hospital's coding systems and/or operations;

iii. the weaknesses in each Quorum Hospital's cost report, cost statement, information statement and payment request preparation process relating to any and all costs submitted to Federal health care programs; and

iv. any recommendations the IRO or Triad's Audit Services Department, as applicable, may have to improve any of these systems, operations, and processes. Triad may prepare a response to each report identifying those recommendations that Triad intends to implement and those recommendations that Triad intends to reject, along with the reasons therefore. Nothing in this CIA shall obligate Triad to implement, in whole or in part, any of the recommendations set forth in the

Quorum Hospitals Systems Engagement Report and such action shall not be construed automatically as non-compliance with this CIA.

c. Quorum Hospitals DRG Claims Engagement. The IRO shall perform the Quorum Hospitals DRG Claims Engagement to identify any overpayments through an appraisal of inpatient discharges paid on the basis of DRGs by the Medicare program. The Quorum Hospitals DRG Claims Engagement shall be performed in accordance with the procedures set forth in Appendix B to this CIA. The IRO shall perform Quorum Hospitals DRG Claims Engagements at a minimum of 5 Quorum Hospitals during each year of the term of this CIA. Each Quorum Hospitals DRG Claims Engagement shall cover an appropriate prior 12-month period, as determined by the IRO or Triad's Audit Services Department, as applicable. The Quorum Hospitals subject to review shall be selected randomly using RAT-STATS.

d. Quorum Hospitals DRG Claims Engagement Report. The IRO shall prepare a report based upon each Quorum Hospitals DRG Claims Engagement performed ("Quorum Hospitals DRG Claims Engagement Report"). Each Quorum Hospitals DRG Claims Engagement Report shall be created in accordance with the procedures set forth in Appendix B to this CIA.

5. *Independence Certification.* Within 120 days from the effective date of this CIA, the IRO shall provide to Triad a certification or sworn affidavit that it has evaluated its professional independence with regard to the Triad Hospitals Engagement, Compliance Engagement, and Quorum Hospitals Engagement and that it has concluded that it is, in fact, independent. Such certification shall be included in Triad's Implementation Report submission. The failure to obtain an independence certification from the IRO shall not constitute a breach of this CIA (whether a material breach or otherwise) and shall not constitute a basis upon which OIG may impose Stipulated Penalties; however, such failure shall constitute a basis upon which OIG may initiate a Validation Review, as described in section III.D.8., the costs of which shall be borne by Triad.

6. *Audit Services Department Review.* At any time during the term of this CIA, Triad may engage an IRO to assess the ability of Triad's Audit Services Department to perform the Triad Hospitals DRG Claims Engagement, Triad Hospitals Laboratory Claims Engagement and/or the Quorum Hospitals DRG Claims Engagement described in

sections III.D.2.c., III.D.2.d., and III.D.4.c. above. The Triad Hospitals DRG Claims Engagement, the Triad Hospitals Laboratory Claims Engagement and/or the Quorum Hospitals DRG Claims Engagement are referred to as "Claims Engagements." If the IRO determines that Triad's Audit Services Department is capable of performing one or more of these Claims Engagements in accordance with the requirements set forth in this section III.D. and Appendix A or Appendix B (as applicable) of this CIA, then Triad shall submit this information to OIG as part of its annual reporting under section V.B. of this CIA. Upon OIG's written acknowledgment to Triad that the IRO's findings support Triad's Audit Services Department's ability to perform one of more of these Claims Engagements, Triad's Audit Services Department may perform the applicable Claims Engagement(s) and prepare the corresponding Claims Engagement report(s) for the remaining years of the term of the CIA, subject to IRO validation as described in section III.D.7. below.

7. *IRO Validation of Engagements Performed by Audit Services Department.* For any Claims Engagement performed by Triad's Audit Services Department pursuant to section III.D.6. of this CIA, an IRO engaged by Triad shall prepare a report documenting the IRO's findings with respect to the following procedures:

a. the IRO will obtain Triad's workpapers and perform procedures to evaluate whether each engagement was conducted in accordance with the methodology specified in section III.D. and Appendix A or Appendix B (as applicable) to this CIA; and

b. the IRO will select a random sample of a minimum of 10% of the Items (as defined in Appendix A or Appendix B, as applicable) reviewed by Triad pursuant to the engagement and re-perform Triad's review of such Items. Triad agrees that it will not provide the IRO with the Audit Services Department's findings on the selected Items until after the IRO has conducted its review of the Items.

The IRO's findings with respect to the validation review shall be included with the applicable Claims Engagement Reports submitted to OIG.

8. *Validation Engagement.* In the event that OIG has reason to believe that: (a) any of Triad's Claims Engagements or compliance engagements fail to conform to the requirements of this CIA; or (b) the findings or Claims Engagement results are inaccurate, OIG may, at its sole discretion, conduct its own review to determine whether the Claims Engagements and compliance engagements comply with the requirements of

the CIA and/or the findings or Claims Engagement results are inaccurate. Triad agrees to pay for the reasonable cost of any such engagement performed by OIG or any of its designated agents so long as it is initiated before one year after the Triad's final submission (as described in section II.A.) is received by OIG.

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

E. Disclosure Program. Pursuant to its Compliance Program, Triad represents that it has established a confidential disclosure program to enable individuals to disclose, to an individual who is not in the disclosing individual's chain of command, any identified issues or questions associated with Triad's policies, conduct, practices, or procedures with respect to a Federal health care program, believed by the individual to be a potential violation of criminal, civil or administrative law. Triad's Disclosure Program includes its Ethics and Compliance Hotline, a toll-free telephone line. Triad shall continue to publicize the existence of the Ethics and Compliance Hotline to all Covered Persons (e.g., by posting the Hotline number in prominent common areas, via employee newsletters and wallet cards, etc.).

Triad's confidential disclosure program shall continue to include a non-retribution, non-retaliation policy and shall continue to allow anonymous, confidential communications. Triad's policies and procedures relating to its confidential disclosure program shall continue to provide that, upon receipt of a disclosure, the Compliance Officer (or a designee) shall use reasonable efforts to gather all relevant information from the disclosing individual. Triad's policies and procedures relating to its confidential disclosure program shall continue to provide that the Compliance Officer (or the applicable Facility Compliance Officer or other designee) shall make a preliminary, good faith inquiry into the allegations set forth in every disclosure to ensure that he or she has obtained all of the information necessary to determine whether further review should be conducted. For any disclosure that is sufficiently specific so that it reasonably:
(1) permits a determination of the appropriateness of the alleged improper practice; and

(2) provides an opportunity for taking corrective action, Triad shall continue its current practice of conducting an internal review of the allegations set forth in such a disclosure and ensuring that proper follow-up is conducted.

The Compliance Officer (or a designee) shall maintain a disclosure log, which shall include a record and summary of each disclosure received (whether anonymous or not), the status of the respective internal reviews, and any corrective action taken in response to the internal reviews. The disclosure log shall be available to OIG, upon request; provided however, that such disclosure shall be subject to any conflicting confidentiality obligations imposed by law.

F. Ineligible Persons.

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

2. *Screening Requirements*. Triad shall not hire as employees or engage as contractors or grant staff privileges at any Triad/Quorum Hospital to any individual or entity who, after inquiry as required herein, Triad determines to be an Ineligible Person. To prevent hiring or contracting with any Ineligible Person, Triad shall screen all prospective employees and prospective contractors prior to engaging their services and screen physicians prior to granting staff privileges at any Triad/Quorum Hospital by: (a) requiring applicants to disclose whether they are Ineligible Persons; and (b) reviewing the General Services Administration's List of Parties Excluded from Federal Programs (available through the Internet at http://epls.arnet.gov) and the HHS/OIG List of Excluded Individuals/Entities (available through the Internet at http://www.hhs.gov/oig) (these lists will hereinafter be referred to as the "Exclusion Lists").

3. *Review and Removal Requirement*. Within 90 days of the effective date of this CIA, Triad shall review its list of current employees, contractors, and physicians with staff privileges at any Triad/Quorum Hospital against the Exclusion Lists. Thereafter, Triad shall review annually its list of current employees, contractors, and physicians with staff privileges at any Triad/Quorum Hospital against the Exclusion Lists. In addition, Triad shall require employees, contractors, and physicians with staff privileges at any Triad/Quorum Hospital to disclose immediately any debarment, exclusion or other event that makes the employee, contractor, or physician an Ineligible Person. If Triad learns that an employee, contractor, or physician with staff privileges at

any Triad/Quorum Hospital has become an Ineligible Person, Triad shall remove such person from responsibility for, or involvement with, Triad's business operations related to the Federal health care programs and shall remove such person from any position for which the person's salary or the items or services rendered, ordered, or prescribed by the person are paid in whole or part, directly or indirectly, by Federal health care programs or otherwise with Federal funds at least until such time as the person is reinstated into participation in the Federal health care programs.

4. *Pending Charges and Proposed Exclusions.* If Triad learns that an employee, contractor, or physician with staff privileges at any Triad/Quorum Hospital is charged with a criminal offense related to any Federal health care program, or is proposed for exclusion during his or her employment, contract, or medical staff appointment, Triad shall take all appropriate actions to ensure that the responsibilities of that employee, contractor, or physician have not and shall not adversely affect the quality of care rendered to any beneficiary, patient, or resident or the accuracy of any claims submitted to any Federal health care program.

G. Notification of Government Investigation or Legal Proceedings.

Within 30 days of discovery, Triad shall notify OIG, in writing, of any ongoing investigation or legal proceeding conducted or brought by a governmental entity or its agents involving an allegation that Triad has committed a crime or has engaged in fraudulent activities related to (i) the provision of health care items or services for which Triad or any Triad/Quorum Hospital seeks reimbursement from any third party payor, or (ii) the preparation or submission of claims for reimbursement for health care items or services from any third party payor. This notification shall include a description of the allegation, the identity of the investigating or prosecuting agency, and the status of such investigation or legal proceeding. Triad also shall provide written notice to OIG within 30 days of the resolution of the matter, and shall provide OIG with a description of the findings and/or results of the proceedings, if any.

H. Reporting.

1. *Overpayments.*

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

b. Reporting of Overpayments. If, at any time, Triad or any Triad/Quorum Hospital identifies or learns of any overpayments, Triad or the applicable Triad/Quorum Hospital shall notify the payor (e.g., Medicare fiscal intermediary or carrier) within 30 days of identification of the overpayment and take remedial steps within 60 days of discovery (or such additional time as may be agreed to by the payor) to correct the problem, including preventing the underlying problem and the overpayments from recurring. Also, within 30 days of identification of the overpayment, Triad or the applicable Triad/Quorum Hospital shall repay the overpayment to the appropriate payor to the extent such overpayment has been quantified. If not yet quantified, within 30 days of identification, Triad or the applicable Triad/Quorum Hospital shall notify the payor of its efforts to quantify the overpayment amount along with a schedule of when such work is expected to be completed. Notification and repayment to the payor should be done in accordance with the payor's policies, and for Medicare contractors, must include the information contained on the Overpayment Refund Form, provided as Appendix C to this CIA, unless otherwise specified by the Medicare contractor. Notwithstanding the above, notification and repayment of any overpayment amount that routinely is reconciled or adjusted pursuant to policies and procedures established by the payor should be handled in accordance with such policies and procedures.

2. *Reportable Events.*

a. Definition of Reportable Event. For purposes of this CIA, a "Reportable Event" means anything that involves:

(i) a substantial overpayment; or

(ii) a matter that a reasonable person would consider a probable violation by Triad or any of its employees, agents, or contractors with respect to any Triad/Quorum Hospital of criminal, civil, or administrative laws applicable to any Federal health care program for which penalties or exclusion may be authorized.

A Reportable Event may be the result of an isolated event or a series of occurrences.

b. Reporting of Reportable Events. If Triad determines through any means that there is a Reportable Event, then Triad shall notify OIG, in writing, within 30 days of making the determination that the Reportable Event exists. The report to the OIG shall include the following information:

(i) If the Reportable Event results in an overpayment, the report to the OIG shall be made at the same time as the notification to the payor required in section III.H.1, and shall include all of the information on the Overpayment Refund Form, as well as:

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

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

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

(iii) a description of Triad's actions taken to correct the Reportable Event; and

(iv) any further steps Triad plans to take to address the Reportable Event and prevent it from recurring.

3. *Other Reporting.* If Triad determines through any means that there is a matter that a reasonable person would consider a probable violation of criminal, civil, or administrative laws applicable to any Federal health care program for which penalties or exclusion may be authorized involving a Covered Person or any of Triad's contractors with respect to a managed hospital, then Triad shall notify such managed hospital's board of directors in writing within 30 days of making the determination that a probable violation exists.

IV. NEW BUSINESS UNITS OR LOCATIONS

In the event that Triad: (1) purchases or establishes a new hospital or another line of business that provides services that are billed to Federal health care programs; or (2) sells or divests an existing hospital, Triad shall notify OIG of this fact within 30 days of the date of purchase, establishment, sale, or divestiture. This notification shall include the location of the operation(s), telephone number, fax number, Federal health care program provider number(s) (if any), and the corresponding payor(s) (contractor specific) that has issued each provider number. All Covered Persons at new locations shall be subject to the requirements in this CIA that apply to new Covered Persons (e.g., completing certifications and undergoing training). If Triad sells all of the assets related to a location, then that location shall no longer be considered part of Triad for the purposes of this CIA after the conclusion of the audit review period during which the assets are sold. If the location is still owned or operated in whole or in part by Triad or any of its subsidiaries, affiliates, or their successors, then the location shall continue to be considered part of Triad for purposes of this CIA.

V. IMPLEMENTATION AND ANNUAL REPORTS

A. Implementation Report. Within 120 days after the effective date of this CIA, Triad shall submit a written report to OIG summarizing the status of its implementation of the requirements of this CIA. This Implementation Report shall include:

1. the name, address, phone number, position description, and summary of other non-compliance job responsibilities of the Compliance Officer required by section III.A.2. and each Facility Compliance Officer required by section III.A.4.;

2. the names and positions of the members of the Board Compliance Committee required by section III.A.1, the Corporate Compliance Committee required by section III.A.3, and each Facility Compliance Committee required by section III.A.5.;

3. a copy of all compliance-related Policies and Procedures required by section III.B.4 and a summary of all other Policies and Procedures required by section III.B.4, to the extent not previously provided to OIG;

4. a description of all training required by section III.C, including the targeted audiences, length of sessions, which sessions were mandatory and for whom, percentage of attendance, and a schedule of when the training sessions were held;

5. a description of Triad's efforts to make its general training under section III.C.1. available to its individual Covered Contractors and employees of Covered Contractors working on Triad matters, and the number of Covered Contractors or employees of Covered Contractors (as applicable) in attendance at such training;

6. a certification by the Compliance Officer that, to the best of his or her knowledge, upon reasonable inquiry:

a. the Policies and Procedures required by section III.B.4 have been developed and implemented and have been distributed to all appropriate Covered Persons;

b. all Covered Persons have completed the Code of Conduct certification required by section III.B.1; and

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

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

7. a copy of the policies and procedures describing the Disclosure Program required by section III.E;

8. the identity of the IRO(s), a summary/description of all engagements between Triad and the IRO, including, but not limited to, any outside financial audits, compliance program engagements, or reimbursement consulting, and the proposed start and completion dates of the first annual review;

9. a certification from the IRO regarding its professional independence from Triad;

10. a summary of personnel actions (other than hiring) taken pursuant to section III.F.;

11. a list of all of Triad's locations (including locations and mailing addresses), the corresponding name under which each location is doing business, the corresponding phone numbers and fax numbers, each

location's Medicare provider identification number(s) and the contractor's name and address that issued each provider identification number;

12. to the extent not already furnished to OIG, or if modified, a description of Triad's corporate structure, including identification of any parent and sister companies, subsidiaries and their respective lines of business; and

13. the certification required by section V.C.

B. Annual Reports. Triad shall submit to OIG Annual Reports with respect to the status of, and findings regarding, Triad's compliance activities for each of the five one-year periods beginning on the effective date of the CIA. (The one-year period covered by each Annual Report shall be referred to as "the Reporting Period").

Each Annual Report shall include:

1. any change in the identity, position description, or other non-compliance job responsibilities of the Compliance Officer or any of the Facility Compliance Officers;

2. any change in the membership of the Board Compliance Committee, the Corporate Compliance Committee, or any of the Facility Compliance Committees;

3. a certification by the Compliance Officer that, to the best of his or her knowledge, upon reasonable inquiry:

a. all Covered Persons have completed any Code of Conduct certifications required by section III.B.1, unless otherwise required by section III.B.2; and

b. all Covered Persons required to have received training have completed the applicable training and executed the certification(s) required by section III.C, unless otherwise required by section III.C.6.

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

4. a summary of any significant changes or amendments to the Policies and Procedures required by section III.B.4 and the reasons for such changes

(e.g., change in contractor policy) and copies of any compliance-related Policies and Procedures;

5. a description of the training required by section III.C. conducted during the Reporting Period, including the targeted audiences, length of sessions, which sessions were mandatory and for whom, percentage of attendance, and a schedule of when the training sessions were held;

6. a description of Triad's efforts to make its general training under section III.C.1. available to its individual Covered Contractors and employees of Covered Contractors working on Triad matters, and the number of Covered Contractors or employees of Covered Contractors (as applicable) in attendance at such training;

7. a complete copy of all reports prepared pursuant to the billing and compliance engagements described in section III.D., along with a copy of the engagement letter for each IRO engagement;

8. Triad's response and corrective action plan(s) related to any issues raised by the IRO(s) and Triad's Audit Services Department;

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

10. a certification from the IRO regarding its professional independence from Triad;

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

12. a report of the aggregate overpayments identified (a) through Triad's compliance program, including any internal or external audits; or (b) as a direct or indirect result of this CIA, and that have been returned to the Federal health care programs. Overpayment amounts should be broken down into the following categories: inpatient Medicare, outpatient Medicare, Medicaid (report each applicable state separately) and other Federal health care programs;

13. a summary of the disclosures (if any) in the disclosure log required by section III.E. that: (a) relate to Federal health care programs; or (b) allege abuse or neglect of patients;

14. a description of any personnel actions (other than hiring) taken by Triad or any Triad/Quorum Hospital as a result of the obligations in section III.F, and the name, title, and responsibilities of any person that falls within the ambit of section III.F.4, and the actions taken in response to the obligations set forth in that section;

15. a summary describing any ongoing investigation or legal proceeding required to have been reported pursuant to section III.G. The summary shall include a description of the allegation, the identity of the investigating or prosecuting agency, and the status of such investigation or legal proceeding;

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

17. a certification that Triad has complied with its reporting obligation under section III.H.3. regarding managed hospitals; and

18. the certification required by section V.C.

The first Annual Report shall be received by the OIG no later than 90 days after the end of the first Reporting Period. Subsequent Annual Reports shall be received by OIG no later than the anniversary date of the due date of the first Annual Report.

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

D. Designation of Information. Triad shall clearly identify any portions of its submissions that it believes are trade secrets, or information that is commercial or financial and privileged or confidential, and therefore potentially exempt from disclosure under the Freedom of Information Act ("FOIA"), 5 U.S.C. § 552. Triad shall refrain from identifying any information as exempt from disclosure if that information does not meet the criteria for exemption from disclosure under FOIA.

VI. NOTIFICATIONS AND SUBMISSION OF REPORTS

Unless otherwise stated in writing after the effective date of this CIA, all notifications and reports required under this CIA shall be submitted to the following entities:

OIG:

Civil Recoveries Branch - Compliance Unit
Office of Counsel to the Inspector General
Office of Inspector General
U.S. Department of Health and Human Services
Cohen Building, Room 5527
330 Independence Avenue, SW
Washington, DC 20201
Phone 202.619.2078
Fax 202.205.0604

Triad:

Suzanne Miskin
Vice President, Compliance
Triad Hospitals, Inc.
13455 Noel Road
Dallas, Texas 77240
Phone 972.789.2786
Fax 866.260.0018

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

VII. OIG INSPECTION, AUDIT AND REVIEW RIGHTS

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

reviews of any of Triad's locations for the purpose of verifying and evaluating: (a) Triad's compliance with the terms of this CIA; and (b) Triad's compliance with the requirements of the Federal health care programs in which it participates. The documentation described above shall be made available by Triad to OIG or its duly authorized representative(s) at all reasonable times for inspection, audit or reproduction. Furthermore, for purposes of this provision, OIG or its duly authorized representative(s) may interview any of Triad's employees, contractors, or agents who consent to be interviewed at the individual's place of business during normal business hours or at such other place and time as may be mutually agreed upon between the individual and OIG. Triad agrees to assist OIG or its duly authorized representative(s) in contacting and arranging interviews with such individuals upon OIG's request. Triad's employees may elect to be interviewed with or without a representative of Triad present.

Nothing in this CIA, or any communication or report made pursuant to this CIA, shall constitute or be construed as a waiver by Triad of Triad's attorney-client, work product, or other applicable privileges. Notwithstanding that fact, the existence of any such privilege does not affect Triad's obligation to comply with the provisions of this CIA.

VIII. DOCUMENT AND RECORD RETENTION

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

IX. DISCLOSURES

Consistent with HHS's FOIA procedures, set forth in 45 C.F.R. Part 5, the OIG shall make a reasonable effort to notify Triad prior to any release by OIG of information submitted by Triad pursuant to its obligations under this CIA and identified upon submission by Triad as trade secrets, or information that is commercial or financial and privileged or confidential, under the FOIA rules. With respect to such releases, Triad shall have the rights set forth at 45 C.F.R. § 5.65(d). Triad shall refrain from identifying any information as exempt from release if that information does not meet the criteria for exemption from disclosure under FOIA. Nothing in this CIA, or any communication or report made pursuant to this CIA, shall constitute or be construed as a waiver by Triad of Triad's attorney-client, work product, or other applicable privileges. Notwithstanding that fact, the existence of any such privilege does not affect Triad's obligation to comply with the provisions of this CIA.

X. BREACH AND DEFAULT PROVISIONS

Triad is expected to fully and timely comply with all of its CIA obligations.

A. Stipulated Penalties for Failure to Comply with Certain Obligations. As a contractual remedy, Triad and OIG hereby agree that failure to comply with certain obligations set forth in this CIA may lead to the imposition of the following monetary penalties (hereinafter referred to as "Stipulated Penalties") in accordance with the following provisions.

1. A Stipulated Penalty of $2,500 (which shall begin to accrue on the day after the date the obligation became due) for each day Triad fails to have in place any of the following obligations described in section III:

a. a Compliance Officer;

b. a Compliance Committee;

c. a written Code of Conduct;

d. written Policies and Procedures;

e. a requirement that Covered Persons be trained; and

f. a Disclosure Program.

2. A Stipulated Penalty of $2,500 (which shall begin to accrue on the day after the date the obligation became due) for each day Triad fails to retain an IRO, as required in section III.D.

3. A Stipulated Penalty of $2,500 (which shall begin to accrue on the day after the date the obligation became due) for each day Triad fails to meet any of the deadlines for the submission of the Implementation Report or the Annual Reports to OIG.

4. A Stipulated Penalty of $2,000 (which shall begin to accrue on the date the failure to comply began) for each day Triad employs or contracts with or grants staff privileges to an Ineligible Person and that person: (i) has responsibility for, or involvement with, Triad's business operations related to the Federal health care programs; or (ii) is in a position for which the person's salary or the items or services rendered, ordered, or prescribed by the person are paid in whole or part, directly or indirectly, by Federal health care programs or otherwise with Federal funds (the

Stipulated Penalty described in this paragraph shall not be demanded for any time period during which Triad can demonstrate that it did not discover the person's exclusion or other ineligibility after making a reasonable inquiry (as described in section III.F) as to the status of the person).

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

6. A Stipulated Penalty of $1,000 for each day Triad fails to comply fully and adequately with any obligation of this CIA. In its notice to Triad, OIG shall state the specific grounds for its determination that Triad has failed to comply fully and adequately with the CIA obligation(s) at issue and steps that Triad must take to comply with the CIA. (This Stipulated Penalty shall begin to accrue 10 days after the date that OIG provides notice to Triad of the failure to comply.) A Stipulated Penalty as described in this paragraph shall not be demanded for any violation for which the OIG has sought a Stipulated Penalty under paragraphs 1-5 of this section. With respect to the Stipulated Penalty provision described in this section X.A.6 only, the OIG shall not seek a Stipulated Penalty if Triad demonstrates to OIG's satisfaction that the alleged failure to comply could not be cured within the 10 day period, and that (i) Triad has begun to take action to cure the failure to comply, (ii) Triad is pursuing such action with due diligence, and (iii) Triad has provided to OIG a reasonable timetable for curing the failure to comply.

B. Timely Written Requests for Extensions. Triad may, in advance of the due date, submit a timely written request for an extension of time to perform any act or file any notification or report required by this CIA. Notwithstanding any other provision in this section, if OIG grants the timely written request with respect to an act, notification, or report, Stipulated Penalties for failure to perform the act or file the notification or report shall not begin to accrue until one day after Triad fails to meet the revised deadline set by OIG. Notwithstanding any other provision in this section, if OIG denies such a timely written request, Stipulated Penalties for failure to perform the act or file the notification or report shall not begin to accrue until three business days after Triad receives OIG's written denial of such request or the original due date, whichever is later. A "timely written request" is defined as a request in writing received by OIG at least five business days prior to the date by which any act is due to be performed or any notification or report is due to be filed.

C. Payment of Stipulated Penalties.

1. *Demand Letter.* Upon a finding that Triad has failed to comply with any of the obligations described in section X.A and after determining that Stipulated Penalties are appropriate, OIG shall notify Triad of: (a) Triad's failure to comply; and (b) the OIG's exercise of its contractual right to demand payment of the Stipulated Penalties (this notification is hereinafter referred to as the "Demand Letter").

2. *Response to Demand Letter.* Within 10 days of the receipt of the Demand Letter, Triad shall either: (a) cure the breach to OIG's satisfaction and pay the applicable Stipulated Penalties; or (b) request a hearing before an HHS administrative law judge ("ALJ") to dispute OIG's determination of noncompliance, pursuant to the agreed upon provisions set forth below in section X.E. In the event Triad elects to request an ALJ hearing, the Stipulated Penalties shall continue to accrue until Triad cures, to OIG's satisfaction, the alleged breach in dispute. If the decision of the ALJ is in Triad's favor, no Stipulated Penalties shall be due, except as authorized by the ALJ. Failure to respond to the Demand Letter in one of these two manners within the allowed time period shall be considered a material breach of this CIA and shall be grounds for imposition of a material breach penalty under section X.D.

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

4. *Independence from Material Breach Determination.* Except as set forth in section X.D.1.c, these provisions for payment of Stipulated Penalties shall not affect or otherwise set a standard for OIG's decision that Triad has materially breached this CIA, which decision shall be made at OIG's discretion and shall be governed by the provisions in section X.D, below.

D. Monetary Penalty for Material Breach of this CIA

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

a. a failure by Triad to report a Reportable Event, take corrective action and make the appropriate refunds, as required in section III.H;

b. a repeated or flagrant violation of the obligations under this CIA, including, but not limited to, the obligations addressed in section X.A;

c. a failure to respond to a Demand Letter concerning the payment of Stipulated Penalties in accordance with section X.C; or

d. a failure to retain and use an Independent Review Organization in accordance with section III.D.

2. *Notice of Material Breach and Intent to Impose Material Breach Penalty.* The parties agree that a material breach of this CIA by Triad constitutes grounds for OIG to impose an enhanced stipulated penalty that is separate and apart from the Stipulated Penalties described in sections X.A.-B above. This monetary penalty (hereinafter referred to a the "Material Breach Penalty") shall be $25,000 per day. Upon a determination by OIG that Triad has materially breached this CIA and that a Material Breach Penalty should be imposed, OIG shall notify Triad of: (a) Triad's material breach; and (b) OIG's intent to exercise its contractual right to impose the Material Breach Penalty (this notification is hereinafter referred to as the "Notice of Material Breach").

3. *Opportunity to Cure.* Triad shall have 30 days from the date of receipt of the Notice of Material Breach to demonstrate to OIG's satisfaction that:

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

b. the alleged material breach has been cured; or

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

4. *Material Breach Penalty Letter.* If at the conclusion of the 30-day period, Triad fails to satisfy the requirements of section X.D.3, OIG may impose the Material Breach Penalty on Triad, and the Material Breach Penalty shall begin to accrue on that day. OIG will notify Triad in writing of its determination to impose the Material Breach Penalty (this letter shall be referred to hereinafter as the "Material Breach Penalty Letter"). With 15 days of receipt of the Material Breach Penalty Letter, Triad shall either (a) cure the material breach to the OIG's satisfaction and pay the applicable Material Breach Penalty or (b) request a hearing before an HHS ALJ to dispute OIG's determination of material breach, pursuant to the agreed upon provisions set forth in section X.E.

E. Dispute Resolution

1. *Review Rights*. Upon OIG's delivery to Triad of its Demand Letter or of its Material Breach Penalty Letter, and as an agreed-upon contractual remedy for the resolution of disputes arising under this CIA, Triad shall be afforded certain review rights comparable to the ones that are provided in 42 U.S.C. § 1320a-7(f) and 42 C.F.R. Part 1005 as if they applied to the Stipulated Penalties or Material Breach Penalty sought pursuant to this CIA. Specifically, OIG's determination to demand payment of Stipulated Penalties or a Material Breach Penalty shall be subject to review by an HHS ALJ and, in the event of an appeal, the HHS Departmental Appeals Board ("DAB"), in a manner consistent with the provisions in 42 C.F.R. §§ 1005.2-1005.21. Notwithstanding the language in 42 C.F.R. § 1005.2(c), the request for a hearing involving Stipulated Penalties shall be made within 10 days of the receipt of the Demand Letter and the request for a hearing involving a Material Breach Penalty shall be made within 25 days of receipt of the Material Breach Penalty Letter.

2. *Stipulated Penalties Review*. Notwithstanding any provision of Title 42 of the United States Code or Chapter 42 of the Code of Federal Regulations, the only issues in a proceeding for Stipulated Penalties under this CIA shall be: (a) whether Triad was in full and timely compliance with the obligations of this CIA for which the OIG demands payment; and (b) the period of noncompliance. Triad shall have the burden of proving its full and timely compliance and the steps taken to cure the noncompliance, if any. If the ALJ agrees with OIG with regard to a finding of a breach of this CIA and orders Triad to pay Stipulated Penalties, such Stipulated Penalties shall become due and payable 20 days after the ALJ issues such a decision unless Triad requests review of the ALJ decision by the DAB. If the ALJ decision is properly appealed to the DAB and the DAB upholds the determination of OIG, the Stipulated Penalties shall become due and payable 20 days after the DAB issues its decision. If the decision of the ALJ and/or the DAB is in Triad's favor, no Stipulated Penalties shall be due, except as authorized by the ALJ and/or DAB.

3. *Material Breach Penalty Review*. Notwithstanding any provision of Title 42 of the United States Code or Chapter 42 of the Code of Federal Regulations, the only issues in a proceeding for imposition of the monetary penalty under section X.D. based on a material breach of this CIA shall be:

a. whether Triad was in material breach of this CIA;

b. whether such breach was continuing on the date of the Material Breach Penalty Letter issued in accordance with section X.D.4. of this CIA; and

c. whether the alleged material breach could not have been cured within the 30 day period, but that:

(i) Triad had begun to take action to cure the material breach within that period;

(ii) Triad has pursued and is pursuing such action with due diligence; and

(iii) Triad provided to OIG within that period a reasonable timetable for curing the material breach and Triad has followed the timetable.

If the ALJ sustains the determination of the OIG with regard to a finding of material breach of this CIA and orders Triad to pay a Material Breach Penalty, such Material Breach Penalty shall become due and payable 20 days after the ALJ issues such a decision, notwithstanding that Triad may request review of the ALJ decision by the DAB.

XI. UNALLOWABLE COSTS

The Quorum Hospitals are subject to certain requirements relating to unallowable costs, as set forth in paragraphs 12 and 13 of the Settlement Agreement. The following requirements apply to the Triad Hospitals. Triad agrees to the following:

A. Unallowable Costs Defined. All costs (as defined in the Federal Acquisition Regulations (FAR) § 31.205-47 and in Titles XVIII and XIX of the Social Security Act, 42 U.S.C. §§ 1395-1395ggg and 1396-1396v, and the regulations and official program directives promulgated thereunder) incurred by or on behalf of Triad in connection with: (1) Triad's investigation, defense, and corrective actions undertaken in direct response to the United States' audit(s) and civil investigation(s) in connection with the matters covered by the Settlement Agreement with HCA (including attorney's fees), (2) the negotiation of, and obligations undertaken pursuant to this CIA to: (i) retain an independent review organization to perform annual engagements as described in section III.D. of this CIA; and (ii) prepare and submit reports to the OIG-HHS, are unallowable costs on Government contracts and under the Medicare Program, Medicaid Program,

TRICARE Program, and Federal Employees Health Benefits Program (FEHBP). (All costs described or set forth in this section XI.A. are hereafter, "Unallowable Costs").

B. Future Treatment of Unallowable Costs. These Unallowable Costs will be separately estimated and accounted for in non-reimbursable cost centers by Triad, and Triad will not charge such Unallowable Costs directly or indirectly to any contracts with the United States or any State Medicaid Program, or seek payment for such unallowable costs through any cost report, cost statement, information statement, or payment request submitted by Triad or any of its subsidiaries to the Medicare, Medicaid, TRICARE, or FEHBP Programs.

C. Treatment of Unallowable Costs Previously Submitted for Payment. Triad further agrees that, within 90 days of the effective date of this CIA, it will identify to applicable Medicare and TRICARE fiscal intermediaries, carriers, and/or contractors, and Medicaid, VA and FEHBP fiscal agents, any Unallowable Costs (as defined in this section XI) included in payments previously sought from the United States, or any State Medicaid Program, including, but not limited to, payments sought in any cost reports, cost statements, information reports, or payment requests already submitted by Triad or any of its subsidiaries or affiliates, and will request, and agree, that such cost reports, cost statements, information reports, or payment requests, even if already settled, be adjusted to account for the effect of the inclusion of the Unallowable Costs. Any payments due after the adjustments have been made shall be paid to the United States pursuant to the direction of the OIG and/or the affected agencies. The OIG and/or the affected agencies reserves their rights to disagree with any calculations submitted by Triad or any of its subsidiaries on the effect of inclusion of Unallowable Costs (as defined in this section XI) on Triad or any of its subsidiaries' cost reports, cost statements, or information reports. Nothing in this CIA shall constitute a waiver of the rights of the OIG to examine or reexamine the Unallowable Costs described in this section. Also, nothing in this section limits the OIG's right to impose stipulated penalties, pursuant to section X of this CIA, in the event that Triad fails to comply with its obligations under this section, with regard to the treatment of Unallowable Costs.

XII. EFFECTIVE AND BINDING AGREEMENT

Triad and OIG agree as follows:

A. This CIA shall be binding on the successors, assigns, and transferees of Triad, except as provided in section IV. above;

B. This CIA shall become final and binding on the effective date, as defined in section II.A. above;

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

D. OIG may agree to a suspension of Triad's obligations under the CIA in the event of Triad's cessation of participation in Federal health care programs. If Triad withdraws from participation in Federal health care programs and is relieved from its CIA obligations by the OIG, Triad agrees to notify OIG 30 days in advance of Triad's intent to reapply as a participating provider or supplier with the Federal health care programs. Upon receipt of such notification, OIG will evaluate whether the CIA should be reactivated or modified; and

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

ON BEHALF OF TRIAD

DONALD FAY, ESQ.
Executive Vice-President
General Counsel
Triad Hospitals, Inc.

10-29-01
DATE

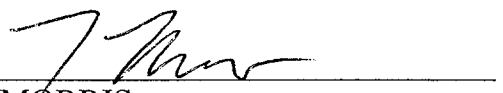
STEVEN EPSTEIN
Epstein Becker & Green, P.C.
Counsel to Triad Hospitals, Inc.

10-29-01
DATE

LYNN SHAPIRO SNYDER
Epstein Becker & Green, P.C.
Counsel to Triad Hospitals, Inc.

10-30-01
DATE

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



10/19/07

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

DATE

APPENDIX A

A. Claims Engagement.

1. ***Definitions***. For the purposes of the Triad Hospitals DRG Claims Engagement and Triad Hospitals Laboratory Claims Engagement, the following definitions shall be used:

a. Claims Engagement Sample: A statistically valid, randomly selected, sample of items selected for appraisal in the Triad Hospitals DRG Claims Engagement or Triad Hospitals Laboratory Claims Engagement.

b. Item: For purposes of the Triad Hospitals DRG Claims Engagement, an "Item" is a hospital inpatient discharge for which a Triad Hospital (as defined in section II.E.2 of the CIA) has been reimbursed by Medicare on the basis of one of the DRGs set forth in Appendix D. For purposes of the Triad Hospitals Laboratory Claims Engagement, an "Item" is an outpatient laboratory test. The OIG shall have the right to modify the list of DRGs in Appendix D for a subsequent reporting period, upon written notice to Triad at least 30 days prior to the end of the current 12-month reporting period.

c. Overpayment: Consistent with the definition of Overpayment as articulated in section III.H.1.a of the CIA, the amount of money a Triad Hospital has received in excess of the amount due and payable under any Federal health care program requirements. For the purposes of the Triad Hospitals DRG Claims Engagement and Triad Hospitals Laboratory Claims Engagement and all reporting to the OIG under this CIA, Triad shall not subtract or "net out" underpayments when determining the amount of relevant Overpayments.

d. Paid Claim: A code or line item submitted by Triad and for which Triad has received reimbursement from the Medicare program.

e. Population: All Items for which Triad has submitted a code or line item and for which Triad has received reimbursement from the Medicare program (i.e., a Paid Claim) during the 12-month period covered by the Triad Hospitals DRG Claims Engagement or Triad Hospitals Laboratory Claims Engagement. To be included in the Population, an Item must have resulted in at least one Paid Claim.

f. Probe Sample: A sample of Items selected through simple random sampling from the Population for the purpose of estimating the mean and standard deviation of Overpayments in the Population. The estimated mean and standard deviation of Overpayments in the Population are to be used to calculate the minimum number of Items that shall be included in the Claims Engagement Sample in order to achieve the required confidence and precision levels.

g. RAT-STATS: OIG's Office of Audit Services Statistical Sampling Software. RAT-STATS is publicly available to download through the Internet at "www.hhs.gov/oig/oas/ratstat.html."

2. ***Description of Claims Engagement.*** Each Triad Hospitals DRG Claims Engagement and Triad Hospitals Laboratory Claims Engagement shall consist of an appraisal of a statistically valid sample of Items (the Claims Engagement Sample) that can be projected to the total Population.

a. Confidence and Precision Requirements. The Claims Engagement Sample should contain a sufficient number of Items (according to the RAT-STATS calculation) so that if the Overpayments identified in the Claims Engagement Sample were projected to the Population, the projection would provide a 90% confidence level and a maximum relative precision (i.e., semi-width of the confidence interval) of plus or minus 25% of the point estimate. In other words, if the Claims Engagement Overpayment results were projected to the Population at a 90% confidence level, the confidence interval (expressed in dollars) should be sufficiently narrow that the upper bound of the confidence interval would not exceed 125% of the midpoint of the confidence interval (the point estimate), and the lower bound of the confidence interval would not be less than 75% of the midpoint of the confidence interval.

b. Use of a Probe Sample to Determine Whether to Conduct a Full Claims Engagement and to Determine the Sample Size for Such a Full Claims Engagement. To determine how many Items must be included in the Claims Engagement Sample to meet the 90% confidence level and 25% precision requirements, the mean and the standard deviation of Overpayments in the Population must be estimated. Estimates for each unique Population shall be developed through the use of a single Probe Sample. The Probe Sample shall be used to determine the minimum Claims Engagement Sample size through the following methodology. The Probe Sample shall include at least 100 Items, and shall be selected through

the use of RAT-STATS' "Random Numbers" function. Once all Paid Claims associated with the Items included in the Probe Sample have been analyzed, the estimated mean and standard deviation of Overpayments in the Population shall be determined. This determination is based on the Overpayment amount received by Triad for each Item in the sample. The "Difference Values Only" function located under the "Variable Appraisals" component of RAT-STATS shall be used to calculate the estimated mean and standard deviation of Overpayments in the Population. For purposes of estimating the mean and standard deviation of Overpayments in the Population, and entering this information into the "Variable Appraisals," "Difference Values Only" function of RAT-STATS, any underpayment identified for a Paid Claim in the Probe Sample shall be treated as a zero overpayment. If the gross dollar Overpayment rate is less than 5% in this 100 Item Probe Sample, then Triad shall not be required to conduct a Full Sample as part of the applicable Claims Engagement. In such case, the results of the Probe Sample shall be reported in lieu of the results of the Claims Engagement when preparing and submitting the Claims Engagement Report (see section B., below).

c. Calculation of Claims Engagement Sample Size and Selection of the Claims Engagement Sample. The estimates of the mean and the standard deviation of the Population obtained through the analysis of the Probe Sample shall be used to estimate the minimum size of the Claims Engagement Sample. In order to estimate the number of Items that must be included in the Claims Engagement Sample to meet the 90% confidence level and 25% precision requirements, RAT-STATS' "Sample Size Estimators" (located under the "Utility Programs" file) shall be used. Whereas the Claims Engagement Sample size is estimated from the results of the probe sample, there is a possibility that examining the number of Items identified by RAT-STATS may not achieve the 90% confidence and 25% precision levels. If the reviewer can demonstrate that the analysis was properly conducted, but the 90% confidence level and 25% precision interval could not be achieved, the reviewer will not be required to examine additional Items.

The Claims Engagement Sample shall be selected by using RAT-STATS' "Random Numbers" function, and shall be selected from the entire Population, with the Population including those Items analyzed as part of the Probe Sample, so that all Items in the Population have an equal chance of inclusion in the Claims Engagement Sample.

d. Item Appraisal. For each Item appraised (either as part of the Claims Engagement Sample or of the Probe Sample), only Paid Claims shall be evaluated. Every Paid Claim in the Claims Engagement Sample shall be evaluated to determine whether the claim submitted was correctly coded, submitted, and reimbursed. For any Triad Hospitals DRG Claims Engagement and Triad Hospitals Laboratory Claims Engagement performed by Triad's Audit Services Department, 10% of all Paid Claims shall be evaluated by an IRO to determine whether the claim submitted was correctly coded, submitted, and reimbursed. Each appraisal must be sufficient to provide all information required under the Claims Engagement Report.

e. Paid Claims without Supporting Documentation. For the purpose of appraising Items included in the Claims Engagement and/or the Probe Sample, any Paid Claim for which Triad cannot produce documentation sufficient to support the Paid Claim shall be considered an error and the total reimbursement received by Triad for such Paid Claim shall be deemed an Overpayment. Replacement sampling for Paid Claims with missing documentation is not permitted.

f. Use of First Samples Drawn. For the purposes of all samples (Probe Sample(s) and Claims Engagement Sample(s)) discussed in this Appendix, the Paid Claims associated with the Items selected in the first sample (or first sample for each strata, if applicable) shall be used. In other words, it is not permissible to generate a number of random samples and then select one for use as the Probe Sample or Claims Engagement Sample.

B. Claims Engagement Report. The following information shall be included in each Claims Engagement Report:

1. ***Claims Engagement Methodology***

a. Claims Engagement Objective: A clear statement of the objective intended to be achieved by the Triad Hospitals DRG Claims Engagement or Triad Hospitals Laboratory Claims Engagement.

b. Sampling Unit: A description of the Item as that term is utilized for the Triad Hospitals DRG Claims Engagement or Triad Hospitals Laboratory Claims Engagement.

c. Claims Engagement Population: A description of the Population subject to the Triad Hospitals DRG Claims Engagement or Triad Hospitals Laboratory Claims Engagement.

d. Sampling Frame: A description of the sampling frame, which is the totality of Items from which the Probe and Claims Engagement Sample have been selected and an explanation of the methodology used to identify the sampling frame. In most circumstances, the sampling frame will be identical to the Population.

e. Sources of Data: A description of the documentation relied upon by the IRO when performing the Triad Hospitals DRG Claims Engagement or Triad Hospitals Laboratory Claims Engagement (e.g., medical records, physician orders, certificates of medical necessity, requisition forms, local medical review policies, HCFA program memoranda, Medicare carrier or intermediary manual or bulletins, other policies, regulations, or directives).

f. Engagement Protocol: A narrative description of how the Triad Hospitals DRG Claims Engagement or Triad Hospitals Laboratory Claims Engagement was conducted and what was evaluated. This shall include a description of the analysis used to determine which hospitals were chosen for analysis under the Triad Hospitals Engagement and the statistics relevant to the selection of the hospitals.

2. ***Statistical Sampling Documentation***

a. The number of Items appraised in the Probe Sample(s) and in the Claims Engagement Sample.

b. A copy of the RAT-STATS printout of the random numbers generated by the "Random Numbers" function.

c. A copy of the RAT-STATS printout of the "Sample Size Estimators" results used to calculate the minimum number of Items for inclusion in the Claims Engagement Sample.

d. A copy of the RAT-STATS printout of the "Variable Appraisals", "Difference Values Only" function results for the Probe Sample, including a copy of the data file.

e. The Sampling Frame used in the Probe Sample(s) and the Claims Engagement Sample will be available to the OIG upon request.

3. ***Claims Engagement Results***

a. Total number and percentage of instances in which the IRO or Triad's Audit Services Department, as applicable, determined that the Paid Claims submitted by a Triad Hospital ("Claim Submitted") differed from what should have been the correct claim ("Correct Claim"), regardless of the effect on the payment.

b. Total number and percentage of instances in which the Claim Submitted differed from the Correct Claim and in which such difference resulted in an Overpayment to Triad.

c. The total dollar amount of all Paid Claims in the Claims Engagement Sample and the total dollar amount of Overpayments associated with the Paid Claims identified by the Claims Engagement. (This is the total dollar amount of the Overpayments identified in section B.3.b of this Appendix.) The IRO or Triad, as applicable, may identify underpayments, but any underpayments identified during the Claims Engagement shall not be offset or "netted out" of the total dollar amount of Paid Claims or of the Overpayments when reporting these amounts in the Claims Engagement Report to the OIG.

d. The level of precision achieved by the Claims Engagement at a 90% confidence level.

e. A spreadsheet of the Claims Engagement results that includes the following information for each Paid Claim appraised: Federal health care program billed, beneficiary health insurance claim number, date of service, procedure code submitted, procedure code reimbursed, allowed amount reimbursed by payor, correct procedure code (as determined by the IRO), correct allowed amount (as determined by the IRO), dollar difference between allowed amount reimbursed by payor and the correct allowed amount. (See Attachment 1A to this Appendix.)

4. ***Credentials.*** The names and credentials of the individuals who: (1) designed the statistical sampling procedures and the engagement methodology utilized for the Triad Hospitals DRG Claims Engagement and Triad Hospitals Laboratory

Claims Engagement; and (2) performed the Triad Hospitals DRG Claims Engagement and Triad Hospitals Laboratory Claims Engagement.

Attachment 1A

Claims Review Results

Federal Health Care Program Billed	Bene HIC #	Date of Service	DRG or Procedure Code Submitted	DRG or Procedure Code Reimbursed	Allowed Amount Reimbursed	Correct DRG or Procedure Code (IRO determined)	Correct Allowed Amt (IRO determined)	Dollar Difference between Amt Reimbursed and Correct Allowed Amt

APPENDIX B

A. Claims Engagement.

1. ***Definitions***. For the purposes of the Quorum Hospitals DRG Claims Engagement, the following definitions shall be used:

a. Claims Review Sample: A statistically valid, randomly selected, sample of Items selected for appraisal in the Quorum Hospitals DRG Claims Engagement.

b. Item: For purposes of the Quorum Hospitals DRG Claims Engagement, an "Item" is a hospital inpatient discharge for which a Quorum Hospital (as defined in section II.E.1) has been reimbursed by Medicare on the basis of one of the DRGs set forth in Appendix D. The OIG shall have the right to modify the list of DRGs in Appendix D for a subsequent reporting period, upon written notice to Triad at least 30 days prior to the end of the current 12-month reporting period.

c. Overpayment: Consistent with the definition of Overpayment as articulated in section III.H.1.a of the CIA, the amount of money any Quorum Hospital has received in excess of the amount due and payable under any Federal health care program requirements. For the purposes of the Quorum Hospitals DRG Claims Engagement and all reporting to the OIG under this CIA, Triad shall not subtract or "net out" underpayments when determining the amount of relevant Overpayments.

d. Paid Claim: A code or line item submitted by a Quorum Hospital and for which the Quorum Hospital has received reimbursement from the Medicare program.

e. Population: All Items for which a Quorum Hospital has submitted a code or line item and for which the Quorum Hospital has received reimbursement from the Medicare program (i.e., a Paid Claim) during the 12-month period covered by the Quorum Hospitals DRG Claims Engagement. To be included in the Population, an Item must have resulted in at least one Paid Claim.

f. Probe Sample: A sample of Items selected through simple random sampling from the Population for the purpose of estimating the mean and

standard deviation of Overpayments in the Population. The estimated mean and standard deviation of Overpayments in the Population are to be used to calculate the minimum number of Items that shall be included in the Claims Engagement Sample in order to achieve the required confidence and precision levels.

g. RAT-STATS: OIG's Office of Audit Services Statistical Sampling Software. RAT-STATS is publicly available to download through the Internet at "www.hhs.gov/oig/oas/ratstat.html".

2. ***Description of Claims Engagement.*** Each Quorum Hospitals DRG Claims Engagement shall consist of an appraisal of a statistically valid sample of Items (the Claims Engagement Sample) that can be projected to the total Population.

a. Confidence and Precision Requirements. The Claims Engagement Sample should contain a sufficient number of Items (according to the RAT-STATS calculation) so that if the Overpayments identified in the Claims Engagement Sample were projected to the Population, the projection would provide a 90% confidence level and a maximum relative precision (i.e., semi-width of the confidence interval) of plus or minus 25% of the point estimate. In other words, if the Claims Engagement Overpayment results were projected to the Population at a 90% confidence level, the confidence interval (expressed in dollars) should be sufficiently narrow that the upper bound of the confidence interval would not exceed 125% of the midpoint of the confidence interval (the point estimate), and the lower bound of the confidence interval would not be less than 75% of the midpoint of the confidence interval.

b. Use of a Probe Sample to Determine Whether to Conduct a Full DRG Claims Engagement and to Determine the Sample Size for Such a Full DRG Claims Engagement. To determine how many Items must be included in the Claims Engagement Sample to meet the 90% confidence level and 25% precision requirements, the mean and the standard deviation of Overpayments in the Population must be estimated. Estimates for each unique Population shall be developed through the use of a single Probe Sample. The Probe Sample shall be used to determine the minimum Claims Engagement Sample size through the following methodology. The Probe Sample shall include at least 100 Items and shall be selected through the use of the RAT-STATS "Random Numbers" function. Once all Paid Claims associated with the Items included in the Probe Sample have been reviewed, the estimated mean and standard deviation of the Population

shall be determined. This determination is based on the Overpayment amount received by a Quorum Hospital for each Item in the sample. The "Difference Values Only" function located under the "Variable Appraisals" component of RAT-STATS shall be used to calculate the estimated mean and standard deviation of Overpayments in the Population. For purposes of estimating the mean and standard deviation of Overpayments in the Population, and entering this information into the "Variable Appraisals" "Difference Values Only" function of RAT-STATS, any underpayment identified for a Paid Claim in the Probe Sample shall be treated as a zero overpayment. If the gross dollar Overpayment rate is less than 5% in this 100 Item Probe Sample, then Triad shall not be required to conduct a Full Sample as part of the applicable Quorum Hospitals DRG Claims Engagement. In such case, the results of the Probe Sample shall be reported in lieu of the results of the Claims Engagement when preparing and submitting the Claims Engagement Report (see section B., below).

c. Calculation of Claims Engagement Sample Size and Selection of the Claims Engagement Sample. The estimates of the mean and the standard deviation of Overpayments in the Population obtained through the review of the Probe Sample shall be used to estimate the minimum size of the Claims Engagement Sample. In order to estimate the number of Items that must be included in the Claims Engagement Sample to meet the 90% confidence level and 25% precision requirements, RAT-STATS' "Sample Size Estimators" (located under the "Utility Programs" file) shall be used. Whereas the Claims Engagement Sample size is estimated from the results of the probe sample, there is a possibility that examining the number of Items identified by RAT-STATS may not achieve the 90% confidence and 25% precision levels. If the reviewer can demonstrate that the review was properly conducted, but the 90% confidence level and 25% precision interval could not be achieved, the reviewer will not be required to examine additional items.

The Claims Engagement Sample shall be selected by using RAT-STATS' "Random Numbers" function, and shall be selected from the entire Population, with the Population including those Items reviewed as part of the Probe Sample, so that all Items in the Population have an equal chance of inclusion in the Claims Engagement Sample.

d. Item Appraisal. For each Item appraised (either as part of the Claims Engagement Sample or of the Probe Sample), only Paid Claims shall be evaluated. Every Paid Claim in the Claims Engagement Sample shall be

evaluated to determine whether the claim submitted was correctly coded, submitted, and reimbursed. For any Quorum Hospitals DRG Claims Engagement performed by Triad's Audit Services Department, 10% of all Paid Claims shall be evaluated by an IRO to determine whether the claim submitted was correctly coded, submitted, and reimbursed. Each appraisal must be sufficient to provide all information required under the Claims Engagement Report.

e. Paid Claims without Supporting Documentation. For the purpose of appraising Items included in the Claims Engagement and/or the Probe Sample, any Paid Claim for which a Quorum Hospital cannot produce documentation sufficient to support the Paid Claim shall be considered an error and the total reimbursement received by such Quorum Hospital for such Paid Claim shall be deemed an Overpayment. Replacement sampling for Paid Claims with missing documentation is not permitted.

f. Use of First Samples Drawn. For the purposes of all samples (Probe Sample(s) and Claims Engagement Sample(s)) discussed in this Appendix, the Paid Claims associated with the Items selected in the first sample (or first sample for each strata, if applicable) shall be used. In other words, it is not permissible to generate a number of random samples and then select one for use as the Probe Sample or Claims Engagement Sample.

B. Claims Engagement Report. The following information shall be included in each Claims Engagement Report:

1. ***Claims Engagement Methodology***

a. Claims Engagement Objective: A clear statement of the objective intended to be achieved by the Quorum Hospitals DRG Claims Engagement.

b. Sampling Unit: A description of the Item as that term is utilized for the Quorum Hospitals DRG Claims Engagement.

c. Claims Engagement Population: A description of the Population subject to the Quorum Hospitals DRG Claims Engagement.

d. Sampling Frame: A description of the sampling frame, which is the totality of Items from which the Probe and Claims Engagement Sample have been selected and an explanation of the methodology used to identify

the sampling frame. In most circumstances, the sampling frame will be identical to the Population.

e. Sources of Data: A description of the documentation relied upon by the IRO when performing the Quorum Hospitals DRG Claims Engagement (e.g., medical records, physician orders, certificates of medical necessity, requisition forms, local medical review policies, HCFA program memoranda, Medicare carrier or intermediary manual or bulletins, other policies, regulations, or directives).

f. Review Protocol: A narrative description of how the Quorum Hospitals DRG Claims Engagement was conducted and what was evaluated.

2. ***Statistical Sampling Documentation***

a. The number of Items appraised in the Probe Sample(s) and in the Claims Engagement Sample.

b. A copy of the RAT-STATS printout of the random numbers generated by the "Random Numbers" function.

c. A copy of the RAT-STATS printout of the "Sample Size Estimators" results used to calculate the minimum number of Items for inclusion in the Claims Engagement Sample.

d. A copy of the RAT-STATS printout of the "Variable Appraisals" "Difference Values Only" function results for the Probe Sample, including a copy of the data file.

e. The Sampling Frame used in the Probe Sample(s) and the Claims Engagement Sample will be available to the OIG upon request.

3. ***Claims Engagement Results***

a. Total number and percentage of instances in which the IRO determined that the Paid Claims submitted by a Quorum Hospital ("Claim Submitted") differed from what should have been the correct claim ("Correct Claim"), regardless of the effect on the payment.

b. Total number and percentage of instances in which the Claim Submitted differed from the Correct Claim and in which such difference resulted in an Overpayment to a Quorum Hospital.

c. The total dollar amount of all Paid Claims in the Claims Engagement Sample and the total dollar amount of Overpayments associated with the Paid Claims identified by the Quorum Hospitals Claims Engagement. (This is the total dollar amount of the Overpayments identified in section B.3.b above.) The IRO may, in its report to a Quorum Hospital, identify underpayments, but any underpayments identified during the Quorum Hospitals Claims Engagement shall not be offset or "netted out" of the total dollar amount of Paid Claims or of the Overpayments when reporting these amounts in the Quorum Hospitals Claims Engagement Report to the OIG.

d. The level of precision achieved by the Quorum Hospitals Claims Engagement at a 90% confidence level.

e. A spreadsheet of the Quorum Hospitals Claims Engagement results that includes the following information for each Paid Claim appraised: Federal health care program billed, beneficiary health insurance claim number, date of service, procedure code submitted, procedure code reimbursed, allowed amount reimbursed by payor, correct procedure code (as determined by the IRO), correct allowed amount (as determined by the IRO), dollar difference between allowed amount reimbursed by payor and the correct allowed amount. (See Attachment 1B to this Appendix.)

4. ***Credentials.*** The names and credentials of the individuals who: (1) designed the statistical sampling procedures and the review methodology utilized for the Quorum Hospitals DRG Claims Engagement; and (2) performed the Quorum Hospitals DRG Claims Engagement.

Attachment 1B

Claims Review Results

Federal Health Care Program Billed	Bene HIC #	Date of Service	DRG or Procedure Code Submitted	DRG or Procedure Code Reimbursed	Allowed Amount Reimbursed	Correct DRG or Procedure Code (IRO determined)	Correct Allowed Amt (IRO determined)	Dollar Difference between Amt Reimbursed and Correct Allowed Amt

OVERPAYMENT REFUND

TO BE COMPLETED BY MEDICARE CONTRACTOR

Date:_____
Contractor Deposit Control #_____ Date of Deposit: _____
Contractor Contact Name:_____Phone #_____
Contractor Address:_____
Contractor Fax:_____

TO BE COMPLETED BY PROVIDER/PHYSICIAN/SUPPLIER

Please complete and forward to Medicare Contractor. This form, or a similar document containing the following information, should accompany every voluntary refund so that receipt of check is properly recorded and applied.

PROVIDER/PHYSICIAN/SUPPLIERNAME_____
ADDRESS_____
PROVIDER/PHYSICIAN/SUPPLIER #_____CHECK NUMBER#_____
CONTACT PERSON:_____PHONE #_____
AMOUNT OF CHECK $_____ CHECK DATE_____

REFUND INFORMATION

For each Claim, provide the following:
Patient Name_____HIC #_____
Medicare Claim Number_____Claim Amount Refunded $_____
Reason Code for Claim Adjustment:_____ (Select reason code from list below. Use one reaso
n per claim)

(Please list all claim numbers involved. Attach separate sheet, if necessary)

*Note: If Specific Patient/HIC/Claim #/Claim Amount data not available for all claims due to Statistical Sampling, please indicate methodology and formula used to determine amount and reason for overpayment:*_____

For Institutional Facilities Only:
Cost Report Year(s) _____
(If multiple cost report years are involved, provide a breakdown by amount and corresponding cost report year.)

For OIG Reporting Requirements:
Do you have a Corporate Integrity Agreement with OIG? _____ Yes _____No

Reason Codes:

Billing/Clerical Error
01 - Corrected Date of Service
02 - Duplicate
03 - Corrected CPT Code
04 - Not Our Patient(s)
05 - Modifier Added/Removed
06 - Billed in Error
07 - Corrected CPT Code

MSP/Other Payer Involvement
08 - MSP Group Health Plan Insurance
09 - MSP No Fault Insurance
10 - MSP Liability Insurance
11 - MSP, Workers Comp.(Including Black Lung
12 - Veterans Administration

Miscellaneous
13 - Insufficient Documentation
14 - Patient Enrolled in an HMO
15 - Services Not Rendered
16 - Medical Necessity
17 - Other (Please Specify)
_____

APPENDIX D

Medicare Focused DRGs

DRG	DRG Title
76	Other Resp System O.R. Procedures w CC
79	Respiratory Infections & Inflammations Age > 17 w CC
87	Pulmonary Edema & Respiratory Failure
89	Simple Pneumonia & Pleurisy Age > 17 w CC
121	Circulatory Disorders w AMI & Major Comp, Discharged Alive
124	Circulatory Disorders Except AMI, w Card Cath & Complex Diag
132	Atherosclerosis w CC
138	Cardiac Arrhythmia & Conduction Disorders w CC
148	Major Small & Large Bowel Procedures w CC
174	G.I. Hemorrhage w CC
182	Esophagitis, Gastroent & Misc Digest Disorders Age > 17 w CC
197	Cholecystectomy Except by Laparoscope w/o C.D.E. w CC
210	Hip & Femur Procedures Except Major Joint Age > 17 w CC
296	Nutritional & Misc Metabolic Disorders Age > 17 w CC
316	Renal Failure
416	Septicemia Age > 17
475	Respiratory System Diagnosis with Ventilator Support

APPENDIX E

QUORUM HOSPITALS

Hospital	Location
1. Flowers Hospital	Dothan, Alabama
2. Gadsden Regional Medical Center	Gadsden, Alabama
3. Jacksonville Hospital	Jacksonville, Alabama
4. Medical Center Enterprise	Enterprise, Alabama
5. Northwest Health System	Bentonville, Arkansas Springdale, Arkansas
6. Caylor Nickel Medical Center/Wells Community Hospital	Bluffton, Indiana
7. Kosciusko Community Hospital	Warsaw, Indiana
8. Lutheran Hospital of Indiana	Fort Wayne, Indiana
9. St. Joseph Hospital	Fort Wayne, Indiana
10. Dupont Hospital	Fort Wayne, Indiana
11. Summit Hospital	Baton Rouge, Louisiana
12. Parkview Regional Medical Center	Vicksburg, Mississippi
13. Vicksburg Medical Center	Vicksburg, Mississippi
14. Wesley Medical Center	Hattiesburg, Mississippi
15. Barberton Citizens Hospital	Barberton, Ohio
16. Doctors Hospital of Stark County	Massillon, Ohio
17. Carolinas Hospital System - Florence	Florence, South Carolina
18. Carolinas Hospital System - Kingstree	Kingstree, South Carolina
19. Carolinas Hospital System - Lake City	Lake City, South Carolina
20. Mary Black Memorial Hospital	Spartanburg, South Carolina
21. Abilene Regional Medical Center	Abilene, Texas