

D R I V E T O E X C E L L E N C E

Code of Business Conduct *and* Compliance & Ethics Program

APRIL 2011



HMSA



Blue Cross
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of Hawaii

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D R I V E T O E X C E L L E N C E

A Message from the President and Chief Executive Officer



Robert P. Hiam

Dear Colleagues,

In 2013, HMSA will celebrate its 75th anniversary as the largest and most experienced provider of health care coverage in Hawaii.

We're looking ahead, aspiring to be the best health plan in the nation. This aspiration, this Drive to Excellence, involves working with others to build a sustainable health care system in Hawaii. In our Drive to Excellence, we will continue to conduct our business ethically and in compliance with the laws and regulations that govern our business.

Our Code of Business Conduct is an essential guide to doing the right thing when working with our members, the government, providers, employer groups, vendors, and other HMSA employees. HMSA's reputation as an ethical company depends on all of us acting consistently with the policies and values expressed in our Code.

Our members trust us to do the right thing, and that trust is an indispensable key to our success. It requires that we guard our member's confidential information and refer to it only when it's necessary to conduct our business. HMSA employees have to earn that trust every day. And for more than 70 years, we have done just that. I truly believe that one reason HMSA has come this far is because our employees hold themselves to high standards of ethical conduct.

As you read the Code, become familiar with its contents. The more familiar we are with the Code, the better equipped we'll be to work as a team for the future of HMSA, our members, and our community.

Sincerely,

A handwritten signature in blue ink that reads "Robert P. Hiam". The signature is fluid and cursive.

Robert P. Hiam
President and Chief Executive Officer

Contents

A Message from the President	1
What is HMSA's Code of Business Conduct?	3
Conflict of Interest	5
Protecting Information and Assets	7
Gifts and Entertainment.....	11
Political Activity and Contributions	13
Our Responsibilities as a Government Contractor	14
Protecting You at Work.....	18
Compliance with the Code.....	19
Appendix: HMSA Compliance and Ethics Program Policy.....	21



What is HMSA's Code of Business Conduct?

It's an Expression of Commitment

Everyone in the HMSA family is committed to honesty, integrity, and ethical business conduct. Our family includes employees, contractors, and board members.

We are committed to being a trustworthy partner in building a sustainable health care system with our members, employer groups, providers, vendors, and the government.

As we work to create a sustainable health care system, we are committed to conducting our business with integrity and in compliance with governing laws and regulations. The Compliance & Ethics Office stands by this commitment by investigating and addressing compliance issues promptly, fairly, and without retaliation.

It's a Guide to Doing the Right Thing

Since our beginnings in 1938, HMSA employees have worked hard to provide HMSA members with access to quality health care at a reasonable price. HMSA has earned the trust of our members by working in their best interests and following the letter and spirit of laws and regulations that apply to our business. The drive continues as HMSA approaches its 75th birthday.

We continue to re-earn our members' and our community's trust each day by "doing the right thing," making the right decisions, and taking the right actions.

- The right decisions and actions are in compliance with all applicable laws and regulations.
- The right decisions and actions are based on the best interests of our members and our community, and are not for made for personal gain.
- The right decisions and actions feel good.
- The right decisions and actions enhance HMSA's credibility in the community.



It's Our Responsibility

We all share the responsibility to:

- Comply with laws and regulations that apply to our business.
- Report possible compliance issues promptly, completely, and fairly, without fear of retaliation.
- Work with integrity and honesty in the best interests of our members and our community.

It's important to speak up, ask questions, or raise issues in your daily activities if you think there are ethical implications. HMSA's reputation as an ethical company depends on you.

Contact Us

Our Code of Business Conduct is a starting point and an invitation. The sections of the Code that follow provide guidance in recognizing and addressing possible compliance issues. But the guidance and support does not end with this Code.

The Compliance & Ethics Office is here for you when you have a question about compliance, when you see a potential compliance incident, or when you have a compliance concern.

- * Visit us on the 8th floor of the HMSA Center.
- * Email us at IC&EOoffice@hmsa.com.
- * Call us at 948-5449, 948-6619, 948-5073, or 948-5248.

If you wish to contact us anonymously, please call the Compliance & Ethics **hotline** at 1 (800) 749-HMSA (4672). **The hotline is available 24 hours a day, seven days a week.**





Conflict of Interest

A conflict of interest occurs when our personal interests affect or influence our ability to act in the best interests of HMSA.

To maintain our high ethical standards, we are expected to avoid conflicts of interest. Because the perception of a conflict of interest is as important as an actual conflict of interest, we are expected to avoid doing anything that even appears improper.



Here are some examples of conflicts of interest:

- Working for a competing health plan, health care provider, pharmacy, or vendor. It doesn't matter what kind of work you're doing for them – any job you have is a conflict of interest.
- Accepting gifts, payments, or services from people who do business with HMSA or would like to do business with HMSA.
- Doing business on behalf of HMSA with a company that is owned or controlled by an HMSA employee, an employees' family member, or someone you have a personal relationship with or may be perceived to have a personal relationship with.
- Owning or having a substantial financial interest in a company that competes with HMSA or is a supplier.
- Acting as a consultant to an HMSA customer or supplier.

Usually, a conflict of interest can be avoided if it is disclosed in advance. If you aren't sure if there's a conflict of interest, talk to your supervisor or check with the Compliance & Ethics Office.

Each year, you are asked about possible conflicts of interest on a questionnaire. You need to answer completely and accurately. If your circumstances change during the year (that is, after you've filled out the questionnaire), you must let the Compliance & Ethics Office know right away.

We have a separate conflict of interest policy for government-hired vendors who are investigating HMSA, such as for an audit or study. Refer to the section, "Our Responsibilities as a Government Contractor."

A Second Job

Our primary employment obligation is to HMSA. We are allowed to have a second job, but the job must not require us to use confidential HMSA information or affect our work at HMSA.



Here are questions and answers about having a second job:

Q: I work at HMSA Monday through Friday, 7:30 a.m. to 4:15 p.m. On the weekends, I have another job at a department store. Is this a conflict of interest?

A: No. Your weekend job does not interfere or conflict with your work at HMSA.

Q: I work at HMSA Monday through Friday. I also have a weekend job at another health plan. Is this a conflict of interest?

A: Yes. Although your weekend job does not interfere with your work at HMSA, your job at a competing health plan is a conflict of interest with HMSA.

Q: My job at HMSA involves managing HMSA's pharmacy benefits. I'd like to work on weekends for a pharmacy. Is this a conflict of interest?

A: Working part time for a pharmacy may be a conflict of interest, depending on your job functions at HMSA and the pharmacy. The Compliance & Ethics Office will review these functions with you and your supervisor to determine the potential for conflicts of interest.

If you're not sure if your second job is a conflict of interest, discuss it with your supervisor and the Compliance & Ethics Office.

Personal Financial Interests

HMSA employees should avoid any outside financial interests that might influence their decisions or actions on behalf of the company. Examples include personal or family investment or involvement in organizations that do business or compete with HMSA. A small portfolio holding of stock or other securities in publicly traded companies is permitted. However, you should not hold stock in known vendors of HMSA where your objective independence in dealing with the vendor may be questioned. Please consult with the Compliance & Ethics Office if you have any questions.



Protecting Information and Assets

Our Members' Information

Confidential member information (CMI) is any information that can be used to identify an HMSA member. Examples of CMI include name, address, birth date, member ID number, dates of health care service, claims information, diagnosis, and the name of the member's provider or employer. Protected health information (PHI) is a subset of CMI; it refers to a member's health condition and health care services and payments.

HMSA members, providers, and employer groups entrust us daily with their confidential information. We must diligently protect CMI to continue to earn that trust. Laws such as the American Recovery and Reinvestment Act of 2009 give the federal government authority to impose fines and criminal penalties on health care organizations and their employees when CMI is mishandled. So we are all responsible for:

- Conducting our business in accordance with the Health Insurance Portability and Accountability Act (HIPAA) standards for privacy and security.
- Following all applicable federal and state laws regarding privacy and confidentiality.
- Understanding and following HMSA's Enterprise Privacy Policy and Information Security Policy.
- Disclosing CMI only on a need-to-know basis, only the minimum amount necessary, only if your role permits you to do so, and only as authorized by HMSA.
- Asking the Information Protection and Privacy Office or the Compliance & Ethics Office if there are questions about disclosing CMI.



Our Business Information

Confidential business information is information that:

- Is generally not disclosed outside of HMSA.
- Is useful or helpful to HMSA.
- Would be useful or helpful to our competitors, and thus damaging to HMSA.

Protecting confidential information is the responsibility of every HMSA employee, contractor, and board member. This responsibility continues even after our employment, contract, or affiliation with HMSA ends.

Before disclosing confidential information to individuals or organizations outside of HMSA:

- Make sure that the disclosure will not violate any federal or state laws.
- Get approval from an HMSA officer (vice president or higher).
- Make sure that the disclosure is covered by a confidential disclosure agreement that has been approved by Legal Services.
- Follow HMSA's "External Data Request" procedures when applicable.

When sharing confidential information in a letter, document, email, or conversation, we must be careful to:

- Encrypt external emails that contain confidential information and do not send confidential information to personal email accounts.
- Label reports, spreadsheets, and other documents with the appropriate restrictive

Type "HMSASECURE" in the subject line of all emails containing confidential information sent to an external address.

legend. Restrictive legends such as "Confidential" put third parties on notice that HMSA considers the information to be protected.

- Be aware of our surroundings to reduce the chance of accidental disclosure of confidential information through a telephone call or casual conversation.





Using HMSA's Assets

Company assets include intellectual property, business strategies and plans, trade secrets, financial or proprietary information, and software.

With the continuing rise in health care costs, prudent acquisition and use of HMSA assets for business purposes remains critical. We should follow appropriate procedures when buying supplies, equipment, or other assets to obtain quality items at the best possible price. We are also all responsible for ensuring that company assets are used only for valid company purposes:

- Never use HMSA assets to support your second job or side business.
- Limit personal use of company telephones, computers, fax machines, or emails. Never use them for personal gain or illegal purposes.
- Transfer company assets to other persons or entities only in the ordinary course of business. Assets no longer needed for HMSA business may be disposed of or, in certain cases, sold to employees at market value. Such disposals or sales must be supported by properly approved and signed documentation.

Accurate Recordkeeping

HMSA provides a wide variety of performance reports, financial statements, proposals, budgets, and other reports to government agencies, auditors, employer groups, accreditation organizations, and other entities. These reports often include management certifications or attestations.

Employees who prepare, sign, or support these reports and their underlying records must ensure that they are prepared carefully, accurately, and ethically. Late or inaccurate reports submitted to government agencies can result in compliance actions that range from corrective action plans and increased agency scrutiny to fines and penalties.

HMSA Recordkeeping Policies

- Labor, material, and other costs must always be charged accurately to the proper account regardless of the financial status of the program, project, or contract. Labor timesheets and other cost records must be complete and accurate.
- HMSA books and records must accurately reflect the true nature of transactions that they represent. Employees must take no action to cause HMSA books and records to be misleading or inaccurate.
- Costs that are not reimbursable to contractors by the federal government must be identified, properly accounted for, and excluded from proposals, bids, and reimbursement requests submitted to the federal government.

Contact the Compliance & Ethics Office or call the Compliance & Ethics hotline at 1 (800) 749-HMSA (4672) to report any concerns related to financial reporting irregularities or questionable accounting practices.

Record Retention

HMSA applies effective, cost-efficient records management to maintain complete and accurate records. Records are retained to meet business needs as well as to be in compliance with federal and state laws and regulations. They should be properly destroyed after the appropriate record-retention period.

Records connected to litigation or audits may need to be kept beyond normal retention periods. Follow special requirements issued by Legal Services to ensure that relevant records are not destroyed until such cases or investigations are closed.

Visit the Legal Services site on Sapphire for valuable information about record retention, including definitions of “record” and “non-record” and document retention notices.





Gifts and Entertainment

Giving and accepting gifts are a familiar part of doing business, especially in Hawaii. We need to be careful, however, that exchanging gifts does not influence our business-making decisions.

HMSA often purchases goods or services from a supplier that also buys goods or services from HMSA. For example, we may purchase printing services from a printer who purchases health care coverage from HMSA. While this is a normal and acceptable business practice, we must avoid any form of pressure for reciprocity.

Accepting Gifts and Entertainment

We may accept gifts, which include entertainment such as meals, from individuals or entities outside of HMSA only if all of the following conditions are met:

- It's not in the form of cash.
- Nothing of value is ever solicited from anyone HMSA does business with. This includes vendors, suppliers, providers, and subscribers.
- The value does not exceed \$100 per occasion.
- The total value received does not exceed \$250 per year.

Also:

- Accepting a gift must not affect our ability to act in HMSA's best interest.
- The gift should not be given with the intent to obtain or reward favorable treatment from HMSA.
- The gift is reasonable and appropriate to the occasion and given infrequently, regardless of the amount.
- We must tell our supervisor about the gift and then note it on our annual conflict of interest disclosure form as appropriate.

We have a no-gift policy when dealing with federal government contracts. This is outlined in a separate section, "Our Responsibilities as a Government Contractor."

Perishable gifts, such as flowers and food baskets, with a value of more than \$100 may be accepted only if they can be shared by the department and appropriate management approval is obtained.

On occasion, a vendor or supplier will offer benefits companywide, such as discounts, rebates, or credits. All such arrangements must be approved in advance by the C&E Office to ensure compliance with anti-kickback restrictions. For more information about kick-backs, see “Our Responsibilities as a Government Contractor” in this Code.

There could be times when gifts or entertainment beyond the \$100/\$250 rule may be appropriate. If such circumstances exist, notify your supervisor or the C&E Office and obtain approval from the HMSA senior officer (senior vice president or higher).

Questions about gifts and entertainment should be taken to department management or the C&E Office.



Q: I was invited on an all-expenses-paid trip to San Francisco for a training class to learn more about a vendor's product that HMSA is interested in purchasing. Can I accept this offer?

A: Each situation is different, so employees should always notify their management and consult the C&E Office. In this case, it would not be appropriate for you to accept the offer. Accepting a vendor's offer of a free trip may make it difficult to objectively evaluate their product or may give the appearance that a decision to select the product was influenced by the free trip. You may attend only if management determines that the training is in HMSA's best interest, there is an appropriate business need, and HMSA is willing to cover all travel expenses.

Offering Gifts and Entertainment

Customer decisions should always be made on the merits of HMSA's products and services, our record of superior performance, and the strength of our proposals – not as a result of any real or perceived unfair or illegal advantage. While offering business courtesies and entertainment is a common and accepted business practice, it should be conducted within the guidelines of this Code.

You may offer gifts and entertainment to individuals or entities outside HMSA only if all of the following conditions are met:

- It is not in the form of cash.
- The value offered to an individual or entity does not exceed \$100 per occasion.
- The total value given to an individual or entity does not exceed \$250 in any given year.



Also:

- The gift or entertainment should be reasonable and appropriate for the occasion.
- It does not create the appearance of impropriety or cause embarrassment to the company.
- It is not extended with the intent to obtain or reward favorable treatment.
- It does not violate any policy of the recipient's company or organization.
- Gifts and entertainment extended to state employees or legislators are not intended to influence their official duties or as a reward for any action on their part.

We have a no-gift policy when dealing with federal government contracts. This is outlined in a separate section, "Our Responsibilities as a Government Contractor."

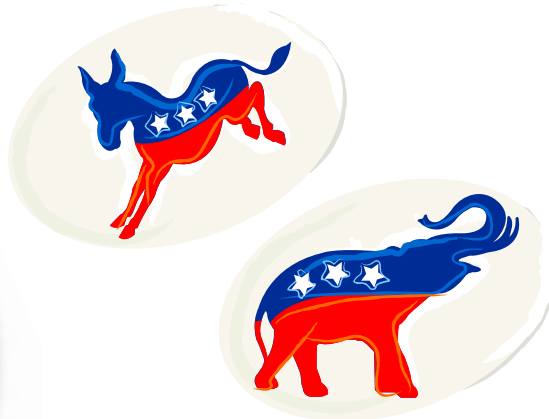
There may be times when gifts or entertainment beyond the \$100/\$250 rule may be appropriate. If you're about to be faced with that situation, notify your immediate supervisor or the C&E Office. You may need to get advance approval from your HMSA senior officer (senior vice president or higher).

Political Activity and Contributions

We comply with all laws and regulations regarding the use of company resources for political activities. Federal campaign finance laws generally prohibit payments from corporate funds to any candidate campaigning for federal office. Hawaii state law allows limited corporate contributions to candidates campaigning for state office.

We are encouraged to vote, become involved in civic affairs, and participate in political activities. We are free to make personal contributions consistent with applicable federal, state, or local laws to support candidates or political organizations. Our participation should be done on our own time, however, and should not use HMSA funds, supplies, facilities, or other resources.

HMSA and its subsidiaries have a political action committee (PAC) that solicits and accepts voluntary contributions from employees. The PAC provides an avenue for employees who wish to support the political process through HMSA.



Our Responsibilities as a Government Contractor

Gifts and Entertainment

There are strict rules for offering gifts or entertainment to federal government agency employees or their contractors. This includes even the most modest of meals, transportation, or advertising or promotional items. These rules apply to employees or contractors of all federal agencies, such as the Department of Health and Human Services, including the Centers for Medicare and Medicaid Services, Internal Revenue Service, Department of Labor, and Office of Personnel Management.

Our policy is simple – no gifts. We cannot give or receive gifts and entertainment from federal government employees or their contractors at any time.

Special laws govern kickbacks from vendors and suppliers under Medicare and other federal health care programs. A kickback is any money, fee, commission, credit, gift or gratuity, thing of value, or compensation of any kind that is provided directly or indirectly for the purpose of improperly obtaining or rewarding favorable treatment.

Under the federal Anti-Kickback Statute, criminal sanctions and monetary penalties may be imposed on individuals who offer kickbacks, as well as on anyone who solicits or accepts them.

Q: I participated in a federal government audit of one of HMSA's programs and got to know one of the auditors. The auditor was good-natured and helpful, and I want to take the auditor to lunch as a thank you – my treat. Is this OK?

A: No, you should not treat the auditor to lunch. HMSA employees may not offer gifts or entertainment to federal government employees or their contractors under any circumstances.

Conflict of Interest

HMSA, like all Hawaii health plans, is subject to government regulation. As part of its duties, the government requires health plans to provide certain information. The government can also investigate a specific health plan (this could include an audit or study). If such an investigation of HMSA takes place, we are committed to cooperating with and providing appropriate information to the government in good faith.

To avoid even the appearance of impropriety during an investigation, HMSA will make a good-faith effort to avoid contracting or discussing contracting (whether or not it is related to the investigation) with any potential vendor who has been hired by the government to conduct or participate in the investigation. We may negotiate or contract with such a vendor if HMSA or the vendor obtains a waiver of conflict of interest from the government agency.



Fraud and Abuse Prevention

To combat health care fraud and abuse, we investigate complaints, conduct proactive case development, raise fraud and abuse awareness, and strengthen provider and vendor contract language. HMSA's Benefits Integrity department is responsible for our efforts to detect, investigate, and prevent fraud and abuse.

The federal False Claims Act aims to discourage fraud against the government. People and organizations that violate the False Claims Act may have to pay civil monetary penalties.

We must also be very careful when preparing and submitting claims and reports. Suspected violations of the False Claims Act must immediately be reported to the C&E Office. There will be no retaliation against anyone who makes a report in good faith.

The False Claims Act also includes a *qui tam* or "whistleblower" provision that allows anyone with knowledge of alleged false claims filed with the government to file a lawsuit on behalf of the government. The act protects the person from retaliation resulting from filing an action under the False Claims Act, investigating a claim, or providing testimony.

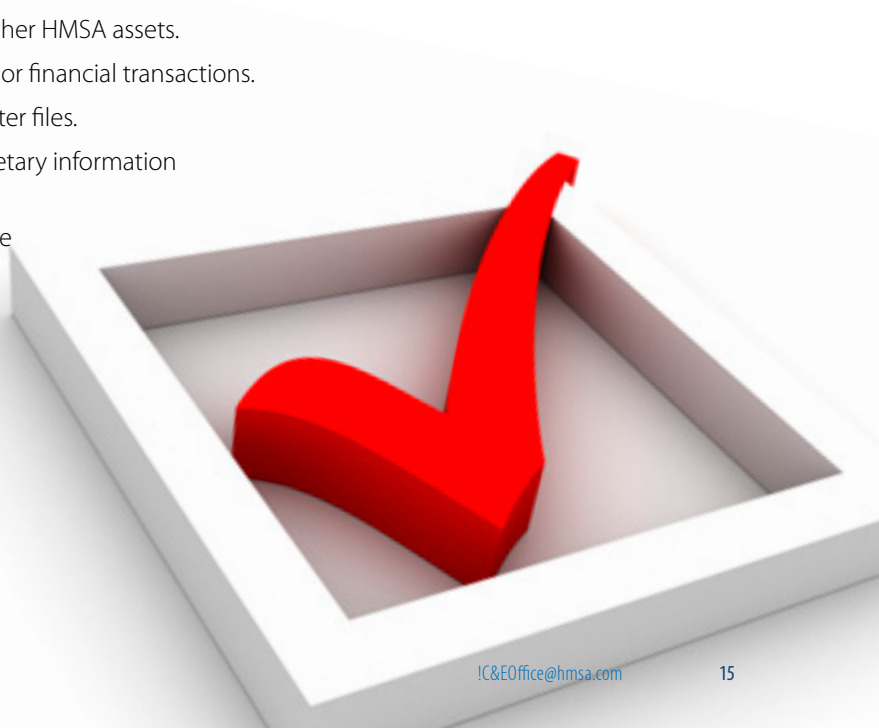
The Hawaii False Claims Act closely follows the federal False Claims Act. This law helps the state government combat fraud in state programs.

For more information, refer to HMSA's "False Claims Recovery Policy," which is available on Sapphire.

Internal Fraud and Abuse Prevention

We are all responsible for the detection and prevention of internal fraud. Internal fraud is the intentional misrepresentation or concealment of information within HMSA for financial or other gain. Examples of internal fraud may include:

- A dishonest act.
- Forgery or alteration of any official HMSA document.
- Misappropriation or misuse of funds, supplies, or other HMSA assets.
- Impropriety in the handling or reporting of money or financial transactions.
- Unauthorized alteration or manipulation of computer files.
- Unauthorized disclosure of confidential and proprietary information to outside parties.
- Unauthorized destruction, removal, or inappropriate use of records.
- Any similar or related irregularity.



HMSA expects employees to recognize risks and exposures in their area of responsibility, be alert for any indication of internal fraud, and contact the C&E Office as soon as internal fraud is detected or suspected.

Any employee who is aware of an internal fraud and does not immediately report it will be subject to disciplinary actions. Employees who report suspected fraudulent activity in good faith will be protected from reprisal or retaliation. The identity of the individual conveying information will remain confidential to the extent possible within the legitimate needs of the law and the investigation.

Proper Marketing Practices

Superior products offered at a reasonable price with superior customer service are HMSA's primary marketing tools. It is against HMSA's Code of Business Conduct to use deceptive, misleading, or unethical methods to obtain business from customers.

Specific laws and regulations govern procurement activities for federal government contracts. It is illegal to seek an unauthorized competitive advantage, such as obtaining a competitor's proposal or accessing certain documents.

During the federal procurement process, HMSA will not seek or obtain the following types of information unless it is released to all competitors:

- Competitors' cost or pricing data, indirect costs and direct labor rates, and underwriting processes, operations, or techniques.
- Government source selection bid prices or proposed costs; sources' election plans; technical evaluation plans; technical, cost, or price evaluations of proposals; competitive range determinations; rankings of bids, proposals, or competitors; and panel, board, or advisory council reports and evaluations.



When the procurement process has been completed, however, HMSA may request information that was not previously available. In certain situations, HMSA will provide documentation that authorizes HMSA to receive such information. Whenever possible, HMSA will request information under the Freedom of Information Act to ensure that HMSA does not receive information that is protected. Questions in this area should be referred to Legal Services.

Marketing to Medicare Beneficiaries

The Centers for Medicare & Medicaid Services (CMS) has strict rules on marketing health plans to protect Medicare beneficiaries from misleading or unfair marketing practices. To ensure that those rules are understood and followed, employees and contractors who support HMSA Medicare products must complete online training on Medicare fraud, waste, and abuse during the annual Compliance & Ethics Code of Business Conduct online training.

Contact the Medicare Programs department for more information about CMS marketing requirements.



Protecting You At Work

Equal Employment

To ensure a safe, supportive, respectful workplace, we have policies on employee relations issues, three of which are summarized below. You may find details on these and other issues in the HMSA Employee Handbook.

Report any suspected violations or questions about these issues to your supervisor. If you prefer, talk to your department head or the Equal Employment Opportunity (EEO) compliance officer in Human Resources.

Individuals with Disabilities

HMSA complies with the Americans with Disabilities Act and related state laws. We are committed to recruiting, hiring, developing, and retaining qualified individuals with disabilities, and will review requests for reasonable accommodation from qualified employees or job applicants to perform the essential functions of the job.

Sexual Harassment

We are expected to treat each other with professional respect and courtesy. Any form of sexual harassment in the workplace is prohibited, whether by a supervisor, manager, co-worker, or any other employee or consultant. Those who engage in sexual harassment will be subject to disciplinary action, which can include termination.

Drug-Free Workplace

Any activity related to the unlawful possession, manufacture, distribution, dispensation, or use of a controlled substance in the workplace is prohibited. This applies to activities that occur anywhere on company property or while on work time outside the workplace. Any employee who engages in prohibited activities will be immediately suspended without pay pending an investigation and final decision on disciplinary action. Depending on the circumstances, HMSA may terminate an employee for the first offense.



Compliance with the Code

Failure to comply with HMSA's Code of Business Conduct will result in disciplinary action. Disciplinary action may include suspension, termination, and reimbursement to the company for any losses or damages resulting from the Code violation and referral to the government. Anyone charged with a violation of the Code will have the opportunity to explain their actions before any disciplinary measures are taken.

Disciplinary action will be taken when:

- An employee authorizes or participates in actions that violate the Code.
- An employee deliberately provides misleading information about violations of the Code.
- A supervisor's or manager's actions reflect poor judgment, inadequate supervision, or lack of diligence regarding a violation of the Code.
- Anyone who retaliates, directly or indirectly, or encourages others to retaliate against an employee who reports a violation of the Code or participates in an investigation of a violation of the Code.

This Code will be enforced at all levels, fairly, and without prejudice.



Dear Fellow HMSA Employees:

Thank you for reading HMSA's Code of Business Conduct. The Compliance & Ethics Office hopes that this Code reinforces the importance of conducting our business with honesty and integrity.

The Code ends here, but the journey continues.

We all have a personal responsibility to comply with this Code and the laws, regulations, and company policies that govern our business. It is our responsibility and duty to ask questions or raise concerns if we encounter possible violations of this Code, misconduct, or unethical behavior. Talk to your manager, the Compliance & Ethics Office, or Human Resources when:

- You need advice.
- You don't know the proper course of action.
- You believe someone has violated the law or our policies.
- You believe someone has acted unethically.
- You may have been involved in misconduct.

The Compliance & Ethics Office is here for you when you have a question about compliance, when you see a potential compliance incident, or when you have a compliance concern.

- Visit us on the 8th floor of the HMSA Center.
- Email us at [!C&EOffice@hmsa.com](mailto:CEOffice@hmsa.com).
- Call us at 948-5449, 948-6619, 948-5073, or 948-5248.

If you wish to contact us anonymously, please call the Compliance & Ethics hotline at 1 (800) 749-HMSA (4672). The hotline is available 24 hours a day, seven days a week.

Sincerely,



Brenda S. Takahashi

Compliance & Ethics Officer
948-5449
Brenda_Takahashi@hmsa.com





Appendix

HMSA Compliance and Ethics Program Policy

I. Purpose

HMSA has always been, and continues to be, committed to conducting its business with integrity and in accordance with all federal, state, and local laws to which its business activities are subject. It is the long-standing policy of HMSA to prevent the occurrence of unethical or unlawful behavior; to halt such behavior as soon as reasonably possible after discovery; to discipline personnel who violate company policies, including individuals who fail in their responsibilities to detect a violation; and to implement any changes in policies or procedures necessary to prevent recurrences of a violation.

HMSA has instituted a Code of Business Conduct, this Compliance and Ethics (C&E) program, and related policies that reflect these commitments.

This policy, which sets forth the HMSA C&E program, is applicable to all of HMSA. This program is designed to ensure that employees understand the Code and that all questions and concerns relating to the Code will be answered or resolved promptly.

The company utilizes a variety of tools to implement the program. These include training and education, employee performance evaluations, an employee reporting system, and internal audits. It is HMSA's intention to monitor this program to verify compliance with the company's standards.

HMSA encourages personnel to internally report all potential non-compliance with the Code or program. The program details a variety of means to report such non-compliance, protecting confidentiality where appropriate. No individual position or influence is considered more important than the goal of institutional integrity. The company will not tolerate retaliation against those who, in good faith, report actual or potential wrongdoing.

II. The Program

A. DISTRIBUTION OF THE CODE

1. Current Employees

All HMSA employees, officers, and board members will be given a hard copy of the Code and/or will be provided access to an electronic, printable copy of the Code. They will also be required to sign an acknowledgment form. This form, containing a statement that the employee has read, understood, and agreed to comply with the Code, must be signed and returned to the HMSA C&E officer.

2. New Employee Orientation

Each new employee and non-employee (e.g., temporary agency hire, contractor, or agent of HMSA) will be given a copy of the Code and/or will be provided access to an electronic, printable copy and an acknowledgment form to sign and return to the C&E officer. A discussion of the Code and initial training has been incorporated into new employee orientation programs.

3. Consultants, Agents, and Vendors of the Company

The C&E officer shall ensure that a copy of the Code is made available to third-party agents or contractors who act for or on behalf of HMSA. Such individuals are also expected to execute an acknowledgment form stating that they have read, understood, and agreed to abide by the Code. In addition, the C&E officer shall annually distribute a letter and will make a printable copy of the Code available to all vendors who conduct a significant amount of business with the company and shall encourage such vendors to comply with the Code.

4. Subsidiaries and Affiliates

The C&E officer shall work with subsidiaries and affiliates of HMSA to develop, adopt, and maintain their own Code of Business Conduct and C&E program policy comparable to HMSA's.

B. THE C&E ADVISORY COMMITTEE

1. Composition and Meeting Requirements

HMSA has established a C&E Advisory Committee that is composed of management from various areas of the company. The committee will meet at least quarterly.

2. Responsibilities

The C&E Advisory Committee is primarily responsible for providing advice, guidance, and recommendations on implementing, updating, monitoring, and enforcing the Code and the program.

The C&E Advisory Committee shall be apprised of any investigations into reported violations of the Code or the program policy and shall review disciplinary actions relating to violations of the Code.

C. C&E Officer

1. Appointment

The Audit and Compliance Committee of the board of directors is responsible for appointing a C&E officer who shall be identified by name, business address, and business telephone number to all employees. The C&E officer reports to the senior officer. The C&E officer, or their designee, will report at least quarterly to the Audit and Compliance Committee of the board of directors concerning the status and effectiveness of the program, the nature and number of concerns or questions received from employees, and the nature and extent of any infractions of HMSA's policies.



2. General Duties

The C&E officer is tasked with ensuring the relevance, visibility, and overall effectiveness of the program. To that end, the C&E officer shall be responsible for providing training on the Code, the program, or in related areas as necessary, providing guidance to employees to clarify commonly asked questions, developing policies or procedures as required to supplement the Code and the C&E program policy, and responding to concerns or reports of potential violations.

The C&E officer also shall be responsible for overseeing compliance with applicable laws, regulations, contract requirements, the Code, and related company policies and procedures. The C&E officer will coordinate the annual review and update of the Code and related policies, including developing suggestions for improving the Code and its implementing policies.

While HMSA has established a C&E program and appointed a C&E officer to support it and ensure compliance, all HMSA employees continue to be responsible for compliance with all laws, regulations, and company policies. Supervisors and managers have an additional responsibility to ensure that their staff complies with the Code, the program, and related policies.

3. Training

a. Annual Training

A critical aspect of a C&E program is the effective communication of the Code, the program, and related policies to all personnel. The C&E officer is responsible for overseeing and coordinating the annual compliance training of all employees. The C&E officer shall also document employee attendance and completion of training sessions and retain such records.

b. Additional Training Activities

The C&E officer will be responsible for developing and coordinating training or disseminating additional guidance as necessary based on common employee questions or misunderstandings.

c. Specialized Training

The C&E officer will ensure that all employees who have a substantial role in preparing or processing submissions on a government-funded program, or who are otherwise substantially involved in activities related to a government-funded program, periodically receive specialized training on the rules related to such programs.

4. Duty to Answer Questions and Receive Reports

a. Availability to Employees

The C&E officer shall be available to each and every employee to answer questions regarding proper conduct under the Code.

b. Confidentiality of Violation Reports

The C&E officer shall serve as a point of contact for employees to report suspected violations of the Code. It is the policy of HMSA to maintain, whenever possible, the confidentiality of employees who make reports to the C&E officer.

c. Notification of Reported Violations

The C&E officer shall promptly inform the appropriate senior officer, Legal Services, and the C&E Advisory Committee of all reports of possible unethical or illegal activities.

d. Toll-free C&E Hotline

The C&E officer will be responsible for the toll-free C&E hotline, including publicizing the hotline and responding to any issues raised through it [1 (800) 749-4672].

e. Documentation

The C&E officer will maintain a record of all reports received from employees, consisting of, at minimum, the date the call or report was received, a summary of the concern raised, and the resolution of the matter.

f. Prompt Response

If the C&E officer is unable to immediately answer an employee's question regarding the Code, they shall obtain an answer for the employee within 10 working days of the time the question was posed. If, instead of a question, the employee has reported a possible violation of the Code, then the C&E officer shall contact the employee within 10 working days and report to the employee the actions that are being taken in response to the report. Promptly upon resolution of any such report of misconduct, the employee making the report will be informed of the resolution.

III. Reporting System

A. C&E OFFICER AND SUPERVISORS

Employees are encouraged to ask their immediate supervisor or the C&E Office questions about the Code. All personnel have an obligation to report any violation of the Code or program. To that end, employees may report any activities they believe to be unethical, illegal, or a violation of HMSA policy to their immediate supervisor or the C&E officer. If such a violation is reported to their immediate supervisor, their immediate supervisor is then obligated to report it to the C&E Office by the next business day.

Employees should refer to the Code and other policies for guidance in deciding whether to report on activities of concern to them. The C&E officer is available to discuss the propriety of employee conduct and the requirements of the company's policies and procedures.

B. TOLL-FREE C&E HOTLINE

1. 24-Hour Availability

HMSA has established a toll-free C&E hotline to report questionable conduct and to receive questions about the Code. This telephone line is available 24 hours a day, seven days a week. The company will regularly and frequently publicize the existence of the toll-free line [1 (800) 749-4672].



2. Anonymity

Calls can be made anonymously. Reports of questionable behavior may be made in any manner that effectively communicates sufficient information to allow HMSA to investigate the report.

C. INVESTIGATING EMPLOYEE REPORTS

1. Supervisors' and Managers' Responsibilities

Every supervisor or manager who receives an employee report of possible unethical or illegal activity shall prepare a written description of the report and promptly forward it to the C&E officer. Supervisors and managers shall refrain from conducting investigations on their own.

2. C&E Officer's Responsibilities

a. Written Description of Report

The C&E officer shall prepare a written description of each employee report received, evaluate the report's veracity and seriousness, and conduct such preliminary investigation as is necessary to assess what further action is required.

b. Decision on Further Action

The C&E officer shall confer with counsel or other senior management, as appropriate, to make a determination as to the need for and appropriateness of further action, and take such action or prepare a written report on the conclusion that no action is required.

c. Notification of Unethical or Illegal Activity

If the C&E officer concludes that there may have been unethical or potentially illegal activity, they shall promptly forward the description to the senior officer in charge of C&E, and if that is not feasible, to the chief executive officer or to the chair of the Audit and Compliance Committee of the board of directors.

d. Response to Reporting Employee(s)

Promptly upon the conclusion of an investigation, the C&E officer shall inform the reporting employee(s) of the results of the investigation.

D. C&E OFFICER INVESTIGATION REPORTS

The C&E officer will also prepare a report about all matters investigated. The report will be available to the senior officer in charge of C&E, to the manager of the operating organization affected by the investigation (unless any such person is a subject of the investigation) and, as appropriate, to the Audit and Compliance Committee of the board of directors and the C&E committee unless any such person is a subject of the investigation. The report shall include the original report filed by the employee, a description of the evaluation and conclusion, and the corrective or remedial action taken.

IV. Disciplinary Actions

HMSA shall promptly and properly document all reasons behind the disciplinary actions taken against personnel for violations of the Code, the program, or related policies and procedures. The C&E officer is responsible for ensuring that such documentation is included in the individuals' personnel files.

In determining the appropriate disciplinary action to impose for a violation of the Code, program, or related policies and procedures, the C&E officer, in conjunction with the senior officer in charge of C&E and Human Resources, may take into account the following factors:

- The nature of the violation and the ramifications of the violation to HMSA and its clients.
- Whether the individual was directly or indirectly involved in the violation.
- Whether the violation was willful or unintentional.
- Whether the violation represented an isolated occurrence or a pattern of conduct.
- Whether the individual in question reported the violation.
- Whether the individual withheld relevant or material information concerning the violation.
- The degree to which the individual cooperated with the company's investigation.
- If the violation consisted of the failure to supervise another individual who violated the Code, program, or related policies and procedures, and the extent to which the circumstances reflect inadequate supervision or lack of due diligence.
- If the violation consisted of retaliation against another individual for reporting a violation or cooperating with an investigation, and the nature of such retaliation.
- Any disciplinary action previously imposed for similar violations.
- The individual's past violations, if any.

V. Performance Evaluations

It is important for employees to remain alert to the obligations of the Code and to the reporting channels that are available to them. Promotion of these elements of the program shall be an integral part of each supervisor's and manager's responsibility.

Accordingly, all management personnel (officers, department heads, managers, and supervisors) are required at the time of each employee's annual performance review to:

- Discuss with each employee under their supervision the content and application of the Code and the reporting channels that are available.
- Inform each such employee that strict compliance with the Code is a condition of employment.
- Inform each such employee that the company will take disciplinary action, up to and including termination, for violation of the Code, company policies and standards, applicable laws or regulations, or basic tenets of business honesty and integrity.



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