

CODE OF ETHICAL CONDUCT

The Code of Ethical Conduct pertains to and provides guidance to FirstCarolinaCare Insurance Company hereinafter referred to as "the Company".

Fulfilling Our Vision

The Company is recognized as a provider of products and education in the communities we serve. Our reputation is built on a foundation of integrity, respect and dignity and our commitment to conduct our business with honesty and in compliance with all federal, state and local laws and regulations.

A centerpiece of this commitment is our **Corporate Compliance Program**, which has as its foundation the Company core values, the guiding principles that affirm what is most important for the success of our organization and define who we are as an organization, as a team and as individuals:

- Personal and organizational integrity
- A quality, caring organizational environment
- Excellence in leadership
- Valuing one another
- Respect and fair treatment
- Open communication
- Teamwork
- Community service
- Individuality

This Company Code of Ethical Conduct is a guide to our decisions and actions. It provides a framework for decision-making and provides resources for handling the complex ethical, professional and legal requirements we must meet. Please read this Code of Ethical Conduct carefully. We are all responsible for understanding and following these policies and guidelines.

Thank you for doing your part to help us conduct our business in a manner consistent with our values and with the integrity that sets the standard for our industry.

Sincerely,

F. Craig Humphrey
President

COMMITMENT TO INTEGRITY

- Employees and Business Partners will perform their responsibilities with personal and organizational integrity.
- Employees and Business Partners will work cooperatively to maintain and/or achieve customer satisfaction, interacting with co-workers, physicians, practitioners, other providers, business partners, and members in an honest and ethical manner.
- Employees and Business Partners will honor and uphold Company policies to promote non-discrimination and maintain a harassment-free environment.
- Employees and Business Partners will commit to working diligently to detect and correct errors, including potential incidents of fraud, waste, and abuse, compliance, and HIPAA violations. Employees and Business Partners will report suspected incidents in a timely manner.
- Employees and Business Partners will value diversity in experience and perspectives. Employees and Business Partners will treat co-workers, physicians, practitioners, other providers, business partners, and members with respect, actively listen to them, and seek to understand their opinions and/or positions.
- Employees and Business Partners will complete annual training requirements to maintain current knowledge of Fraud Waste and Abuse, and (as applicable) Medicare Compliance, Centers for Medicare and Medicaid (CMS) laws, standards, and guidelines.
- Employees and Business Partners will complete annual training requirements to maintain current knowledge of HIPAA and PHI protections, and (as applicable) North Carolina Department of Insurance regulations regarding Commercial and Self-funded business.

STANDARDS OF BUSINESS CONDUCT

SHARED RESPONSIBILITIES

This Code of Ethical Conduct contains policies and guidelines designed to prevent violations of law and establish standards of business conduct for employees and Business Partners of the Company. It does not replace Company policies and procedures. All employees and Business Partners including Board of Trustee members, officers, first tier, downstream and related entities, vendors and consultants are expected to comply with lawful and ethical business practices, as well as all statements of policy and procedure, whether or not they are mentioned in the Code of Ethical Conduct.

In this document, when the term Business Partner is used, it includes entities such as the Company Board of Trustee members, Board Committee members (e.g. FirstQIC), officers, first tier, downstream and related entities, providers, vendors, volunteers, temporary employees, agent/brokers, and consultants. Additionally, any reference to policies in this document refers to the policies and procedures for the Company, unless otherwise specifically named as coming from another source (e.g. Carle Health).

It is also the personal responsibility of each Employee and Business Partner to bring violations or suspected violations of this Code of Ethical Conduct to the attention of the supervisor or the Compliance Officer. The Company has established several mechanisms to facilitate this communication process.

Correspondence may be sent to:

FirstCarolinaCare Insurance Company
Compliance Officer
42 Memorial Drive
Pinehurst, North Carolina 28374
fcccompliance@firstcarolinacare.com

Employees and Business Partners may also present an issue by reporting directly to one's supervisor/manager, other Company senior leadership, or to the Compliance Officer. All may report anonymously through the Compliance Helpline at 855-367-8184. No matter which reporting channel one chooses, anonymity when making the report may be requested. This request will be respected up to the limits of the law.

ETHICAL BUSINESS PRACTICES AND HONEST COMMUNICATIONS

The Company is committed to performing its responsibilities with integrity, honesty and fairness, while complying with the laws, rules and regulations governing business. Company policies and procedures have been developed to guide the Company in operating within these laws, rules and regulations and all employees and Business Partners are expected to understand and uphold these policies and procedures.

Making Ethical Decisions

The Company believes in open communication, where employees and Business Partners are encouraged to ask questions and seek guidance as they encounter the sometimes complex ethical, professional and legal decisions they must make in performing work responsibilities. Considering the following questions can help employees and Business Partners make the right decision in these situations:

Employees and Business Partners should ask themselves:

- Does the action comply with the laws and regulations that apply to the business?
- Is it consistent with the Company values, policies, and procedures?
- Is it consistent with the Code of Ethical Conduct?
- How would you feel about yourself if you did it?
- How would it be perceived by family, friends, members, and the community?

If an employee or Business Partner is in doubt, he/she should ask for guidance and keep asking until a sensible answer is received. Employees and Business Partners should remember that it is always better to raise a question before taking an action that may be improper. It is the Company policy that no Employee or Business Partner will be penalized for raising an issue or concern.

- Employees and Business Partners should discuss the issue with their immediate supervisor. If not comfortable discussing it with their supervisor, the next step should be taken.
- Employees and Business Partners should discuss the issue with a higher-level manager. If not comfortable taking this step, the next step should be taken.
- Employees and Business Partners should discuss the issue with another Company resource, such as Compliance or Human Resources.

At any time, employees and Business Partners have a question or concern, they may contact the Compliance Officer at the Compliance Helpline, 855-367-8184.

Seeking Guidance and Confidential Reporting

The Compliance Helpline: 855-367-8184

The Company has established the Compliance Helpline, which is available to all employees and Business Partners, or interested members of the community who wish to ask questions concerning ethical or legal conduct, or to report any potentially improper action. The Helpline is not intended to replace established communication channels, such as talking with one's own manager, but provides an additional method of communicating when a member of the team is uncomfortable using other channels or needs additional assistance. The Helpline is available 7 days a week, 24 hours a day (after hours you may leave a confidential message). Employees and Business Partners may report concerns to the Compliance Officer anonymously if desired. When a report is made, the Compliance Officer will ensure that an appropriate investigation is conducted. All reports to the Compliance Officer are treated as confidential to the greatest extent possible.

No Retaliation for Reporting

The Company prohibits retaliation or harassment against anyone who raises a concern or reports an issue to the Compliance Officer. No employee or Business Partner is permitted to engage, or threaten to engage in retaliation or any form of harassment against an employee or Business Partner who reports a concern or who cooperates in an investigation or legal proceeding involving a suspected violation.

Any employee or Business Partner who engages, or threatens to engage, in retaliation or harassment is subject to discipline, up to and including dismissal or contract termination for first offense.

Q & A

(The following is a hypothetical example)

Q: My supervisor just informed me that I will no longer be working four ten-hour days, but instead will be going back to five eight-hour days each week. I don't think this is fair. I enjoy the four-day work week and have scheduled my family and personal activities around that schedule. I think my supervisor is doing this because I reported a concern to the Compliance Officer. What should I do?

A: Supervisors can best determine what work schedules are most effective for accomplishing your department's work load; however, if you think this change in your work schedule may be an attempt to punish you for reporting to the Compliance Officer, contact Human Resources or the Compliance Officer to express your concern.

Implementation and Enforcement

The Company Compliance Committee is comprised of a Senior Leadership Representative from each department associated with the Company's Medicare line of business, to include but limited to the following departments:

- Compliance, Chair
- Administration
- Finance
- Health Services
- Medical Management
- Operations
- Pharmacy
- Provider Relations
- Sales & Service

This committee monitors incidents of misconduct, initiates investigations, and determines the appropriate response. At the discretion of the Compliance Officer, the committee may consult with an attorney not in the direct employment of the Company for advice and counsel.

In addition to the Compliance Committee, providers are monitored and overseen by the FirstQIC committee, which is chaired by the Company's Medical Director. FirstQIC is a body of network physicians who oversee Credentialing, Quality, and Ethical Conduct of the provider community. Both the Compliance Committee and the FirstQIC committee have a direct reporting relationship to the Company Board of Trustees.

The requirements of the Code of Ethical Conduct apply to employees and Business Partners at all levels of responsibility. The Company will take disciplinary action, including termination of employment and/or contract, for negligence or intentional violation of any federal, state or local law, as well as violation of the Code of Ethical Conduct (See Carle's HR609 – Employee Discipline and Misconduct). This includes disciplinary action for failure to report another employee or Business Partner's conduct that violates any law, regulation, or this Code of Ethical Conduct.

Special Responsibilities of Management

The Company is committed to excellence in leadership throughout the organization. Those who lead must also facilitate the efforts of employees and Business Partners in serving customers in an ethical and lawful manner. Under no circumstances will the Company sacrifice ethical and

compliant behavior in the pursuit of business objectives.

Special Responsibilities of Members of the Company Board of Trustees

The Company is committed to upholding high standards of corporate governance. Employees and Business Partners, members, the communities served and government regulators expect the Board of Trustees to provide firm oversight responsibility for compliance efforts.

The Company expects its Board to be knowledgeable about how the Company handles compliance issues and to ensure that the organization complies with the principles in the Code of Ethical Conduct, as well as with the governing laws and regulations.

QUALITY SERVICES AND THE WORKPLACE

Philosophy of Service

The vision of the Company is to build lasting relationships while providing high quality products and education for internal and external customers.

The Company is committed to providing informed member choice through member education and open communications.

The Company recognizes that it has a shared responsibility for decision-making with its providers, members, and (as applicable) employer groups, all with the goal of working cooperatively to achieve and maintain an excellent customer experience.

Professional Accountability

Members, employees, Business Partners, providers, and visitors have the right to be free and safe from disruptive behavior. All employees and Business Partners are expected to deliver professional services in a manner that is respectful of one another, its physicians, practitioners, other providers, business partners, and members. Further, employees are required to commit and adhere to the Company Code of Ethical Conduct. Failure to do so may result in disciplinary action up to and including termination of employment.

The Company prohibits the employment of individuals who have been convicted of certain crimes, including crimes related to healthcare or who are listed by a federal agency as ineligible for participation in federally funded programs. Applications for employment are accepted from all potential candidates.

Upon receipt of a signed release from an applicant, the Company will conduct a background check commensurate with the level of responsibility of the position sought by the applicant. Employment at the Company is always contingent upon a satisfactory outcome of initial or subsequent background checks.

The Company holds its employees and Business Partners accountable for maintaining their required professional credentials, such as licenses, certifications or other accreditations and for complying with the ethical standards of respective professions. Sales representatives are required to hold and maintain all licenses mandated by the State of North Carolina Department of Insurance. All employees and Business Partners are expected to participate in mandatory training, including compliance and Fraud, Waste, and Abuse training.

Fair Treatment of Employees and Business Partners

The Company strives to create and maintain a professional atmosphere where employees and Business Partners are treated with respect, dignity, and fairness and where employees may develop their skills and potential, based on ability and job performance. The Company believes in teamwork and individuality, respecting differing points of view while building consensus. Every Company supervisor, manager, employee and Business Partner is responsible for creating a work environment in which integrity concerns can be raised without fear of retaliation.

All employees and Business Partners shall refrain from behavior, such as violence, threats of violence, carrying weapons, alcohol intoxication or use of any illegal drug or controlled substance while on Company property or while using Company equipment. Inappropriate and disrespectful physical, verbal, sexual and/or any other harassment is also prohibited. All employees and Business Partners are expected to avoid any behavior or conduct that could reasonably be interpreted as harassment of employees, Business Partners, or any other persons who do business with the Company.

The Company recognizes and values the diversity of its employees, Business Partners, members and communities and views this diversity as essential to success. The Company prohibits discrimination in any work related decision on the basis of race, color, religion, national origin, age, sex, disability, military or veteran status, or any other characteristic protected by applicable law. All employment related decisions will reflect this commitment.

Q & A:

(The following is a hypothetical example)

Q: I am a manager who travels often for Company business. At a recent out-of-state meeting, one of the Company directors made inappropriate comments and physical advances toward me. I think he thought he could get away with it because we were traveling. What should I do about this?

A: Contact Human Resources or the Compliance Officer. The matter will be investigated and if the director behaved inappropriately, disciplinary action will be taken. Regardless of whether or not Employees are traveling on behalf of the Company, all Employees are expected to conduct themselves in conformance with the values of professionalism and mutual respect.

PRIVACY AND SECURITY OF INFORMATION

The Company has a responsibility to safeguard the confidential and proprietary information entrusted to the Company and to those with whom it does business. The Company is committed to upholding the laws and regulations, such as the Health Insurance Portability and Accountability Act (HIPAA) and the Gramm Leach Bliley Act (GLBA) that govern safeguarding the privacy of member information.

The Company will never disclose confidential member, Employee, or business information to any unauthorized person. Protected Health Information (PHI) may be released only in accordance with procedures communicated to and agreed upon in writing by members upon initial enrollment in a Company Health Plan and/or upon the receipt of expressed signed release from members. Company Employee medical information is included in the above category. Access to Employee information is limited to a "need to know" basis as defined by job function.

Confidential business information about Company operations and strategies is a valuable Company asset. Employees and Business Partners must protect the Company's confidential and proprietary information from accidental or unauthorized modification, destruction, and/or disclosure. This includes Company information in all its forms (written, verbal or electronic) that is generally not disclosed to the public and may be protected by state and/or federal law. Information obtained, developed or produced by the Company, as well as information supplied by outside consultants or vendors for the benefit of the Company, is also to be protected. This information is not to be disclosed to anyone outside the Company, including friends, relatives, business or social acquaintances, customers, suppliers or others. Only Company employees and Business Partners with a "need to know" should have access to confidential and proprietary information.

The Company will take reasonable steps to prevent copying or unauthorized use of copyrighted, trademarked or licensed materials, including software, and to ensure that all proprietary information entrusted to the Company is safeguarded.

Should the employee or Business Partner end employment or contractual relationship with the Company, the employee or Business Partner may not take any confidential or proprietary Company information. Further, the employee or Business Partner may not use Company information for personal gain or for the gain of another person or Company.

Information Security

Company employees and Business Partners may not disable or circumvent any Company security controls protecting the computer system, such as passwords, firewalls, encryption and screen-blanking mechanisms. It is the responsibility of the employee or Business Partner to use passwords and security codes responsibly.

If employees or Business Partners have or use mobile computing or data storage equipment, they must secure the equipment with a security device or security protocol approved by the Company. When not using this equipment, the employee or Business Partner must keep it in a secure location to avoid theft or any unintended use.

Q & A:

(The following is a hypothetical example)

Q: I am a supervisor of a department that interacts with a Company Business Partner whose employees have access to the Company's information system. Two new employees working for the Business Partner borrowed the passwords of co-workers to access our system, while awaiting their own identification numbers and log-in information. What should I do?

A: Sharing passwords, even among a Business Partner's employees, is a compliance violation. You should contact the Compliance Office at 1-855-367-8184. If the Business Partner's employees are sharing passwords and accessing the Company's system, the Business Partner will have to take corrective action including compliance training for their employees, and the Company will monitor compliance.

Inside Information

Inside information is information that is not generally available to the public and that could be viewed as a factor in determining whether or not to trade a Company's securities. While working for the Company, employees and Business Partners may obtain inside information about publicly

traded companies. This information may come from a variety of sources, including the employees of these publicly traded companies and others with whom they do business. Company employees and Business Partners may not buy or sell stock or other securities based on inside information nor may they recommend that anyone else do so. Employees and Business Partners may not disclose inside information to any person, including family members and must take precautions to prevent unauthorized disclosure of inside information that comes into their possession. Any questions about protecting inside information should be directed to a supervisor or the Compliance Office at 1-855-367-8184.

RESPONSIBLE USE OF ASSETS

Property and Funds

Company property and funds are to be used solely for the purpose of conducting Company business and may not be used by employees or Business Partners for personal gain or to conduct personal business. Any employee or Business Partner suspected of involvement in embezzlement, theft of Company funds or property, or fraud may be suspended, or have their contract suspended during the investigation. An employee or Business Partner found guilty of any of these offenses will be terminated from employment, or have the contractual arrangement with the Company terminated.

Property includes equipment, computers, software, funds and office supplies, as well as other types of property such as Company records, member information and customer lists. Company property, including paper or electronic copies of Company documents, must not be removed from Company premises unless it is necessary to do so to perform the job. Company property may only be used and/or removed with prior approval from a supervisor. Property must be returned when it is no longer needed off site. All Company assets entrusted to employees and Business Partners must be returned in acceptable condition upon termination of employment. Employees and Business Partners must also protect the assets, including property and information, entrusted to them by business associates, vendors and members.

Q & A:

(The following is a hypothetical example)

Q: I have seen one of my co-workers "walking away" with large quantities of office supplies and I think he is taking them home for use in his part-time home business. I know other Employees have reported this to our manager, but nothing has been done about it. I think this Employee is a close friend of our manager. I'm worried I will get into trouble if I take this to another manager. What should I do?

A: You are correct that office supplies are to be used for Company business only. You should remind your co-worker about the Company policy. If you are concerned about "getting into trouble" for raising your concern with your own or another manager, remember the Company is committed to our policy of no retaliation against anyone for having reported a concern. Discuss your concerns with the Compliance Officer.

Electronic Communications

The purpose of Internet access is to advance the Company mission. Staff accessing the Internet using the Company network are representatives of the Company. Disrespectful behavior, such as posting messages that discriminate on the basis of race, sex or other biases, is prohibited. Other

prohibitions include recreational “surfing”, accessing the Internet for personal use during work hours, downloading software or installing improperly licensed software on Company computer systems, making use of computer games and accessing systems or files to which the employee or Business Partner is not authorized. The Company has established mechanisms that allow the Company to manage and monitor the Internet connection, and employees and Business Partners are expected to comply with all provisions of Company policy on Internet use. Employees and Business Partners are further prohibited from using mobile devices for any of these designated activities while performing job duties on or off site.

Email is to be used to communicate business- related information. It is important to remember that the Company owns all electronic information created by employees and Business Partners using Company equipment. Accordingly, the Company does not guarantee privacy in an employee’s email communications and will monitor email usage as necessary. Employees and Business Partners are expected to comply with Company policies regarding the communication of Protected Health Information (PHI), including required prior approval by an immediate supervisor and disclaimers.

Q & A:

(The following is a hypothetical example)

Q: I am a department supervisor and have concerns about the amount of time my employees spend texting and using social networking technologies. I realize that an occasional brief Twitter or text message may seem harmless, but employees seem to be messaging more than performing their job duties. One of my concerns is that our local school district uses email and text messages to communicate with parents about their children in school, so I don’t want to prohibit this personal messaging. Is there a fair solution?

A: Company policy does not prohibit the occasional email or text message for personal communications; however, employees have a responsibility to the Company to keep this personal messaging to a minimum. Any employee whose job performance is not satisfactory for this, or any other reason, is subject to the Company’s personnel performance policies and procedures. Consult with the Compliance Office if you need assistance resolving this.

ACCURACY AND PROPER HANDLING OF RECORDS

Honest and open communications require that the Company, employees, and Business Partners prepare and maintain all business and healthcare records accurately and in accordance with applicable laws, regulations, professional standards and Company policies. This applies to letters and memos, electronic information such as email and computer files, voice mail, and information in any other form about the Company or its business activities. Business records must be maintained truthfully and accurately and shall not contain false or misleading information. Such documentation should be professional, factual and free of editorializing. Financial records must conform to generally accepted accounting principles, as well as Company policies and standards. Employees and Business Partners are expected to follow accounting controls and to cooperate fully with Company audit processes.

Company Employees and Business Partners must always process member claims accurately and promptly. It is never acceptable to change the date or any information on a claim, and it is never acceptable to deny or pay a claim absent sufficient justification for doing so. If a member, provider, or employer disagrees with the way that a claim has been handled, employees and Business Partners and the Company must always explain the position clearly and courteously. If an error has

been made in processing a claim, the error must be corrected as soon employees and Business Partners and the Company become aware that an error was made. If an employee or Business Partner disagrees with or questions a position concerning the way a claim has been handled, the employee or Business Partner should discuss the question or concern with the Department Director or the Compliance Officer.

Records must never be destroyed or altered, except as specified in the Company's document retention policy. Under no circumstance may records be destroyed or altered to cover up an error or omission. When a clerical, accounting, or reporting error is discovered, employees or Business Partners must bring them to the attention of a supervisor to document them properly. Employees and Business Partners should never alter information outside the scope of their authority to do so.

Any error, omission or inaccuracy that might require disclosure to a customer, supplier or external authority should be reported to the Compliance Officer for appropriate action.

Company policy and procedures are designed to ensure that the destruction of relevant records is halted immediately upon receipt of notice of an investigation or legal process. In the event of an outside investigation, or when an outside investigation appears likely, the Company Compliance Officer will advise the employee or Business Partner regarding the retention and destruction of related records. If employees and Business Partners have questions about the document retention policy, they should contact the Compliance Office.

Q & A:

(The following is a hypothetical example)

Q: The Chief Operations Officer (COO) has to sign a certification for a financial report to the North Carolina Department of Insurance (NCDOI). I provided some information for this report, and I discovered an error after it had been filed. The Company is very proud of our recognition for excellence by NCDOI and I don't want to jeopardize that. What should I do?

A: You should immediately discuss your mistake with the COO so that the error can be corrected. Employees and Business Partners involved in the preparation of information covered by a regulatory certification are responsible for the accuracy and completeness of that information. The COO, as well as you and the Company, may have direct liability for any false statements made, including civil and criminal sanctions.

False Claims Laws

Several state and federal laws, called false claims laws, are designed to combat fraud and abuse in governmental health care programs, including Medicare and Medicaid. The laws include protections, and under certain circumstances rewards for those who report potential fraud and abuse. The Company has a policy covering Employee and Business Partner education about false claims and encourages employee and Business Partners to promptly raise questions and/or report their concerns about healthcare fraud through their supervisors and managers and/or the Compliance Office. The Company is firmly committed to the prevention of healthcare fraud in any form.

AGENTS, CONTRACTORS, AND VENDORS

All agents, vendors, and contractors who have or desire business relationships with the Company are expected to abide by the principles in this Code of Ethical Conduct when doing business with the Company. If employees or Business Partners have knowledge of agents, contractors or

vendors who violate the Code of Ethical Conduct in their relationship with the Company, they should report this to a supervisor and/or the Compliance Officer.

Q & A:

(The following is a hypothetical example)

Q: The Manager of my department mentioned she is a friend of one of the vendors whose services we use. Recently, that vendor was awarded a contract that has an unusually high dollar amount for our department. My co-workers and I think our manager may have awarded this contract on the basis of her friendship with the vendor, not because this vendor is the best choice for the Company.

A: Take your concerns to the Compliance Office for investigation. Friendship between your manager and the vendor might represent a conflict of interest that could have influenced her business judgment. If the normal procurement process was circumvented so that this vendor would be awarded the contract, it would be a misuse of Company assets. Both matters are a violation of the Code of Ethical Conduct and Company policy.

AUDITS BY OUTSIDE AGENCIES AND THE GOVERNMENT

The Company believes in high standards of personal and organizational integrity and will cooperate with audits by outside agencies and government investigations.

Company employees and Business Partners must never:

- Destroy or alter any Company document or record in anticipation of a request for the document or record by the government, an outside agency or court;
- Lie or make false or misleading statements to any investigator;
- Attempt to persuade any other Company employee or Business Partner, or any other person, to provide false or misleading information to an investigator or to fail to cooperate with an investigation.

If an employee or Business Partner receives a subpoena or other written request for information in connection with an outside audit or investigation, the employee or Business Partner should immediately contact the Company Compliance Office before responding.

Q & A:

(The following is a hypothetical example)

Q: CMS is conducting a review that affects my department. One of my co-workers has already been interviewed and has been pressuring me on how to answer the investigator's questions. She is afraid I will disclose something that will get the department or Company in trouble. What should I do?

A: The Company expects you to cooperate and answer the investigator's questions truthfully. If you have any concerns about the investigation or the questions you may be asked, you should contact the Compliance Office.

CONFLICT OF INTEREST

A conflict of interest occurs when an outside interest or activity, or relationship with a third party, influences, or appears to influence, an employee or Business Partner's ability to exercise objectivity or meet job responsibilities for the Company. The appearance of a conflict of interest is included because those on whom success depends may judge conduct by its appearance.

Therefore, employees or Business Partner may not use their position to profit personally or to assist others in profiting in any way outside of the scope of the contract or employment relationship at the expense of the Company. This principal applies not only to employees and Business Partners, but also to family members and friends.

If an employee or Business Partner believes that a conflict of interests exists, it must be disclosed to the Company. The guideline is:

If unsure whether a particular activity or situation represents a potential conflict of interest, the employee or Business Partner should treat the situation as if a conflict definitely exists and consult a supervisor or the Compliance Officer.

The Company requires an annual statement from Directors, supervisory managers, Board of Trustees and committee members disclosing outside activities and business relationships that may present conflicting interests with the business interests of the Company.

Q & A:

(The following is a hypothetical example)

Q: The Company is about to contract with a vendor for a new coffee service in our building. My wife owns a very reputable coffee services business. Would it be a problem if I recommend my wife's company?

A: Company employees and Business Partners have a responsibility to conduct all business in a manner that prohibits actual or potential conflicts of interests. As a general rule, the Company avoids contracting goods or services with family members of Employees because such arrangements inevitably create the appearance of a conflict, even if there is not an actual conflict. You should not take any action that may create the impression that you are attempting to influence a Company purchasing decision in favor of your wife and you should disclose this relationship in order to ensure that the Company reaches an objective decision based on business reasons.

Gifts, Entertainment, Business Courtesies and Loans

The Company is committed to ensuring that all gifts and business courtesies, given and received, are appropriate and within the limits of the law.

The basic principle for **accepting** gifts, meals or other items of value is:

An employee or Business Partner should never accept anything for him/herself, a family member, or anyone else that might be viewed as actually or potentially influencing the employee or Business Partner's objective judgment on behalf of the Company.

The basic principle for **offering** or **giving** gifts, meals or other items of value is:

An employee or Business Partner should never offer or give a gift, meal or other item of value that might be viewed as actually or potentially intended to influence the objective business judgment of anyone with whom the Company does business.

It is important to keep in mind:

- Company Employees and families are prohibited from soliciting gifts, loans, entertainment, or anything else of value from a person or organization that does business or may seek to do business with the Company. This includes current or potential Company members, employer groups, providers, and vendors.
- Employees should not exert, or appear to exert, special influence on behalf of a member, employer group, provider, or vendor because of friendship or any other relationship.
- Gifts, meals and entertainment associated with legitimate business activities and of modest value are not prohibited, but must comply with Company policy and procedures.
- Gifts of cash or equivalents (such as gift cards, gift certificates, checks, loans, money orders or stocks/bonds) to or from any organization or person are prohibited.
- An employee or Business Partner offering a gift or incentive of any value to a government official or government employee or Business Partner is strictly prohibited.
- Employees may not accept compensation, in any amount, as a gift or as payment for participating in professional surveys. If such unsolicited payments are received, these gifts or payments must be submitted to the Compliance Office for appropriate disposition. Employees must have prior approval from the Compliance Officer to participate in any survey that requires the use of Company information. Surveys completed on an Employee's own time that do not require Company specific data may not be subject to this requirement.
- Employees' receipt of gifts must be reported to the Compliance Officer who will determine appropriate disposition of the gift.

Social Functions: There may be times when an individual or organization with whom the Company does business, or is contemplating doing business, extends an invitation to a social event, such as a meal, sporting or theatrical event, in order to further or develop a business relationship. An employee may accept such an invitation provided the entertainment is not intended to induce a favorable business action. Topics of a business nature must be discussed during the event and the host must be present. The costs for such an event must be reasonable and appropriate. Travel expenses and overnight lodging may not be financed by the individual or organization extending the invitation, without prior approval from the Compliance Officer.

If there are any questions about the propriety of a gift, the Compliance Office or the Compliance Helpline should be contacted before accepting or offering the gift. There are legal consequences to the Employees and Business Partner and to the Company, as a mistake in this area can be significant.

Q & A:

(The following is a hypothetical example)

Q: One of our vendors has invited me to play golf at a tournament the vendor is co-

sponsoring as a benefit for a local charity. The tournament entry fee is over \$100. Is this acceptable?

A: You are correct to raise this question to the Compliance Officer. Accepting this invitation is permitted provided the purpose of the event is not to induce a favorable business action. Expenses for travel costs or overnight lodging may not be financed by the vendor without prior approval from the Company Compliance Officer.

Government Contracts

The Company is a health plan that has a Medicare contract with the Center for Medicare and Medicaid Services (CMS). The Company must conduct all activities in a way that fully complies with all CMS, NCD, and Employee Retirement Income Security Act (ERISA) laws that include, but are not limited to, the False Claims Act, Anti-Kickback Statute, Title 1, Title 18 regulations, HIPAA, CMS Part C and D user manuals, and ethics rules that apply to government contracts.

- Employees and Business Partners must not offer, promise, or give a gift of any value to a government employee that might influence or reward them for their official acts or decisions.
- Do not pay for government employees' travel or lodging costs.
- Do not pay for government employees' meals, refreshments, entertainment, or give them gifts.
- Employees and Business Partners must notify the Compliance Officer immediately if debarred, excluded or suspended from working with any government sponsored program, including but not limited to Medicare.
- Employees and Business Partners must notify the Compliance Officer if there is any other known reason why the employee or Business Partner, or anyone who works or is affiliated with the Company, might not be permitted to perform work related directly or indirectly to a government sponsored program.
- "Kickbacks" or "rebates" (that is, anything of value) must not be given or accepted in connection with a government contract.
 - Employees and Business Partners must be accurate and complete when representing, certifying, negotiating or working with a federal government contract. Employees and Business Partners must give the federal government cost, pricing and other required data that is current, complete and accurate. Employees and Business Partners and the Company may be liable for false, incomplete or misleading proposals, quotes and rates, reconciliations, certificates, or other documentation and statements.

Reciprocity

The Company may purchase goods and services from an employer group who purchases the Company insurance. Any form of pressure for reciprocal business from a vendor marketing the Company or from an employee or Business Partner who is marketing the Company to a vendor is strictly prohibited. Such conduct is unethical and in certain circumstances may be illegal. The decision to select a vendor will be based upon a combination of pricing competitiveness, quality, delivery time, service and appropriate other valid considerations that are particular to each transaction. Employees and Business Partners are prohibited from accepting and/or offering any

form of gift as an inducement or condition of selecting a vendor.

Similarly, the boundaries of ethical, and in some cases legal, conduct prohibiting any form of reciprocity extends to doing business with contracted providers. Company provider contracts require that kickbacks are not part of doing business with a provider.

Q & A:

(The following is a hypothetical example)

Q: Marianne is a federal government employee currently conducting an audit in our area. She has indicated she is looking for a job change. We have an opening in our department that would be perfect for her and I want to offer her the position. As long as I wait until after the audit results have been submitted, there won't be a problem, will there?

A: Various "revolving door" requirements restrict the work that former government employees may perform and/or require disclosure. Failure to conform to these restrictions could result in severe civil and criminal penalties for both Marianne and the Company. Consult with Human Resources before you have even a preliminary discussion with Marianne about employment.

Outside Activities and Employment

FirstCarolinaCare Insurance Company believes in community service and encourages all employees and Business Partners to be good community citizens and to seek opportunities to be of service to others. The Company is proud of the many employees and Business Partners who are active within the communities served. When employees and Business Partners are involved in outside activities, which may include outside employment, directive, managerial or consultative services, civic or charitable events, it is important that these activities not create an actual or potential conflict of interest with Company employment. These activities, whether with or without compensation, must not negatively impact the job performance for the Company or harm the Company's reputation in the community. When participating in outside activities, employees and Business Partners must abstain from any discussion affecting the Company, except when specific prior approval has been obtained. When abstaining from these discussions, employees and Business Partners should ensure that any notes or minutes of such discussions reflect abstention and the reason for doing so.

Company employees may not provide any product or service that the Company has, or is planning to have, available on the market.

If an employee's family member works for a direct competitor of the Company and is in a position to influence decisions affecting the Company, this situation must be disclosed to the employee's supervisor and to the Compliance Officer.

Professional Societies and Vendor Seminars

Participating in professional society meetings and seminars can be valuable in broadening employee and Business Partner knowledge and competence. However, payment for this participation, whether in the form of an honorarium or paid travel and lodging, must not constitute a conflict with the interests of the Company. Employees must obtain prior approval from their supervisor or the Compliance Officer. If the approved activity occurs during paid work-time, any honorarium for participation must be made payable to the Company and submitted to the Compliance Officer for appropriate disposition. If the activity occurs during unpaid time off and

Company does not pay expenses for the activity, employees may retain any honorarium earned.

Political Contributions and Activities

The Company encourages employees and Business Partners to be active in the political process during non-work time. Participation must be as an individual and not as a representative of the Company. Employees and Business Partners may make personal political contributions, but may not:

- Include, directly or indirectly, any personal political contribution on an expense account or in any other way that causes the Company to reimburse the employee or Business Partner for that expense;
- Outside activities may not involve the use of Company business, member or employee information or assets, and non-Company materials may not be distributed in the Company's workplace. The Company has established a Social Bulletin Board for use in communicating information about outside activities and events.
- Use Company property or facilities or work time of Company employees for any political activity, except as specifically directed by executive management.

If an employee or Business Partner plans to run for political office of any type, the Compliance Office must be contacted to determine if a potential conflict of interests exists. Holding political office must not interfere with job performance or conflict with responsibilities to the Company.

Q & A:

(The following is a hypothetical example)

Q: I am a member of the local school board. My problem is the Board is now considering changing health insurance carriers for the school district and I think this business would be good for the Company. Is this a conflict of interest? The Company has previously approved my participation in this board.

A: Your membership on this board may be permitted by the Company; however, your participation in the insurance carrier selection process would represent a conflict of interest. You must exclude yourself from any and all discussions related to the selection of an insurance carrier and request that Board meeting minutes reflect that you have done so.

FAIR COMPETITION AND MARKETING PRACTICES

In order to succeed in today's healthcare environment, each employee must be committed to competing vigorously on behalf of the Organization. The Company is committed to fair competition among businesses – competition that is based on the strengths and the merits of its employees and services. The Company will comply with the laws that are intended to promote fair competition.

Antitrust

It is unlawful to enter into an agreement or attempt to agree with competitors to fix prices, divide geographic markets or make any agreement that artificially raises the price of services or improperly reduces competition. Employees should seek advice from a supervisor or manager

before taking any action that may compromise fair competition or compliance with antitrust laws. Supervisors and managers contacted concerning antitrust matters should immediately contact the Company Compliance Department.

Q & A:

(The following is a hypothetical example)

Q: I was recently part of a panel discussion at an AHIP meeting. One of the other panelists is employed by a Company competitor and seemed to be speaking publicly about his company's marketing strategies. I tried not to listen, but it was hard not to hear and actually, the information would be helpful for us in competing for new members. Was there anything I should have done differently?

A: Even though the other panelist was talking informally, you should have tried to stop any discussion of marketing strategies. You should report this immediately to your supervisor or manager.

Improper Use of Funds

The Company prohibits any payment that may be viewed as a bribe, kickback or inducement. A bribe or kickback is any payment or incentive offered with the intent of influencing a decision on grounds not directly related to business merits.

Political contributions of Company funds are not permitted under any circumstances. Any contribution of Company funds to a charitable organization must have the prior approval of the President and CEO of the Company.

Sales and Marketing

The Company's reputation is built upon the trust of the public to provide accurate, balanced information. The Company will inform the community of the availability and value of services and products and provide educational information about health care and managed care.

Paid advertising, public service announcements, and articles will be honest and accurate and will not exploit customer or member fears as a motivating factor. Sales agents will refrain from high pressure sales tactics, coercion, and misrepresentation of Company products or taking unfair advantage of potential or existing Company members. The Company will not demean competitors, customers or members and will not attempt to influence potential customers or members in any way that may impair freedom of choice.

Sales and marketing presentations to persons with physical, mental or behavioral disabilities will be designed to compensate for the disability where possible and/or include the legal guardian of the disabled individual as appropriate. Sales representatives may not discriminate in either the location or method of presentation or identification of potential members on the basis of age, sex, sexual orientation, disability, race, color, religion, national origin, veteran status, health status or the need for health services.

ADDITIONAL RESOURCES

In addition to this Code of Ethical Conduct, the Company issues policies and procedures covering legal and business matters relevant to particular parts of our business. Employees are responsible for knowing and expected to comply with Company statements of policy and procedures that apply

to their area of responsibility, whether or not they are specifically mentioned in this Code of Ethical Conduct. These policies are available on the Company intranet, PolicyTech or through one's supervisor.

TRAINING

Upon employment or execution of a contract and periodically thereafter, all employees and Business Partners are required to participate in training on the principles contained in the Code of Ethical Conduct. Annually, all employees and Business Partners are required to sign an attestation stating they have reviewed the Code of Ethical Conduct and agree to abide by it.

DISTRIBUTION OF THE CODE OF ETHICAL CONDUCT AND FEEDBACK

The Company Code of Ethical Conduct is published in PolicyTech for all employees. Business Partners that do not have access to PolicyTech may have access through a designated portal or the document will be electronically delivered or via paper. This document is updated periodically. The Company welcomes feedback and suggestions for improvement. Please contact the Compliance Department via telephone or mail.

Compliance Helpline: 855-367-8184

Mail:

FirstCarolinaCare Insurance Company

Compliance Officer
42 Memorial Drive
Pinehurst, North Carolina 28374
fcccompliance@firstcarolinacare.com

References:

FC321 Privacy: Confidentiality Agreements
FC342 Privacy: Non-retaliation
FC347 Privacy: Use of Individually Identifiable Health Information
FC290 Fraud, Waste and Abuse Prevention and Detection
FC318 Compliance Communication Reporting
FC295 Corporate Commitment to Compliance
FC307 Privacy: Auditing and Training
FC313 Code of Ethical Conduct
FC315 Well-Publicized Disciplinary Standards
FC206 Medicare Compliance Officer, Compliance Committee and Governing Body

Appendix A

Employee Rights and Management/Non-Management Responsibilities

As a Company Employee you have the *right* to:

1. Be treated with fairness, respect, and dignity.
2. Receive timely and accurate information including, but not limited to, policies and procedures, financial, membership/client updates, and Company organizational changes.
3. Be assured your medical records and personal health information, as a Company Employee, will be handled confidentially and your privacy protected. Please see the Company's Notice of Privacy Practices (NOPP) for a complete description of your privacy rights.
4. Be assured your Employee records will be handled confidentially and shared on a need to know basis. You have the right to view your Employee records upon request.
5. Participate with your supervisor in developing your career goals and objectives.
6. Voice complaints or concerns confidentially to management, Human Resources or the Compliance Office without fear of retaliation. A safe, secure, clean and accessible work environment consistent with Company standards and city, county, and state regulations.
7. Quality customer service as both an internal and external customer.
8. Make recommendations regarding the Company's Employee rights and responsibilities statement.
9. Confidentially receive information about, and assistance from, the Employee Assistance Program (EAP).

As a Company Employee you have the *responsibility* to:

1. Treat internal and external business partners with courtesy and respect.
2. Notify HR in a timely manner of changes to Employee information, and maintain/update emergency contact information in ABRA Workforce Connections.
3. Read and follow all Company corporate and departmental policies and procedures.
4. Arrive at scheduled meetings on time and be appropriately prepared.
5. Review your paycheck and report potential discrepancies to Payroll as soon as possible.
6. Conduct yourself in a way that supports the Company's vision, mission, and values.

7. Treat protected health information (PHI) confidentially and comply with all HIPAA rules and regulations.
8. Strive to keep lines of communication open and embrace opportunities to participate in teamwork efforts.
9. Report suspected violations of the Company's corporate and departmental policies and procedures.
10. Maintain confidential information that is shared as it relates to both the business and operations of the Company.

As a member of the Company Management Team you have the *Responsibility to:*

1. Treat your direct reports with respect, dignity, and fairness. Appreciate their individuality and diversity.
2. Communicate appropriate information to staff in a timely manner.
3. Understand what motivates your staff and in turn, recognize them appropriately for a job well done.
4. Assist in the training and development of staff for personal and professional growth that promotes the consistent delivery of excellent job performance; working together to identify opportunities for improvement.
5. Appropriately and punctually address performance issues and violations of policies and procedures as they occur.
6. Encourage and support an environment that does not foster retaliation by you or any member of your staff.
7. Support corporate initiatives and activities.
8. Provide appropriate resources to allow staff to perform their jobs effectively and efficiently.

If you have questions or concerns about your rights and responsibilities, please contact your supervisor, Human Resources, or the Compliance Officer.