



Corporate Compliance Handbook

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INTRODUCTION

Magellan Health Services, Inc., its affiliates and subsidiaries, including National Imaging Associates and ICORE Healthcare, LLC, are dedicated to conducting business honestly and ethically. In order to live up to this commitment, Magellan has set forth below the principles and rules to be followed by all employees and other individuals who work with Magellan.

This Handbook is to familiarize employees with the ethical standards that guide our business and member relationships in the highly regulated environment in which we work. It serves as a continuous reminder of our commitment to ethical behavior in all that we do. Employees engaged in conduct that violates these principles may be subject to serious penalties up to and including termination of employment.

The contents of this document may not prepare you for every situation you might encounter while working at Magellan. When the best course of action is unclear, you should seek the guidance of your supervisor or a member of the Corporate Compliance Department.

Legal and ethical conduct is in everyone's best interest – yours, our customers and Magellan's.

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CORPORATE COMPLIANCE

Magellan's Corporate Compliance Program, along with our policies and procedures, provide guidance in maintaining appropriate business and clinical practices. The program is designed to help employees be aware of, understand and follow federal and state laws related to their jobs. A compliance program also demonstrates Magellan's commitment to conducting business honestly and responsibly to the community at large.

Magellan's Corporate Compliance Department is responsible for the Company's awareness of applicable state and federal laws and regulations. The Corporate Compliance Department does not monitor laws relating to human resources, tax or securities issues. These issues are monitored within those departments. The Corporate Compliance Officer, who reports to the General Counsel, leads the Compliance Department. The Corporate Compliance Department includes Regulatory and Legislative Analysts, Regional Compliance Directors and Regulatory Attorneys.

The Regional Compliance Directors work with the Care Management Centers' (CMC), Strategic Business Units' (SBU) and other operations departments' compliance staff in their assigned regions. The CMC, SBU and other operations departments' compliance staff are responsible for the inclusion of requirements under applicable state and federal law in policies and procedures. The implementation of the new laws and regulations is conducted by the CMC, SBU and the applicable operations departments. In addition to the process for reviewing and providing guidance in the implementation of new laws, the Corporate Compliance Department maintains a number of resources on existing laws that impact our business. You can view these resources on the Compliance webpage via *MAGNet* and MagIC under the legal/regulatory compliance heading.

OUR COMMITMENT TO AN ETHICAL WORKPLACE

The highest standards of ethics and integrity are required of every Magellan employee. We strive to deliver high quality results for our customers and members. Therefore, all Magellan employees are required to:

- Treat members and patients with dignity and respect, always focusing on the best interest of the member;
- Set an example through their behavior;
- Avoid situations that may result in conflicts of interest with Magellan and its business, i.e., situations where personal interests conflict or could be perceived as conflicting with Magellan's business interests;
- Market Magellan's services in compliance with applicable state and federal requirements and forego any business that can only be obtained by improper or illegal means;
- Create a workplace that is free from harassment, drugs, narcotics, alcohol and discriminatory practices;
- Comply with all applicable laws and Magellan's policies, including, but not limited to, those addressing employees' health, safety and welfare in the workplace;

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- Be familiar with insider trading laws (i.e., inside information cannot be used for personal gain);
- Comply with applicable state and federal law and cooperate with any reasonable demands made in the course of a government investigation; and
- Be familiar with Magellan’s policies on document retention and confidentiality, and abide by all applicable state and federal laws, regulations and contractual requirements regarding the retention of records.

ETHICAL RESPONSIBILITIES OF ALL MAGELLAN EMPLOYEES

Every Employee’s Responsibility: Ethical Performance

As an employee of Magellan, you have an obligation to be honest in all your dealings with providers, customers, members, vendors, third parties and each other. You must know and comply with applicable laws and Magellan’s policies and procedures. Claims of ignorance, good intentions, or use of poor judgment are not acceptable. Maintaining ethical standards is everyone’s responsibility. If you know of a problem or issue, you cannot remain silent. You must step forward to help solve it!

Manager’s Responsibility: Ethical Leadership

Leadership requires setting a personal example of high ethical standards in the performance of your job. It’s up to you, as a manager, to set the tone for Magellan and your employees. You must take responsibility for the actions of your employees. You are accountable for making sure that your employees understand and apply the ethical standards set forth in this Handbook. This is accomplished through adequate training, supervision, communication and awareness. You must be open to your employees’ questions and diligently act on their concerns.

If you are confronted with a questionable *ethical situation*, answering the following questions can help you determine a response or course of action:

- 1) Does it comply with applicable law and Magellan’s policies and procedures?
- 2) How would it look to your family, friends, colleagues, our clients, members, shareholders and the general public?
- 3) Would you want this done to you?
- 4) If you know it’s wrong and/or unethical, don’t do it,
- 5) If you are not sure, ask. Keep asking until you get an answer that makes sense.

Please use the resources available within Magellan to address ethics issues before they become problems.

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STANDARDS OF CONDUCT

Confidentiality of Health Information

Magellan recognizes the importance of privacy and confidentiality for our customers and members—it's a key principle of our business. All Magellan employees are required to understand and comply with the federal Health Insurance Portability and Accountability Act of 1996 ("HIPAA") as well as other federal and state laws applicable to the protection of confidential health information. To that end, Magellan has policies and procedures in place to address the protection and privacy of member information that is used or disclosed by Magellan in any format.

Magellan's policies and procedures are designed to protect member confidentiality by:

- Establishing strict guidelines for how member information may be used and disclosed;
- Requiring all employees to be familiar with the process for responding to unauthorized uses and disclosures of confidential member information;
- Requiring Magellan staff, employees and visitors to sign statements concerning the confidentiality of member information, the release of confidential information, and communication requirements;
- Using and requiring an *Authorization to Use or Disclosure of Protected Health Information* form and other forms that comply with applicable state and federal laws and client-specific requirements;
- Monitoring provider adherence to privacy and confidentiality requirements during site visits, quality reviews, and routine contact;
- Monitoring member feedback through the complaint process, member satisfaction survey results, and quality audits;
- Compliance with applicable state and federal laws and accrediting organization confidentiality standards;
- Establishing mechanisms for timely and appropriate responses to member rights issues, including, but not limited to, member requests for confidential communications; access to protected health information; amendments to protected health information; and accounting of disclosures;
- Implementing technical barriers to systems by requiring authorization and passwords to access systems containing confidential information; and
- Requiring the minimum necessary information for routine uses and disclosures of health information.

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Confidentiality of Customer Information

Customer business information is considered proprietary to the customer. Employees are required to take reasonable steps to ensure that our customer's business information is kept confidential. The sharing of a customer's business information is not permitted without the prior written consent of the customer.

In addition, member information is considered proprietary to the customer. Using member information for purposes other than specified in the customer's contract is not permitted without the prior written consent of the customer.

Confidentiality of Information related to Magellan's Business

Magellan has a variety of information assets that are essential to its business. Employees often have access to this confidential and proprietary information about Magellan's business during the course of their employment. This information is the property of Magellan and must be kept strictly confidential. Confidential or proprietary information may be divulged only to individuals within the Company who need to receive, and are authorized to receive, such information in order to perform their job functions. Confidential or proprietary information shall not be disclosed to any outside party or removed from company premises unless authorized by company policy or with the express prior permission of the Legal Department.

Magellan's confidential or proprietary information shall not be used by any employee or other person for the purpose of furthering current or future outside employment or for obtaining personal gain or profit. Employees or others who leave Magellan may not take originals or copies, including electronic copies, of any confidential or proprietary information and shall not use or disclose confidential or proprietary information without the prior authorization of the Company. In addition, employees are obligated to keep this information confidential even after their employment with Magellan ends.

Magellan Does not Compensate Based on Denials of Members' Admissions or Care

Magellan will not pay incentives to providers, employees or physician advisors based on the denial of benefits to persons requesting treatment. The decision to authorize treatment is a separate and independent clinical decision. (See Magellan's policy for *Preauthorization & Concurrent Review of Treatment Services* for more information).

LICENSURE AND ACCREDITATION

Magellan and National Imaging Associates maintain licensure and/or certification as a utilization review agent in all jurisdictions requiring such licensure and/or certification where we have business. Magellan maintains licensure as a third party administrator in all jurisdictions that require licensure where Magellan pays claims.

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We also maintain additional licenses as necessary to conduct our business in the states where we provide services. We cooperate with the state agencies responsible for overseeing health programs, and we meet or exceed those standards. Magellan and National Imaging Associates' utilization management review process is consistent with the guidelines set forth by a nationally recognized accreditation organization, URAC, and we will continue to maintain policies and procedures consistent with our accreditation by URAC. For customers requiring accreditation by the National Committee for Quality Assurance (NCQA), Magellan also meets the utilization management standards of NCQA.

ICORE Healthcare is licensed as a pharmacy in all states that require such licensure where they are transacting business.

FRAUD AND ABUSE LAWS

Magellan is subject to both federal and state laws designed to prevent fraud and abuse in government programs (such as Medicare and Medicaid) and private insurance. These laws are commonly referred to as fraud and abuse laws. In addition to preventing fraud and abuse, these laws are designed to ensure that health care providers exercise their best, independent judgment when deciding which services to order for their patient, and also prevent situations that could lead the provider to providing goods or services that are not medically necessary.

As part of Magellan's compliance program for the prevention of fraud and abuse, Magellan complies with all state and federal billing requirements for government-sponsored programs and other payers. Magellan will not tolerate false claims or statements made by Magellan employees to a government agency or other payer. Such actions may expose the employee involved to civil or criminal penalties and termination of employment. If you see something that is not right, Magellan encourages you to report any suspected fraud, waste or abuse to your supervisor, department head or the Corporate Compliance Officer for further investigation, or call the Magellan Compliance Hotline at 800-915-2108.

Magellan has corporate policies and procedures in place to address fraud, waste and abuse. For copies of these policies, please visit the policy section of MagIC or click on the links below:

- [Medicaid: Fraud and Abuse Compliance Program](#)
- [Medicare: Fraud and Abuse Compliance Program](#)
- [Magellan Fraud, Waste and Abuse Compliance Program](#)
- [Corporate Compliance Hotline](#)

False Claims Laws

Magellan is required by federal law to provide information to employees, subcontractors and agents regarding the Federal False Claims Act and any applicable state laws pertaining to civil and criminal penalties for false claims and statements, including the remedies and whistleblower protections under these laws.

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Magellan has a corporate policy specifically addressing these laws. For a copy of this policy, please visit the policy section of MagIC or click on the link below:

- [False Claims Laws and Whistleblower Protections](#)

Federal False Claim Act

The Federal False Claims Act is a federal statute that covers claim fraud involving any federally funded contract or program, including the Medicare and Medicaid programs. The Act establishes liability for any person who knowingly presents or causes to be presented a false or fraudulent claim to the U.S. government for payment.

The Federal False Claims Act allows a civil action to be brought against any health care provider or other person who:

- Knowingly presents, or causes to be presented, a false or fraudulent claim for payment or approval to any federal employee;
- Knowingly makes, uses or causes to be made or used a false record or statement to get a false or fraudulent claim paid; or
- Conspires to defraud the government by getting a false or fraudulent claim allowed or paid

Violation of the federal False Claims Act is punishable by a civil penalty of between \$5,500 and \$11,000 per false claim, plus three times the amount of damages incurred by the government.

Examples of false claims and false statements include:

- Billing for services or procedures that have not been performed;
- Submitting false information about the services performed or the charges for services performed;
- Inserting a diagnosis code that has not been obtained from a physician or other authorized individual;
- Misrepresenting the services performed (for example, up-coding to increase reimbursement);
- Violation of another law. For example a claim was submitted appropriately but the service was the result of an illegal relationship between a physician and the hospital (e.g.; a physician received kickbacks for referrals); and
- Submitting claims for services ordered by a provider that has been excluded from participating in Medicare, Medicaid and other federally funded healthcare programs.

Whistleblower Provisions and Protections

- A federal false claims action may be brought by the U.S Department of Justice Civil Division, the United States Attorney.

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In addition, to encourage individuals to come forward and report misconduct involving false claims, the False Claims Act includes a "qui tam" or whistleblower provision. This provision essentially allows any person with actual knowledge of false claims activity to file a law suit on behalf of the U.S. government.

- Under federal law, the whistleblower may be awarded a portion of the funds recovered by the government, typically between 15 and 30 percent. The whistleblower also may be entitled to reasonable expenses, including attorney's fees and costs for bringing the lawsuit.
- In addition to a financial award, the False Claims Act entitles whistleblowers to additional relief, including employment reinstatement, back pay, and any other compensation arising from employer retaliatory conduct against a whistleblower for filing an action under the False Claims Act or committing other lawful acts, such as investigating a false claim, providing testimony, or assisting in a False Claims Act action.
- A statute of limitations says how much time may pass before an action may no longer be brought for violation of the law. Under the False Claims Act, the statute of limitations is six (6) years after the date of violation or three (3) years after the date when material facts are known or should have been known by the government, but no later than ten (10) years after the date on which the violation was committed.
- **Remember, under federal law, you are not required to report a possible false claim violation to Magellan before bringing a civil action under the False Claims Act.**

No Retaliation

Magellan will not retaliate against you if you inform us or the federal government of a possible False Claims Act violation. Federal law also prohibits Magellan from discriminating against an employee in the terms or conditions or his or her employment because the employee initiated or otherwise assisted in a false claims action.

State False Claims Laws

Various states in which Magellan does business have enacted State False Claims laws. Please visit the policy section of MagIC or click on the link below for a summary of State False Claims Laws.

➤ [State False Claims Summary Grid](#)

Anti-Kickback Laws

The anti-kickback statute is a federal law that prohibits persons from directly or indirectly offering, providing or receiving kickbacks or bribes in exchange for goods or services covered by Medicare, Medicaid and other federally funded health care programs. Some states have enacted similar laws that apply to goods or services covered by the state health care programs and in some cases even private insurance.

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These laws prohibit someone from knowingly or willfully offering, paying, seeking or receiving anything of value ("remuneration") in return for referring an individual to a provider to receive services, or for recommending purchase of supplies or services that are reimbursable under a government health care program.

Examples of remuneration include services such as counseling, radiology and consultations, as well as items such as cash, equipment, software, gifts, and tickets to entertainment or sporting events, prescription drugs or other things of value. Exceptions to this law, called safe harbors, are provided for certain arrangements (e.g., discounts; managed care; investments; group purchasing arrangements) if requirements specified in the law are met.

Failure to comply with these laws can expose the employee to civil and criminal penalties.

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ACCOUNTING

Accounting

Federal and state laws require companies to maintain accurate books and records. No code of conduct can review the extensive accounting requirements which Magellan must fulfill. To meet these obligations, Magellan relies on employee truthfulness and representations in accounting practices. Magellan's financial reporting system's entries must be accurate and reflect all Magellan financial transactions. Magellan employees must not engage in any conduct that results in false, artificial, or misleading entries being made in any records.

SARBANES-OXLEY ACT

The Sarbanes-Oxley Act is a federal law relating to the documentation and disclosure of certain information by publicly traded companies designed to bolster investor confidence. One of the requirements of this law is that publicly traded companies must establish and maintain adequate internal controls and procedures for financial reporting. In addition, public companies are responsible for the safeguarding of assets. The Sarbanes-Oxley Act impacts every department that oversees activities or processes that could significantly influence Magellan's financial statements. We must assess the effectiveness of these internal controls and procedures for each fiscal year and have an external auditor attest to the adequacy of these controls.

Some employees have been designated as process owners for Sarbanes-Oxley compliance. Employees who are responsible for a process that has been deemed material for Sarbanes-Oxley compliance are responsible for maintaining their control structure. This means they must:

- Continually execute the controls in their areas;
- Monitor and assess the adequacy of the controls in their area;
- Analyze changes in their processes that might affect the effectiveness of their controls (system upgrades, new vendors, restructuring, etc.);
- Work with the Internal Audit Department to update controls;
- Certify quarterly to the state and effectiveness of controls in their area; and
- Foster a strong control environment.

Fostering a strong control environment means that employees must:

- Demonstrate ethical behavior;
- Communicate and demonstrate the importance of controls;
- Dedicate appropriate resources to controls to execute controls completely and accurately;
- Proactively raise control issues or concerns do not wait for testing to find problems;
- Enforce accountability for maintaining controls; and
- Demonstrate ownership of your control structure.

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CONFLICT OF INTEREST

Each employee owes a duty to Magellan to act in the best interest of the Company. A conflict may arise whenever the interests or actions of the employee conflict or even appear to conflict with the interests of Magellan. Employees must avoid actual, potential or perceived conflicts of interest with Magellan in their professional and personal relationships. An employee must disclose to Magellan any transaction or relationship that the employee reasonably expects could give rise to an actual, potential or perceived conflict of interest. Because this is such an important issue, the complete Magellan policy on conflict of interest is repeated below for your review and reference.

Key terms to remember when reviewing Magellan's *Conflict of Interest* policy include:

Family Member

Family Members include spouses and relatives that live in the employee's household (or for whom the employee has a financial obligation) or an employee's children (natural, adopted, foster and legally placed).

Financial Interest

Anything of monetary value, including but not limited to:

- Salary or other payments for services (e.g., consulting, employment or honoraria);
- Equity interests (e.g., stocks, stock options or other ownership interests);
- Intellectual property rights (e.g., patents, copyrights and royalties from such rights); and
- Real property rights (e.g., leaseholds and other property rights in which Magellan has or is likely to have an interest).

Passive Investment

Any investment in mutual funds or 401k retirement plans and similar investment vehicles.

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Conflict of Interest Standards

A conflict of interest is any activity that is inconsistent with or opposed to Magellan's interest, or even gives the appearance of impropriety. A conflict of interest exists when:

- An employee's duty to give undivided commercial loyalty to Magellan is (or can be) compromised by actual, potential or perceived benefit (other than nominal) to that employee from another source; or
- An employee uses his or her position with Magellan for personal financial gain or an employee's decision making is or could reasonably be influenced by the promise of, or potential for, personal gain (e.g., choosing to conduct business with someone who works for or who owns part of a company with whom Magellan conducts business simply because of a personal relationship).

Common Sources of Conflicts

It's impossible to describe every actual, potential or perceived conflict of interest. Therefore, Magellan relies on the commitment of its employees to exercise good judgment, seek advice when appropriate and adhere to the highest ethical standards in the conduct of their professional and personal affairs.

Employees have a duty to disclose all material facts as described in the *Required Disclosure and Review Procedure* outlined below when there is an actual, potential or perceived conflict of interest. Examples of conflict of interest situations that need to be disclosed include:

- An employee, an employee's spouse, domestic partner or family member has a direct or indirect significant financial interest in, or obligation to, an actual or potential competitor, supplier, vendor, entity, or client that conducts or seeks to conduct business with or on behalf of Magellan;
- An employee conducts business with a principal, officer, or representative of a supplier, client, vendor, entity or competitor that conducts or seeks to conduct business with or on behalf of Magellan who is also a spouse, family member or domestic partner of the employee;
- An employee, an employee's spouse, domestic partner or family member accepts gifts of more than a token or nominal value (gifts that exceed more than \$150 in any given year) from a client, vendor, entity or competitor that conducts or seeks to conduct business with or on behalf of Magellan. In addition, gifts of less than \$150 in any given year from these parties can create a conflict of interest if given for an improper purpose (e.g. inducements or bribes) or creates the appearance of impropriety;
- An employee, an employee's spouse, domestic partner or family member receives improper personal benefit as a result of the employee's employment with Magellan. An example of an improper personal benefit is where a Magellan employee accepts free services or favors from a vendor that does or seeks to do business with Magellan;

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- An employee who, by the nature of his or her assigned duties, is in a position to influence member or provider decisions about components of or access to health benefits managed by Magellan, and could potentially become biased in his or her actions by external organizations that have a commercial or financial interest in influencing those decisions (e.g., referral decisions, network inclusion or exclusion and decisions to deny or approve services); and/or
- An employee takes actions, or has personal, financial or other interests, that may interfere with the employee's ability to perform his or her work for Magellan objectively and effectively. An example would be where an employee uses corporate property, information, or position for *personal* gain.

Significant Financial Interests

For the purpose of the conflict of interest policy, a financial interest becomes “significant” if, for any one enterprise, the interest represents a five percent ownership or investment interest. Significant financial interests may present an actual, potential or perceived conflict of interest and require employee disclosure as outlined in the *Required Disclosure and Review Procedure* outlined below. Additional guidance in this area is as follows:

- An employee shall disclose any significant financial interest (other than passive investments such as a mutual fund or a 401(K) in any class of securities listed on any of the national securities exchanges or regularly traded over-the-counter in a client, vendor, entity or competitor that conducts or seeks to conduct business with or on behalf of Magellan;
- The existence of an interest bearing loan, at normal rates prevailing at the time of the actual borrowing, from a recognized financial institution is not regarded as “significant” and doesn't need to be disclosed; and
- An employee shall disclose any significant financial interest in the stock or ownership of a client, vendor, entity or competitor that conducts or seeks to conduct business with or on behalf of Magellan.

Gifts, Meals and Invitations for Entertainment

Prohibited or otherwise inappropriate receipt, offers or solicitations of gifts and favors or other improper inducements to or from employees in exchange for influence or assistance may present a conflict of interest. The following provides guidance in this area:

- Acceptance of cash is strictly prohibited. Acceptance of gifts or gift certificates that exceed \$150 in any given calendar year from patients and/or their families, vendors, customers or any other persons or entities other than Magellan is strictly prohibited;
- Acceptance of gifts totaling less than \$150 in any given calendar year is also prohibited if made for an improper purpose or if acceptance may create the appearance of impropriety (e.g., gifts that might be made as a bribe or other improper inducements or even create the appearance of impropriety) Prior to accepting any gifts, you should check with your supervisor or contact the Corporate Compliance Department for guidance;

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- Gifts to business associates cannot exceed \$150 per calendar year. Giving gifts of cash, gifts certificates or any other cash equivalents to patients and/or their families, vendors, or any other persons or entities are strictly prohibited. Items of a promotional nature, which generally have a value of less than \$10 are excluded from the per year limitation. No gifts may be given to employees or representatives of federal, state or local governments;
- Allowing a competitor, supplier, or client's representative to pay for a meal does not create a conflict of interest so long as purposes of the meal is to discuss business and there is absolutely no intention of subverting the employee's loyalty. When meeting with a competitor, supplier, or client's representative, the meal should, to the extent possible, take place at a moderately priced restaurant;
- Occasional invitations to attend social events from current or potential business associates are allowed. The cost associated with such events must be reasonable and appropriate, and should generally not exceed \$150 per person. Travel and overnight lodging expenses are not to be paid for by the business associate; and
- Invitations to attend social events extended by Magellan employees to current or potential business associates are allowed. The cost associated with such events must be reasonable and appropriate, but must not include expenses paid for travel cost or overnight lodging. The cost of the event should generally not exceed \$150 per person. During these events, a Magellan host must be present and topics of a business nature must be discussed.

Magellan-Sponsored Educational Events & Seminars

Magellan may sponsor seminars and other educational events for business associates, including physicians and their office staffs. However, these events must be related to the operating activities of Magellan.

All other proposed types of sponsorships and other educational events must receive prior approval of the Corporate Compliance Officer in accordance with the *Required Disclosure and Review Procedure* outlined below.

Outside-Sponsored Educational Events & Seminars

An employee's attendance at outside sponsored educational events, workshops, training sessions and seminars are generally acceptable activities. However, in certain circumstances, compensation or other remuneration including direct payments for professional education credits provided in connection with these activities may present a potential, actual or perceived conflict of interest and may require disclosure. For additional guidance, reference the *Honoraria and Outside Sponsored Events for Clinicians* policy.

Outside Employment and Activities

- Any outside employment by a Magellan employee with a competitor, provider, vendor or entity that does or seeks to do business with Magellan may present an actual, potential or perceived conflict of interest and requires disclosure.
- An employee should not engage in any outside employment or activity that negatively

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impacts his/her job performance [Also see *Referrals to Magellan Employees – Practitioners* policy]. If the demands of any outside activity or employment hinder or distract an employee from the performance of his/her job or even appear to influence the judgment or performance on behalf of Magellan, an actual, potential or perceived conflict of interest may arise and should be disclosed.

- An employee should not serve as a director or officer of, receive compensation from, or provide consulting or other services to organizations, competitors, providers, vendors or other entities that do or seeks to do business with Magellan without disclosure in accordance with the *Required Disclosure and Review Procedure* outlined below.

Honoraria

All activities for which an employee will receive an honorarium related to his/her employment with Magellan must be disclosed in accordance with the *Required Disclosure and Review Procedure*, which is detailed below. For additional guidance, also see *Honoraria and Outside Sponsored Events for Clinicians* policy.

Required Disclosure and Review Procedure

- An actual, potential or perceived conflict of interest situation must be reported using the Magellan *Employee Statement of Disclosure of Potential Conflict of Interest* form.
- All employees have a duty to report and disclose all material facts as they arise related to an actual, potential or perceived conflict of interest to their immediate supervisor, Department Head or the Corporate Compliance Officer. The immediate supervisor or department head will notify the Corporate Compliance Officer for a determination of whether a conflict of interest exists. Any employee who knowingly fails to fully and truthfully disclose conflict of interest situations or fails to comply with any stipulated plan for managing the disclosed conflict may be subject to corrective action up to and including termination.
- If an actual, potential or perceived conflict is found, the Corporate Compliance Officer will work with the involved employee and, when necessary, with the employee's immediate supervisor, and/or a member(s) of Magellan's management (e.g., Human Resources Department, Legal Department, Finance Department) to ensure a timely resolution best suited to the interest of Magellan. Any necessary research will be performed, and, where appropriate, a timeline and plan for resolution including corrective action will be developed.
- To the extent practicable, confidentiality shall be maintained by Magellan's management and the Corporate Compliance Officer and by any other employee(s) whose assistance is sought by the Corporate Compliance Officer in achieving a fair resolution.
- The Corporate Compliance Officer will report conflicts of interest, when appropriate, to the Corporate Compliance Committee.
- Each year, all employees must attest to the requirements and obligation in this policy through the annual Corporate Compliance Handbook training course.

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SOFTWARE COPYRIGHT INFRINGEMENT

Unauthorized copying of software programs may expose you and Magellan to legal action and result in damage claims from software vendors. All Magellan employees are prohibited from making copies of copyrighted software for personal and/or company use if such reproduction is not permitted by written license agreement.

E-MAIL AND OTHER COMPUTER AND NETWORK USAGE

Magellan provides e-mail and other computer and network access in order to support the business of the Company. No use of Magellan owned computers, software, or access to its networks is to conflict with Magellan's primary business and/or with applicable laws and regulations. Each employee is to be familiar with the requirements of Magellan's Computer and Network Usage policy, which details the responsibilities of each employee regarding computer and network usage.

Magellan has the right to monitor and examine all information sent over its systems and networks. Employee use of these systems and networks constitutes employee's consent to this monitoring. Unauthorized use will be subject to disciplinary action, including termination of employment, and may also result in criminal prosecution. For policies regarding e-mail, Internet, and other computer and network usage, please visit:

- [Employee Email](#)
- [Employee Internet Usage](#)
- [Computer and Network Usage](#)

BUSINESS DEVELOPMENT

Magellan foregoes any business opportunity, which can only be obtained by improper and illegal means.

Magellan will not make any unethical or illegal payments to anyone to induce the use of our services. If you are not certain as to the ethical or legal nature of a given business arrangement, you are to immediately consult with your supervisor, the Legal Department or the Corporate Compliance Officer.

Campaign Contribution Laws

Magellan is committed to full compliance with all laws regarding political contributions and the participation of Magellan employees in political campaigns. While on Magellan premises,

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employees shall not participate in political campaign activities unless such activities are reviewed and approved by the Legal Department. In addition, employees shall not use Magellan resources (e.g., telephone, computer, fax, etc.) for any political campaign, unless such use is reviewed and approved by the Legal Department. To avoid even the appearance of impropriety, Magellan will not provide gifts or payments of any kind to or on behalf of any government representative or employee and will not reimburse any Magellan employee for any such gifts or payments. Furthermore, Magellan will not provide any payment or reimbursement for expenses incurred by any government representative or employee.

Advertising

Magellan employees must submit all advertising and marketing materials to Magellan's Marketing and Communications and Legal Departments for approval before use. Specific claims about the quality of Magellan's services must be supported by evidence to substantiate the claims made.

Magellan does not use advertisements or marketing programs which might cause confusion between our services and those of our competitors. Magellan does not disparage the service or business of a competitor through the use of false or misleading representations.

Antitrust Laws

Antitrust laws are designed to preserve and promote competition and thus to protect and strengthen our free economy. Antitrust laws are premised on the belief that individual persons or entities will serve the economic good of all by acting independently. Therefore, the joint activities of competitors directed at other competitors or third parties may create potential liability under federal or state antitrust laws. In addition, any misuse of economic power by an individual or entity to control prices or exclude competitors may also violate antitrust laws.

It is the policy of Magellan to strictly comply with all requirements of antitrust laws. It is the responsibility of each officer, director, employee and agent of Magellan to understand and observe this policy. Any violation of the antitrust laws can have a serious, adverse and lasting effect on Magellan, its operations and its position in the community. Therefore, a deliberate and willful violation of this policy by any person will be grounds for termination. In addition, violation of the antitrust laws may result in both criminal and civil proceedings against the responsible person and Magellan.

No employee shall enter into any understanding, agreement, plan or scheme, whether expressed or implied, formal or informal, with any competitor in regard to prices, fees, terms or conditions of sale of any service or product; nor shall any employee exchange or discuss with any competitor prices, terms or conditions of sale, or any other competitive information. There can be neither any agreement nor any understanding, oral or written, with competitors concerning our fees or their fees, fee policies, or financial terms for services provided. To avoid the possibility of misunderstanding or misinterpretation, Magellan's policy absolutely prohibits any consultation with competitors regarding fees, fee policies or financial terms for services provided that they, or we, intend to charge or observe.

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If you have any question or doubt as to the legality of a proposed course of action involving Magellan in regard to compliance with the antitrust laws, you should immediately contact your supervisor, the Corporate Legal Department or the Corporate Compliance Officer.

HUMAN RESOURCES

Drugs, Narcotics, and Alcohol

Magellan prohibits the use, sale, dispensing, or possession of illegal drugs and narcotics by its employees, whether on or off Magellan premises. Unless authorized by the CEO for certain corporate functions, Magellan also prohibits the consumption of alcoholic beverages on Magellan premises. Magellan will immediately discipline or discharge employees who violate this policy.

Consistent with Magellan's overall mission as a company, Magellan's Human Resources Department can arrange for confidential counseling for drug and/or alcohol dependence problems. The Department may also make and coordinate referrals for medical/psychological treatment and arrangements for leaves of absence. Magellan has a drug/alcohol policy and employees should consult with the Human Resources Department regarding the policy's specifics.

Equal Employment Opportunities

In determining suitability for employment, promotions, transfers, demotions, and wages, Magellan looks only at the individual's ability to perform the job. Magellan extends equal employment opportunities and freedom from harassment to all individuals, regardless of race, color, creed, religion, gender, sexual orientation, marital status, age, national origin, ancestry, citizenship, physical or mental disability, or veteran status.

Americans with Disabilities Act

The Americans with Disabilities Act (ADA) prohibits discrimination and ensures equal opportunity for persons with disabilities in employment, state and local government services, public accommodations, commercial facilities, and transportation. Under Title I, concerning employment, Magellan may not discriminate against a qualified applicant because of a disability. The ADA provides that an applicant must be able to perform the 'essential functions' of the position either on their own or with a 'reasonable accommodation', which could include altering the layout of or equipment in an employee's workstation. Applicants who are able to perform these essential functions must be considered for the position without regard to their disability.

Employment Reference Checks and Drug Screening

To ensure that individuals who join Magellan are well qualified and have strong potential to be productive and successful, any offer of employment is contingent upon the successful completion of a satisfactory background investigation and a drug screening. This applies to all full and part-time employees, persons rehired or reinstated after an absence longer than three months, interns and cooperative education students and temporary employees who have assignments of more than 30 days or assigned to critical/information sensitive positions. At the discretion of management, this may also include trainees and other non-employees. This background investigation process

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respects the privacy and dignity of the prospective employee. For more information on this process, you can access the *Pre-Employment Background Investigation* policy on HR Central.

Exit Interview Process

All employees are asked to participate in an exit interview prior to leaving employment at Magellan. The human resources generalists are responsible for conducting this exit interview. As part of this process, the employee is asked to complete an exit interview questionnaire which asks them to rate the Company on a number of factors. The questionnaire requests their reason for leaving Magellan and also asks if they are aware of any violations or whether their resignation or dismissal is related to any refusal of the employee to commit or conceal a violation.

****Note:** To the extent that any provision contained in this Human Resources section is in conflict with Magellan's Human Resources policies and procedures, Magellan's Human Resources policies and procedures are controlling.

SECURITIES LAWS

Insider Trading

While working for Magellan, employees may learn material, non-public information about Magellan or another company. Material, non-public or "inside" information includes any financial, technical, or other information about Magellan or another company which is not known to the public and which an employee becomes aware of in the course of his or her employment. Some examples are information related to acquisitions and mergers, stock splits, dividend rates or earnings, new contracts, products or inventions, major management changes, and expansion plans. Magellan employees must not buy or sell Magellan securities, directly or indirectly, on the basis of material, inside information, or communicate such information to others for that purpose. Magellan does not wish to discourage employees from investing in Magellan. However, such investments are to be based on public information only.

In order to avoid even the appearance of impropriety, Magellan employees also must not trade in the securities of any other company on the basis of material, undisclosed information obtained in the course of their Magellan employment, or communicate such information to others for that purpose.

Disclosure of Company Information

The Federal Securities and Exchange Commission ("SEC") and Nasdaq have adopted regulations to address the selective disclosure of information by publicly traded companies. These regulations are designed to stamp out selective disclosure, in which some investors (often large institutional investors such as banks) receive "market moving" information before others (often smaller, individual investors like you and me). These regulations require that publicly traded companies must disclose material information to all investors at the same time.

Magellan is committed to providing timely, transparent, consistent and credible information to the investing public consistent with these requirements. Magellan endeavors to provide consistent disclosure in good times and bad, avoiding selective disclosure and ensuring that all potential

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investors have fair and equal access to information. To that end, the Company has implemented a *Disclosures* policy.

Each employee is required to be familiar with the specific requirements of this policy which outlines in detail the parameters for disclosure of Company information, when it may be disclosed and who is authorized to speak on behalf of Company in various matters involving disclosure of material Company information.

For a copy of this policy, which includes a worksheet providing specific guidance as to what to do in particular situations, please visit the policy section of MagIC under Legal policies or click on the links below:

➤ [Disclosures](#)

➤ [Disclosure Policy Summary Worksheet](#)

Magellan's *Disclosure* policy prohibits all employees from discussing material, non-public Company information, matters or developments with anyone outside of the Company (including the media, investors, family members, relatives, friends, acquaintances, former employees and in online chat rooms). In general, employees should only discuss Company information that may be material with other employees, advisors and agents that have a need to know the information in order to carry out their responsibilities to Magellan. Employees shall not discuss any non-public information with anyone outside the Company, nor should you discuss your views about the Company, its business or prospects, its stock, stock price or trading activity, or the value of the Company, with any person other than as necessary to conduct Company business with vendors, lenders and current and prospective customers.

While sharing information with third parties in conducting Company business may be appropriate in some circumstances, it is important that the third party understand the need to maintain the confidentiality of the information and to refrain from trading on it. In certain situations, this may require the third party to sign a confidentiality agreement prior to your providing the information.

It is impossible to provide a complete definition of what constitutes "material" Company information. Under the federal securities laws, information can be material if its disclosure is likely to have an impact on the price of a security, or if a reasonable person would believe such information to be important in making an investment decision. Both positive and negative information can be material. Examples include, but are not limited to:

- Bids on or awards of new contracts;
- The launch of a new product;
- A pending or prospective merger, acquisition or tender offer;
- The sale of significant assets, or a subsidiary;
- Changes in Senior Management;
- The gain or loss of a customer or supplier;
- Earnings or losses and other financial results of operations of the Company, including results of an interim period;
- A change in earnings or in forecasted earnings or other change in financial or business outlook or condition (whether such change is positive or negative);

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- Changes in dividend policies or the declaration of a stock split or the offering of additional securities; and
- Financial liquidity problems or impending bankruptcy.

Information that indicates whether an event may or may not occur or information that indicates the existence of any of the above-mentioned information may also be material.

THE BOTTOM LINE: *If you are unsure whether information can be shared with a third party, you must contact the General Counsel for advice to determine whether sharing information is appropriate and/or a confidentiality agreement needs to be signed. If you have other questions about this policy or its application, please contact the Corporate Compliance Officer.*

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LITIGATION OR GOVERNMENT INVESTIGATIONS

It is Magellan's policy to comply with the law and to cooperate with any reasonable demand made in a government investigation and litigation. In doing so, however, it's essential that the legal rights of Magellan, its employees and members be protected. If any employee receives an inquiry, a subpoena, or other legal document regarding Magellan business, whether at home or in the workplace, from any governmental agency or an attorney, or learns of litigation or a government investigation (pending or threatened), Magellan requires that the employee notify his or her supervisor and Magellan's Legal Department immediately. This does not, however, apply to actions brought by an employee against Magellan.

Sometimes, it is difficult to tell when a routine government inquiry, audit or review graduates into a more formal governmental investigation. Magellan relies on the common sense and alertness of its employees for making this important determination. If you have any questions, you should consult with Magellan's Legal Department.

If you have any question about whether to report an actual lawsuit, a lawsuit threatened by an attorney, a pending or possible government investigation or inquiry, report it to the Corporate Compliance Officer or the Legal Department.

RECORD RETENTION

All records generated in the course of official business by Magellan are the property of Magellan. Magellan retains records in a manner and timeframe required by contractual obligations and applicable federal and state law. Records that require destruction under applicable federal and state law or that have exceeded their required retention period are destroyed accordingly. Each employee must be familiar with the standards for handling, transporting, and destroying records outlined in Magellan's *Record Retention, Transport, and Destruction* policy.

Records are retained for at least the following periods, or longer if required by applicable federal or state law or customer contract. Please note that this list is not inclusive of every record type. Employees with questions regarding retention timeframes for a particular document should contact the Regulatory Compliance or Legal departments for additional information.

| Record Type | Examples of these types of records and their more stringent subcategories | Retention Timeframe |
|--------------------------|---|----------------------------|
| Accounting & Tax Records | Accounts receivable records, internal audit reports, check registers, mutual fund statements, SEC documents and budgets | 1. 15 years |
| | Depreciation records, general journals, general ledgers and trial balance, monthly operating reports, and state and federal tax returns | 2. Permanently |
| Account Management | Account Executive Manuals or related documents | Permanently |
| Claims Records | Includes actual claims and other documentation related to claims administration, including claims appeals | 10 years |

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| Record Type | Examples of these types of records and their more stringent subcategories | Retention Timeframe |
|-------------------------------------|---|--|
| Committee and Board Meeting Minutes | Includes committee and subcommittee minutes with attachments (Committees include Quality committees, Compliance committees, PPRC, etc) | Permanently |
| Contracts | All contracts with customers, vendors and providers, including all amendments and schedules; Purchase orders | 10 Years after expiration or termination of the contract or according to the contract terms, whichever is longer |
| Corporate Complaints | Corporate complaints (not utilization review appeals or grievances) | 6 years |
| Corporate Records | Annual reports, Articles of Incorporation, Board of Directors and Committee minutes, Certificates of Incorporation, Corporate Reports, External Audit Reports, Qualification to do business in states | Permanently |
| Credentialing Records | Documents used and maintained to credential providers, including curriculum vitae, practitioner attestation, APA accreditation, verification of licensure, copy of the CDS registration, malpractice insurance policy face sheet, and DEA certificate, including schedules 2, 2N, 3, 3N, 4 and 5. | Permanently |
| Facilities | Leases, building plans, blueprints, real estates appraisals. | 10 years from the end of the lease, or from the sale of the property |
| Human Resources Records | Include workers' compensation records, training materials, I-9 forms, employee personnel files and personnel records | 10 years from end of employment |
| | Employment applications for individuals that were not hired | 2 years from application date |
| | Pension plan records, group insurance records and affirmative action plan documentation, employee stock purchase and stock option plan documents | Permanently |
| Legal and Insurance | Includes, but is not limited to, releases and settlements, insurance schedules, and insurance policies covering professional services | Permanently |
| Licenses | Includes local business licenses, utilization review licenses, and third party administrator licenses. | 10 years from the termination or withdrawal of license |
| Marketing Records | Includes print adds, sales materials, and printed materials for the general public | 10 years |

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| Record Type | Examples of these types of records and their more stringent subcategories | Retention Timeframe |
|---|--|---|
| Medical and Utilization Review Records | Includes TRF forms, care management records, physician advisor notes, utilization review decisions, adverse incident documentation | 10 years from the last date of service or 10 years from age of majority if the last date of service was when the individual was a minor |
| Payroll Records | Payroll reports, social security reports, payroll registers and 401K election notices | 10 years - from end of employment where applicable |
| Policies and Procedures | | Permanently |
| Purchasing Records | Invoices and purchase requisitions | 6 years from date of purchase |
| Quality Improvement Files/Records | Program Descriptions, QIAs, documents related to pharmacy quality assurance, provider quality audits (Note: Committee minutes are a separate category above) | 10 years |
| Reports from State Agencies or Accrediting Bodies | | Permanently |
| Stockholder Records | Stock ledgers and stock certificate specimens | Permanently |

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GETTING ANSWERS TO CORPORATE COMPLIANCE QUESTIONS

Open discussion of ethical and legal issues without fear of retribution is the cornerstone of Magellan's compliance program. Magellan will not tolerate retaliation against any employee who, in good faith, reports an ethical or legal concern. If you have a question about a legal or ethical issue related to your job or Magellan, use any combination of the tactics below as appropriate:

- Discuss the issue with your supervisor;
- Speak to your department manager;
- Contact the **Corporate Compliance Hotline, (800-915-2108)**;
Magellan's Corporate Compliance Hotline is available to all Magellan employees 24 hours a day/7 days a week. An outside vendor receives the Hotline calls and callers may remain anonymous. A trained staff member responds to each call to the Hotline; each call will be treated confidentially, and all calls will be investigated. Magellan prohibits any employee from taking retribution against a Hotline caller.
- You may also contact any of the following:
 - Corporate Legal Department (410) 953-4702
 - Corporate Finance Department (860) 507-1977
 - Corporate Human Resources Department (860) 507-1972
- You may also communicate with the Corporate Compliance Department by sending an e-mail to compliance@magellanhealth.com.

Thank you for your ongoing compliance with the policies outlined in this Corporate Compliance Handbook.

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