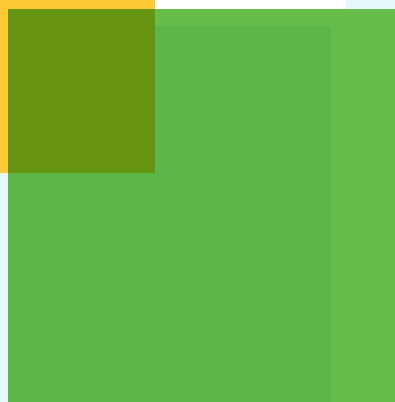
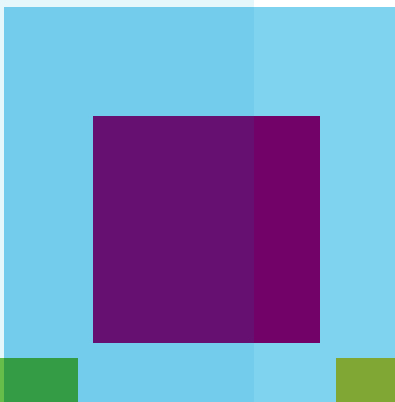


HEALTHSOUTH[®]

Standards of Business Conduct



As the nation's preeminent provider of inpatient rehabilitative healthcare services, HealthSouth has a responsibility to set high standards for quality and business integrity; success depends largely on our ability to preserve our reputation for providing high-quality medical services and maintaining integrity in regulatory compliance and financial reporting.

Our Standards of Business Conduct describe a set of shared principles upon which we can build a reputation for excellence. These standards apply to all aspects of our clinical and business operations and should serve as a guide for all HealthSouth directors, officers, employees and contractors when providing services on behalf of our company. In today's highly regulated healthcare environment, it is important to foster a culture that encourages a strong understanding and commitment to regulatory compliance. This applies equally to rules governing the integrity of internal accounting and public financial reporting systems. To be sure, the past decade offers numerous examples of companies and individuals that have paid significant financial and reputational penalties for failing to do so. To overcome this challenge, we must remain true to our principles even under internal or external pressure to do otherwise. There can be no shortcuts or special exceptions. We must never lose the confidence of our patients or their physicians by failing to provide high-quality medical care – or of our investors, our business partners, our payors, or government officials by failing to conduct our business and record our financial results with integrity.

Whether in clinical operations, billing, finance, marketing or any other aspect of our business, each of us can make a positive contribution to our shared success. At the core of this effort is an obligation for all of us to accept and adhere to the principles outlined in the Standards of Business Conduct. Everyone is expected to be familiar with the standards and to use them to govern our conduct on behalf of HealthSouth. Each of us is asked to acknowledge that we have read, understood and agree to abide by the standards.

Because no single set of business standards can address every situation, a number of other resources are available within HealthSouth to provide assistance with specific questions or concerns. These include policies covering a variety of operational and regulatory topics, as well as the compliance and internal audit and controls departments (see Appendix A for contact information). Concerns and questions can also be addressed confidentially and anonymously through the Compliance Hotline at 888 800-2577 or sent to corporate human resources or directly to the board of directors.

Please join us in embracing these Standards of Business Conduct as the foundation of a corporate culture based on honesty, openness and integrity. Our shared commitment to these core principles is the cornerstone of a strong HealthSouth.



Leo Higdon
Chairman
Board of Directors



Jay Grinney
President
Chief Executive Officer



Christopher Terrell
Interim Chief Compliance Officer



HEALTHSOUTH MISSION AND VALUES

Our mission

To be the healthcare company of choice for patients, employees, physicians and shareholders by providing high-quality care in the communities we serve.

Our values

At HealthSouth, the cornerstone of our operations is the delivery of quality healthcare in the most appropriate, safe, patient-centered environment. We place primary value on:

- **Quality:** We strive to provide our patients with the finest clinicians, technology, facilities and programs available. We do this in a safe environment, responding to the needs of our diverse patient population, always working to achieve superior outcomes for each patient in a professional, caring and cooperative manner.
- **Integrity:** We consider trust and integrity to be essential in all our relationships. We are committed to operating our business honestly, with financial integrity, and in adherence with all federal, state and local regulatory obligations affecting the operation of our business.
- **Cost-effectiveness:** We are committed to providing high-quality healthcare in an innovative, yet cost-effective manner, managing our resources wisely and responding proactively to the changes in our industry. We seek to develop relationships with a diverse array of business partners that share similar values and conduct business in an ethical manner.
- **Respect:** We respect and embrace the diversity all of our employees bring to HealthSouth. We provide opportunities for our employees' growth and development and encourage their participation in an open and inclusive culture. In addition, we respect our patients, physicians, shareholders, business partners and vendors, recognizing the valuable, unique roles each of them plays in our business and striving to communicate with them openly and honestly.

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To obtain a copy in Spanish: The HealthSouth Standards of Business Conduct are available in Spanish. To obtain a copy in Spanish, please have your hospital CEO or human resources department print a copy from the compliance home page.

Para obtener una copia en Español: Las Normas de Conducta de HealthSouth en español están disponibles. Para obtener una copia en español, por favor consulte a su administrador o el departamento de Recursos Humanos (Personnel) para que les imprima una copia de las normas ubicada en nuestra red privada ("Intranet").



PURPOSE OF THE STANDARDS OF BUSINESS CONDUCT

HealthSouth is committed to conducting business in compliance with all applicable federal, state and local laws and regulations and to acting, at all times, in conformance with the highest standards of business integrity. The Standards of Business Conduct are designed to help us accomplish these objectives by establishing a general framework for acting with integrity and accountability in accordance with a shared set of principles. They cannot, however, address every issue that may arise in the course of our business. HealthSouth has therefore developed a number of more focused policies and systems to address specific areas of our operations in greater detail. These policies may be found on HealthSouth's Intranet site. These policies should be consulted as a supplement to the standards.

WHO IS COVERED

The standards apply to all HealthSouth directors, officers, employees and contractors. HealthSouth contractors (including medical directors) and other professionals who provide healthcare, financial or accounting services to or on behalf of HealthSouth are also expected to conform to the standards while providing services on behalf of HealthSouth.

OUR COMPLIANCE PROGRAM

The HealthSouth Compliance Program is overseen by the board of directors. The board has appointed two committees to monitor the program. The audit committee oversees the integrity of financial reporting, accounting and tax functions, as well as the proper use and protection of HealthSouth assets. The compliance and quality of care committee oversees all other aspects of regulatory compliance, including healthcare laws, payment rules and quality of care. Each committee is composed of at least three independent directors and meets regularly to receive reports from HealthSouth officers.

The Standards of Business Conduct provide a general reference for HealthSouth directors, officers and contractors. They are not designed to describe all applicable laws or all HealthSouth policies or to give full details of any individual law or policy. If you have any questions, you should contact one of the resources in Appendix A. HealthSouth reserves the right to modify, revise or alter any policy, procedure or condition of employment at its sole discretion. The Standards of Business Conduct are not an employment contract. Unless otherwise prescribed by contract or state law, employment with HealthSouth is at will and may be terminated by either the employee or HealthSouth at any time, for any reason or for no reason.

The HealthSouth Compliance Program is based on five elements

- Development of effective regulatory compliance policies and financial and management controls for all HealthSouth operations. These policies are available on HealthSouth's Intranet. See Appendix A for more information
- Dissemination of policies to employees and contractors and development of appropriate training mechanisms to ensure that such policies are clearly understood and capable of being carried out effectively
- Provision of opportunities for employees and contractors to ask questions or report suspected violations of HealthSouth policies, regulatory obligations or public financial reporting obligations without fear of retaliation and the prompt investigation of all credible reports of such violations
- Regular audit of HealthSouth functions and assessment of the effectiveness of internal controls to determine compliance with applicable regulatory obligations and the integrity of public financial reports
- Accountability for violation of HealthSouth policies or regulatory obligations (including those in supervisory positions who condone or unreasonably fail to prevent improper conduct)



Regulatory compliance

HealthSouth's regulatory compliance program is supervised by the chief compliance officer who reports directly to the compliance and quality of care committee of the board of directors. Each year, the chief compliance officer prepares an annual compliance plan for approval by the compliance/quality of care committee of the board. The committee receives periodic reports on the chief compliance officer's and chief medical officer's progress in meeting the plan, including reports of all regulatory audit results. The chief compliance officer is also the chairman of the executive compliance committee. This committee includes members of senior management including the chief executive officer, chief financial officer, chief operating officer and the heads of each of the principal corporate departments. The executive compliance committee meets periodically to review and approve compliance policies and initiatives, as well as review reports on the status of internal controls monitoring activities. The compliance department is responsible for regulatory risk assessment, compliance policy development, education, management of the independent/confidential Compliance Hotline, and investigations of alleged regulatory or policy violations. The compliance department also has a separate and independent compliance audit staff.

Training of employees regarding compliance-related topics is a large component of our compliance program. All new employees are required to complete compliance orientation training within 30 days of hire. This includes an acknowledgement that the employee understands and agrees to abide by the Standards of Business Conduct. All employees must also complete compliance Refresher training annually.

Accounting, financial reporting, general business standards and practices, safeguarding of assets

The internal audit and controls department is responsible for evaluating and helping to improve internal controls and business practices; for investigating potential violations of accounting, financial reporting, general business and asset protection standards; and for providing an independent source of information to HealthSouth officers, the audit committee and the board of directors on these and related matters. Internal audit and controls independence is maintained through a direct reporting relationship to the audit committee and open access to the audit committee chairman and committee members. Annually, the internal audit and controls department conducts a HealthSouth-wide risk assessment. The results are used to prepare annual audit plans that are reviewed and approved by the audit committee. In addition to executing the audit plan, the internal audit and controls department investigates all tips and complaints relevant to its area of responsibility. The internal audit and controls department recommends appropriate corrective actions for accounting or management control gaps or failures and monitors the implementation of these corrective actions.

COMPLIANCE – A SHARED COMMITMENT

Compliance is a shared commitment among all HealthSouth directors, officers, employees and contractors. HealthSouth, through the board of directors and senior





management, is responsible for setting standards of business conduct and for developing policies, procedures and systems to assist employees and contractors in understanding and meeting these standards. Employees and contractors are responsible for acting with integrity at all times and for upholding the standards and policies established by HealthSouth. Each employee is expected to:

- **Comply with all laws and ethical standards.** You will never be expected to violate the law or any ethical standard of your profession. If you ever feel pressure to do something with which you are uncomfortable or have any questions, seek guidance from the HealthSouth resource personnel listed in Appendix A.
- **Apply the Standards of Business Conduct.** You are expected to read and understand these standards. Apply them every day in the course of your job. Use good judgment and abide by both the letter and the spirit of the standards. Questions about the standards or how they apply to you can be directed to your supervisor or manager or any of the HealthSouth resource personnel listed in Appendix A.
- **Know the law.** These standards do not require you to be a legal expert. You are expected, however, to be familiar with the basic laws that apply to your specific job and level of responsibility. Pay close attention to all training information and policies. Do not be afraid to ask questions.
- **Be part of a team.** Offer suggestions to improve management controls or make HealthSouth policies and systems easier to understand and use. Cooperate with HealthSouth representatives on audits and internal investigations.
- **Report potential violations of law or HealthSouth policy.** If you believe there is a potential violation of law or HealthSouth policy or if you have doubts about the legal or policy implications of a situation, bring the matter to the attention of your supervisor

or the HealthSouth resource personnel listed in Appendix A or another member of management. Matters involving accounting or financial reporting may be brought to the attention of the senior vice president (SVP) – chief accounting officer, the internal audit and controls department at 800 755-8215, or the inspector general. Matters can also be reported confidentially and anonymously through the Compliance Hotline at 888 800-2577. Do not assume that senior management or the board of directors already knows about or does not care to know about an issue. Senior management and the board certainly do care.

- **Comply with these standards.** Compliance with these standards may not be waived except by action of the board of directors or a committee thereof.
- **Report exclusions and convictions.** It is your responsibility to inform your supervisor, the human resources department or the compliance department in the event you are convicted of a felony, have sanctions threatened or imposed against your professional license, or are informed by the OIG that you are no longer eligible to participate in federal or state reimbursement programs or contracts.

Special responsibilities of supervisors and managers.

Supervisors and managers have a special responsibility for compliance and integrity. As a supervisor or manager, you should ensure that all employees and contractors understand and apply the principles outlined in the Standards of Business Conduct and other HealthSouth policies. Never ask or expect an employee to violate the rules at any time. Further, be clear in your verbal and written communications to avoid any inference of tolerating rule violations.



- **Be proactive.** Ensure that employees and contractors are properly trained and understand their obligations under the standards. Ensure that policies and procedures are in place to promote compliance with regulatory standards. Make it easy for employees and contractors to comply with the law and hard to get around it.
- **Be receptive.** Maintain an open-door policy for concerned employees. Make it clear that you are open to questions or concerns about compliance-related issues from your direct reports or other employees and contractors who may bring concerns to you.
- **Be responsive.** Take prompt and appropriate action when a suspected violation of law or HealthSouth policy is brought to your attention.
- **Do not allow retaliation.** Ensure that no one who reports a suspected violation of law or HealthSouth policy in good faith is subject to any retaliation.

Leadership requires that you set a personal example of integrity in all aspects of your job. It is up to you to set the right tone for the people who report to you.

CONSEQUENCES OF NON-COMPLIANCE

Failure to comply with the law and federal and state healthcare regulations could lead to serious consequences for you, your fellow employees and contractors, and HealthSouth. These may include termination of employment, prison, personal or corporate fines, exclusion from Medicare and other healthcare programs, loss of credibility with investors and lending institutions and loss of respect by physicians and patients.

Because the consequences of a compliance or financial reporting failure are so serious, disciplinary action, up to and including termination of employment, will be taken against any employee who:

- Authorizes or participates in any violation of law, the Standards of Business Conduct, or HealthSouth policies and procedures
- Fails to report or conceals a violation
- Refuses to cooperate with any internal investigation or audit
- Threatens or retaliates against any other employee who reports a violation

Disciplinary action will also be taken against any supervisor or manager who knew or should have known about a violation and failed to take reasonable actions to prevent or promptly report and correct the situation.

Appendix B includes a more detailed discussion of the penalties that may be imposed on HealthSouth or individual employees and contractors for violation of the Federal False Claims Act.





GETTING ANSWERS TO QUESTIONS OR REPORTING A POSSIBLE VIOLATION OF LAW OR HEALTHSOUTH POLICY

Open discussion of legal and policy issues without fear of reprisal is vital to the effectiveness of HealthSouth's Compliance Program. Ask questions about policies or practices that you do not understand and report suspected violations of law or HealthSouth policy to a supervisor or other appropriate persons. Supervisors and managers should maintain an open-door policy for their direct reports and for other employees and contractors who may reach out to them with questions or concerns. Any of the following resources (see also Appendix A) may be used for this purpose.

Your supervisor or department manager

Many questions and problems can best be addressed at the department or hospital level. Your supervisor or manager knows you and the issues in your workplace better than anyone else in HealthSouth. If they do not have an answer, they have access to other resources within HealthSouth.

The human resources department

If your question or concern involves a human resources or general workplace issue, contact your hospital's human resources department or the corporate human resources department at 800 765-4772.

The chief financial officer or chief accounting officer

The chief financial officer or chief accounting officer are available to answer questions about regulatory and accounting/financial reporting questions.

Internal audit and controls department or inspector general

Questions or concerns relating to accounting, financial reporting, safeguarding of assets, and/or general business standards and practices should be brought to the attention of the internal audit and controls department by phone 800 755-8215, or by email (InternalAudit@healthsouth.com). The Inspector General may also be contacted directly on any of these issues. See Appendix A for additional contact information.

Quality standards department

HealthSouth's primary purpose is to provide excellent clinical care and a superior experience for the patients and families we serve. The Clinical Excellence Program is led by HealthSouth's chief medical officer. It is the responsibility of every employee to assist patients or family members who have questions or concerns with the quality of their care. While the vast majority of concerns are managed quickly in the hospital, if you become aware of a quality of care complaint that is not being handled by a hospital's staff to the patient's satisfaction, refer the patient to 800 765-4772 ext. 2636 for prompt assistance from the quality standards department.

Compliance department

Questions or concerns relating to healthcare or other regulatory issues should be brought to the attention of the Compliance Department by phone 205 970-5900 or by email (Cle.Ewing@healthsouth.com).

Compliance Hotline

If you have not been able to resolve to your satisfaction an issue through other channels or if you feel uncomfortable about raising an issue through your supervisor or other HealthSouth managers, you may call the toll-free Compliance Hotline at 888 800-2577 or go online to www.healthsouth.ethicspoint.com to report a concern confidentially and anonymously and without fear of retaliation. The Compliance Hotline operates 24 hours a day, 7 days a week. It is staffed by an independent company with no other relationship to HealthSouth or members of senior management. Your call will not be traced or recorded, and your anonymity will be protected up to the limits of the law if you wish to remain anonymous. The Compliance Hotline has a Spanish-speaking staff member available at all times, and its staff has access to interpreters of numerous other foreign languages as well.

All reports received by the hotline will be investigated. If substantiated, appropriate corrective actions will be taken, including disciplinary action against employee(s), changes to HealthSouth policies and systems, additional training, and/or disclosure of overpayments to government and/or commercial payors. The internal audit and controls department (IAC) receives and reviews reports of financial, accounting, internal controls or audit improprieties submitted via the hotline. IAC reviews their findings from these reports with the audit committee of the board of directors.

» Q&A

I recently became aware of some actions which may be a violation of our Standards of Business Conduct, but I am not sure. Should I call the Compliance Hotline?

Many situations such as this may be resolved by discussing the issue with your supervisor. If you need to discuss the issue further or with someone other than your supervisor, you may contact one of the resources listed in Appendix A including the corporate compliance department, the legal services department or the Compliance Hotline.



The Hotline is intended to supplement, not replace, other channels for communicating questions and concerns within HealthSouth. It should be used when you have exhausted other avenues of communication or are uncomfortable with disclosing your identity. When you call the hotline, you will be given a report key and a password which will allow you to follow-up on your report. This will also allow HealthSouth to seek your help in answering questions that may have arisen during an initial investigation while fully protecting your anonymity. Calling back or responding to the questions is entirely voluntary, but may assist HealthSouth in conducting a more effective investigation.

By mail

You may also bring a concern via letter or fax at:

HealthSouth Corporation
Compliance Department
 P.O. Box 380243
 Birmingham, AL 35238
 Fax: 205 970-4854

HealthSouth Corporation
Internal Audit and Controls Department
 3660 Grandview Parkway, Suite 200
 Birmingham, AL 35243
 Fax: 205 262-3946

» Q&A

Certain documents on my computer have been placed on a “legal hold” by the legal services department. I want to free up some storage space and some of these documents are repetitive and are contained within other documents. Can I delete the ones I think are repetitive?

No, all documents which are related to the “legal hold” issue must be retained until you are notified by the legal services department that the legal hold has ended.

HealthSouth Corporation
Corporate Human Resources
 3660 Grandview Parkway, Suite 200
 Birmingham, AL 35243
 Fax 205 262-4221

Board of directors

If an issue involves a member of senior management or anyone charged with supervising the compliance or internal audit processes, you have the option of writing directly to the HealthSouth board of directors. All such written communication should be directed to:

HealthSouth Corporation
Board of Directors
 P.O. Box 382827
 Birmingham, AL 35238

If an issue involves possible financial, accounting, internal controls or audit improprieties or a possible violation of federal securities laws or the Sarbanes-Oxley Act of 2002 and you are unable to get a satisfactory resolution through other channels, you may contact the audit committee of the board of directors at:

HealthSouth Corporation
Audit Committee of the Board of Directors
 P.O. Box 382827
 Birmingham, AL 35238





Confidentiality

Every employee should feel secure in asking questions or reporting concerns under the HealthSouth Compliance Program. If you request confidentiality, we will do our best to honor your wishes. You may also consider placing an anonymous call to the Compliance Hotline. In either case, it is important to provide enough facts to allow for an effective investigation.

Non-retaliation policy

HealthSouth will not retaliate against anyone who, in good faith, reports a compliance or financial integrity concern to the hotline or otherwise. If you believe that you have been the subject of improper retaliation, please contact the chief compliance officer, general counsel or corporate human resources directly.


THE STANDARDS

Legal obligations

STANDARD: HealthSouth will comply with federal, state and local laws and regulations that apply to our business. We will reject any business opportunity that would require us to act illegally.

- You are expected to know the basic laws and regulations that apply to your job. If you have questions, ask a supervisor or contact one of the company resources listed in Appendix A. You are also expected to know and follow HealthSouth policies and procedures and to utilize company processes and systems in accordance with those policies and procedures.
- The company will not employ or contract with any person or entity that is ineligible to participate in federal healthcare programs.



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- Suspected violations of law or HealthSouth policy must be promptly reported to a supervisor or the legal services department or another company official. This is more fully described in *Getting Answers to Questions or Reporting a Possible Violation of Law or HealthSouth Policy*.

Competitive pressure or “industry practice” is never a valid basis for violating company policy or regulatory standards. If you believe that a competitor is achieving a commercial advantage by ignoring legal or regulatory requirements, contact the legal services department or the compliance department for assistance.

Quality of care and treatment of patients

STANDARD: HealthSouth will furnish high-quality, cost-effective medical care to patients safely and in accordance with high professional standards. We will respect each patient’s dignity and right to privacy of medical information.

Quality services. Furnishing high-quality, cost-effective medical care to patients is the primary goal of HealthSouth. Services should be furnished by HealthSouth employees in accordance with medical orders issued by a physician or another authorized healthcare professional based on the needs of each patient.

- Medical services should be furnished skillfully and safely and in accordance with HealthSouth clinical policies and procedures, government regulations, and professional standards.
- Services should be medically appropriate for the patient.
- Only persons with appropriate training and professional credentials and licenses may furnish or supervise the delivery of medical care. All professionally credentialed personnel are expected to keep their credentials current and to notify HealthSouth promptly if sanctions are threatened or imposed on a professional license.

No healthcare professional should ever furnish a service, or take any action, that would violate a professional code of ethics or practice act.

Treatment of patients. All HealthSouth patients should be treated with respect and dignity. Patients will not be denied access to medical services at any HealthSouth hospital based on race, ethnicity, sex, religion, national origin, color, creed, age, mental disability, physical disability or other protected classification. The well-being of patients should be the focus of all employees, whether their roles involve direct patient care or other supportive functions. HealthSouth employees will exhibit the best traits of professionalism in the pursuit of excellent clinical outcomes and will work to promote the comfort of patients with full respect for their individuality. Some examples of ways employees will demonstrate this focus include the following:

- Respond promptly and courteously to patients’ questions and concerns.
- Provide adequate and accurate information to patients and their families in order to allow them to participate in treatment planning whenever appropriate and to make informed treatment decisions.

» Q&A

Is it okay to accept a gift from a patient or the patient’s family?

Yes, you may accept gifts of minimal value from patients or their family members but it should be something which can be shared with your coworkers such as food or flowers. Remember: no cash or cash equivalents may be accepted.

- Safeguard the personal property of patients.
- Maintain complete and accurate medical records.
- Do not offer to, or accept gifts from, patients of more than nominal value. Avoid any perception that the quality of care furnished in a HealthSouth hospital is dependent on the offering of gifts or other gratuities. See policy CMP 201 "Soliciting or Receiving Gifts from Patients."
- Do not offer gifts or other financial benefits to Medicare beneficiaries to induce them to choose a HealthSouth hospital to receive care. See policy CMP 202 "Offering Gifts or Benefits to Medicare or Medicaid Patients."
- Provide to all patients their rights and responsibilities and HealthSouth's Notice of Privacy Practices upon entering a HealthSouth hospital.
- Sustain continuous professional competence through clinical inquisitiveness, as well as through formal training and education.
- Ethical issues may arise related to clinical treatment provided to our patients. When employees are confronted with such ethical concerns, they are expected to voice their concerns through the proper mechanism. Each HealthSouth hospital will educate employees on the mechanism for addressing clinical ethical concerns in that setting and how to initiate the ethical review process.

Safe patient care. Safe care is essential to the well-being and recovery of patients.

HealthSouth will promote a corporate-wide safety culture based on clinically appropriate policies, systems, and equipment.

- Hospitals have developed processes for continuous assessment and refinement of existing safety management systems.
- Hospitals and equipment used to furnish medical services should be safe, effective and in good working order at all times. Maintenance should be performed and documented in accordance with the manufacturer's instructions.

Clinical records. All clinical records should be accurate and complete. Copies, in paper or electronic format, should be protected from loss or unauthorized disclosure and maintained in accordance with government and HealthSouth record retention requirements.

Protection of patient health information. The Health Insurance Portability and Accountability Act (HIPAA) sets the national standard for maintaining the confidentiality of patients' protected health information (PHI) and/or patients' electronic protected health information (ePHI). Many state laws impose additional obligations to prevent the unauthorized release of PHI. All patients' medical and financial information must be treated as confidential. Patient medical records, treatments, conditions and personal affairs should only be discussed or shared with the attending physician, with persons authorized by the patient to receive such information, and with other HealthSouth

» Q&A

Who should I talk to if I see a patient not being treated respectfully?

First, promptly talk to your supervisor or manager. If needed, you may also talk to your quality or risk manager and then you can call the corporate quality standards department or the Compliance Hotline.



» Q&A

In my position, I deal with protected health information (PHI) on a daily basis. Sometimes we need to email this information due to time constraints. Is this okay?

Yes, as long as the disclosure of PHI is permissible under HIPAA and the email is manually encrypted by including "secure-email" in the subject line or body of the email.

employees and contractors who require access to the information to perform their duties. Remember, no employee has general authorization to access PHI. Only those who require specific patient information to furnish care, perform quality control activities, bill or collect charges for services, or furnish other administrative services are permitted access to that PHI unless authorized under the law or by the patient. This requires that all employees and contractors take reasonable measures to protect the confidentiality of PHI, whether that information is presented in oral, written or electronic form. HealthSouth has developed specific policies and systems to promote this objective that are located on HealthSouth's Intranet. All employees and contractors who have access to PHI should become familiar with these policies and systems and ensure that they are applied consistently.

The Health Information Technology for Economic and Clinical Health Act (HITECH) of 2009 adds to the requirements of HIPAA in protecting our patient information. The HITECH Act imposes data breach notification requirements for unauthorized uses and disclosures of "unsecured PHI." These notification requirements are similar to many state data breach laws related to personally identifiable information (PII) (e.g. name plus one or more other identifiers). In general, the act requires that patients be notified of any such unsecured breach. If a breach impacts 500 or more patients, Health and Human Services (HHS) must be notified. Under certain conditions local media must also be notified. Notification is triggered for unsecured breaches that occur either externally or internally. HITECH may impose significant penalties for any breach that is determined to involve "willful neglect."

Dispensing drugs and controlled substances. Federal and state governments regulate the use of controlled drugs and other pharmaceuticals, including orders, storage, administration and inventory. Employees and contractors dealing with controlled substances are responsible for knowing and complying with applicable laws and regulations. The loss or misuse of any controlled substance must be reported immediately to a supervisor or other manager. For more information, see policy HRS 412 "Internal Investigation Guidelines for Alleged Fraud or Criminal Activity."

Research. All research activities conducted at HealthSouth hospitals must be reviewed and approved in advance through a process administered by the corporate clinical research committee. See Appendix A for contact information. This will ensure that research protocols have been properly reviewed, that patients have been informed and have given their consent to participate, and that systems are in place to prevent inappropriate billing or disclosure of confidential information.

Sales and marketing

STANDARD: HealthSouth will market our services fairly and in accordance with federal and state laws and regulations. We will not offer or accept any bribe, kickback or other unlawful benefit for the purpose of inducing the referral of patients or healthcare products or services.

Accuracy and integrity. All sales and marketing presentations and literature must fairly and accurately describe our services. We should not make statements that we cannot



support or make promises that we cannot keep. We will not engage in deceptive sales or marketing practices. We will respect copyright and trademark rules when using materials published by others.

Fraud and abuse laws. Federal laws, and many state laws, prohibit a healthcare provider from paying or receiving a kickback or other improper inducement to or from anyone for the referral of a patient or for the purchase of healthcare products or services. Such laws apply not only to physicians and other healthcare professionals, but also to all types of referral sources, such as hospitals, nursing homes, case managers, workers' compensation attorneys, and any other individuals in a position to influence referrals or purchases. They cover both:

- The offer or payment of a kickback or other improper inducement to secure referrals
- The request or receipt of an improper payment in exchange for agreement to purchase a healthcare product or service from a particular vendor or contractor.

Improper payments or inducements can take many forms. In addition to cash, kickbacks and inducements can include, but are not limited to:

- Above fair market value lease payments to a referral source (or free or below fair market value lease payments from a referral source)
- Loans to referral sources with below market interest rates or other terms that do not meet commercial lending standards
- Professional services contracts (e.g., medical director agreements) for more services than are needed or at rates in excess of fair market value
- Management fees that fail to cover the full cost of services furnished to a referral source
- Excessive gifts or entertainment.

» Q&A

Our medical director is paid for his services and he refers patients to our hospital. Is this a violation of the Stark law?

No. Our medical directors have contracts which are structured to comply with specific exceptions within the Stark Law. The regulations require that these contracts be in writing and that the compensation is at fair market value, among other things.





Improper inducements may be indirect – for example, a payment or concession made to a third party with the expectation that it will be passed on to a referral source. Even the mere offer of a kickback or improper inducement could be a violation of law and could subject you and HealthSouth to criminal prosecution. For more information, refer to policy CMP 300 “Transactions and Other Arrangements with Referral Sources,” as well as other referral source related policies on HealthSouth’s Intranet policy application.

Federal law also prohibits the use of gifts or other financial benefits to induce a Medicare patient to receive care at a HealthSouth hospital. For more information, see policy CMP 202 “Offering Gifts or Benefits to Medicare or Medicaid Patients (including transportation).”

Antitrust and business competition. HealthSouth will compete vigorously, but fairly, in the marketplace. We will not seek to restrict competition through unlawful monopolistic or predatory practices. Employees and contractors should not:

- Discuss or agree with a competitor to set prices, divide sales territories or compromise the integrity of a competitive bidding process
- Exchange information with a competitor about pricing, margins, bids, contracts, plans or other confidential business matters
- Participate in group boycotts of other healthcare professionals, providers or commercial payors
- Make any arrangement with a competitor to artificially reduce competition.

Particular care should be taken when pursuing joint ventures or alliances with other healthcare providers. Care should also be taken when participating in trade associations. It is generally acceptable for trade association members to cooperate on quality or public policy-related activities. Other forms of cooperation should be avoided. Questions relating to antitrust and business competition should be directed to the legal services department. See Appendix A for contact information.

Billing and coding

STANDARD: All claims for services must be fair, accurate, and conform to applicable regulatory and contractual requirements.

Collecting the correct payment for the services we provide is a fundamental part of HealthSouth's business. Accordingly, care should be taken to properly code, bill, and collect only for services actually rendered and that are documented in patients' medical records. Under no circumstances should a claim be submitted that is known or suspected to be fraudulent, inaccurate or fictitious.

- Bills must be coded to accurately reflect the services rendered, as well as relevant patient conditions and diagnoses.
- Billing, coding and collection practices must conform to applicable government rules and commercial contractual obligations.
- Coders must be trained and qualified to perform such functions.
- Overpayments must be promptly identified and returned to payors.
- Effective management controls, including routine audits, have been established to minimize the scope and frequency of billing errors.
- Employees and contractors are expected to cooperate fully with all internal and external audits of claims and billing systems.

If you discover an error or a suspected error in a claim or in any billing system, promptly alert your supervisor or another appropriate manager. All errors should be corrected before the claim is billed. If an error is identified after a bill has been filed, the payor should be notified to suspend improper payment or arrange for the refund of an overpayment.

See also the information regarding the False Claims Act in Appendix B.

Working environment

STANDARD: HealthSouth strives to maintain a work environment where employees and contractors are treated fairly and with respect, where they can perform their jobs safely and effectively, and where they are encouraged to realize their full professional potential.

Additional information on the duties of each employee to promote these policies and programs is provided in the HealthSouth employee handbook. Failure to conform to the requirements of these policies and programs will result in disciplinary action up to and including termination of employment. Violations should be reported promptly to a supervisor, another manager, hospital human resources department, or the corporate human resources department.

» Q&A

One of our clinicians tends to run behind with documentation after she provides treatment to the patient. Sometimes it's the next day before she documents her procedures into the chart. Is this a violation?

Documentation should be completed in an accurate and timely manner for many reasons, including patient care and healthcare regulations. Making a late entry is not a violation provided that it is entered properly and noted as a late entry.

We have a bill ready to drop and we are missing one critical item of documentation. We expect to receive the document tomorrow. May we go ahead and send the bill?

No, bills may not be submitted until all documentation is accounted for and we can show that all services were provided to the patient.



Fair dealing. Each director, officer and employee should endeavor to deal fairly with HealthSouth's customers, suppliers, competitors and employees and should not take unfair advantage of anyone through manipulation, concealment, abuse of privileged information, misrepresentation of material facts, or any other unfair-dealing practice. Employees and contractors are expected to deal fairly and honestly with HealthSouth in recording hours worked, scheduling and reporting time off, using HealthSouth property, seeking reimbursement for business-related expenses and all similar matters.

Diversity, discrimination and harassment. HealthSouth values a diverse workforce and recognizes its contribution to creativity and business growth. We respect and embrace the diversity all of our employees bring to HealthSouth. We provide opportunities for our employees' growth and development and encourage their participation in an open and inclusive culture. HealthSouth does not tolerate unlawful discrimination or harassment by or against its employees, contractors, patients, visitors or medical staff members. All employees and applicants for employment must be afforded equal employment opportunities without regard to race, ethnicity, sex, religion, national origin, color, creed, age, mental disability, physical disability or any other protected classification. Unlawful harassment may include, but is not limited to, slurs, epithets, threats or derogatory comments. It also includes verbal or physical conduct of a sexual nature that creates an intimidating, hostile or offensive working environment.

» Q&A

One of my co-workers is going through a divorce and he has not been himself lately. He gets mad and yells at people over any small issue and I am scared that he may become violent. What should I do?

Your co-worker's behavior is aggressive and is not acceptable. This should be reported immediately to your supervisor, human resources, hospital security or you may call the Compliance Hotline.

Disruptive behavior. HealthSouth's mission is to provide high-quality care. Behavior that promotes excellent clinical care and superior patient satisfaction is expected. Any behavior, active or passive, that is disruptive, distracts from or conflicts with achieving this goal is unacceptable. In addition, verbal or physical behavior that could reasonably be expected to escalate the level of interpersonal tension in any situation is prohibited since it is the policy of HealthSouth to have its employees work cooperatively for the benefit of our patients.

Workplace violence. Physical violence or threat of violence is never acceptable. This includes abusive or aggressive behavior intended to threaten or intimidate another person. Except for duly commissioned law enforcement officers, no firearms or weapons will be allowed upon hospital property.

Impairment related to the use of alcohol or drugs. Employees and contractors are expected to be free from the influence of alcohol or illegal drugs in the workplace. Further, impairment related to alcohol or any drug use (whether legal or illegal) while conducting HealthSouth business jeopardizes the health and safety of patients, other employees and contractors, and visitors. It also compromises the ability of the employee or contractor to perform his or her responsibilities in a professional and effective manner. Employees and contractors who appear to be under the influence of drugs or alcohol in the workplace will be subject to drug or alcohol testing. Employees and contractors who suspect that a co-worker is intoxicated or under the influence of illegal drugs should notify a supervisor, the hospital's human resources department or the corporate human resources department.



Professional practice acts. HealthSouth employees and contractors are expected to conform to applicable state professional practice acts and professional codes of ethics at all times. Supervisors and managers are expected to be aware of such standards and to promote compliance. This awareness is particularly important when a supervisor or manager is not governed by the same standards and professional ethical obligations as an employee.

Health and safety. All employees and contractors are expected to be familiar with the potential hazards in their workplace and to comply with government regulations and HealthSouth policies relating to workplace safety. This includes risk management policies and requirements designed to protect employees and contractors from potential workplace hazards, including but not limited to:

- Safety management improvement plans
- Standard precautions for potentially infectious materials
- Storage and use of hazardous materials
- Hospital-level safety and emergency plans
- Ergonomic safety
- Infection control procedures
- Sentinel event and other incident reporting

Any unsafe conditions should be reported promptly to a supervisor, manager, Hospital human resources, corporate human resources or to the corporate risk management department at 205 970-3404.


Handling and disposal of infectious materials. Federal and state laws regulate the handling and disposal of many infectious materials. These include blood and other bodily fluids, used needles and syringes, potentially toxic chemicals, and other materials that may present a hazard to employees and contractors or to the local community if not properly controlled. All employees and contractors are expected to comply with HealthSouth policies and systems relating to infectious materials at all times.

Accounting and financial reporting

STANDARD: All accounting entries, as well as all internal financial reports, must be prepared accurately and on a timely basis in accordance with the company's internal policies and procedures. External and public HealthSouth financial reports should fairly and accurately reflect the operations and financial condition of HealthSouth and, unless specifically requested by the recipient thereof, be in accordance with generally accepted accounting principles and all applicable government regulations.

Record keeping and management. HealthSouth is required to prepare and maintain accounts, books and other records that fairly reflect the results of HealthSouth's business operations. All transactions must be properly authorized, recorded in the period in which they were executed and properly documented. Each employee is





expected to be familiar and comply with HealthSouth record retention policies that apply to documents (both paper and electronic) in his or her custody or control. Special care should be taken to preserve documents that are known to be subject to a government investigation, commercial litigation or audit. See Appendix A for records management contact information.

Management controls. Employees and contractors are expected to assist in the development, execution and enforcement of effective internal controls to ensure that contracts, payments and other business transactions are properly authorized, conform to HealthSouth policies and procedures, and are recorded timely and accurately in accordance with generally accepted rules of accounting. These controls form the basis for senior management certification of the accuracy and integrity of HealthSouth's publicly-reported financial results in accordance with legal requirements.

Financial reports. All information provided to the public and to the Securities and Exchange Commission (SEC) about HealthSouth's business, earnings and financial condition should be complete, accurate, understandable and timely filed. Each employee should immediately report any material error or omission that may affect our public disclosures, or any questionable accounting or auditing matters to a local supervisor, to the corporate chief financial officer, chief accounting officer, the internal audit and controls department or the inspector general. See Appendix A for contact information.

Financial audits. All employees and contractors are expected to cooperate with HealthSouth's internal auditors and its independent auditors. Information provided to internal and independent auditors should be accurate, complete, and not misleading. Employees and contractors should avoid any action that could compromise, or appear to compromise, the objectivity of HealthSouth's internal or independent auditors.

Management of HealthSouth assets

STANDARD: HealthSouth directors, officers, employees and contractors are expected to manage HealthSouth assets and other resources honestly and wisely. This includes property of joint ventures or other entities that are controlled or managed by HealthSouth. HealthSouth assets should be used for HealthSouth business purposes only. Proper authorization in accordance with HealthSouth policies must be obtained prior to the commitment of HealthSouth funds or the disposition of other HealthSouth resources.

Physical assets. You have a duty to protect and not misuse HealthSouth property, assets, equipment and supplies. When HealthSouth property becomes surplus, obsolete, or unusable, it should be disposed of in accordance with HealthSouth policies and procedures. Unauthorized use, removal or disposal of any HealthSouth property is prohibited. You should immediately report missing property, as well as any unusual circumstances surrounding the disappearance of HealthSouth assets, to a supervisor, manager, the internal audit and controls department or the inspector general.

Financial assets. Persons responsible for managing HealthSouth financial assets are expected to do so honestly and in conformance with established HealthSouth policies, procedures, and internal controls. HealthSouth funds may never be diverted for personal use, even temporarily, or used for any purpose that is not authorized and approved in accordance with HealthSouth policies. Specific rules for approval of capital and operating expenses have been established by HealthSouth (see policy ACP 001, Approval Authority.)

Confidential or proprietary information. In addition to physical and financial assets, HealthSouth assets also include certain intangible or “intellectual” property. This includes confidential or proprietary formulas, processes, inventions, pricing information, provider agreements, financial information, development plans and other information that has not been made public and that would be of interest to a competitor or other party, if disclosed. No confidential or proprietary information should be disclosed to individuals outside HealthSouth or to other employees and contractors who do not need the information to perform their duties, unless expressly authorized by a supervisor or manager. All confidential or proprietary information should be protected against theft, loss and unauthorized disclosure.

Use of HealthSouth information systems. HealthSouth’s information systems, including all hardware and software used to support such systems, should be used for HealthSouth purposes. You should not share proprietary systems or software with other companies or persons. No software should be installed on HealthSouth computers or used for HealthSouth purposes without approval by the Information Technology Group (ITG). Doing so could violate federal copyright laws or commercial licensing agreements as well as compromise the security and integrity of HealthSouth systems.

Conflicts of interest

STANDARD: Directors, officers and employees should avoid conflicts, as well as the appearance of conflicts between their private interests and the interests of HealthSouth.

A conflict of interest occurs if a business or personal relationship with another person or entity interferes with your ability to perform your duties for HealthSouth in an objective manner. The following is a non-exclusive list of examples where a conflict of interest may exist for a director, officer or employee:

- He or she steers business to a vendor in which he/she or a family member have a personal financial interest
- He or she conducts private business on HealthSouth time
- His or her outside employment interferes with his/her responsibilities to HealthSouth
- He or she tries to take advantage of a business opportunity presented to HealthSouth for his/her own purposes
- He or she accepts gifts, meals or entertainment in excess of normal business courtesy that may appear to obligate HealthSouth to do business with a particular contractor or vendor

» Q&A

I enjoy social networking after hours and sometimes the subject turns to my job. Is it okay to post information about my job on these types of sites?

While it is okay to talk about your job on such sites, there are some rules to be followed. Never post photographs of patients, vendors, clients or of persons engaged in company business or at company events. Never discuss patients or their medical care even if the patient is in your social circle. Never discuss proprietary or material non-public information regarding HealthSouth or its business. Anytime you mention HealthSouth, you must make it clear that you are speaking for yourself and not on behalf of the organization.



» Q&A

My department is upgrading to a new software system. The vendor has invited me to attend training at their corporate office. Is it okay for me to accept this?

Employees may participate (with supervisor approval) in vendor-sponsored training where the training is directly related to a product or service sold by the vendor, and is included in the items provided to HealthSouth in the vendor's agreement.

While in the cafeteria, I accidentally overheard a conversation about HealthSouth possibly purchasing another company. Is it okay for me to purchase stock in the targeted company?

No, the information that you now have is considered "non-public" or "inside" information and "material" information. If you trade or tip others to trade based on this information, it is considered insider trading which is illegal.



- He or she markets or promotes products or services in competition with HealthSouth's current or potential business activities
- He or she serves as an officer, director, partner or any other advisory capacity for a supplier, customer, partner, subcontractor or competitor of HealthSouth

In general, employees are permitted to hold other jobs so long as doing so does not put the employee in a position to compromise confidential or proprietary information or prevent the employee from meeting the performance standards of their position at HealthSouth. Any outside employment must be disclosed to your supervisor and to the human resources department.

If you have a question about whether a specific situation constitutes a conflict of interest, you should review policy LEG 010 "Potential Conflict of Interest Notification" on the company's Intranet, then disclose the matter to your supervisor or manager and submit a completed corporate conflict of interest disclosure form (see Attachment A to the policy above). The disclosure will be reviewed by the corporate conflicts of interest committee.

All directors, officers and employees must disclose to the legal services department any investment or other financial interest in a competitor or contractor with HealthSouth. This includes investments, financial interests or employment by a spouse or other immediate family member.

Corporate opportunities. Another example of a conflict of interest can occur when a director, officer or employee tries to take advantage of a business opportunity presented to HealthSouth for his/her own individual purposes. Directors, officers and employees should not take for themselves business opportunities that are discovered in the course of performing their roles for HealthSouth, or use corporate property, information or position for personal gain or the conduct of a personal business.

Dealing with vendors. Treat all vendors fairly and professionally. Follow all HealthSouth contracting policies and evaluate bids and vendors objectively on the merits of price and performance. Do not accept extravagant or frequent personal gifts or other personal benefits from vendors as doing so could compromise your objectivity or the integrity of the contracting and purchasing process. Employees and contractors may accept modest offers of meals or entertainment or other common "business courtesies" in connection with the discussion of HealthSouth business so long as doing so does not create an expectation that the decision to use a particular vendor will be based upon personal relationships rather than price and performance. Refer to policy CMP 203 "Vendor Relationships and Gifts" for more information including monetary limits on gifts from vendors. An employee should never request a personal gift or benefit from a vendor.

Investments and use of inside information. HealthSouth directors, officers, employees and contractors may become aware of information concerning HealthSouth that is not available to the public, but that would be considered important by an investor in deciding whether to buy or sell HealthSouth stock or the stock of another company with a significant business relationship to HealthSouth.



Directors, officers, employees and contractors should never use such non-public information for investment or other personal gain. Any such person who discloses confidential information to outsiders may still be held accountable under federal law for any misuse of such information even if that “tipping” person does not buy or sell any securities. This requires caution in discussing HealthSouth information with friends, family or acquaintances or participating in internet “chat rooms” or blogs.

Directors, officers, employees and contractors are strongly discouraged, and in some cases legally prohibited, from short-term buying and selling of HealthSouth securities or other companies with which HealthSouth does significant business. This will avoid the appearance of impropriety and promote investor confidence in the integrity of HealthSouth’s public financial reporting systems. For more information, see policy LEG 003 “Insider Trading” in the Intranet policy application.

Dealing with investors and the media

STANDARD: Employees and contractors are required to obtain specific approval from the Legal Services Department prior to disclosing any material considered confidential or “non-public” information to the public.



In general, only HealthSouth's executive officers and specifically designated members of the investor relations, corporate communications and finance departments should speak to investors, market professionals or the media about HealthSouth. Local media contacts by hospital personnel should be coordinated with the corporate communications department. See Appendix A for contact information.

Government filings and reports

STANDARD: HealthSouth will endeavor to make all required filings and reports to federal, state, and local government authorities accurately and in a timely manner.

This includes, but is not limited to, Medicare cost reports and other required program filings, filings with the SEC, tax filings, and certificate of need filings and reports. False statements contained in a government filing or report could subject HealthSouth and the individual(s) responsible for preparing and submitting the filing or report to civil or criminal penalties.

HealthSouth will cooperate with authorized requests for information from government auditors and other officials. Non-routine requests for information should be brought to the attention of the legal services department.

Employees and contractors responsible for providing information to be included in a report or filing to be signed by a more senior manager are responsible for ensuring the accuracy of the information, providing the information in a timely manner, and disclosing any problems or concerns to a supervisor or manager before the final report or filing is submitted.

Documentation and work papers used to prepare or support information contained in a government report or filing should be retained in accordance with HealthSouth record retention policies.

Lobbying and political activities

STANDARD: All lobbying and other government advocacy carried out by or on behalf of HealthSouth must conform to applicable federal and state regulations.

Lobbying. The federal government and many state governments impose rules on lobbying or other types of government advocacy activities. These often include limits on meals and entertainment that may be furnished to government employees and contractors, as well as requirements for registration and public disclosure of expenses incurred in connection with lobbying activities. To ensure compliance with these rules and to ensure that statements expressed by HealthSouth employees and consultants are consistent with HealthSouth policy positions, all lobbying and other legislative or public policy advocacy at the federal and state level must be approved and supervised by the government affairs department. See Appendix A for contact information.

Political activities. In general, HealthSouth funds and assets, including the use of buildings, should not be used to support a political candidate or party. Exceptions, where expressly permitted by state law, must be approved by the government affairs department.

Eligible employees may contribute to the HealthSouth Political Action Committee (PAC). However, no employee may be compelled or pressured to do so. Participation in political activities through HealthSouth channels or on a personal basis is entirely voluntary and no employee may be rewarded for participating (or penalized for not participating) in any HealthSouth sponsored political activity, including the HealthSouth PAC. This applies equally to HealthSouth contractors and medical staff members.

Employees cannot seek reimbursement from HealthSouth for any personal political contributions.

For more information, see policy GVM 100 on the Intranet policy application.

Gifts to public officials. Strict laws and rules govern the giving of gifts to public officials and their staff members. HealthSouth has adopted a “no gifts” policy for members of Congress and their staff members, and HealthSouth employees are responsible for understanding state and local rules governing gifts to state and local officials. HealthSouth employees or agents should never give or promise anything of value to any government official in exchange for a specific action or decision affecting the company.





Contacts by government agencies

STANDARD: The legal services department should be promptly notified (see Appendix A) if you or your hospital are contacted by a government agent in connection with an investigation of HealthSouth or another person or company. The risk management department should also be contacted (see Appendix A) for Occupational Health and Safety Administration (OSHA), Environmental Protection Agency (EPA) or Food and Drug Administration (FDA) investigations.

Document the name of the agent, the agency, the subject of the investigation and any other relevant information. This will allow the HealthSouth attorneys to contact the agent to establish a basis for cooperating with the investigation. If the agent wishes to arrange a personal interview with you, HealthSouth attorneys can explain your rights and obligations and respond to any questions. As a reminder, HealthSouth attorneys represent HealthSouth exclusively and not employees in their individual or personal capacities. If you wish to seek personal legal advice, you should contact your attorney.

When agents from OSHA, EPA or FDA present to the HealthSouth location for an investigation, confirm their identity and contact risk management as soon as possible.

No employee may destroy or alter a HealthSouth document or record in anticipation of a government subpoena or other government request for documents or make any intentionally false or misleading statement to a government official or advise another HealthSouth employee to do so.

APPENDIX A: IMPORTANT CONTACT INFORMATION AND RESOURCES

Corporate Compliance Department (Healthcare Regulatory Issues)

Christopher Terrell,
Interim Chief Compliance Officer
Phone: 205 970-5853
Fax: 205 970-4854
Chris.Terrell@healthsouth.com

Corporate Internal Audit and Controls Department

(Financial Reporting/Tax/
Internal Control Issues)
Dean Taggart, Inspector General
Phone: 205 970-3425
IAC Hotline: 800 755-8215
internalaudit@healthsouth.com

Corporate Legal Services Department

John Whittington, General Counsel
Phone: 205 970-7712
John.Whittington@healthsouth.com

Corporate Financial Officer (CFO)

Doug Coltharp
Phone: 205 970-7900
Doug.Coltharp@healthsouth.com

SVP – Chief Accounting Officer

Andy Price
Phone: 205 970-4889
Andy.Price@healthsouth.com

Operations Controller

Fred Wright
Phone: 205 970-7806
Fredh.Wright@healthsouth.com

Corporate Risk Management

Lynne Lee
Phone: 205 970-3404
Lynne.Lee@healthsouth.com

Corporate Records Management

Tina Meyers
Phone: 205 970-5896
Tina.Meyers@healthsouth.com

Corporate Privacy Officer

Sylvia Renda
Phone: 205 970-5815
Sylvia.Renda@healthsouth.com

Corporate ITG Support Center

Phone: 800 646-9404
Support.healthsouth.com

Corporate ITG Security Officer

Rob Ferrill
Phone: 205 970-4068
Rob.Ferrill@healthsouth.com

Corporate Investor Relations Department

Mary Ann Arico
Phone: 205 969-6175
MaryAnn.Arico@healthsouth.com

Corporate Human

Resources Department
Phone: 800 765-4772
humanresources@healthsouth.com

Government Affairs Department

Justin Hunter
Phone: 202 756-3466
Justin.Hunter@healthsouth.com

Corporate Quality Standards Department – Patient Complaints

Phone: 800 765-4772, Ext. 2636

Corporate Clinical Research Coordinator

Mary Ellen DeBardeleben
Phone: 205 970-3420
Mary.Debardeleben@healthsouth.com

Corporate Compliance Hotline

Phone: 888 800-2577

Corporate Communications Department

Casey Lassiter
Phone: 205 969-6176
Casey.Lassiter@healthsouth.com

Conflict of Interest Committee

Christi Daniel-Lunsford
Phone: 205 970-4047
Christi.Lunsford@healthsouth.com

OTHER SOURCES:

Company policies

Includes corporate level policies on a range of subjects. Includes the ability to search by key word or phrase. The link to the policy portal is available on the company's Intranet home page located at <http://policies2.healthsouth.com/Pages/default.aspx>.

Compliance home page

The company maintains a compliance website as a resource for compliance information and contacts. The compliance website (<https://360.healthsouth.com/corporate/compliance>) contains helpful information, questions, answers and other resources about the policies and procedures summarized in this booklet.

Note: Please visit the Compliance Home Page for updated contact information and resources.

APPENDIX B - FALSE CLAIMS ACTS

Federal False Claims Act. The federal False Claims Act prohibits the act of knowingly submitting a false or fraudulent claim for payment to the federal government. It also prohibits the use of false statements or records for the purpose of obtaining an improper payment or concealing the receipt of such a payment. The act applies to all claims for payment of an item or service furnished to a beneficiary of Medicare, Medicaid or other federally-financed healthcare program. It also applies to certain claims-related filings and reports such as Medicare and Medicaid cost reports.

The term "knowingly" includes actual knowledge that a claim or statement is false, deliberate ignorance of the truth or falsity of a claim or statement (willful blindness), or reckless disregard for the truth or falsity of a claim or statement. This does not include honest mistakes or errors, but it may include failure to implement adequate measures to ensure the accuracy of claims or statements or failure to undertake prompt remedial steps to correct improper claims or statements once they are discovered.

Penalties for violation of the act can include:

- Civil penalties of up to three times the value of any improper payments received as the result of a false claim or statement
- Additional civil penalties of \$5,500 to \$11,000 per false claim.

As further encouragement to report false claims, the act also authorizes private "whistleblowers" to file a suit against another private party for alleged false claims. In addition, the 2010 Healthcare Reform Laws amended the federal False Claims Act to expand the definition of a false claim, to make it easier for the government to initiate and conduct investigations, to enhance the monetary reward to whistleblowers where prosecutions are ultimately successful, and to extend the statute of limitations on claims by the government. The federal government has the option to join a whistleblower suit or to let the original private party pursue the matter on his or her own. If suit ultimately results in a monetary judgment or settlement, the whistleblower that initially brought the suit may be awarded a percentage of the funds recovered. A whistleblower's share may be reduced or eliminated if he or she is found to have planned and initiated the false claims violation.

The act prohibits retaliation against an employee who files a whistleblower suit. An employee may not be discharged, demoted, suspended, threatened, harassed or otherwise discriminated against in his or her employment as a result of the employee's lawful acts in furtherance of a false claims action. The whistleblower may be entitled to reinstatement with the same seniority status, two times the amount of back pay, interest on the back pay, and compensation for any special damages as a result of the discrimination such as litigation costs and reasonable attorney's fees.

State False Claims Acts. A number of states have adopted laws similar to the federal False Claims Act covering claims and statements relating to state government payments. These generally include items and services furnished to state Medicaid beneficiaries or beneficiaries of other state-sponsored healthcare programs.

Penalties for violation of state false claims acts vary, but are generally designed to be large enough to pose a significant deterrent to fraudulent behavior. Many state acts also include whistleblower provision and protections.

A summary of the state false claims laws is included in policy CMP 410 Compliance with federal and state False Claims Acts.

In addition to the standards for accurate billing and reporting to government entities contained in the Standards of Business Conduct, HealthSouth has adopted a number of policies and internal controls to prevent the filing of false claims or statements. All employees and contractors should be familiar with the policies and controls applicable to their job responsibilities including, but not limited to, the following compliance policies which have general applicability to all HealthSouth functions:

- *CMP 404 - Unapplied Cash, Credit Balances and Overpayments*
- *CMP 405 - Medicare Bad Debt and Small Balance Write-offs*
- *CMP 401 - Communication with Physicians and other Practitioners on Coding and Billing Matters*
- *CMP 300 - Transactions and Other Arrangements with Referral Sources*

HealthSouth encourages all employees and contractors to be alert to the potential for false claims or statements and to report questions or concerns through the mechanisms described in the Standards of Business Conduct. Issues that are not able to be addressed adequately at the hospital level should be reported to the compliance department or the legal services department. Confidential reports may also be made to the Compliance Hotline at 888 800-2577.

Managers and supervisors are expected to act promptly to investigate and resolve reports of possible false claims or statements and may not retaliate against an employee who, in good faith, reports a suspicion of improper conduct to HealthSouth management or to the Compliance Hotline. All supervisors and managers must be familiar with and abide by the requirements of policy *CMP 100 Non-Retaliation and Internal Reporting of Suspected Violations of Compliance Policies or Legal/Regulatory Obligation*.

Approved by the compliance/quality of care
committee of the board of directors, July 20, 2011

3660 Grandview Parkway, Suite 200
Birmingham, AL 35243
800 765-4772 • 205 967-7116

