



## Regulatory Compliance Program Overview

### Program Goals

The HealthSouth Regulatory Compliance Program is intended to promote adherence to appropriate standards of business conduct in all aspects of company operations and to ensure conformance to applicable federal, state, and local statutory and regulatory obligations by the Company and its employees through:

- the development of effective regulatory compliance policies and financial and management controls for all Company operations;
- the dissemination of compliance policies to employees and development of appropriate training mechanisms to ensure that such policies are clearly understood and capable of being carried out effectively;
- the creation of channels for employees and contractors to ask questions or report suspected violations of Company policies, regulatory obligations, or public financial reporting obligations without fear of retaliation and the prompt investigation of all credible reports of such violations;
- routine audit of Company functions and assessment of the effectiveness of internal controls to determine compliance with applicable regulatory obligations and the integrity of public financial reports; and
- accountability for violation of Company policies or regulatory obligations (including those in supervisory positions who condone or unreasonably fail to prevent improper conduct).

### Organization and Oversight

HealthSouth has established a Regulatory Compliance Program tailored to the Company's inpatient rehabilitation hospitals, long-term acute care hospitals, outpatient rehabilitation satellites, and home health agencies.

A Chief Compliance Officer directs the Compliance Program and the Compliance Office. The Chief Compliance Officer reports directly to the CEO of HealthSouth and to the Compliance Committee of the Company's Board of Directors.

The Compliance Office staff has responsibility for oversight of the Company's regulatory compliance performance, including risk assessment, compliance policy development, education, investigations of alleged regulatory or policy violations and audit.

The Compliance and Internal Controls Committee oversees the operations of the HealthSouth Regulatory Compliance Program. All key senior executives of the Company are members of the

Compliance Committee. The Compliance and Internal Controls Committee meets on a monthly basis and is chaired by the Chief Compliance Officer.

The HealthSouth Board of Directors oversees the organization and performance of the regulatory Compliance Program through a permanent Compliance Committee. The Committee is comprised of three independent Directors and meets at least quarterly to consider reports from the Chief Compliance Officer or other independent sources and to take such actions as it deems necessary to promote the overall effectiveness of the program.

### Standards of Business Conduct

The Company's Standards of Business Conduct (the "Code") were revised in July 2008 and describes the Company's commitment to operate in accordance with accepted standards of business integrity, Company policies, and applicable laws and regulations. The Compliance Office reviews the Code annually and makes revisions as necessary. HealthSouth employees must acknowledge that they have reviewed the Standards and will carry out their responsibilities in accordance with laws and Company policies. The Standards are available in English and Spanish and are accessible through the HealthSouth intranet.

### Corporate Integrity Agreement

In December 2004, HealthSouth entered into a settlement with the federal government to resolve claims affecting its inpatient and outpatient rehabilitation programs. As part of the settlement, HealthSouth entered into a Corporate Integrity Agreement (CIA) with the Office of Inspector General (OIG) of the Department of Health and Human Services. This agreement addresses a variety of compliance obligations, including the development of policies and procedures for key business areas, general and specialized compliance training, and annual auditing by an Independent Review Organization (IRO).

The obligations of the CIA have been incorporated into the Company's Regulatory Compliance Program.

### Compliance Training

The Company conducts mandatory compliance training for its employees. Programs include, but are not limited to, general compliance orientation programs and annual compliance "refresher" training updates. Training programs must be completed within designated timeframes. The Company also provides mandatory compliance training for its Medical Directors.

### HealthSouth Compliance Hotline

HealthSouth has established a toll-free compliance Hotline (1-888-800-2577). In addition, cases may be submitted online by visiting [www.SilentWhistle.com](http://www.SilentWhistle.com) from a computer outside of work and searching for the company name HealthSouth. Company employees are encouraged to report suspected violations of law or Company policies (including matters affecting the reliability of accounting practices and publicly reported financial results) through the Hotline. Caller anonymity is available upon request. Company policies prohibit retaliation against anyone who in good faith reports a legal or compliance concern. The Hotline is staffed twenty-four (24) hours a day, seven

(7) days a week, through a contract with an independent hotline response firm. Hotline calls are reviewed by the staff of the Compliance Office and followed through with the assistance of operations management or corporate departments (e.g., Legal Services, Human Resources, or Finance). All matters relating to the integrity of accounting practices or of public financial reports are referred to the Company's Internal Audit Department for investigation and resolution.

The availability of the Hotline is advertised to the HealthSouth community through the Standards of Business Conduct, the HealthSouth Messenger employee newsletter, office posters, and the intranet. Hotline activity is reviewed regularly by the Compliance and Internal Controls Committee.

### Risk Assessment

The Compliance Office conducts an annual regulatory risk assessment to identify compliance risk areas requiring the establishment or enhancement of internal controls, policy revisions, and/or improvements in compliance training.

Although the OIG has not released a model compliance plan specific to all of the health care settings in which HealthSouth operates, some of the OIG's previously released model compliance plans or proposed guidance contain descriptions of potential risk areas that are relevant to the Company's current lines of business. The Company looks to these sources as well as OIG Fraud Alerts, OIG WorkPlan, and other publications as guideposts to new compliance initiatives. The results of investigations, internal and external audits, and independent experts are also utilized to identify actual or potential risk areas.

### Investigations and Monitoring

Employees are encouraged to bring compliance concerns and issues to the attention of the Compliance Office. Depending on the nature of the issue, an investigation may be conducted with the assistance of the Legal Services Department or outside counsel. Concerns addressing routine workplace matters may be referred to the Human Resources Department.

If an investigation confirms the existence of a compliance issue, the Compliance Office works closely with corporate and field-based managers to resolve the issue, take necessary corrective actions, and ensure appropriate disciplinary action. Overpayments are returned to patients or third party payors and significant issues affecting federal health care programs are disclosed to the OIG under the terms of the Company's CIA.

### Audits

Compliance-related audits may be conducted as part of an investigation or as a proactive means of monitoring regulatory compliance in areas of actual or potential risk. The Compliance Office is authorized to conduct independent audits, review audit results of other departments within the Company, and contract for the use of external audit resources, as warranted.

A specialized regulatory compliance audit group is within the Compliance Office. An annual audit plan is developed by utilizing previous internal and external audit results, the OIG WorkPlan as well as any audit requirements stipulated by the CIA. The plan is approved by the Compliance and Internal Controls Committee and the Compliance Committee of the Board of Directors. Audits

assess baseline regulatory compliance performance as well as test specific known or suspected compliance risk areas. Audit findings and recommendations are reported to operational managers, the Compliance and Internal Controls Committee and the Compliance Committee of the Board of Directors. As necessary, follow up audits may be conducted to verify completion of required corrective actions.

### Screening for Excluded Parties

The Company screens current and new employees, independent contractors, and vendors against the OIG's List of Excluded Individuals/ Entities and the General Service Administration's List of Parties Excluded from Federal Programs. HealthSouth will not engage a person or company that is excluded from participating in federally funded health care programs or government procurement programs.

### Discipline

HealthSouth employees are expected to conduct Company activities in conformance with applicable corporate policies and regulatory obligations. Employees who fail to meet this standard (including managers and supervisors who condone or fail to prevent improper conduct) are subject to disciplinary action, up to and including termination of employment. The Human Resources Department is responsible for ensuring that disciplinary processes and sanctions are enforced on a fair and consistent basis. Employees are evaluated on business integrity in annual performance reviews.

**To obtain additional information regarding the HealthSouth Regulatory Compliance Program, contact:**

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