



Code of Business Conduct and Compliance Policy Program

our values in action



**Arkansas
BlueCross BlueShield**
An Independent Licensee of the Blue Cross and Blue Shield Association

good for
you
starts
with **me.**



From the President & CEO –

Arkansas Blue Cross and Blue Shield, its subsidiaries and USable family of companies are committed to conducting business with integrity and in accordance with all federal, state and local laws. We are proud of our honest reputation, due largely to the ethical business conduct of employees like you. To continue our tradition of credibility, we have a code of conduct that sets our standards and rules for ethical business practices for all employees, the members of our board of directors and all of our business partners. In addition to establishing these standards, we have a compliance program to enforce the Code and promote a culture of compliance.

This brochure provides general guidelines to help you understand how the company wishes to conduct business and, accordingly, governs the conduct of all Arkansas Blue Cross employees, its subsidiaries and the USable family of companies. We want to ensure that employees understand the program and that all violations or suspected violations are reported and fully investigated and that the appropriate actions are taken. Each of us, as employees of Arkansas Blue Cross or one of its affiliated organizations, has an individual responsibility to be fully knowledgeable of the enterprise compliance program and to initiate action any time we observe, or have good reason to suspect, that any provisions of this Code of Business Conduct are being broken. While this policy may be a valuable guide, it does not provide easy answers to all issues. You should be familiar with the policy and seek clarification or advice as needed from your manager, Human Resource Administration (HRA), or your respective compliance officer.

Your knowledge of and dedication to these standards will allow us to serve our customers in a professional, caring manner. Thank you for helping us maintain our fine tradition of integrity.

P. Mark White

P. Mark White
President and Chief Executive Officer

good for
you
starts
with **me.**



Table of Contents

	Page
CODE OF CONDUCT	
STATEMENT OF PRINCIPLES	1
STANDARD 1: At a Minimum, Ethical Professionalism Requires Legal Compliance	2
STANDARD 2: Report Data Truthfully and Accurately	2
STANDARD 3: Follow Company Record Retention Policies	3
STANDARD 4: Protect Confidential Information	3
STANDARD 5: Avoid Conflicts of Interest	4
STANDARD 6: Don't Offer or Accept a Bribe or Kickback	5
STANDARD 7: Always Remember That the Government is a Unique Customer	6
STANDARD 8: Compete Ethically and Fairly	9
STANDARD 9: Treat Government Investigations as Serious Matters	9
STANDARD 10: Safeguard Company Assets	10
STANDARD 11: Don't Engage in Improper Political Activities	11



STANDARD 12: Recognize That the Company's Greatest and Most Valuable Asset is its Workforce	11
--	-----------

REPORTING VIOLATIONS OF THE CODE OF CONDUCT	12
--	-----------

COMPLIANCE PROGRAM

INTRODUCTION	13
---------------------	-----------

MONITORING RESPONSIBILITIES	14
------------------------------------	-----------

Corporate Compliance Officer	14
------------------------------	-----------

Dissemination of Information	14
------------------------------	-----------

Training Programs	15
-------------------	-----------

Reporting of Violations	15
-------------------------	-----------

Disciplinary Actions	16
----------------------	-----------



Arkansas Blue Cross and Blue Shield Code of Conduct

STATEMENT OF PRINCIPLES

Strive for Ethical Professionalism. We should each strive to maintain a professional environment that considers ethics and compliance an integral part of all of our business decisions.

Our success as businesspeople, and the success of Arkansas Blue Cross and Blue Shield (the Company), depends on our ability to build trusting relationships with our customers, suppliers, business partners, regulators, and each other. For this reason, we should always strive to conduct our business activities in an honest, open and fair manner. It is the responsibility of each of us to see that ethics and compliance concerns are not sacrificed in the pursuit and achievement of business or personal goals. Instead, ethics and compliance should be integrated into the day-to-day performance of our job functions.

We each have an obligation to perform our jobs in a manner that is consistent with this Code of Conduct. The success of the Company depends upon our individual and collective adherence to that goal, and the ability of each of us to integrate the principles embodied in this Code of Conduct into our everyday activities. Failure to do so will be a factor considered in each of our annual performance evaluations, and in promotional decisions as well.

Of course, the Code of Conduct is only meaningful if it creates a Company-wide expectation of ethical behavior. For this reason, it is very important that each of us understands our obligations in the event that we are faced with an ethical or compliance dilemma. Therefore, the Company's first step in creating an ethical professional environment is to give you the tools you need in order to make ethical decisions.

If you have a question about whether what you are about to do might violate the Code of Conduct, you should first bring your concerns to the attention of Company management and discuss the issue with your supervisor or manager. If you still have questions about the propriety of your actions after discussing them with your supervisor, contact the Company Compliance Officer and discuss your concerns with him or her. Keep in mind that while it is always best to try to resolve these concerns with your supervisor first, if for some reason you do not feel comfortable doing so, you can always contact the Company's Compliance Officer directly or through the Company Hotline, and you may do so anonymously if you wish. For more information on this subject, please refer to the section at the end of this document addressing how to report compliance concerns. Adherence to the Code of Conduct is a mandatory requirement for all Company employees. Any Company employee who violates the Code of Conduct will be subject to disciplinary action, which could range from a verbal reprimand for a minor violation up to and including termination for a more serious violation. If you are aware, or become aware, of a potential or actual violation of the Code of Conduct, you must report it to Company management or the Company Compliance Officer as soon as possible. A failure to report a violation of the Code of Conduct will also subject you to disciplinary action.



STANDARD 1

At a Minimum, Ethical Professionalism Requires Legal Compliance. For this reason, we must conduct Company business in accordance with all applicable laws, regulations, and contractual obligations at all times.

One of the purposes of the Company's Compliance Program is to educate each of us about our obligations under the law. The Company is subject to a wide variety of laws and regulations, some of which address, for example, licensure requirements, accuracy in records, confidentiality concerns, patient treatment issues, and reimbursement of providers and the Company by Medicare. Thus, in order to comply with this Standard, we must each be knowledgeable about the laws, regulations, and contractual obligations applicable to our lines of business, particularly those implicated by our individual duties. The Company will conduct regular training on compliance issues in general, with specific programs tailored to each of our individual lines of business.

We are each responsible for ensuring our own compliance with laws, regulations, and contractual obligations that are applicable to the Company. We are also responsible for asking questions when we are uncertain about the propriety or legality of particular conduct, and for reporting specific instances of non-compliance with applicable laws, regulations, contractual obligations or these Standards, of which we are or become aware.

STANDARD 2

Report Data Truthfully and Accurately. We must each take special care to ensure that information is recorded and reported accurately and honestly.

Each of us is responsible for ensuring that the information we record and report as part of our daily job duties is truthful and accurate. Truthful and accurate reporting includes the correct reporting of the time we have worked, our business expenses, our own production or performance data and the production and performance data of the Company, and any other business-related activities on which we must record and/or report data.

It is especially important that we each report and record information in connection with Company contracts accurately and truthfully. No Company employee may intentionally allocate costs to contracts in a manner that is contrary to the contract's provisions, or contrary to appropriate accounting practices. In addition, no Company employee may inaccurately identify labor costs in the Company's records, or submit or instruct another Company employee to submit time charges which do not accurately reflect actual time worked on a particular contract. If you have a question about how data related to a particular contract should be recorded, you should discuss it with your supervisor, the Company's Legal Department, and/or a Company Compliance Officer.

This Standard also specifically prohibits the falsification of any information in any Company record or document. If a co-worker or supervisor asks or instructs you to report data that is not accurate or truthful,



or to falsify data in any Company record or document, don't do it. Get in touch with the Company's Compliance Officer immediately, and explain the situation and your concerns to him or her.

Any Company employee who violates this Standard will be subject to the full range of disciplinary sanctions, up to and including termination for cause where appropriate.

STANDARD 3

Follow Company Record Retention Policies. We must each ensure that all business records are retained in accordance with the Company's record retention policies.

Company business records, including medical records, must be retained in accordance with laws, regulations, contractual obligations, and the Company's record and/or document retention policies. This includes paper records, electronic information such as computer files or electronic mail, or information stored on any other medium. No Company employee may tamper with Company business records, or remove or destroy Company business records in a manner that is contrary to the Company's record retention policies. If you have a question concerning the Company's policies regarding the retention of a particular type of record or document, you should ask your supervisor for guidance.

STANDARD 4

Protect Confidential Information. We must each protect the integrity of confidential information at all times.

You should not disclose confidential information to persons outside the Company unless they have a legitimate need for the information and they have been properly authorized by Company management to receive it. In order to protect confidential information, you should take reasonable steps to ensure that it cannot be intentionally or inadvertently discovered by persons outside the Company. This requires you to take reasonable steps to safeguard confidential information, such as keeping confidential data in a secured location in your office or work area, and not discussing confidential information with co-workers in public areas such as elevators and taxicabs.

Confidential information includes information related to the Company's business strategies and operations that have not been publicly released. It consists of information such as pricing and financial data, marketing strategies, proprietary computer software, inventions, information about planned mergers or acquisitions, information about our fellow employees, and information about our subcontractors and vendors. It also includes medical records and other types of patient data, the confidentiality of which is generally protected under state law.

The Company has a Privacy and Security Policy, a Privacy Office and security-related policies adopted to comply with HIPAA regulations. Employees dealing with any information subject to these policies should be familiar with them and abide by them at all times.



STANDARD 5

Avoid Conflicts of Interest. We must each ensure that we do not engage in activities that conflict with, or are otherwise incompatible with, our responsibilities as Company employees.

A conflict of interest can be defined as a situation where your personal interests or activities could influence your judgment or your decisions, and therefore your ability to act in the best interests of the Company. A conflict of interest includes activities that may only appear to influence your judgment or decisions. Because even the appearance of a potential conflict of interest can cause our business partners and customers to question our motives, we must ensure that our personal interests do not create such a situation.

A conflict of interest between our personal interests and professional responsibilities is often characterized by situations where we, or members of our family, stand to receive a personal benefit, whether financial or otherwise, as a result of our actions in connection with the Company. For example, if you or your spouse have a financial interest in a company seeking to do business with the Company, your loyalty to the Company would be in direct conflict with your personal financial interests. The same conflict would be present if you or your spouse have a financial interest in a Company competitor. In addition, in order to avoid the conflicts prohibited by this Standard, Company employees must disclose any financial interests that they or immediate members of their family have in either Company competitors or in companies doing business (or seeking to do business) with the Company.

Another example of a conflict of interest would be where a company seeking to do business with the Company offers you a gift or loan. As is discussed in more detail under Standard 6 below, the acceptance of a gift or loan from a potential business partner could compromise your ability to act in the best interests of the Company, and must therefore be declined. This prohibition does not apply to routine business courtesies, which are discussed in more detail under Standard 6 below.

We must also take care to ensure that any secondary employment we engage in does not create an actual or potential conflict of interest. For this reason, Company employees may not serve as consultants to, or as directors, officers or part-time employees of, Company competitors, nor may Company employees serve in such capacities for any subcontractors, vendors, or others seeking to do business with the Company unless such relationships have been fully disclosed in writing to the Company and its Compliance Officer, and a determination has been made after appropriate review that any actual or potential conflict has been resolved or mitigated so as to avoid compromising the loyalty of the employee or the integrity, security, reputation and best interests of the Company.

Compliance with this Standard requires full disclosure on the part of all Company employees. Accordingly, you must disclose all actual or potential conflicts of interest to the Company so that the Company can determine whether a conflict exists and if so, what actions should be taken to eliminate or avoid the conflict. At least once per year the Company will distribute a conflict of interest questionnaire to all Company Directors, officers, managers, and certain other employees. Persons to whom the conflict of interest questionnaire is distributed must answer all questions fully and accurately, and must certify as to the accuracy of the information given.



Responses to the conflict of interest questionnaire will be reviewed by the Senior Counsel, Litigation, who will collect any additional information needed, determine whether actual or potential conflicts exist, and whether a resolution or mitigation plan is required to address such actual or potential conflicts. The Senior Counsel, Litigation will then classify questionnaire responses into appropriate categories and will submit the completed conflict of interest questionnaires to the Board's Code of Business Conduct and Compliance Committee with recommendations of any specific mitigation plans needed to address identified conflicts or potential conflicts. The Senior Counsel, Litigation will also work with outside auditors to follow up with affected employees and supervisors during the year to check on mitigation plan compliance. The outside auditor's report of such follow-up review will be submitted annually to the Board's Code of Business Conduct and Compliance Committee.

STANDARD 6

Don't Offer or Accept a Bribe or Kickback. Do not accept favors from potential business partners in exchange for your business decisions, and do not offer favors to potential customers in return for business.

Company employees are strictly prohibited from offering, giving, soliciting and/or accepting gratuities, bribes, and kickbacks. Offering or accepting a gift or gratuity in exchange for favorable treatment or to secure business is illegal, and can subject you as an individual and the Company as an organization to criminal prosecution. You must never offer, give, solicit or accept items such as cash, loans, gift certificates, travel, invitations to attend or participate in activities such as sporting events or hunting trips, or other things of value in order to secure business or in return for giving business. This prohibition applies across the board to all of our business relationships, whether those relationships are with the government or with private sector entities.

You must be especially vigilant in your business dealings with actual or potential business partners to ensure that what you may construe as a routine business courtesy is not in fact a bribe or a kickback. A routine business courtesy will generally be of fairly low value, and will be reasonably related to a legitimate business objective, such as food served at a breakfast meeting to non-government customers, or a coffee mug with the Company logo given to a non-government customer. A routine business courtesy does not include a lavish dinner for a large group of people, a weekend trip, travel expenses for business meetings, and other expenditures designed to induce a customer to enter a contractual relationship with the Company. To the extent that you feel that social activities are helpful in maintaining good customer relations, you must coordinate closely with your management and with the Company's legal department to ensure that such activities do not run afoul of this Standard or federal, state and local law.

Because employees of the government are subject to strict rules concerning gifts, meals and other business courtesies, we must all take special precautions to ensure that no Company employee offers or provides any gifts, entertainment, meals (aside from minor refreshments), or anything else of value to a government employee without prior approval of the Company legal department.

We must also ensure that the business relationships we as a Company enter into do not run afoul of this Standard or the laws against kickbacks and bribes. For example, if we as a Company enter into an agreement with a vendor to take stock in the vendor in exchange for awarding that vendor a subcontract on a government contract, the stock agreement would likely be construed to be an illegal kickback.



Likewise, we must be especially vigilant in the area of consulting agreements. In the provider context, consulting agreements between entities such as hospitals, medical supply companies, and laboratories on the one hand, and physicians on the other hand, have been found to have been entered for the purpose of inducing referrals, and to therefore violate the Medicare and Medicaid Anti-Kickback Act. Thus, any proposed arrangement or agreement tying compensation to the anticipated volume of business must be referred to the Company's Legal Department for their review.

Violation of this Standard will subject the Company employee to the full range of disciplinary sanctions, up to and including termination for cause where appropriate.

STANDARD 7

Always Remember That The Government Is a Unique Customer. We will conduct our government business with the highest degree of integrity and honesty.

An important part of our business is the work that we do on behalf of the federal government, such as our work for the Medicare program (going forward under the Medicare Modernization Act) and the Federal Employee Program, along with our contracts with state and local governmental entities. When we act as a government contractor, we have a special obligation to the government (along with the public at large) to ensure that we perform that work with the highest degree of integrity. Accordingly, we must all be committed to compliance with not only the letter but also the spirit of the laws and regulations that apply to our government contracting business.

Beginning in 2006, under the Medicare Modernization Act, the Company began participating as a Plan Sponsor in the Medicare Prescription Drug Program and has a fee for service Medicare Advantage insurance product for our senior market which includes prescription drug benefits. Our participation in these programs is subject to adherence to strict guidelines under the division of Health and Human Services and CMS. Employees, associates and agents involved in the sale and administration of these products receive special training to ensure compliance with and understanding of the program's requirements.

Although all of the Standards discussed in this Code of Conduct are, of course, applicable whether the customer is the government or a private entity, the unique nature of doing business with the government implicates particular statutes and regulations that do not normally apply to commercial transactions. For example, under Title 18 of the United States Code, it is a crime to knowingly make a false claim for payment to the government, or to knowingly make a false statement to the government. If you falsify data that is submitted to the government, even if you are not doing so in an attempt to obtain payment for the Company, you have committed a crime. Both you and the Company could be subject to criminal prosecution for your violation, and could be subject to large penalties and fines. In addition, both you as an individual and the Company as an organization could be prohibited, through suspension and debarment or exclusion, from working on government projects in the future.

If you engage in any conduct that results in a violation of this Standard, you will be subject to the full range of disciplinary sanctions, up to and including termination for cause where appropriate. In addition, the Company may have an obligation to refer your actions to the appropriate prosecutorial authorities, which could lead to criminal prosecution of both you and the Company.



Set forth below are some examples of the types of situations where we must be especially vigilant in ensuring that we do not engage in conduct that could violate this Standard or the special rules applicable to government contracts.

A. *Cost Records, Price Estimates and Time Charging.* We are required to maintain and provide the government with access to accounting and other records to enable the government to substantiate its payments to us for work performed on existing contracts, and to help it verify our cost and pricing estimates on future contracts. We must therefore ensure that accurate and truthful records are maintained, and that records are preserved for the period of time required by applicable laws and contract provisions. We must charge all costs and labor accurately, to the appropriate account, regardless of the status of the budget for that account. If you engage in improprieties such as the charging of labor or material costs to the wrong contract, charging contract effort to an overhead or indirect account, falsification of time cards and improper destruction or alteration of records, you will violate this and other Standards set forth in the Code of Conduct, and will be subject to the full range of disciplinary sanctions, up to and including dismissal where appropriate.

B. *Cost or Pricing Data.* We may be required to submit cost or pricing data to the government or to prime contractors, and to certify that the data are current, accurate, and complete. This is an affirmative disclosure obligation. Moreover, the definition of the “data” that must be disclosed is very broad, and includes not only hard facts but also management decisions and estimates (based on verifiable data) which a reasonable person would expect to have a significant effect on price negotiations.

We must follow a policy of full disclosure in negotiations for government contracts or subcontracts. If your actions result in the submission of cost or pricing data that is not current, accurate, and complete as of the date of agreement on price, you will violate this and other Standards set forth in the Code of Conduct, and will be subject to the full range of disciplinary sanctions, up to and including termination for cause where appropriate.

C. *Unallowable Costs.* We may submit proposals for reimbursement of indirect costs to the government, either under cost reimbursement contracts or as part of overhead rates. You (or one of your co-workers) may be required to certify your belief that a proposal or cost submission does not contain any “unallowable” costs, and in particular, does not contain unallowable costs for advertising, public relations, donations, entertainment, fines and penalties, lobbying, defense of fraud proceedings, and goodwill. We must take special care to ensure that these proposals seek reimbursement for only those indirect costs that are clearly allowable, or as to which we have a good faith argument that the costs are allowable. If your actions result in the inclusion of clearly unallowable costs in cost proposals, you will violate this and other Standards set forth in the Code of Conduct, and you will be subject to the full range of disciplinary sanctions, up to and including termination for cause where appropriate.

D. *Quality Control, Testing and Compliance With Specifications.* We are often required to certify compliance with applicable quality control specifications and testing requirements for our products and services. We must make every effort to ensure that we deliver goods and services that not only meet all applicable contract requirements but also give the customer the highest degree of confidence in our products. If you engage in improprieties such as the delivery of nonconforming goods, components or services, the failure to conduct required inspection or testing, or the manipulation of test procedures, test data or contract performance data, you will violate this and other Standards set forth in the Code of Conduct, and will be



subject to the full range of disciplinary sanctions, up to and including termination for cause where appropriate.

E. *Certification and Representations.* As the three examples above illustrate, contracts and subcontracts on government projects often require the Company to submit various certifications. These contracts also usually contain clauses wherein the Company is required to make affirmative representations about a variety of matters in addition to those described above, such as compliance with socioeconomic programs, contract specifications, environmental laws and various procurement regulations.

These certifications and representations are serious matters. The Company relies upon the truthfulness and accuracy of the information it receives from its employees when it submits these certifications. If your actions result in the knowing submission of a false certification or representation in connection with a government contract, both you and the Company could be criminally prosecuted for making false statements to the government. For this reason, we must all exercise extreme diligence to ensure that these certifications and representations are truthful and accurate before they are submitted to the government.

Finally, although some of the subjects set forth below are discussed more fully in other Standards, we must all take special care to ensure that the Company is in full compliance with the following standards of conduct in contracting with the government:

F. *Gratuities.* We should ensure that government employees are not offered or given, either directly or indirectly, entertainment, gratuities or other items, including transportation or meals at business meetings, that such employees are prohibited from receiving by applicable agency regulations. Accordingly, Company employees should obtain clearance from the Company's legal department before offering or giving any such item or service to a government employee.

G. *Kickbacks.* We must never request or accept fees, commissions, compensation, gifts or gratuities from our subcontractors or suppliers, directly or indirectly, as a reward or inducement for business with the Company. We must also never pay or offer to pay kickbacks to any person. Moreover, we must never offer or give anything of value to customer personnel, under circumstances that could create even an appearance that we are seeking to induce preferential treatment or pay a reward for placing business with the Company.

H. *Classified Information and Confidential Data.* National security classified, procurement sensitive (e.g., budgets and evaluation criteria), and proprietary information shall not be accepted from any source, either directly or indirectly, in circumstances where there is reason to suspect that the release is unauthorized. In addition, we must ensure that all information we obtain about our competitors is done in compliance with the law and the Standards set forth in the Code of Conduct. We must not solicit or obtain confidential information about a competitor in a manner that would be illegal or would require a person to violate a contractual agreement, such as a confidentiality agreement with a prior employer.

I. *Former Government Employees.* Special restrictions apply to recruiting former government personnel and the activities of former government employees retained by the Company as employees or consultants. Clearance must be obtained from the Company's Legal Department before even mentioning possible employment to a current government employee, and before retaining any former government employee.



STANDARD 8

Compete Ethically and Fairly. We must take special care to avoid engaging in anti-competitive activities or unfair trade practices.

A sincere commitment to ethical professionalism requires us to conduct our business in a manner that helps maintain a free and competitive market for our goods and services. Activities that would artificially restrain a competitive market are contrary to that philosophy and to federal laws against anti-competitive activities. Accordingly, we must ensure that we avoid engaging in activity that could be considered to violate those laws.

Activities that could run afoul of that goal include discussing pricing or supplier relationships with a competitor, agreements to allocate the market for our goods and services among ourselves and our competitors, and agreements among competitors to refuse to deal with particular suppliers or vendors. We must be especially vigilant when attending gatherings such as trade association meetings that we do not get drawn into discussions of inappropriate topics, such as discussions concerning pricing, labor costs, marketing plans, and the like. If you find yourself in such a situation, immediately end the conversation, and if appropriate, ask that your refusal to participate be documented in the meeting minutes. You should also immediately report any such incident to the Company's legal department.

In addition, we must ensure that all information we obtain about our competitors is done in compliance with the law and the Standards set forth in the Code of Conduct. We must not solicit or obtain confidential information about a competitor in a manner that would be illegal or would require a person to violate a contractual agreement, such as a confidentiality agreement with a prior employer.

Finally, we must also ensure that all information we provide to our customers and the community at large about our products and services is truthful and accurate, and does not contain misleading or deceptive information.

STANDARD 9

Treat Government Investigations As Serious Matters. We will cooperate with all government investigations and reasonable requests for information.

From time to time, the Company may be asked to cooperate with a government investigation, or to respond to a request for information from the government about how we conduct our business. The request may come through official channels from the government to Company management, or you could be contacted individually by a member of an enforcement agency, such as the Federal Bureau of Investigation, the Office of Inspector General, or the Department of Justice.

When the Company receives official requests for information or cooperation, it will notify you of your responsibilities and duties in connection with providing such information and cooperation. If you are contacted individually by government investigators and are asked to meet with them individually to discuss activities in connection with your employment by the Company, the Company requests that you immediately



notify the Legal Department or Medicare Legal Officer, if related to Public Programs (Medicare), and inform them that you have been contacted. Of course, the decision of whether to cooperate with their inquiry is up to you alone, and you will not be rewarded, disciplined, punished, or otherwise retaliated against whether you decide to cooperate or not to do so. However, if you decide to speak with government investigators, be sure that you are accurate and truthful in all your answers to their questions, because if you are not, both you and the Company could be subject to criminal prosecution.

Although Company employees are free to cooperate individually with government investigators, you may not provide Company documents or data in response to a government request for information without first obtaining authorization from the legal department.

STANDARD 10

Safeguard Company Assets. Company employees should not use Company assets for personal reasons unless they receive specific prior approval from their supervisor.

In general, Company assets should be used for business purposes only. For this reason, you may not use Company assets for personal financial gain unrelated to Company business. Company assets include your time, along with items such as office supplies, computer equipment, telephone equipment, copying machines, and computer software.

The Company's electronic mail system is the property of the Company and should be used for Company business purposes. Except for incidental personal use allowed under the limited circumstances and restrictions set forth in the Company's written electronic mail policy, the electronic mail system should not be used to send messages of a personal nature, and should not be used to conduct business other than Company business. Employees should review and follow the specific guidelines and requirements of the Company's written electronic mail policy, so as to conduct electronic mail communications in the same professional and respectful manner as all other internal or external plan communications among employees and with customers and the public.

The Company may monitor employees' use of the electronic mail system on an "as needed" basis in a manner consistent with applicable state and federal law as more specifically provided in our separate e-mail policy. Any such monitoring will only be conducted by Company authorized personnel in order to protect the company's legitimate business interests. By using the Company's electronic mail system, all employees consent to this monitoring at the discretion of the Company.



STANDARD 11

Don't Engage In Improper Political Activities. Because the Company's ability to participate in political activities is constrained by federal, state and local law, all organizational political activity must be cleared by the Company's Legal Department.

As an organization, the Company's political activities must be conducted in accordance with applicable law. Accordingly, Company employees should not use Company assets to engage in political activities without the prior review and approval of the Company's Legal Department.

Company employees are strictly prohibited from including political contributions on their expense accounts and must not allow Company assets to be used for a political cause, candidate or campaign. While you are free to participate in the political process on your own time and at your own expense, if you do so, you must make clear that you are speaking or acting on your own behalf. You must not conduct your activities in a way which give others the impression that you are speaking on behalf of the Company, or otherwise represent the Company.

If your position in the Company requires you to have personal contact with governmental entities and officials on the Company's behalf, be sure that you are aware of and understand all relevant regulatory provisions applicable to such contacts. If you have questions about your actions, get in touch with the legal department before you act.

STANDARD 12

Recognize That The Company's Greatest and Most Valuable Asset Is Its Workforce. The Company is committed to maintaining a safe and professional working environment for all of its employees, and to ensuring that all employees are treated with fairness, dignity and respect.

A. General Principles

In order to comply with this Standard, we must observe all government regulations and rules promoting protection of workplace health and safety, and must take reasonable precautions to protect ourselves and our co-workers from workplace hazards. We must also comply with all laws, regulations, and policies related to non-discrimination in all our personnel actions, which include recruiting, hiring, compensation, evaluations, transfers, promotions, corrective actions, discipline, terminations and staff reductions.

B. Harassment

Company employees should be able to work in an environment free of harassment and ridicule. Harassment can consist of offensive comments based upon the diverse characteristics or cultural backgrounds of our co-workers, degrading or humiliating jokes, and slurs or intimidation of any form. Sexual harassment includes unwelcome sexual advances or requests for sexual favors in connection with job decisions, or verbal or physical conduct of a sexual nature that interferes with an employee's work performance, or creates an intimidating, hostile, or offensive working environment.



At the extreme, harassment can also include workplace violence, such as threats of violence or violence directed against co-workers or the Company, or “stalking” behavior committed by or directed at Company employees. For this reason, Company employees are prohibited from bringing to the Company’s premises, or having in their possession on the Company’s premises, firearms, weapons, explosive devices or other dangerous materials.

Harassment of any form is strictly prohibited by the Company. If you are the victim of harassment, or you observe any form of harassment, you should immediately report the incident to your supervisor and the Compliance Officer. Employees who violate this Standard will be subject to the full range of disciplinary sanctions, up to and including termination where appropriate.

REPORTING VIOLATIONS OF THE CODE OF CONDUCT

If you believe that a violation of the Code of Conduct has been committed, you must report that information to the Company. You may do so in any of the following ways:

- 1)** Talk directly to your supervisor. This is the preferred method you should use to report a suspected violation of the Code of Conduct.
- 2)** Talk with someone else in your business unit management. If you continue to have concerns after discussing the issue with your supervisor, or you would feel more comfortable discussing it with another management person, raise the issue with another management-level person in your business unit.
- 3)** Discuss the issue with the Legal Department or a Compliance Officer. You may raise the issue with any other person or group within the Company assigned to handle compliance matters.
- 4)** Report your concerns anonymously to the Company’s Compliance Officers. If your concerns remain, or you would feel more comfortable doing so, you may always get in touch with the Compliance Department through the Company’s Hotline, anonymously.

If you report a violation through any of the methods identified above, you have met the requirements of the Code of Business Conduct and the Company’s Compliance Program, and you have no further obligation under the Code other than to cooperate in any investigation that may be triggered by your report.

Retaliation against any employee for reporting a violation of the Code of Conduct is forbidden.



Compliance Program

INTRODUCTION

The Company always has been, and continues to be, committed to conducting its business with integrity and in accordance with all federal, state, and local laws to which its business activities are subject. It is the long-standing policy of the Company to prevent the occurrence of unethical or unlawful behavior, to halt such behavior as soon as reasonably possible after its discovery, to discipline personnel who violate Company policies (including individuals responsible for the failure to detect a violation) and to implement any changes in policy and procedure necessary to prevent recurrences of a violation. The Company has instituted a Code of Business Conduct (the “Code”) and other related policies to reflect these commitments.

The purpose of this Compliance Program is threefold. First, it provides a mechanism to enforce the Code. Second, the Compliance Program complies with the United States sentencing guidelines for corporations. Third, and perhaps most importantly, the Compliance Program, coupled with the Code, sets an ethical tone for conducting business and creates a corporate culture that emphasizes compliance and thereby enhances the reputation of the Company.

Prudence and common sense dictate the enactment of a compliance program. A compliance program is simply a mechanism created by an entity to educate its personnel, sensitize them to ethical and criminal misconduct, monitor for compliance with such expectations, audit for and investigate wrongdoing, and sanction violators.

The hallmark of an effective compliance program is “due diligence.” Effective compliance programs promote due diligence in everything from the hiring of employees to the auditing of records. Such programs also serve as a mechanism to ensure that an entity diligently strives to prevent and detect misconduct and criminal activity.

The commitment of the Company to a combined Code of Business Conduct and Compliance Program is intended to encourage a level of ethical conduct and a corporate culture that exceed this due diligence standard.

The compliance program envisions education, training, investigation, detection and reporting. The compliance program also requires that subsidiaries of and agents acting for or on behalf of the entity also enact and/or comply with the Company’s compliance program.

The Company intends to utilize a variety of tools to implement the compliance program, including training and education, employee performance evaluations, a reporting system and internal audits. It is the Company’s intention to monitor this program to verify compliance with the Company’s published standards.

The Company encourages all personnel to internally report violations of the Code or the Compliance Program. The program details a variety of means to report such violations, protecting confidentiality where appropriate. No individual’s position or influence is considered to be more important than the goal of institutional integrity. Those who honestly report wrongdoing will be protected from retaliation.



MONITORING RESPONSIBILITIES

- **Corporate Compliance Officer**

The Board of Directors has appointed a Compliance Officer who may be removed only for cause. The Compliance Officer has ultimate responsibility for overseeing compliance with all applicable laws, the Code of Business Conduct, and all related Company policies and procedures. The Compliance Officer is responsible for coordinating the annual review and updating of the Code, the Compliance Program and related policies. The Compliance Officer is also responsible for reporting to the Board of Directors, the Compliance Committee of the Board and the Chief Executive Officer on the implementation and enforcement of the compliance program.

The designation of a Compliance Officer in no way diminishes or excuses the responsibility of all personnel to comply with all Company policies and procedures, nor does it diminish every supervisor's responsibility to ensure that those personnel for whom he or she has responsibility comply with the Code, the Compliance Program and related policies.

In addition to these responsibilities, the Corporate Compliance Officer is responsible for all duties which insure the overall effectiveness of the program. In executing these duties, the Compliance Officer must perform a wide variety of tasks to implement the Compliance Program.

The Arkansas Blue Cross Corporate Compliance Officer is Richard Cooper, and the Assistant Compliance Officer is Philip Sherrill. The Chief Medicare Compliance Officer is Charlene Kane.

- **Dissemination of Information**

A critical aspect of a compliance program is the effective communication of the Code, Compliance Program and related policies to all personnel. The Compliance Officer is responsible for establishing procedures to ensure that every employee is familiar with the Code of Business Conduct and Compliance Program and endeavors to abide by them. These procedures include the following:

1. Every new employee will be given a copy of the Code of Business Conduct Compliance Program and other policies relevant to his or her employment. After receiving this material, the employee must sign an acknowledgment stating that the employee has read and understands these policies and agrees to abide by them.
2. Every employee will be required annually to sign an acknowledgment stating that he or she has reviewed the Code and the Compliance Program, is in compliance with their requirements, and knows of no violations of them by other personnel.
3. The Compliance Officer is responsible for ensuring that these certifications are retained by the Company.
4. All company employees shall participate in the Compliance Program.



- **Training Programs**

The Compliance Officer, in coordination with counsel, is responsible for overseeing and coordinating all training of personnel to comply with the Code and the Compliance Program. Training procedures shall, at a minimum, consist of the following:

1. Every employee will receive, review and acknowledge his or her understanding of the Code of Business Conduct, the Compliance Program and relevant related policies upon commencing employment with the Company.
2. Each supervisor will be responsible for ensuring that employees under his or her supervision receive training in the Code of Business Conduct, the Compliance Program and relevant related policies on an annual basis. The Compliance Officer along with counsel may assist in the preparation and presentation of these training seminars.
3. The Compliance Officer is responsible for documenting attendance of employees at training sessions and retaining such records.
4. Educational materials specifically prepared to implement the Compliance Program will be reviewed at each training session.

- **Reporting of Violations**

The Company is committed to the policy that all employees have an obligation to report any violation of the Code or the Compliance Program to their supervisor or the Compliance Officer. All supervisors must report any potential violation to the Compliance Officer. The Compliance Officer shall notify the Senior Counsel, Litigation, of all such reports and suspected violations in writing immediately. Reporting employees will not be subject to any reprisal for a good faith report of a suspected violation of the Code or the Compliance Program. The Company also will establish and publicize a means for anonymous reporting of violations. Suspected violations may be reported on the Ethics Line at 1-877-507-7305.

The Company is committed to establishing an environment that encourages and allows employees to seek and receive prompt guidance before engaging in conduct that may violate the Code or any law, rule or regulation.

To achieve these objectives, the Compliance Officer is responsible for ensuring that the following practices and procedures are implemented and publicized in writing to all employees:

1. Employees may consult their supervisor, the Senior Counsel, Litigation, or the Compliance Officer about any questions regarding the Code or the Compliance Program.
2. Employees may report to their supervisors any violation of the Code or related policy. Supervisors who receive such reports from employees should immediately report the information to the Compliance Officer. Employees will not be subject to any reprisal for a good faith report of a suspected violation of the Code or the Compliance Program. Employees can, alternatively, report violations directly to the Compliance Officer.



3. The Compliance Officer is responsible for promptly reviewing all reports of suspected violations of the Code or applicable laws or regulations. The Compliance Officer, in consultation with counsel, will institute investigations on reported violations where further investigation is necessary.
4. The Compliance Officer will establish and publicize a system that permits anonymous reports of violations of the Code of Business Conduct or the Compliance Program to the Compliance Officer or his/her designee. This system should also be available to solicit and answer anonymous questions regarding the Code or the Compliance Program.

- **Disciplinary Actions**

Officers, managers and supervisors should promptly and properly document all reasons for disciplinary actions taken against an employee for violations of the Code or the Compliance Program (and applicable laws, regulations, policies and procedures). The Corporate Compliance Officer is responsible for ensuring that such documentation is included in the individual's personnel files.

In determining the appropriate disciplinary action to impose for a violation of the Code or Compliance Program (or applicable laws, regulations, policies and procedures) the Corporate Compliance Officer, in conjunction with counsel and other members of senior management, may wish to take into account the following factors:

1. The nature of the violation and the ramifications of the violation to the Company and its clients.
2. Whether the individual was directly or indirectly involved in the violation.
3. Whether the violation was willful or unintentional.
4. Whether the violation represented an isolated occurrence or a pattern of conduct.
5. Whether the individual in question reported the violation.
6. Whether the individual withheld relevant or material information concerning the violation.
7. The degree to which the individual cooperated with the investigation.
8. If the violation consisted of the failure to supervise another individual who violated the Code or Compliance Program (or related policies and procedures), the extent to which the circumstances reflect inadequate supervision or lack of due diligence.
9. If the violation consisted of retaliation against another individual for reporting a violation or cooperating with an investigation, the nature of such retaliation.
10. The disciplinary action previously imposed for similar violations.
11. The individual's past violations.
12. The level of disciplinary action may range from oral warning up to and including immediate termination. In some cases, suspension from work with or without pay may be required.

Code of Business Conduct Ethics Line

1-877-507-7305
(to report suspected violations)



**Arkansas
BlueCross BlueShield**
An Independent Licensee of the Blue Cross and Blue Shield Association



Health Advantage
An Independent Licensee of the Blue Cross and Blue Shield Association



**BlueAdvantage
Administrators of Arkansas**
An Independent Licensee of the Blue Cross and Blue Shield Association

