SETTLEMENT AGREEMENT AND MUTUAL RELEASE

THIS SETTLEMENT AGREEMENT AND MUTUAL RELEASE ("Settlement Agreement") is entered into this 16th day of October, 2015 ("Effective Date") by and between Universal Institute, Adam J. Steinberg and Lisa Lasso, respectively (hereinafter collectively referred to as "Universal"), represented by Robert S. Bonney, Jr., Esquire of Davison, Eastman & Munoz P.A., and STATE OF NEW JERSEY, OFFICE OF THE STATE COMPTROLLER, MEDICAID FRAUD DIVISION (MFD). Universal and MFD are hereinafter collectively referred to as the "Parties" and each individually as a "Party."

WHEREAS, MFD investigated Universal and based upon a review of the records asserted that between April 1, 2008 and December 31, 2012 ("Covered Conduct Period"), Universal submitted claims on behalf of Medicaid recipients to the Division of Medical Assistance and Health Services ("DMAHS") and/or its fiscal agent and/or Managed Care Organizations which were not authorized and rendered pursuant to Plans of Care (CP-11) ("CP-11s") in violation of the Provider Agreement between Universal and DMAHS dated February 13, 2006, Division of Disability Services – Policy Update #3, dated June 15, 2004, Division of Disability Services – Policy Update #4, dated June 15, 2004, N.J.A.C. 10:49-5.5(a)(17), N.J.A.C. 10:60-9.5, N.J.A.C. 13:39A-3.1(c)(7), N.J.A.C. 13:44G-12.1(b)(8), N.J.A.C. 13:44C-8.1(a)(2), N.J.A.C. 13:44K-10.1(b)(5), N.J.S.A. 30:4D-12(d), N.J.A.C. 10:66-1.6(a), 42 C.F.R. 441.301(b), N.J.A.C. 10:54-5.20, and the State of New Jersey's 2006 and 2011 TBI Waiver Applications; and

WHEREAS, MFD served Universal with a Notice of Claim dated February 19, 2015 and an Amended Notice of Claim dated June 10, 2015; and

WHEREAS, MFD sought to recover payments for Medicaid claims submitted by Universal for services claimed to be performed during the Covered Conduct Period that (a) were not supported by the required copies of CP-11s in Universal's files and/or (b) were above the

amounts authorized in the CP-11s, in violation of the provisions above (hereinafter referred to as the "Covered Conduct"); and

WHEREAS, Universal, having denied any civil wrongdoing, requested a pre-hearing conference on the Covered Conduct in advance of any proceeding before the State of New Jersey, Office of Administrative Law; and

WHEREAS, the parties held pre-hearing conferences on April 1, 2015, April 29, 2015, June 11, 2015, June 24, 2015, July 8, 2015 and July, 27, 2015; and

WHEREAS, the parties desire to amicably resolve all disputes between them giving rise to the Covered Conduct and have reached a mutually acceptable resolution of the controversies that exist between them;

NOW THEREFORE, in consideration of the mutual promises contained herein, as well as for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties agree to settle their dispute on the following terms:

(1) Universal agrees to pay to MFD the sum of Two Million Five Hundred Thousand Dollars ($2,500,000.00) as follows:

(a) An initial payment of One Hundred Twenty Five Thousand Dollars ($125,000) on or before October 16, 2015; and

(b) A second payment of One Hundred Twenty Five Thousand Dollars ($125,000) on or before November 16, 2015; and

(c) A third payment of One Million Dollars ($1,000,000) on or before December 16, 2015; and

(d) Thereafter, Universal agrees to pay to MFD seven (7) consecutive monthly payments of One Hundred Twenty Five Thousand Dollars ($125,000) on or before the 16th of each month starting January 16, 2016 through July 16, 2016.

(e) Thereafter, Universal agrees to pay its final payment of Three Hundred Seventy-Five Thousand Dollars ($375,000) on or before August 16, 2016. Nothing shall preclude Universal from paying MFD the entire remaining balance of the Two Million Five Hundred Thousand Dollars ($2,500,000.00) prior to August 16, 2016.

(2) Payment shall be by certified check, bank check, or attorney trust check made payable to "Treasurer, State of New Jersey," and shall be mailed or delivered as follows:

Attention: Processing Bureau
Treasurer, State of New Jersey
Division of Revenue
200 Woolverton Street, Building 20
Lockbox 656
Trenton, New Jersey 08646

Please include "Universal – OSC-MFD" in the memo line so that it is properly credited.

(3) If the payment arrangement as provided for in this Settlement Agreement is more than ten (10) days late, Universal will be in default of this Settlement Agreement and the outstanding and unpaid balance will immediately become due and collected through withholding of Medicaid reimbursements and/or through any other means available to MFD as provided by law.

(4) Universal agrees to adhere to the Corrective Action Plan ("CAP") which is attached hereto and hereby incorporated herein. The CAP must include the name of the Corporate Compliance Officer, who will be responsible for delivering the curative actions, as well as the results demonstrating implementation of the curative actions contained in the CAP to

the Manager of the Regulatory Unit of MFD upon the execution of this Settlement Agreement. The reporting requirement by the Corporate Compliance Officer to the Manager of the Regulatory Unit of MFD will be quarterly for the first year, semi-annually for the second year, and once for the third year. Failure to include all necessary information and/or to meet the reporting deadlines under the CAP shall constitute grounds for MFD to declare Universal in default of this Settlement Agreement which shall be communicated to Universal's counsel, James A. Robertson, Esq. at McElroy, Deutsch, Mulvaney & Carpenter, LLP, via facsimile or overnight courier or email at jrobertson@mdmc-law.com. Upon receipt of a Notice of Default, Universal shall have 15 days to cure the deficiency identified by the Notice of Default. Failure to cure a Notice of Default shall permit the MFD to take action against Universal, including, but not limited to a fine of $2,500 for the first offense, a $7,500 fine for the second offense and a $15,000 fine for the third offense.

(5) The parties agree that this Settlement Agreement is intended to be a final resolution of all issues arising out of all claims submitted by Universal to DMAHS and/or its fiscal agent and/or Managed Care Organizations during the Covered Conduct Period, and is intended by each party to release the other party and its representatives from liability arising out of such claims.

(6) Nothing in this Settlement Agreement waives the rights of any other State or federal agency, including, among others, the New Jersey Division of Criminal Justice, from continuing with a pending, if any, or beginning a future civil, administrative or criminal investigation or other action for alleged conduct concerning Universal or from taking any action for such conduct. Nothing in this Settlement Agreement waives the rights of MFD to conduct an

audit or investigation of prior or future years (outside of the Covered Conduct Period) for the improper submission of any claims or conduct not specifically covered by this Settlement Agreement, and to take any action it deems appropriate to address such conduct.

(7) Subject to the express terms of this Settlement Agreement as provided for in paragraphs **1-6** above, by the signatures set forth below, the authorization of which is hereby affirmed, Universal and MFD agree to the following Release: in consideration of the provision hereof including this release, each party agrees to release the other party and its representatives from liability, obligations and damages arising out of all claims submitted by Universal to DMAHS and/or its fiscal agent and/or Managed Care Organizations during the Covered Conduct Period .

(8) The parties agree that this is a compromise settlement of disputed claims and the execution of this Settlement Agreement shall not be deemed or construed as an admission or concession by any party of liability or responsibility for any purpose.

(9) This Settlement Agreement shall be construed, enforced and governed by the laws of the State of New Jersey.

(10) This Settlement Agreement may be executed in Counterparts.

(11) This Settlement Agreement is effective upon the last date it is executed by the parties hereto.

(12) This Settlement Agreement sets forth the entire agreement between and among the parties hereto with respect to the claims described herein and supersedes any other written or oral understandings. This Settlement Agreement does not reflect any other terms or conditions or agreements between or among the parties with respect to any other matter.

IN WITNESS WHEREOF, and intending to be legally bound, the parties hereto have executed the foregoing Settlement Agreement:

FORM AND CONTENT ACCEPTED AND AGREED TO BY:

DATE: 10/13/15

By: _____
Adam J. Steinberg, CEO,
Universal Institute and
in his individual capacity.

DATE: 10/13/15

By: _____
Lisa Lasso, Vice President,
Universal Institute and
in her individual capacity

DATE: 10/14/15

By: _____
Robert S. Bonney, Jr., Esq.
Attorney for Universal Institute

DATE: 10/16/15

By: _____
Josh Lichtblau, Director
Office of the State Comptroller
Medicaid Fraud Division

DATE: 10/16/15

By: _____
Daniel A. Prupis, Regulatory Officer
Office of the State Comptroller
Medicaid Fraud Division

Universal Institute's Corrective Action Plan

I. Corrective Action Plan Summary

This Corrective Action Plan will provide a brief description of Universal Institute's (UI) planned curative actions, some of which have already been implemented, in consultation with compliance counsel retained to assist UI. Each corrective action is designed to support proper billing, ensure proper authorization for services, and monitor those services to ensure consistency with that authorization. The plan will also outline the scheduled updates to the Corporate Compliance Program, including: (1) gap analysis; (2) reorganization; (3) revision of current policies, and; (4) creation of new policies.

II. Implementation Table

Corrective Action	Scheduled Implementation date	Responsible Party	How to Monitor the Effectiveness / Proof of Adherence
A. Coding			
Create/Update Coding Documentation Policy(ies) to ensure the accuracy, integrity and quality of patient data, ensure minimal variation in coding practices, and ensure the quality of the documentation within the body of the medical record to support	Within 30 days from the execution of the Settlement Agreement	Corporate Compliance Officer Michael Scudillo	Short term (beginning within 30 days from the adoption of the policy): Step 1 – Clients are chosen at random for review. A one week period of the billing is reviewed and a list of all therapy received for the week is created. The client's chart is then reviewed. A complete and accurate progress note must be on file for each session of therapy recorded on the billing sheet. Missing or inaccurate progress notes are reviewed with the treating therapist. Step 2 – The Turbo billing program is accessed to determine accuracy between the therapist's statement of billing and the claim made by the billing specialist. Inaccuracies are reported to the Billing

Corrective Action	Scheduled Implementation date	Responsible Party	How to Monitor the Effectiveness and Proof of Adherence
code assignments; including but not limited to the proper documentation for occupational therapy, physical therapy, rehabilitation therapy and speech therapy services pursuant to the plans of care.			and Collections Manager for refund or re-billing as appropriate. Step 3 – The number of mistakes made are tallied and compared to the number of claims made to determine a percentage of accuracy. <u>Long term:</u> Beginning within 30 days from the adoption of the Auditing and Monitoring Policy described under Corrective Action D., monitoring will be conducted in accordance with the policy. This will include the Corporate Compliance Officer periodically (weekly) overseeing internal auditing/monitoring independent of the Compliance Assistant to measure coding non-compliance and implement corrective measures. This will also include the Compliance Officer routinely assessing such risk areas as: quality of care and residents' rights, employee screening, vendor relations, billing, record keeping and documentation.
<u>B. Billing</u> Create/Update the Billing Documentation Policy(ies) to ensure UI compliance with the rules, regulations and laws on billing; including but not limited to the proper billing of occupational	Within 30 days from the execution of the Settlement Agreement	Corporate Compliance Officer Michael Scudillo	<u>Short term:</u> (beginning within 30 days from the adoption of the policy): Regular and routine internal reviews are conducted to ensure proper billing as follows: Billing sheets are completed manually by the treating therapists on a daily basis. The following morning the billing is reviewed in several steps: (a) Care Coordinator reviews the Structured Day and Supported Day billing for compliance with the client's care plan and the number of hours remaining;

Corrective Action	Scheduled Implementation date	Responsible Party	How to Monitor the Effectiveness and Proof of Adherence
therapy, physical therapy, rehabilitation therapy and speech therapy services pursuant to the plans of care.			(b) Care Coordinator receives and reviews billing from other N.J. locations and includes it with the billing from Livingston to be sent to the Billing Dept.; (c) Scheduling & Billing Specialist reviews the billing for missed sessions and special client specific guidelines based on insurance. Scheduled sessions that were missed are reviewed with therapists to determine if the session was cancelled. A list of cancellations, no-shows, and refusals is compiled for possible re-scheduling if appropriate; (d) Chief Compliance Officer reviews billing for accuracy and compliance with MLTSS and other regulations on a random basis; (e) Corrections are made before billing is sent for claim submission; (f) Compliance Assistant completes spreadsheet for tracking of client therapy hours in each discipline. <u>Long term:</u> Long term: Beginning within 30 days from the adoption of the Auditing and Monitoring Policy described under Corrective Action D., monitoring will be conducted in accordance with the policy. This will include the Corporate Compliance Officer periodically (weekly) overseeing internal auditing/monitoring, independent of the measures outlined above, to measure billing non-compliance and implement corrective measures. The Compliance Officer will also routinely assess such risk areas as: quality of care and residents' rights, employee screening, vendor relations, billing, record keeping and documentation. It is understood that in the event any services are billed outside of the care

Corrective Action	Scheduled Implementation date	Responsible Party	How to Monitor the Effectiveness and Proof of Adherence
			plans as authorized by the Managed Care Organizations they will not be subject to reimbursement.
C. Compliance Roles and Responsibilities Further define the role of the Corporate Compliance Officer, the Office of Corporate Compliance and the Compliance Committee, which will oversee and/or carry out a variety of activities including but not limited to: training and education; responding to the Compliance Hotline; designing, performing and reporting audits associated with compliance issues and investigations; and assisting in design of departmental or other monitoring activities and internal controls.	Within 60 days from the execution of the Settlement Agreement	Corporate Compliance Officer Michael Scudillo	Regular reporting to senior management This will include monthly meetings of the Compliance Committee supported by Compliance Counsel.

Corrective Action	Scheduled Implementation date	Responsible Party	How to Monitor the Effectiveness and Proof of Adherence
D. Auditing & Monitoring Policy Finalize the Compliance plan for Auditing and Monitoring for all departments and for reporting into the Compliance Office to ensure accuracy, integrity and quality of services being performed.	Within 60 days from the execution of the Settlement Agreement	Corporate Compliance Officer Michael Scudillo	Monitoring is to be carried out on an ongoing basis as set forth in the Policy. The results of all department and/or residence monitoring activities will be reported to the Office of Corporate Compliance, as well as any remedial actions taken and their results. Measurements of success include: • Approved audit plan activities have been conducted by appropriately trained staff resources • Additional audits, as needed, have been conducted without constraint to overall audit plan • Subsequent audit(s) or external reviews of identified risk areas show remediation has occurred and is sustained • Audits of vendors and other financial relationships have been conducted and reviewed for improvements
E. Compliance Program Gap Analysis Conduct a Gap Analysis to: (1) assess possible	Within 60 days from the execution of the	Corporate Compliance Officer	Measures to determine effectiveness of the review will include comparison to best practices Compliance Programs,

Corrective Action	Scheduled Implementation date	Responsible Party	How to Monitor the Effectiveness and Proof of Adherence
improvements to the current UI Corporate Compliance Program including the code of conduct, all policies/procedure and any disciplinary guidelines; (2) identify aspects of an effective Corporate Compliance Program that can be incorporated into the current UI Corporate Compliance Program; and (3) determine recommendations for stream lining the UI Corporate Compliance Program and reducing duplication/redundancies. Issue any identified recommendations for reorganization where appropriate.	Settlement Agreement	Michael Scudillo	OIG Guidance and federal sentencing Guidelines, among others.
F. Corporate Compliance Program Revisions Draft/revise the current Corporate Compliance	Within 30 days from the finalization of	Corporate Compliance Officer	Measures to determine effectiveness of enhanced program will include: • Improving results in internal and

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Program with the items identified in the Gap Analysis to eliminate duplication/conflicts and ensure effective means of communication between UI personnel and the Compliance Officer (i.e. a hotline and/or other responsive systems of communication). Materials will be presented to the Compliance Committee for review and approval as discussed below.	the Gap Analysis	Michael Scudillo	external audits. • Effectiveness in uncovering violations proactively. • Usage of hotline calls or other reports.
G. Policies and Procedures Development Prepare new policies to include in the Corporate Compliance Program and update the existing policies/ procedure, the code of conduct and any disciplinary guidelines to ensure an effective compliance program and	Within 30 days from the finalization of the Gap Analysis, and ongoing as appropriate to adapt to changing laws, regulations and contractual obligations.	Corporate Compliance Officer Michael Scudillo	Measures to determine effectiveness of enhanced program will include: • Improving results in internal and external audits. • Effectiveness in uncovering violations proactively. • Usage of hotline calls or other reports.

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conformance with all applicable regulations, rules and laws. Materials will be presented to the Compliance Committee for review and approval as discussed below.			
H. Policy and Procedure Implementation Finalize policies for adoption by the Board of Directors/Owners. Implement all adopted new and updated policies for the Corporate Compliance Program.	Within 60 days from the finalization of the Gap Analysis	Corporate Compliance Officer Michael Scudillo	Measures to determine effectiveness of enhanced program will include: • Improving results in internal and external audits. • Effectiveness in uncovering violations proactively. • Usage of hotline calls or other reports.
I. Training Development Update training and education programs for all staff and employees regarding the newly implemented billing, coding and all other policy revisions. Materials will be presented to the	Within 30 days from the finalization of the Gap Analysis, and ongoing as appropriate to adapt to changing laws, regulations and contractual obligations.	Corporate Compliance Officer Michael Scudillo	Upon adoptions, the Office of Corporate Compliance will ensure that all staff and employees acknowledge receipt of this training by signing acknowledgment forms. Necessary trainings will be conducted as frequently as necessary, but no less than [*identify frequency*], and to all new employees within their first month of employment.

Corrective Action	Scheduled Implementation date	Responsible Party	How to Monitor the Effectiveness and Proof of Adherence
Compliance Committee for review and approval as discussed below.			
J. Ongoing Training Provide continuous training and education programs to all staff and employees on the newly implemented policies.	On-Going	Corporate Compliance Officer Michael Scudillo	The Office of Corporate Compliance will ensure that all staff and employees receive and thereafter acknowledge the trainings by signing acknowledgment forms, and will oversee that the necessary trainings are conducted as frequently as necessary, but no less than once a year, and to all new employees within their first month of employment.
K. Reporting UI will provide proof to the Manager of the Regulatory Unit of the Medicaid Fraud Division of the completion of each curative action and the results demonstrating implementation of the curative actions.	Quarterly for the first year, semi-annually for the second year, and once for the third year.	Corporate Compliance Officer Michael Scudillo	Reporting will be monitored for timeliness and inclusion of all necessary information on the curative action.
L. Penalties Failure to include all necessary information and/or to meet the reporting deadlines under	Immediately upon execution of the Settlement Agreement	Corporate Compliance Officer Michael Scudillo	Reporting will be monitored for timeliness and inclusion of all necessary information on the curative action.

Corrective Action	Scheduled Implementation date	Responsible Party	How to Monitor the Effectiveness and Proof of Adherence
this Corrective Action Plan shall constitute grounds for the Medicaid Fraud Division to declare Universal in default of the Settlement Agreement, which shall be communicated to Universal's counsel, James A. Robertson, Esq. at McElroy, Deutsch, Mulvaney & Carpenter, LLP via facsimile, overnight courier, or email at *jrobertson@mdmc-law.com*. Upon receipt of a Notice of Default, UI shall have 15 days to cure the deficiency identified by the Notice of Default. Failure to cure a Notice of Default shall permit the MFD to take action against Universal, including, but not limited to a fine of $2,500 for the first offense, a $7,500 fine for the second offense and a $15,000 fine for the third offense.			

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Universal Institute

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Lisa Lasso, Vice President
Universal Institute