RESOLUTION AGREEMENT

I. Recitals

1. Parties. The Parties to this Resolution Agreement ("Agreement") are the United States Department of Health and Human Services, Office for Civil Rights ("HHS") and Shasta Regional Medical Center ("SRMC") and all other facilities listed in Appendix B hereinafter referred to collectively in this Agreement as "Covered Entities". Appendix B, listing Shasta Regional Medical Center and all other facilities currently under the same ownership or operational control that meet the definition of a "health care provider" and "covered entity" as defined in 45 C.F.R. Section 160.103, is incorporated in to this Resolution Agreement by reference.

2. Factual Background and Covered Conduct

A. Authority of HHS

HHS enforces the Federal Standards for Privacy of Individually Identifiable Health Information (45 C.F.R. Part 160 and Subparts A and E of Part 164, the "Privacy Rule") and the Federal Security Standards for the Protection of Electronic Protected Health Information (45 C.F.R. Part 160 and Subparts A and C of Part 164, the "Security Rule"). HHS has the authority to conduct investigations of complaints alleging violations of the Privacy and Security Rules by covered entities, and a covered entity must cooperate with HHS's investigation. 45 C.F.R. §§160.306(c) and 160.310(b).

B. Covered Entities

SRMC and other facilities currently under the same ownership or operational control listed in Appendix B are health care providers as defined at 45 C.F.R. §160.103 that transmit health information in electronic form in connection with a transaction covered by 45 C.F.R. Part 162 and therefore are covered entities required to comply with the Privacy Rule.

C. Covered Conduct

On January 6, 2012, HHS notified SRMC of its initiation of a compliance review of its facility to determine whether there was a failure to comply with the requirements of the Privacy Rule. HHS's compliance review was prompted by an article in the *Los Angeles Times* published on January 4, 2012. The article indicated that two of SRMC's senior leaders met with the media to discuss the medical services provided to a patient (the Affected Party) without a valid written authorization.

HHS's investigation indicated that the following conduct occurred ("Covered Conduct"):

a) From December 13 – 20, 2011, SRMC failed to safeguard the Affected Party's PHI from any impermissible intentional or unintentional disclosure on multiple occasions as described below. This failure was evidenced by the following facts:

   i) On December 13, 2011, SRMC sent a letter, through its parent company, to *California Watch*, responding to a story concerning Medicare fraud. The letter described the Affected Party's medical treatment and provided specifics about her lab results. SRMC did not have a written authorization from the Affected Party to disclose this information to this news outlet.

   ii) On December 16, 2011, two of SRMC's senior leaders met with *The Record Searchlight*'s editor to discuss the Affected Party's medical record in detail. SRMC did not have a written authorization from the Affected Party to disclose this information to this newspaper.

   iii) On December 20, 2011, SRMC sent a letter to *The Los Angeles Times*, which contained detailed information about the treatment the Affected Party received. SRMC did not have a written authorization from the Affected Party to disclose this information to this newspaper.

b) SRMC impermissibly used the affected party's PHI. This failure was evidenced by the following facts:

   i) On December 20, 2011, SRMC sent an email to its entire workforce and medical staff, approximately 785-900 individuals, describing, in detail, the Affected Party's medical condition, diagnosis and treatment. SRMC did not have a written authorization from the Affected Party to share this information with SRMC's entire workforce and medical staff.

c) SRMC has failed to sanction its workforce members pursuant to its internal sanctions policy which requires that it sanction employees for "violations of HIPAA".

3. No Admission. This Agreement is not an admission of liability by Covered Entities.

4. No Concession. This Agreement is not a concession by HHS that Covered Entities are not in violation of the Privacy Rule and not liable for civil money penalties.

5. Intention of Parties to Effect Resolution. This Agreement is intended to resolve the Compliance Review 12-137198 regarding possible violations of the Privacy Rule promulgated by HHS pursuant to the administrative simplification provisions of the Health Insurance Portability and Accountability Act of 1996 (HIPAA) Pub.L. 104-191, 110 Stat. 1936. In consideration of the Parties' interest in avoiding the uncertainty, burden, and expense of further investigation and formal proceedings, the Parties agree to resolve this matter according to the Terms and Conditions below.

II. Terms and Conditions

6. Compliance Representative. Each facility listed in Appendix B other than SRMC, shall designate an individual to serve as its Compliance Representative under this Agreement and under the Corrective Action Plan (CAP). These facilities agree to appoint a single individual to serve as the Compliance Representative for each of them. The Covered Entities shall provide OCR on the Effective Date with the name of the Compliance Representative. The Compliance Representative, in regard to the facilities listed in Appendix B other than SRMC, shall be the Contact Person and signatory under this Agreement and CAP, and shall be responsible for ensuring compliance with the Agreement and CAP.

7. Payment. Covered Entities agree to pay HHS the amount of Two Hundred and Seventy Five Thousand Dollars ($275,000.00) as the Resolution Amount. Covered Entities agree to pay the Resolution Amount by electronic funds transfer pursuant to written instructions to be provided by HHS. Covered Entities agree to make this payment on or before the date it signs this Agreement.

8. Corrective Action Plan. Covered Entities have entered into and agree to comply with the Corrective Action Plan (CAP), attached as Appendix A, which is incorporated into this Agreement by reference. If SRMC or any facility listed in Appendix B breaches the CAP, and fails to cure the breach as set forth in the CAP, then Covered Entities will be in breach of this Agreement and HHS will not be subject to the Release set forth in paragraph 9 of this Agreement.

9. Release by HHS. In consideration of and conditioned upon Covered Entities' performance of all of its obligations under this Agreement, HHS releases Covered Entities from any actions it may have under the Privacy Rule for the covered conduct indentified in paragraph 2. HHS does not release Covered Entities from, nor waive any rights, obligations, or causes of action other than those specifically referred to in this paragraph. This release does not extend to actions that may be brought under Section 1177 of the Social Security Act, 42 U.S.C. § 1320d-6.

10. Agreement by Released Party. Covered Entities shall not contest the validity of its obligation to pay, nor the amount of, the Resolution Amount or any other obligations agreed to under this Agreement. Covered Entities waive all procedural rights granted under Section 1128A of the Social Security Act (42 U.S.C. § 1320a- 7a) and 45 C.F.R. Part 160 Subpart E, and HHS claims collection regulations at 45 C.F.R. Part 30, including, but not limited to, notice, hearing, and appeal with respect to the Resolution Amount.

11. Binding on Successors. This Agreement is binding on Covered Entities and their successors, heirs, and transferees.

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12. Costs. Each Party to this Agreement shall bear its own legal and other costs incurred in connection with this matter, including the preparation and performance of this Agreement.

13. No Additional Releases. This Agreement is intended to be for the benefit of the Parties only and, by this instrument, the Parties do not release any claims against any other person or entity.

14. Effect of Agreement. This Agreement constitutes the complete agreement between the Parties. All material representations, understandings, and promises of the Parties are contained in this Agreement. Any modifications to this Agreement must be set forth in writing and signed by all Parties.

15. Execution of Agreement and Effective Date. This Agreement shall become effective (i.e., final and binding) upon the date of signing this Agreement and the CAP by the last signatory (Effective Date).

16. Tolling of Statute of Limitations. Pursuant to 42 U.S.C. § 1320a-7a(c) (1), a civil money penalty (CMP) must be imposed within six (6) years from the date of the occurrence of the violation. To ensure that this six-year period does not expire during the term of this Agreement, Covered Entities agree that the time between the Effective Date of this Agreement (as set forth in paragraph 14) and the date that same may be terminated by reason of the Covered Entities' breach, plus one-year thereafter, will not be included in calculating the six (6) year statute of limitations applicable to the violations which are the subject of this Agreement. Covered Entities waive and will not plead, any statute of limitations, laches, or similar defenses to any administrative action relating to the Covered Conduct identified in paragraph 2 of this Agreement that may be filed by HHS within the time period set forth above, except to the extent that such defenses would have been available had an administrative action been filed on the Effective Date of this Resolution Agreement.

17. Disclosure. There are no restrictions on the publication of the Agreement. This Agreement and information related to this Agreement may be made public by either party. In addition, HHS may be required to disclose this Agreement and related material to any person upon request consistent with the applicable provisions of the Freedom of Information Act, 5 U.S.C. § 552, and its implementing regulations, 45 C.F.R. Part 5.

18. Execution in Counterparts. This Agreement may be executed in counterparts, each of which constitutes an original, and all of which shall constitute one and the same agreement.

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19. Authorizations. The individual(s) signing this Agreement on behalf of Covered Entities represent and warrant that they are authorized by Covered Entities to execute this Agreement. The individual(s) signing this Agreement on behalf of HHS represent and warrant that they are signing this Agreement in their official capacities and that they are authorized to execute this Agreement

For Covered Entities

/s/ 05/31/2013

Randall Hempling Date
Chief Executive Officer
Shasta Regional Medical Center

/s/ 06/03/2013

Chris Doan Date
Chief Compliance Officer
Prime Healthcare Management, Inc.

For U.S. Department of Health and Human Services

/s/ 06/06/2013

Michael Leoz Date
Regional Manager, Region IX
U.S. Department of Health and Human Service
Office for Civil Rights

Appendix A

CORRECTIVE ACTION PLAN

BETWEEN THE
DEPARTMENT OF HEALTH AND HUMAN SERVICES
AND
SHASTA REGIONAL MEDICAL CENTER AND FACILITIES LISTED IN APPENDIX B

I. Preamble

The parties to this Resolution Agreement, Shasta Regional Medical Center ("SRMC"), and all other facilities listed in Appendix B, are hereinafter referred to collectively as "Covered Entities". Covered Entities hereby enter into this Corrective Action Plan ("CAP") with the United States Department of Health and Human Services, Office for Civil Rights ("HHS"). Contemporaneously with this CAP, Covered Entities are entering into a Resolution Agreement ("Agreement") with HHS, and this CAP is incorporated by reference into the Agreement as Appendix A. Appendix B, listing Shasta Regional Medical Center and all other facilities. currently under the same ownership or operational control that meet the definition of a "health care provider" and "covered entity" as defined in 45 C.F.R. Section 160.103, is incorporated in to this Resolution Agreement by reference. Covered Entities enter into this CAP as consideration for the release set forth in paragraph 9 of the Agreement.

II. Contact Persons and Submissions

A. Contact Persons

Covered Entities have identified the following individuals as their authorized representative and contact person regarding the implementation of this CAP and for receipt and submission of notifications and reports:

For SRMC:

Randall Hempling
Chief Executive Officer
Shasta Regional Medical Center
1100 Butte Street
Redding, CA 96049
Telephone: (530) 244-5400
Facsimile: (530)-244-5119

Compliance Representative for other Covered Entities listed in Appendix B:

Chris Doan
Chief Compliance Officer
Prime Healthcare Management, Inc.
3300 Guasti Road
Ontario, CA 91761
Telephone: (909) 235-4400
Facsimile: (909) 235-4419

HHS has identified the following individual as its authorized representative and contact person to whom the Covered Entities are to report information regarding the implementation of this CAP:

Michael Leoz, Regional Manager
Office for Civil Rights, Region IX
U.S. Department of Health and Human Services
90 7th Street, Suite 4-100
San Francisco, CA 94103
Telephone: (415) 437-8310
Facsimile: (415) 437-8329

Covered Entities and HHS agree to promptly notify each other of any changes in the contact persons or the other information provided above.

B. Proof of Submissions. Unless otherwise specified, all notifications and reports required by this CAP may be made by any means, including certified mail, overnight mail, or hand delivery, provided that there is proof that such notification was received. For purposes of this requirement, internal facsimile confirmation sheets do not constitute proof of receipt.

III. Term of CAP

The period of compliance obligations assumed by Covered Entities under this CAP shall be one (1) year from the effective date of this CAP ("Effective Date"), except that, after this period, Covered Entities shall be obligated to: comply with the document retention requirement set forth in section VIII. The Effective Date of this CAP shall be calculated in accordance with paragraph 15 of the Agreement.

IV. Time

In computing any period of time prescribed or allowed by this CAP, the day of the act, event, or default from which the designated period of time begins to run shall not be included. The last day of the period so computed shall be included, unless it is a Saturday, a Sunday, or a

legal holiday, in which event the period runs until the end of the next day that is not one of the aforementioned days.

V. Shasta Regional Medical Center Corrective Action Obligations

Shasta Regional Medical Center, agrees to the following:

A. Policies and Procedures

1. SRMC shall develop, maintain and revise, as necessary, its written policies and procedures ("Policies and Procedures") applicable to all of its facilities and subsidiaries to comply with the Federal standards that govern the privacy of individually identifiable health information (45 C.F.R. Part 160 and Subparts A and E of Part 164, the "Privacy Rule"). SRMC's Policies and Procedures shall include, but not be limited to, the minimum content set forth in section V.C. below.

2. SRMC shall provide such Policies and Procedures consistent with paragraph 1 above, to HHS within ninety (90) calendar days of the Effective Date for review and approval. Upon receiving any recommended changes to such Policies and Procedures from HHS, SRMC shall have sixty (60) calendar days to revise such Policies and Procedures accordingly and provide the revised Policies and Procedures to HHS for review and approval.

3. SRMC shall implement the Policies and Procedures within ninety (90) calendar days of HHS's approval.

B. Distribution and Updating of Policies and Procedures

1. SRMC shall distribute such Policies and Procedures to all workforce members at all of its facilities and subsidiaries who use and disclose PHI within sixty (60) calendar days of HHS's approval of such Policies and Procedures. SRMC shall distribute the Policies and Procedures to any new workforce members who use and disclose PHI within thirty (30) days of their beginning of service.

2. SRMC shall require, at the time of distribution of such Policies and Procedures, a signed written or electronic initial compliance certification from all workforce members who use and disclose PHI stating that the workforce members have read, understands, and shall abide by such Policies and Procedures.

3. SRMC shall assess, update, and revise, as necessary, the Policies and Procedures, at least annually (and more frequently if appropriate). If changes, revisions or updates are required during the term of the Agreement, SRMC shall provide such revised Policies and Procedures to HHS for review and approval. Within 30 days of the effective date of any approved substantive revisions, SRMC shall distribute such revised Policies and Procedures to all workforce members and shall require new compliance certifications.

4. SRMC shall not involve any workforce member who uses and discloses PHI if that workforce member has not signed or provided the written or electronic certification as required by paragraphs 2 & 3 of this section.

C. Minimum Content of the Policies and Procedures

The Policies and Procedures shall include, but not be limited to:

Safeguards Implementation Specifications (45 C.F.R. §164.530(c)(2)(i)).

1. Instructions and Procedures that address appropriate administrative, technical, and physical safeguards to protect PHI from any intentional or unintentional use or disclosure (a) for media inquiries and (b) that define PHI as it relates to individually identifiable health information (IIHI).

2. Protocols for training all members of SRMC's workforce who use and disclose PHI to ensure that they know how to comply with the Policies and Procedures provided for in subparagraph (1) above.

Uses and Disclosures (45 C.F.R. §164.502(a))

1. Instructions and Procedures that address permissible and impermissible uses and disclosures of PHI (a) for media inquiries, (b) to workforce members who are not involved in the individual's medical care and (c) that define PHI as it relates to individually identifiable health information (IIHI).

2. Application of appropriate sanctions against members of SRMC's workforce who fail to comply with Policies and Procedures provided for in subparagraph (1) above.

3. Protocols for training all members of SRMC's workforce who use and disclose PHI to ensure that they know how to comply with the Policies and Procedures provided for in subparagraph (1) above.

Administrative Requirements Sanctions (45 C.F.R. §164.530(e)).

1. Instructions and Procedures that address (a) What is individually identifiable health information (IIHI) and the protected health information (PHI), including what is required for PHI to be unidentified; (b) Communicating with, and responding to, the media, including in regard to patient-related inquires, and (c) Sharing of patient PHI within SRMC, including sharing of patient PHI with workforce members not involved in the provision of or payment for care.

2. Protocols for training all SRMC's workforce members who use and disclose PHI to ensure that they know how to comply with the Policies and Procedures provided for in subparagraph (1) above.

3. Application of appropriate sanctions against SRMC's workforce members who fail to comply with Policies and Procedures provided for in subparagraph (1) above.

D. Reportable Events

1. If SRMC determines that a workforce member has violated these Policies and Procedures required by section V.A.1., SRMC shall notify HHS in writing within thirty (30) days. Such violations shall be known as "Reportable Events." The report to HHS shall include the following information:

   a. A complete description of the event, including the relevant facts, the persons involved, and the provision(s) of the Policies and Procedures implicated; and

   b. A description of SRMC's actions taken to mitigate any harm and any further steps SRMC plans to take to address the matter and prevent it from recurring.

E. Training

1. All workforce members who use or disclose PHI shall receive specific training related to the Policies and Procedures. Within ninety (90) days of the implementation of the Policies and Procedures. SRMC shall provide such training to each new member of the workforce within thirty (30) calendar days of the workforce member's beginning as a workforce member.

2. Each workforce member who is required to attend training shall certify, in electronic or written form, that he or she received the training. The training certification shall specify the date training was received. All course materials shall be retained in compliance with section VII.

3. SRMC shall review the training at least annually, and, where appropriate, update the training to reflect any changes in Federal law or HHS guidance, any issues discovered during audits or reviews, any other relevant developments.

4. SRMC shall not involve any member of its workforce in the use or disclosure of PHI if that workforce member has not signed or provided the written or electronic training certification as required by paragraph 2 this section.

VI. Shasta Regional Medical Center Implementation Report and Annual Report

A. Within ninety (90) days after the receipt of HHS's approval of the Policies and Procedures required by section V.A.1., SRMC shall submit a written report to HHS summarizing the status of its implementation of the requirements of this CAP. This report, known as the "Implementation Report," shall include:

1. An attestation signed by SRMC's authorized representative attesting that the Policies and Procedures have been implemented, have been distributed to all appropriate workforce members and that SRMC has obtained all of the compliance certifications required by section V.B.2. and V.B.3;

2. A copy of all training materials used for the training required by this CAP, a description of the training, including a summary of the topics covered, the length of the session(s) and a schedule of when the training session(s) were held;

3. An attestation signed by SRMC's authorized representative attesting that all members of the workforce who use or disclose PHI have completed the initial training required by this CAP and have executed the training certifications required by section V.E.2.; and

4. A summary of Reportable Events (defined in section V.D) that have occurred since the Effective Date of this CAP and the status of any corrective and preventative action(s) relating to all such Reportable Events; and

5. An attestation signed by SRMC's authorized representative stating that he or she has reviewed the Implementation Report, has made a reasonable inquiry regarding its content and believes that, upon such inquiry, the information is accurate and truthful.

B. Annual Report. SRMC also shall submit to HHS an Annual Report with respect to the status of and findings regarding SRMC's compliance with this CAP. SRMC shall submit the Annual Report to HHS no later than nine-months after the Effective Date. The Annual Report shall include:

1. A schedule, topic outline, and copies of the training materials for the training programs attended in accordance with this CAP;

2. An attestation signed by an owner or officer of SRMC attesting that it is obtaining and maintaining written or electronic training certifications from all persons that require training that they received training pursuant to the requirements set forth in this CAP;

3. A summary of Reportable Events (defined in section V.D.) identified and the status of any corrective and preventative action relating to all such Reportable Events;

4. An attestation signed by an owner or officer of SRMC attesting that he or she has reviewed the Annual Report, has made a reasonable inquiry regarding its content and believes that, upon such inquiry, the information is accurate and truthful.

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VII. Requirement for all facilities listed in Appendix B other than SRMC

Affidavit. The CEO and Privacy Officer of each facility listed in Appendix B, excluding Shasta Regional Medical Center, shall submit an affidavit to OCR, through the Compliance Representative, stating that they understand that (a) an individual's protected health information ("PHI") is protected by Privacy Rule even if such information is already in the public domain or even though it has been disclosed by the individual; and (b) disclosures of PHI in response to media inquiries are only permissible pursuant to a signed HIPAA authorization. Each facility will ensure that all members of their respective workforce are informed of this policy. The Affidavits shall be submitted to OCR by the Compliance Representative within sixty (60) calendar days of the Effective Date of this Agreement.

VIII. Document Retention

Covered Entities shall maintain for inspection and copying all documents and records relating to compliance with this CAP for six (6) years.

IX. Breach Provisions

Covered Entities are expected to fully and timely comply with all provisions contained in this CAP.

A. Timely Written Requests for Extensions. Covered Entities may, in advance of any due date set forth in this CAP, submit a timely written request for an extension of time to perform any act required by this CAP. A "timely written request" is defined as a request in writing received by HHS at least five (5) business days prior to the date such an act is required to be performed or any notification or report is due to be filed.

B. Notice of Breach and Intent to Impose CMP. The parties agree that a breach of the CAP by SRMC or any of the facilities listed in Appendix B constitutes a breach of the Agreement. Upon a determination by HHS that SRMC or any of the facilities listed in Appendix B has breached this CAP, HHS may notify Covered Entities of: (a) The breach; and (b) HHS' intent to impose a civil monetary penalty (CMP) pursuant to 45 C.F.R. Part 160 for the Covered Conduct set forth in paragraph 2 of the Agreement and any other conduct that constitutes a violation of the HIPAA Privacy Rule (this notification is hereinafter referred to as the "Notice of Breach and Intent to Impose CMP").

C. Covered Entities' Response. Covered Entities shall have thirty (30) days from the date of receipt of the Notice of Breach and Intent to Impose CMP to demonstrate to HHS's satisfaction that

1. Covered Entities are in compliance with the obligations of the CAP cited by HHS as the basis for the breach; or

2. The alleged breach has been cured; or

3. The alleged breach cannot be cured within the thirty (30) day period, but that (i) Covered Entities have begun to take action to cure the breach; (ii) Covered Entities are pursuing such action with due diligence; and (iii) Covered Entities have provided to HHS a reasonable timetable for curing the breach.

D. Imposition of CMP. If, at the conclusion of thirty (30) day period, Covered Entities fail to meet the requirements of section IX C to HHS's satisfaction, HHS may proceed to impose a CMP pursuant to 45 C.F.R. Part 160 for the Covered Conduct set forth in paragraph 2 of the Agreement and any other conduct that constitutes a violation of the HIPAA Privacy Rule. HHS shall notify Covered Entities in writing of its determination to proceed with the imposition of a CMP.

For Covered Entities

/s/ 05/31/2013

Randall Hempling Date
Shasta Regional Medical Center

/s/ 06/03/2013

Chris Doan Date
Prime Healthcare Management, Inc.

For U.S. Department of Health and Human Services

/s/ 06/06/2013

Michael Leoz Date
Regional Manager, Region IX
DHHS, Office for Civil Rights

APPENDIX B

LIST OF PRIME HEALTHCARE SERVICES FACILITIES

CALIFORNIA FACILITIES:

Alvarado Hospital Medical Center
6655 Alvarado Road
San Diego, CA 92120

Centinela Hospital Medical Center
555 E. Hardy Street
Inglewood, CA 90301

Chino Valley Medical Center
5451 Walnut Avenue
Chino, CA 91710

Desert Valley Hospital
16850 Bear Valley Road
Victorville, CA 92395

Garden Grove Hospital Medical Center
12601 Garden Grove Blvd.
Garden Grove, CA 92843

La Palma Intercommunity Hospital
901 Walker Street
La Palma, CA 90623

Paradise Valley Hospital
2400 East Fourth Street
National City, CA 91950

San Dimas Community Hospital
1350 W. Covina Boulevard
San Dimas, CA 91773

Shasta Regional Medical Center
1100 Butte Street
Redding, CA 96001

West Anaheim Medical Center
3033 West Orange Avenue
Anaheim, CA 92804

NEVADA FACILTY:

Saint Mary's Regional Medical Center
235 West 6th Street
Reno, NV 89503

PENNSYLVANIA FACILITIES:

Lower Bucks Hospital
501 Bath Road
Bristol, PA 19007

Roxborough Memorial Hospital
5800 Ridge Avenue
Philadelphia, PA 19128

TEXAS FACILITIES:

Dallas Medical Center
7 Medical Parkway
Dallas, TX 75234

Harlingen Medical Center
5501 South Expressway 77
Harlingen, TX 78550

Pampa Regional Medical Center
One Medical Plaza
Pampa, TX 79065