

## **SETTLEMENT AGREEMENT**

### **I. PARTIES**

This Settlement Agreement ("Agreement") is entered into by and among: the United States of America, acting through the United States Department of Justice and on behalf of the United States Attorney's Office for the District of Maryland ("USAO"); and Coventry Health Care, Inc. ("Coventry"), through their authorized representatives. Collectively, all of the above will be referred to as "the Parties."

### **II. PREAMBLE**

As a preamble to this Agreement, the Parties agree to the following:

A. Coventry Health Care, Inc. is a Delaware corporation headquartered in Bethesda, Maryland. Coventry is in the business of providing group and individual health insurance to more than 5 million members across the United States.

B. Coventry administers Medicare Advantage plans for some of its members, and some of Coventry's employees have access to the computerized database maintained by the Centers for Medicare and Medicaid Services ("CMS") that contains, among other data, Medicare eligibility information. In early 2005, the CMS database was called the Common Working File ("CWF"). Later in 2005 and in early 2006, the CMS database transitioned to a new format and was renamed the Medicare Beneficiary Database ("MBD"). The CWF and the MBD were password-protected.

C. The United States contends that it has certain civil, criminal, and/or administrative claims against Coventry for engaging in certain conduct. The Parties agree to the following facts (hereinafter referred to as "the Covered Conduct"):

1. From May 2005 through the date by which CMS had fully transitioned to the MBD, but not later than December 29, 2006, certain employees of Coventry and/or First Health Priority Services ("FHPS"), a subsidiary of Coventry, accessed the CWF without authorization and/or in excess of the scope of their authorization. In so doing, these employees obtained Medicare eligibility information from a department or agency of the United States, namely CMS.
2. From the date by which CMS began to transition to the MBD database, but not earlier than May 2005, through December 29, 2006, certain employees of Coventry and/or FHPS accessed the MBD without authorization and/or in excess of the scope of their authorization. In so doing, these employees obtained Medicare

eligibility information from a department or agency of the United States, namely CMS.

3. The Coventry and/or FHPS employees who participated in the above-described conduct did so within the course and scope of their employment with Coventry and their actions were intended, at least in part, to benefit Coventry, and to be compliant with CMS's regulations relating to the sale of the Medicare set-aside products. The Medicare set-aside product establishes a monetary fund for the benefit of CMS to satisfy its future medical subrogation lien for workers compensation disability payments made to individuals.
4. Several senior employees were aware of the above-described conduct, including Coventry's Senior Vice President for Worker's Compensation Services, Senior Vice President for Government Programs, Senior Vice President for Service Operations, and the Manager of the Medicare Enrollment Department. All of these individuals have terminated their employment with Coventry.
5. In January 2007, CMS contacted Coventry regarding concerns that certain Coventry employees had been inappropriately accessing the Medicare database to obtain Medicare eligibility information for the Medicare set-aside product. Coventry responded to CMS's concerns by way of two letters: a January 29, 2007 letter acknowledging that certain Coventry employees had accessed the MBD inappropriately, and a February 2, 2007 letter making a similar acknowledgement as to the CWF. Coventry pledged to take corrective action. Coventry did not have any further formal communications with CMS after February 2, 2007 regarding this matter.

D. This Agreement is made in compromise of disputed claims. To avoid the delay, expense, inconvenience, and uncertainty of protracted litigation of any potential claims, the Parties mutually desire to reach a full and final settlement as set forth below.

### **III. TERMS AND CONDITIONS**

NOW, THEREFORE, in reliance on the representations contained herein and in consideration of the mutual promises, covenants, and obligations set forth in this Agreement, and for good and valuable consideration as stated herein, the Parties agree as follows:

1. Coventry agrees to pay to the United States the sum of Three Million Dollars and No Cents (the "Settlement Amount"). Coventry agrees to pay the



Settlement Amount to the United States by electronic funds transfer pursuant to written instructions to be provided by the USAO. Coventry agrees to make this electronic funds transfer no later than thirty days after the Effective Date of this Agreement.

2. Subject to the exceptions in Paragraph 3 below, conditioned upon receipt by the United States of the Settlement Amount, the United States, on behalf of itself and its officers, agents, agencies, and departments, releases Coventry, together with its current and former parent corporations, direct and indirect subsidiaries, brother or sister corporations, divisions, transferees, and the predecessors, successors, transferees, heirs, and assigns of any of them and their current and former officers, directors, trustees, employees, servants, and agents (collectively, the "Coventry Related Entities"), individually or collectively, from any civil, criminal, or administrative cause of action that the United States has or may have for the Covered Conduct. The USAO agrees that it will not criminally prosecute Coventry or the Coventry Related Entities (subject to the exceptions in Paragraph 3 below) for any crimes based upon or related to the Covered Conduct. The USAO further agrees that it will not refer this matter to the Department of Health and Human Services for administrative review, nor waive any Grand Jury secrecy provisions pursuant to Federal Rule of Criminal Procedure 6(e).

3. Notwithstanding the release given in paragraph 2 of this Agreement, or any other term of this Agreement, the following claims of the United States are specifically reserved and are not released:

- a. Any liability arising under Title 26, U.S. Code (Internal Revenue Code);
- b. Any liability to the United States (or its agencies) for any conduct other than the Covered Conduct;
- c. Any liability based upon obligations created by this Agreement; or
- d. Any liability of individuals formerly employed by Coventry.

4. In consideration of the obligations of the United States, Coventry fully and finally releases the United States, and its agencies, employees, servants, and agents from any claims (including attorneys' fees, costs, and expense of every kind and however denominated) that Coventry has asserted, could have asserted, or may assert in the future against the United States, and its agencies, employees, servants, and agents, related to the Covered Conduct and the United States' investigation and prosecution thereof.

5. Coventry further agrees to the following:

- a. Coventry shall maintain new-hire and annual training for all of its employees who have been granted access to government databases, which training shall include mandatory testing on (a) fraud and abuse; (b) privacy and security; and (c) Coventry's code of business conduct and ethics;
- b. Coventry shall ensure that all new hires complete the above training and testing within thirty days of the beginning of their employment; and
- c. Coventry shall designate an attorney in the General Counsel's office whose duty shall include the administration of the compliance and ethics programs at Coventry. Such attorney shall work, in conjunction with Coventry's Chief Compliance Officer, to conduct ethics training at least annually; to maintain records of ethics training required of all employees; to maintain yearly disclosure forms by all employees, which address compliance with all laws and especially disclosure, access laws, and usage of medical records; and maintain all ethics inquiries and advice given.

6. The Parties agree that no provision of this Agreement nor any consideration exchanges pursuant to this Agreement shall be construed as a waiver of any statute of limitations or other defenses Coventry may have against claims asserted related to the Covered Conduct.

7. The Parties each represent that this Agreement is freely and voluntarily entered into without any degree of duress or compulsion whatsoever.

8. Except as otherwise stated in this Agreement, each Party shall bear its own legal and other costs incurred in connection with this matter, including the preparation and performance of this Agreement.

9. This Agreement is governed by the laws of the United States. The Parties agree that the exclusive jurisdiction and venue for any dispute relating to this Agreement shall be in the United States District Court for the District of Maryland.

10. For purposes of construing this Agreement, this Agreement shall be deemed to have been drafted by all Parties to this Agreement and shall not, therefore, be construed against any Party for that reason in any subsequent dispute.

11. This Agreement constitutes the complete agreement between the Parties with respect to this matter and shall not be amended except by written consent of the Parties.

12. The undersigned counsel represent and warrant that they are fully authorized to execute this Agreement on behalf of the persons and entities indicated below.

13. This Agreement may be executed in counterparts, each of which constitutes an original and all of which constitute one and the same Agreement.

14. This Agreement shall be binding on all successors, transferees, heirs, and assigns of the Parties.

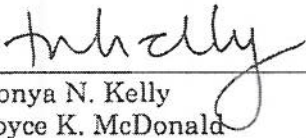
15. All Parties consent to the United States' disclosure of this Agreement, and information about this Agreement, to the public. The Parties acknowledge that Coventry has already disclosed the underlying investigation in filings with the Securities and Exchange Commission, *see, e.g.*, Coventry Health Care, Inc., Form 10-Q, at 7 (filed May 12, 2008), and that Coventry will make a public disclosure of this Agreement and information about this Agreement.

16. This Agreement is effective on the date of signature of the last signatory to the Agreement ("Effective Date of this Agreement"). Facsimiles of signatures shall constitute acceptable, binding signatures for purposes of this Agreement.




THE UNITED STATES

ROD ROSENSTEIN  
United States Attorney  
District of Maryland


By:   
Tonya N. Kelly  
Joyce K. McDonald  
Assistant United States Attorney  
District of Maryland

Date: 11/14/12

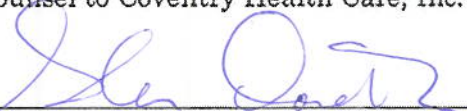
COVENTRY HEALTH CARE, INC.

By:   
Thomas C. Zielinski  
General Counsel  
Coventry Health Care, Inc.

Date: 11/13/12

By:   
Joshua Berman  
Katten Muchin Rosenman LLP  
Counsel to Coventry Health Care, Inc.

Date: 11/17/2012

By:   
Glen Donath  
Katten Muchin Rosenman LLP  
Counsel to Coventry Health Care, Inc.

Date: 11/17/12