

JOINT AGREEMENT

Keystone Health Plan East, Inc. ("Keystone"), and the United States Attorney's Office for the Eastern District of Pennsylvania, on behalf of the United States and its agencies thereof, hereby jointly approve and agree to the following provisions in connection with Keystone's credentialing policy, which is attached hereto and incorporated by reference.

WHEREAS, Keystone represents that in 1997 Keystone was notified of a credentialing failure by Green Spring Health Services, Inc. ("Green Spring") of a part-time provider operating in the northeast Philadelphia area. From March 1996 to October 1996, an individual named David Tremoglie fraudulently presented himself as a licensed psychiatrist and saw members of Keystone and other health care plans at the Bustleton Guidance Center. His credentials were not adequately verified by Green Spring who did not discover until October 1996 that Tremoglie did not have a medical license, was not a psychiatrist, and was not authorized to perform or provide medical services to Keystone plan members;

WHEREAS, Keystone represents that after suspending Tremoglie in October 1996, Green Spring failed to follow contractually required channels to notify Keystone that an unlicensed psychiatrist had provided services to its members. Keystone discovered that an unlicensed psychiatrist had seen its members through media reports published in June, 1997;

WHEREAS, Keystone represents that once alerted to the credentialing failure of the Green Spring contracted provider, Keystone made a voluntary disclosure of the credentialing failure to its members, the Pennsylvania Department of Health ("DOH"), the Health Care Financing Administration (now known as the Center for Medicare and Medicaid Services ("CMS")), the National Committee for Quality Assurance ("NCQA"), and the U.S. Attorney's Office for the Eastern District of Pennsylvania. Keystone disclosed information and provided documents regarding the credentialing failure incident;

WHEREAS, Keystone represents that in further response to the credentialing failure, Keystone undertook immediate corrective actions to address the credentialing issues;

WHEREAS, Keystone cooperated with a regulatory review of the incident by DOH. Neither DOH nor CMS has exercised its discretion to take enforcement action against Keystone in the face of Tremoglie's criminal conduct and Keystone's voluntary disclosure and corrective actions;

WHEREAS, Keystone represents that since 1997, both DOH, through its NCQA audit process, and CMS have audited Keystone's credentialing policies and found the credentialing program to be in compliance with State and federal regulations;

WHEREAS, after the voluntary disclosures, Keystone and the U.S. Attorney's Office entered into a collaborative dialogue to develop a model credentialing policy for the health care industry in recognition of the important role credentialing plays in the managed care environment;

WHEREAS, as a result of the collaborative discussions with the U.S. Attorney's Office, Keystone has approved and adopted a model credentialing policy. The U.S. Attorney's Office has provided significant input into the development of the credentialing policy. The credentialing policy developed through this collaborative process exceeds federal requirements and the credentialing standards used by other credentialing bodies;

WHEREAS, based upon Keystone's voluntary disclosure and corrective actions in response to the credentialing incident, and its approval of and commitment to the model credentialing policy, the U.S. Attorney's Office, on behalf of the United States, has exercised its discretion not to pursue any potential civil enforcement remedies arising out of the 1996 credentialing failure involving the Tremoglie incident;

WHEREAS, Keystone's development and implementation of a model credentialing policy is not an admission of liability for any credentialing incident and serves as no waiver or compromise of its administrative and other rights, including participation in federal and State health care plans;

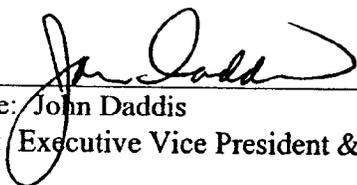
WHEREAS, Keystone will commence implementation of the credentialing policy on the effective date of this agreement. The credentialing policy will be subject to updates and revisions necessary to meet Keystone's business requirements to preserve network integrity or to maintain access to services, and/or to comply with changes in State and federal regulatory requirements. Keystone's implementation of its credentialing policy will be reviewed by an independent review organization ("IRO") as set forth in Keystone's credentialing policy. Keystone's Chief Medical Officer will report to the Board quarterly on the implementation of the credentialing policy and Keystone's Credentialing Compliance Officer will report to the Board quarterly on credentialing compliance issues;

WHEREAS, in the event of a material failure to implement the provisions of the credentialing policy, as determined by either CMS or DOH, the U.S. Attorney's Office may seek injunctive enforcement of these provisions in the United States District Court for the Eastern District of Pennsylvania during the effective period of this Agreement. Prior to the commencement of any injunctive suit, however, the U.S. Attorney's Office shall provide notice of the material failure and provide a cure period of no less than sixty (60) days. The government may not seek any damages or penalties relating to any action to enforce the terms of this Agreement. The effective period of this Agreement commences on February 12, 2003 and expires thirty six (36) months from the effective date, except for provisions pertaining to the final IRO review of the Agreement. The final IRO review will not review matters beyond the 36 month effective time period of the Agreement. This agreement shall not act as a waiver of any rights of either party beyond the terms of this agreement nor shall it provide any additional rights to the parties;

WHEREAS, State and federal regulations or directives in conflict with the Keystone credentialing policy take precedence over the terms of the policy and Keystone's compliance with any such regulation or directive shall not constitute a material failure to implement the policy. Additionally, both Keystone and the U.S. Attorney's Office understand that aspects of the policy will not be immediately undertaken and may prove impossible to implement. The fact that some aspects of the policy are not implemented is not *per se* a material failure to implement and Keystone's good faith efforts will be considered in evaluating any allegation of a material failure to implement;

Accordingly, based upon the foregoing, it is hereby **STIPULATED AND AGREED** that the Keystone credentialing policy approved by Keystone Health Plan East, Inc. and the United States Attorney's Office for the Eastern District of Pennsylvania, shall be effective on this 12th day of February 2003.

On Behalf of Keystone Health Plan East, Inc.

A handwritten signature in black ink, appearing to read "John Daddis", is written over a horizontal line.

Name: John Daddis

Title: Executive Vice President & Chief Operating Officer

On Behalf of the U.S. Attorney's Office for the
Eastern District of Pennsylvania

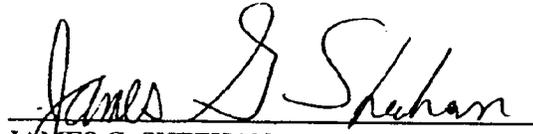
Name:
Title:

On Behalf of the U.S. Attorney's Office for the
Eastern District of Pennsylvania



PATRICK L. MEEHAN
United States Attorney

Dated: 2-12-03



JAMES G. SHEEHAN
Assistant United States Attorney
Chief, Civil Division

Dated: 1/17/03



MARILYN S. MAY
Assistant United States Attorney

Dated: 1/17/03



MARGARET L. HUTCHINSON
Assistant United States Attorney

Dated: 1-17-03