

SETTLEMENT AGREEMENT

I. PARTIES

This Settlement Agreement ("Agreement") is entered into between the United States of America ("United States"), acting through the United States Department of Justice and on behalf of the Office of Inspector General ("OIG-HHS") of the Department of Health and Human Services ("HHS"); Relator Health Outcomes Technologies, Inc. ("Relator"); and Community Health Systems, Inc. ("CHS"), (hereafter referred to as "the Parties"), through their authorized representatives.

II. PREAMBLE

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

A. Pinellas Community Hospital ("Pinellas") was a health care provider, and submitted or caused to be submitted, claims to Medicare for the inpatient treatment of Medicare beneficiaries.

B. Pinellas was owned by CHS until February 1996, at which time ownership of Pinellas was transferred to HCA (formerly known as Columbia/HCA Healthcare Corp.). CHS retained liability for claims asserted by the United States arising out of the Medicare Program for the time period prior to sale to HCA. Pinellas closed and ceased all operations in or about March 1996.

C. The United States contends that Pinellas submitted or

caused to be submitted claims for payment to the Medicare Program ("Medicare"), Title XVIII of the Social Security Act, 42 U.S.C. §§ 1395-1395 ddd(1997).

D. Medicare payments to a hospital for inpatient treatment rendered to a beneficiary generally are based upon the beneficiary's "principal diagnosis," as set forth by the hospital.

E. The Medicare program relies upon participating hospitals to properly indicate the principal diagnosis through the use of standard diagnosis codes.¹

F. The United States conducted an investigation into inpatient payment claims submitted to Medicare with the principal diagnosis code of 482.89 (pneumonia due to "other specified bacteria").

G. The United States contends that it has certain civil claims against CHS under the False Claims Act, 31 U.S.C. §§ 3729-3733, and other federal statutes and/or common law doctrines as more specifically identified in paragraph 5 below, for the following alleged conduct during the period from October 1, 1992 to February 29, 1996: Pinellas submitted or caused to be submitted claims to Medicare with the principal diagnosis code of 482.89 that were not supported by the corresponding medical

¹ International Classification of Diseases, 9th Revision, Clinical Modification ("ICD-9-CM").

records (hereinafter referred to as the "Covered Conduct"). The United States alleges that, as a result of these claims, Pinellas received payments to which it was not entitled.

H. The United States also contends that it has certain administrative claims against CHS under the provisions for permissive exclusion from Medicare, Medicaid and other federal health care programs, 42 U.S.C. § 1320a-7(b), and the provisions for civil monetary penalties, 42 U.S.C. § 1320a-7a, for the Covered Conduct.

I. CHS has provided information to the United States in response to the government's investigation of the Covered Conduct and CHS represents that such response has been truthful, accurate, and complete to the best of its knowledge and ability.

J. CHS does not admit the contentions of the United States as set forth in Paragraphs G and H above and as set forth in United States ex rel. Health Outcomes Technologies Inc. v. Pinellas Community Hospital (M.D. Fla.) (UNDER SEAL).

K. To avoid the delay, uncertainty, inconvenience and expense of protracted litigation of these claims, the Parties reach a full and final settlement as set forth below.

III. TERMS AND CONDITIONS

NOW, THEREFORE, in consideration of the mutual promises, covenants, and obligations set forth below, and for good and valuable consideration as stated herein, the Parties agree as follows:

1. CHS agrees to pay to the United States \$223,314 (the "Settlement Amount") as follows: CHS agrees to make payment of the Settlement Amount by electronic funds transfer pursuant to written instructions to be provided by the Civil Division of the United States Department of Justice. CHS agrees to make this electronic funds transfer no later than five days from the effective date of this Agreement.

2. CHS releases the United States, HHS, and each of their agencies, officers, agents, employees, and contractors and their employees and Relator from any and all claims, causes of action, adjustments, and set-offs of any kind arising out of or pertaining to the Covered Conduct, including the investigation of the Covered Conduct and this Agreement.

3. Subject to the exceptions in Paragraph 5 below, in consideration of the obligations of CHS set forth in this Agreement, conditioned upon CHS's payment in full of the Settlement Amount, the United States (on behalf of itself, its officers, agents, and its agencies and departments referenced above in paragraph 2), and Relator agree to release CHS, its

predecessors, successors, assigns, and affiliates (the "CHS releasees") from any civil or administrative monetary claim the United States has or may have under the False Claims Act, 31 U.S.C. §§ 3729-3732; the Civil Monetary Penalties Law, 42 U.S.C. § 1320a-7a; the Program Fraud Civil Remedies Act, 31 U.S.C. §§ 3801-3812 or the common law theories of payment by mistake, unjust enrichment, breach of contract and fraud, for the Covered Conduct. The United States expressly reserves any claims against any entities and individuals other than the CHS releasees.

4. In consideration of the obligations of CHS set forth in this Agreement and the Corporate Compliance Agreement referred to in Paragraph 6, and conditioned upon CHS's payment in full of the Settlement Amount, the OIG-HHS agrees to release and refrain, from instituting, directing or maintaining any administrative claim or any action seeking exclusion from Medicare, Medicaid or other Federal health care programs (as defined in 42 U.S.C. § 1320a-7b(f)) against CHS under 42 U.S.C. § 1320a-7a (Civil Monetary Penalties Law), or 42 U.S.C. § 1320a-7(b) (permissive exclusion), for the Covered Conduct, except as reserved in this Paragraph. The OIG-HHS expressly reserves all rights to comply with any statutory obligations to exclude CHS or others from Medicare, Medicaid or other federal health care programs under 42 U.S.C. § 1320a-7(a) (mandatory exclusion). Nothing in this Paragraph precludes the OIG-HHS from taking action against

entities or persons, or for conduct and practices, for which civil claims have been reserved in Paragraph 5, below.

5. Notwithstanding any term of this Agreement, specifically reserved and excluded from the scope and terms of this Agreement as to any entity or person (including CHS) are any and all of the following:

(1) Any civil, criminal or administrative claims arising under Title 26, U.S. Code (Internal Revenue Code);

(2) Any criminal liability;

(3) Except as explicitly otherwise stated in this Agreement, any administrative liability, including mandatory exclusion from Federal health care programs;

(4) Any liability to the United States (or its agencies) for any conduct other than the Covered Conduct;

(5) Any claims based upon such obligations as are created by this Agreement;

(6) Any express or implied warranty claims or other claims for defective or deficient products or services, including quality of goods and services, provided by CHS;

(7) Any claims based on a failure to deliver items or services billed;

(8) Any claims against any individuals, including officers and employees.

6. CHS has entered into a Corporate Compliance Agreement

("CCA") with OIG-HHS, effective March 3, 2000, the scope of which is set forth in the CCA. A copy of the CCA is attached hereto as Exhibit A and incorporated by reference. CHS will continue to implement its obligations under the CCA in accordance with the terms thereof. CHS agrees that if CHS reacquires Pinellas after the Effective Date of this Agreement, CHS shall notify OIG-HHS in accordance with Section IV of the CCA and that the CCA shall apply to Pinellas in accordance with Sections I and IV of the CCA.

7. CHS waives and will not assert any defenses it may have to any criminal prosecution or administrative action relating to the Covered Conduct, which defenses may be based in whole or in part on a contention that, under the Double Jeopardy or Excessive Fines Clause of the Constitution, this settlement bars a remedy sought in such criminal prosecution or administrative action. CHS agrees that this settlement is not punitive in purpose or effect. Nothing in this paragraph or any other provision of this Agreement constitutes an agreement by the United States concerning the characterization of the Settlement Amount for purposes of the Internal Revenue Laws, Title 26 of the United States Code.

8. CHS agrees not to resubmit to any Medicare carrier or intermediary or any State payer any previously denied claims related to the Covered Conduct, and agree not to appeal any such

denials of claims.

9. CHS agrees that all costs (as defined in the Federal Acquisition Regulations ("FAR") § 31.205-47 and in Titles XVIII and XIX of the Social Security Act, 42 U.S.C. §§ 1395-1395ddd (1997) and 1396-1396v (1997), and the regulations promulgated thereunder) incurred by or on behalf of CHS in connection with: (1) the matters covered by this Agreement, (2) the Government's audit(s) and civil and any criminal investigation(s) of the matters covered by this Agreement, (3) CHS's investigation, audit, defense, and corrective actions undertaken in response to the Government's audit(s) and civil and any criminal investigation(s) in connection with the matters covered by this Agreement (including attorney's fees), (4) the negotiation of this Agreement, and (5) the payment made pursuant to this Agreement, are unallowable costs on Government contracts and under the Medicare Program, Medicaid Program, TRICARE Program, Veterans Affairs Program, and Federal Employee Health Benefits Program (hereafter, "unallowable costs"). These unallowable costs will be separately estimated and accounted for by CHS and CHS will not charge such unallowable costs directly or indirectly to any contracts with the United States or any state Medicaid program, or seek payment for such unallowable costs through any cost report, cost statement, information statement or payment request submitted by CHS or any of its subsidiaries to the

Medicare, Medicaid, TRICARE, VA or FEHBP programs.

CHS further agreed that within 60 days of the effective date of this Agreement they will identify to applicable Medicare and TRICARE fiscal intermediaries, carriers and/or contractors, and Medicaid, VA and FEHBP fiscal agents, any unallowable costs (as defined in this paragraph) included in payments previously sought from the United States, or any State Medicaid Program, including, but not limited to, payments sought in any cost reports, cost statements, information reports, or payment requests already submitted by CHS, and will request, and agree, that such cost reports, cost statements, information reports or payment requests, even if already settled, be adjusted to account for the effect of the inclusion of the unallowable costs. CHS agrees that the United States will be entitled to recoup from CHS any overpayment as a result of the inclusion of such unallowable costs on previously-submitted cost reports, information reports, cost statements or requests for payment. Any payments due after the adjustments have been made shall be paid to the United States pursuant to the direction of the Department of Justice, and/or the affected agencies. The United States reserves its rights to disagree with any calculations submitted by CHS on the effect of inclusion of unallowable costs (as defined in this paragraph) on CHS's cost reports, cost statements or information reports. Nothing in this Agreement shall constitute a waiver of the rights

of the United States to examine or reexamine the unallowable costs described in this Paragraph.

10. 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.

11. CHS agrees that it will not seek payment for any of the health care billings covered by this Agreement from any health care beneficiaries or their parents or sponsors. CHS waives any causes of action against these beneficiaries or their parents or sponsors based upon the claims for payment covered by this Agreement.

12. After this Agreement is executed and the Settlement Amount is received by the United States, the United States and Relator will notify the Court that they stipulate and request that Pinellas be dismissed with prejudice from the action captioned United States ex rel. Health Outcomes Technologies v. Pinellas Community Hospital (UNDER SEAL), in the United States District Court for the Middle District of Florida.

13. By this Agreement, the Relator and Relator's Counsel will release and will be deemed to release CHS, from any claim that the Relator, and/or Relator's Counsel may have under 31 U.S.C. § 3730(d) to pay Relator's or Relator's Counsel attorneys' fees, expenses and costs.

14. Conditioned on CHS's payment in full of the Settlement

Amount, Relator shall receive from the United States a payment amounting to \$31,263. The United States shall pay relator this amount within a reasonable time after receipt by the United States from CHS of the Settlement Amount. It is expressly understood and agreed that the United States in no way promises or guarantees nor is liable to relator for the collection or payment of any funds pursuant to this Agreement or the payment or any relator's share payments except as provided herein for funds actually collected and received by the United States.

15. On receipt of the payment described in Paragraph 14 above, Relator will release and will be deemed to have released and forever discharged the United States, its officers, agents, and employees from any liability arising from the filing of the Complaint as against CHS, including any claim pursuant to 31 U.S.C. § 3730(d) to a share of any settlement proceeds received from CHS, and in full satisfaction and settlement of claims under this Agreement.

16. Each party to this Agreement will bear its own legal and other costs incurred in connection with this matter, including the preparation and performance of this Agreement.

17. CHS represents that this Agreement is freely and voluntarily entered into without any degree of duress or compulsion whatsoever.

18. This Agreement is governed by the laws of the United

States. The Parties agree that the exclusive jurisdiction and venue for any dispute arising between and among the Parties under this Agreement will be the United States District Court for the Middle District of Florida.

19. This Agreement constitutes the complete agreement between the Parties. This Agreement may not be amended except by written consent of the Parties.

20. All parties consent to the United States' disclosure of this Agreement, and information about this Agreement, to the public.

21. The undersigned individuals signing this Agreement on behalf of CHS represent and warrant that they are authorized to execute this Agreement on behalf of the entity. The undersigned United States signatories represent that they are signing this Agreement in their official capacities and that they are authorized to execute this Agreement.

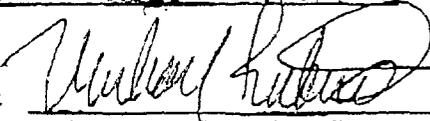
22. This Agreement may be executed in counterparts, each of which constitutes an original and all of which constitute one and the same agreement.

23. This Agreement is binding on successors, transferees, and assigns.

24. This Agreement is effective on the date of signature of the last signatory to the Agreement.

THE UNITED STATES OF AMERICA

DATED: 3/29/02

BY: 
MICHAEL RUBINSTEIN
Assistant United States Attorney

DATED: 3/15/02

BY: 
MICHAEL F. HERTZ
JOYCE R. BRANDA
JAMIE ANN YAVELBERG
Civil Division
U.S. Department of Justice

DATED: _____

BY: _____
LEWIS MORRIS
Assistant Inspector General
Office of Counsel to the
Inspector General
Office of Inspector General
United States Department of
Health and Human Services

THE UNITED STATES OF AMERICA

DATED: _____

BY: _____

MICHAEL RUBINSTEIN
Assistant United States Attorney

DATED: 3/15/02

BY: *Michael F. Hertz*

MICHAEL F. HERTZ
JOYCE R. BRANDA
JAMIE ANN YAVELBERG
Civil Division
U.S. Department of Justice

DATED: _____

BY: _____

LEWIS MORRIS
Assistant Inspector General
Office of Counsel to the
Inspector General
Office of Inspector General
United States Department of
Health and Human Services

THE UNITED STATES OF AMERICA

DATED: _____

BY: _____

MICHAEL RUBINSTEIN
Assistant United States Attorney

DATED: _____

BY: _____

MICHAEL F. HERTZ
JOYCE R. BRANDA
JAMIE ANN YAVELBERG
Civil Division
U.S. Department of Justice

DATED: 3/2/02

BY: 

LEWIS MORRIS
Assistant Inspector General
Office of Counsel to the
Inspector General
Office of Inspector General
United States Department of
Health and Human Services

DRINKER, BIDDLE & REATH
Attorneys for Relator
Health Outcomes Technologies

BY:

DATED: _____

RELATOR HEALTH OUTCOMES TECHNOLOGIES

FRIED, FRANK, HARRIS, SHRIVER
& JACOBSON
Counsel for Community Health
Systems, Inc.

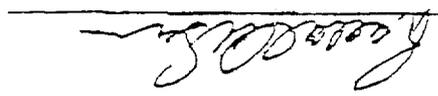
BY:

DATED: _____

RACHEL A. SEIFERT
Senior Vice President and General Counsel
Community Health Systems, Inc.

BY:

DATED: 2/27/02



COMMUNITY HEALTH SYSTEMS, INC.

COMMUNITY HEALTH SYSTEMS, INC.

DATED: _____

BY: _____

Community Health Systems, Inc.

DATED: 2/27/02

BY: 

FRIED, FRANK, HARRIS, SRIVER
& JACOBSON
Counsel for Community Health
Systems, Inc.

RELATOR HEALTH OUTCOMES TECHNOLOGIES

DATED: _____

BY: _____

DRINKER, BIDDLE & REATH
Attorneys for Relator
Health Outcomes Technologies

COMMUNITY HEALTH SYSTEMS, INC.

DATED: _____

BY: _____

Community Health Systems, Inc.

DATED: _____

BY: _____

FRIED, FRANK, HARRIS, SHRIVER
& JACOBSON
Counsel for Community Health
Systems, Inc.

RELATOR HEALTH OUTCOMES TECHNOLOGIES

DATED: 3/1/02

BY: [Signature]

DRINKER, BIDDLE & REATH
Attorneys for Relator
Health Outcomes Technologies

SETTLEMENT AGREEMENT

I. PARTIES

This Settlement Agreement (“Agreement”) is entered into and effective this tenth (10th) day of January, 2002, between the United States of America, acting through the Civil Division of the United States Department of Justice, the United States Attorney for the Northern District of Alabama, and the Office of Inspector General of the Department of Health and Human Services (“HHS-OIG”) (the “United States”), and Triad Hospitals, Inc. (Triad), successor in interest by merger to Quorum Health Group, Inc., QHG of Gadsden, Inc. (all of the foregoing defendants are collectively “Quorum and Triad”), and the qui tam relators, Jan Harper, Martha Baker, and Diane Brittan (“Relators”) (the United States and all of the foregoing persons or entities are hereafter collectively referred to as “the Parties”), through their duly authorized representatives.

II. PREAMBLE

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

A. Quorum Health Group, Inc., was formerly a publicly traded Delaware corporation with its principal offices located at 103 Continental Place, Brentwood, Tennessee 37027, and through its subsidiaries owned and managed hospitals.

B. QHG of Gadsden, Inc. d/b/a Gadsden Regional Medical Center, was a wholly-owned subsidiary of Quorum Health Group, Inc. and has its principal assets located at 1007 Goodyear Avenue, Gadsden, Alabama 35999.

C. Effective April 27, 2001, Quorum Health Group, Inc. was merged into Triad Hospitals, Inc., at which time the separate corporate existence of Quorum Health Group, Inc. ceased. Triad's liability in this Settlement Agreement is based solely on Triad's position as successor in interest to Quorum Health Group, Inc.

D. On December 1, 1993, QHG of Gadsden, Inc. purchased Gadsden Regional Medical Center from Baptist Health Services, Inc. Gadsden Regional Medical Center is located in Gadsden, Alabama.

E. As a duly certified Medicare provider, Quorum submitted or caused to be submitted claims for payment to the Medicare Program (“Medicare”), Title XVIII of the Social Security Act, 42 U.S.C. §§ 1395-1395ggg (1999), on behalf of Gadsden Regional Medical Center.

F. On or around December 31, 1998, the Relators filed a qui tam complaint under seal alleging violations of the False Claims Act by Quorum in the case styled United States ex rel. Jan Harper, Martha Baker, Diane Brittan v. Quorum Health Group d/b/a OHG, et al., No. CV-98-TMP-3218-M (N.D. Ala.) (the “Qui Tam Action”).

G. The United States has investigated the allegations in the Qui Tam Action as well as other allegations surfacing during its investigation. Based on its investigation, the United States contends that it has certain civil claims against Quorum, and therefore against Triad as Quorum's successor, under the False Claims Act, 31 U.S.C. §§ 3729-3733, and other federal statutes and/or common law doctrines, for engaging in the conduct defined in Paragraph H below (hereafter collectively referred to as the “Covered Conduct”).

H. The United States alleges that at various times during the period from 1993 through 1997, Quorum charged on the Gadsden Regional Medical Center Medicare cost reports, costs which were improper or not reimbursable, thereby wrongfully claiming Medicare reimbursement for these costs. The United States contends that these mischarged, improper or nonreimbursable costs were

- (1) The salaries of five former Baptist Memorial Hospital employees for a period of time after Quorum acquired Gadsden Regional Medical Center, even though those employees performed no work for Quorum;

- (2) Payments intended for a former Baptist Memorial Hospital physician which were never made; and
- (3) Payments to two individuals performing services for outside physicians.

I. The United States contends that it also has certain administrative claims against Quorum, and therefore against Triad as Quorum's successor, under the provisions for permissive exclusion from the Medicare, Medicaid and other federal health care programs, 42 U.S.C. § 1320a-7(b), and the provisions for civil monetary penalties, 42 U.S.C. § 1320a-7a, for the Covered Conduct.

J. Quorum and Triad deny the allegations of the United States as set forth in Paragraphs H (1) - (3) and I, above and Quorum and Triad contend that the costs at issue were allowable, or, if not allowable, have been previously fully refunded to Medicare. The United States maintains that its claims are well founded.

K. In order to avoid the disruption, delay, uncertainty, inconvenience and expense of protracted litigation of these claims, and without Quorum and Triad admitting any liability on the part of Quorum and Triad, the Parties have agreed to a full and final settlement as set forth below.

III. TERMS AND CONDITIONS

NOW, THEREFORE, in consideration of the mutual promises, covenants, and obligations set forth below, and for good and valuable consideration as stated herein, the Parties agree as follows:

1. Triad, as successor in interest to Quorum Health Group, Inc., agrees to pay the United States the sum of Four Hundred and Twenty Eight Thousand, Three Hundred and Forty Three Dollars (\$428,343) (the "Settlement Amount"). The United States agrees to pay to the Relators Sixty

Four Thousand, Two Hundred and Fifty One Dollars (\$64,251) of the Settlement Amount. Triad, as successor in interest to Quorum Health Group, Inc., further agrees to pay to the Relators Thirty Thousand Dollars (\$30,000) for expenses and attorney's fees and costs. The foregoing payments shall be made as follows:

- a. Immediately upon the execution of this Settlement Agreement by all Parties, Triad agrees to pay the full Settlement Amount to the United States by electronic funds transfer in accordance with the instructions set forth in Exhibit A attached hereto.
- b. Contingent upon the United States receiving the Settlement Amount from Triad and as soon as feasible after receipt, the United States agrees to pay \$64,251 to Relators by electronic funds transfer.
- c. Triad agrees to pay to the Relators \$30,000 for attorneys' fees and costs according to instructions provided by Relators.

2. Subject to the exceptions in Paragraph 3 below, and in consideration of the obligations of Quorum and Triad set forth in this Agreement, and conditioned upon Triad's payment in full of the Settlement Amount, the United States (on behalf of itself, its officers, agents, agencies and departments) and Relators, for themselves and their heirs, successors, attorneys, agents, and assigns, hereby release Quorum and Triad, and each of their parents, affiliates, divisions, subsidiaries, predecessors, successors, assigns, and transferees (the "Quorum and Triad Entities") and all current or former employees, officers, directors, shareholders and agents of the Quorum and Triad Entities (all of the foregoing are collectively referred to herein as the "Quorum and Triad Released Parties"), from any civil or administrative monetary claim which the United States has for the Covered Conduct under the False Claims Act (31 U.S.C. §§ 3729-3733), the Civil Monetary

Penalties Law (42 U.S.C. § 1320a-7a), the Program Fraud Civil Remedies Act (31 U.S.C. §§ 3801-3812), or the common law theories of payment by mistake, unjust enrichment, breach of contract and fraud. Nothing in this Paragraph precludes the United States or HHS-OIG from taking action against entities or persons, or for conduct and practices, for which claims have been reserved in Paragraph 3, below.

3. Notwithstanding any term of this Agreement, specifically reserved and excluded from the scope and terms of this Agreement as to any entity or person are any and all of the following:

(a) Any civil, criminal or administrative claims arising under Title 26, U.S. Code (Internal Revenue Code);

(b) Any criminal liability for the Covered Conduct;

(c) Any administrative liability: (i) for mandatory exclusion from Medicare, Medicaid, and other Federal healthcare programs (as defined in 42 U.S.C. § 1320a-7b(f), pursuant to 42 U.S.C. § 1320a-7(a); or (ii) under the authority of agencies or departments other than HHS-OIG;

(d) Any liability to the United States (or its agencies) for any conduct other than the Covered Conduct;

(e) Any claims based upon any of the Parties' failure to fulfill those obligations as are created by this Settlement Agreement, including those obligations created by the Corporate Integrity Agreement ("CIA") referred to in Paragraph 8;

(f) Any express or implied warranty claims or other claims for defective or deficient products or services, including quality of goods and services, provided by Quorum and Triad;

(g) Any claims for personal injury or physical damage to property arising from the Covered Conduct; and

(h) Any claims based on a failure to deliver items or services due.

4. Upon receipt of the payments described in Paragraph 1(a) and (c) above, the Parties will notify the Court in the Qui Tam Action, simultaneously, that (a) the United States is partially intervening in the Qui Tam Action with respect to claims against defendants Quorum Health Group, Inc. and QHG of Gadsden, Inc. related to the Covered Conduct; (b) notwithstanding such intervention, the Parties have reached a settlement; and (c) pursuant to this settlement all Parties have stipulated that: (i) the Relators dismiss all claims in the Qui Tam Action with prejudice as to them, and (ii) the United States dismisses with prejudice only those claims in the Qui Tam Action related to the Covered Conduct against defendants Quorum Health Group, Inc., QHG of Gadsden, Inc., and Triad Hospitals, Inc. as the successor in interest to Quorum Health Group, Inc., and the claims in the Qui Tam Action unrelated to the Covered Conduct are dismissed without prejudice as to the United States. The Parties shall file a Joint Stipulation of Dismissal and Proposed Order in the form attached hereto as Exhibit B.

5. In consideration of Quorum's and Triad's obligations set forth in this Settlement Agreement and the Corporate Integrity Agreement referred to in paragraph 8 and incorporated by reference, and conditioned upon Triad's payment in full of the Settlement Amount, the HHS-OIG agrees to release and refrain from instituting, directing or maintaining any administrative claim or any action against the Quorum and Triad Entities, seeking exclusion from the Medicare program, Medicaid program, or other federal health care programs, as defined in 42 U.S.C. § 1320a-7b(f), under 42 U.S.C. § 1320a-7a (Civil Monetary Penalties Law), or 42 U.S.C. § 1320a-7(b)(7)

(permissive exclusion), for the Covered Conduct, except as reserved in Paragraph 3, and in this Paragraph. Nothing in this Paragraph precludes the HHS-OIG from taking action against entities or persons, or for conduct and practices, for which claims have been reserved in Paragraph 3.

6. Conditioned upon receipt of the payment described in Paragraph 1(b), the Relators, for themselves and for their heirs, successors, attorneys, agents, and assigns, hereby release the United States, its officers, agents, and employees, from any claims arising from or relating to 31 U.S.C. § 3730, or arising from the filing of the Qui Tam Action, including 31 U.S.C. §§ 3730(b), (c), (d), and (d)(1), and for a share of the proceeds of the Qui Tam Action, for a share of the Settlement Amount, and for a share of the proceeds of any proceeding involving an "alternate remedy" as that term is used in 31 U.S.C. § 3730(c)(5). The Relators agree and confirm that this Agreement is fair, adequate, and reasonable under all the circumstances, pursuant to 31 U.S.C. § 3730(c)(2)(B), and Relators represent that they have had advice of counsel with respect to this Settlement Agreement.

7. Conditioned upon receipt of the payment described in Paragraph 1(c), the Relators, for themselves and for their heirs, successors, attorneys, agents, and assigns, hereby release the Quorum and Triad Entities and their officers, agents, and employees, from any and all claims or causes of action, whether in law or equity and whether known or unknown, whether suspected or unsuspected, without any limitation or restriction, that Relators have against the Quorum and Triad entities and their officers, agents, and employees as of the date of this Agreement.

8. Triad has entered into a Corporate Integrity Agreement ("CIA") with HHS-OIG, effective November 1, 2001, the scope of which is set forth in the CIA. By its terms, the CIA applies specifically to the Gadsden Regional Medical Center. A copy of the CIA is attached hereto as

Exhibit C and incorporated herein by this reference. Triad will promptly implement its obligations under the CIA in accordance with the terms thereof.

9. Quorum and Triad waive and will not assert any defenses which they may have to any criminal prosecution or administrative action relating to the Covered Conduct, but only to the extent that such defenses may be based in whole or in part on a contention that, under the Double Jeopardy Clause in the Fifth Amendment of the Constitution, or under the Excessive Fines Clause in the Eighth Amendment of the Constitution, this Settlement Agreement bars a remedy sought in such criminal prosecution or administrative action. Quorum and Triad agree that this Settlement Agreement is not punitive in purpose or effect. Nothing in this Paragraph or any other provision of this Agreement constitutes an agreement by the United States concerning the characterization of the Settlement Amount for purposes of the Internal Revenue laws, Title 26 of the United States Code.

10. Quorum and Triad agree that the existence and execution of this Settlement Agreement does not provide Quorum and Triad with any additional defenses to a civil or administrative proceeding unrelated to the Covered Conduct.

11. The Settlement Amount shall not be decreased as a result of the denial of claims for payment now being withheld from payment by any Medicare carrier or intermediary or any State payer, related to the Covered Conduct; and Quorum and Triad agree not to resubmit to any Medicare carrier or intermediary or any State payer any previously denied claims related to the Covered Conduct, and agree not to appeal any such denials of claims.

12. Quorum and Triad agree to the following:

(a) Unallowable Costs Defined: that all costs (as defined in the Federal Acquisition Regulation (FAR) 48 C.F.R. § 31.205-47 and in Titles XVIII and XIX of the Social Security Act,

42 U.S.C. §§ 1395-1395ggg and 1396-1396v, and the regulations and official program directives promulgated thereunder) incurred by or on behalf of Quorum and Triad, their present or former officers, directors, employees, shareholders, and agents in connection with:

(1) the matters covered by this Agreement ,

(2) the United States' audit and civil investigation of the matters covered by this Agreement,

(3) Quorum's and Triad's investigation, defense, and corrective actions undertaken in response to the United States' audit and civil investigation in connection with the matters covered by this Agreement (including attorney's fees),

(4) the negotiation and performance of this Agreement,

(5) the payment Triad makes to the United States pursuant to this Agreement and any payments that Triad may make to Relators, including costs and attorneys fees, and

(6) the negotiation of, and obligations undertaken pursuant to the CIA to:

(i) retain an independent review organization to perform annual reviews as described in Section III of the CIA; and

(ii) prepare and submit reports to the OIG-HHS,

are unallowable costs on Government contracts and under the Medicare Program, Medicaid Program, TRICARE Program, Veterans Affairs Program (VA) and Federal Employees Health Benefits Program (FEHBP).

(All costs described or set forth in this Paragraph 12(a) are hereafter, "Unallowable Costs").

(b) Future Treatment of Unallowable Costs: These Unallowable Costs will be separately determined and accounted for in non-reimbursable cost centers by Quorum and Triad, and Quorum and Triad will not charge such Unallowable Costs directly or indirectly to any contracts with the

United States or any State Medicaid Program, or seek payment for such Unallowable Costs through any cost report, cost statement, information statement, or payment request submitted by Quorum and Triad or any of their subsidiaries to the Medicare, Medicaid, TRICARE, VA or FEHBP Programs.

(c) Treatment of Unallowable Costs Previously Submitted for Payment: Quorum and Triad further agree that within 90 days of the effective date of this Agreement they will identify to applicable Medicare and TRICARE fiscal intermediaries, carriers, and/or contractors, and Medicaid, VA and FEHBP fiscal agents, any Unallowable Costs (as defined in this Paragraph) included in payments previously sought from the United States, or any State Medicaid Program, including, but not limited to, payments sought in any cost reports, cost statements, information reports, or payment requests already submitted by Quorum and Triad or any of their subsidiaries or affiliates, and will request, and agree, that such cost reports, cost statements, information reports, or payment requests, even if already settled, be adjusted to account for the effect of the inclusion of the Unallowable Costs. Quorum and Triad agree that the United States, at a minimum, will be entitled to recoup from Quorum and Triad any overpayment plus applicable interest and penalties, if any, as a result of the inclusion of such Unallowable Costs on previously-submitted cost reports, information reports, cost statements, or requests for payment.

Any payments due after the adjustments have been made shall be paid to the United States pursuant to the direction of the Department of Justice, and/or the affected agencies. The United States reserves its rights to disagree with any calculations submitted by Quorum and Triad or any of their subsidiaries on the effect of inclusion of Unallowable Costs (as defined in this Paragraph) on Quorum and Triad or any of their subsidiaries' cost reports, cost statements, or information

reports. Nothing in this Agreement shall constitute a waiver of the rights of the United States to examine or reexamine the Unallowable Costs described in this Paragraph.

13. Quorum and Triad release the United States and each of its agencies, officers, agents, employees, and contractors and their employees, from any and all claims, causes of action, adjustments, and set-offs of any kind arising out of or pertaining to the investigation of the Covered Conduct, and/or this Agreement.

14. This Settlement Agreement is intended to be for the benefit of the Parties, and their successors and assigns only and by this instrument the Parties do not release any claims against any other person or entity.

15. Except as expressly provided to the contrary 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.

16. Triad, Quorum and the Relators represent that they have entered into this Settlement Agreement freely and voluntarily.

17. This Settlement Agreement is governed by the laws of the United States. Should any action to enforce or interpret this Settlement Agreement, or to resolve any dispute hereunder be required, the Parties acknowledge the jurisdiction of the federal courts and agree that venue for any such action shall be in the United States District Court for the Northern District of Alabama with the exception that disputes arising under the CIA shall be resolved in accordance with the provisions of the CIA.

18. This Agreement and the CIA that is incorporated herein by reference constitute the complete agreement between the Parties. This Agreement may not be amended except by signed

written consent of the Parties, except that only Triad and HHS-OIG must agree in writing to any modification of the CIA, pursuant to the terms of the CIA.

19. Each undersigned Quorum and Triad signatory represents and warrants that he or she is authorized to execute this Settlement Agreement. The undersigned United States signatories represent that they are signing this Settlement Agreement in their official capacity and warrant that they are authorized to execute this Settlement Agreement. Each of the Relators represent that she has the capacity to execute this Settlement Agreement and that she has read the Settlement Agreement in its entirety.

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

21. This Agreement is effective on the date of signature of the last signatory to the Agreement. Facsimiles of signatures shall constitute acceptable, binding signatures for purposes of this Agreement.

22. This Settlement Agreement shall be binding on the Quorum and Triad Entities and on the Relators.

23. All parties consent to the United States' disclosure of this Agreement, and information about this Agreement, to the public.

24. The execution of this Agreement by Quorum and Triad shall not constitute an admission of wrongdoing or liability by Quorum and Triad.

FOR THE UNITED STATES OF AMERICA:

DATED: 1/14/02

BY: Robert J. McAuliffe

ROBERT J. MCAULIFFE
Trial Attorney
Commercial Litigation Branch
Civil Division
U.S. Department of Justice

DATED: _____

BY: _____

JAMES G. GANN, III
Assistant United States
Attorney
Northern District of Alabama

DATED: _____

BY: _____

LEWIS MORRIS
Assistant Inspector General
Office of Counsel to the
Inspector General
Office of Inspector General
United States Department of
Health and Human Services

FOR THE UNITED STATES OF AMERICA:

DATED: _____

BY: _____

ROBERT J. MCAULIFFE
Trial Attorney
Commercial Litigation Branch
Civil Division
U.S. Department of Justice

DATED: 1/10/02

BY: _____

JAMES G. GANN, III
Assistant United States
Attorney
Northern District of Alabama

DATED: _____

BY: _____

LEWIS MORRIS
Assistant Inspector General
Office of Counsel to the
Inspector General
Office of Inspector General
United States Department of
Health and Human Services

FOR QUORUM AND TRIAD:

DATED: 1-10-02

BY: Donald Fay
DONALD FAY
Executive Vice President and
General Counsel
Triad Hospitals, Inc.

DATED: 1-10-02

BY: Donald Fay
DONALD FAY
Executive Vice President and
General Counsel
Triad Hospitals, Inc., as Successor
in Interest to
Quorum Health Group, Inc.

DATED: 1-10-02

BY: Donald Fay, EVA
QHG of Gadsden, Inc., d/b/a Gadsden Regional
Medical Center

DATED: 1-10-02

BY: Lin S. Howard
LIN S. HOWARD, ESQ.
Harwell Howard Hync
Gabbert & Manner, P.C.
315 Newberick Street, Suite 1800
Nashville, Tennessee 37238

Counsel for Triad Hospitals, Inc., Quorum
Health Group, Inc.,
and QHG of Gadsden, Inc.

FOR RELATORS:

DATED: 1/10/02

Jan Harper
JAN HARPER

DATED: Jan 10, 02

Martha Baker
MARTHA BAKER

DATED: January 10, 2002

Diane Brittan
DIANE BRITTAN

DATED: Jan 10, 02

BY: Robert C. Davis
ROBERT C. DAVIS, ESQ.
1040 Forrest Avenue
Gadsden, Alabama 35901

Counsel for Relators

FOR THE UNITED STATES OF AMERICA:

DATED: _____

BY: _____

ROBERT J. MCAULIFFE
Trial Attorney
Commercial Litigation Branch
Civil Division
U.S. Department of Justice

DATED: _____

BY: _____

JAMES G. GANN, III
Assistant United States
Attorney
Northern District of Alabama

DATED: 1/14/02

BY:  _____

LEWIS MORRIS
Assistant Inspector General
Office of Counsel to the
Inspector General
Office of Inspector General
United States Department of
Health and Human Services

FOR QUORUM AND TRIAD:

DATED: _____

BY: _____

DONALD FAY
Executive Vice President and
General Counsel
Triad Hospitals, Inc.

DATED: _____

BY: _____

DONALD FAY
Executive Vice President and
General Counsel
Triad Hospitals, Inc., as Successor
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DATED: _____

BY: _____

QHG of Gadsden, Inc., d/b/a Gadsden Regional
Medical Center

DATED: _____

BY: _____

LIN S. HOWARD, ESQ.
Harwell Howard Hyne
Gabbert & Manner, P.C.
315 Deaderick Street, Suite 1800
Nashville, Tennessee 37238

Counsel for Triad Hospitals, Inc., Quorum
Health Group, Inc.,
and QHG of Gadsden, Inc.

FOR RELATORS:

DATED: _____

JAN HARPER

DATED: _____

MARTHA BAKER

DATED: _____

DIANE BRITTAN

DATED: _____

BY:

ROBERT C. DAVIS, ESQ.
1040 Forrest Avenue
Gadsden, Alabama 35901

Counsel for Relators