

NOTICE OF PRIVACY PRACTICES

Effective Date: April 14, 2003

THIS NOTICE DESCRIBES HOW MEDICAL INFORMATION ABOUT YOU MAY BE USED AND DISCLOSED AND HOW YOU CAN GET ACCESS TO THIS INFORMATION.

PLEASE REVIEW IT CAREFULLY. THE PRIVACY OF YOUR MEDICAL INFORMATION IS IMPORTANT TO US.

This Notice describes the medical information practices of FamilyCare, Inc. and that of any third party that assists in the administration of FamilyCare, Inc. If you want more information about our privacy practices or have questions or concerns, please contact us:

Contact: Privacy Officer, FamilyCare, Inc.

Address: 2121 SW Broadway, Suite 300, Portland, Oregon 97201

Telephone: (800) 335-3205

OUR PLEDGE TO YOU

FamilyCare, Inc. is committed to maintaining the confidentiality of your personal medical information. Your personal doctor or health care provider may have different policies or notices regarding their use and disclosure of your medical information created by them. This Notice will tell you how we use information about you and when we can share that information with others. This also describes your rights with respect to your health information and how you can exercise these rights. This Notice applies to all of the medical records which we maintain.

We are required by law to:

- make sure that medical information that identifies you is kept private;
- give you this notice of our legal duties and privacy practices with respect to medical information about you; and
- follow the terms of the notice that is currently in effect.

This Notice of Privacy Practices takes effect on April 14, 2003, and will remain in effect until we replace it. This Notice pertains to you and your covered dependents, please share it with your covered dependents.

You may request a copy of our Notice at any time. For more information about our privacy practices, or for additional copies of this Notice, please contact us using the information listed at the end of this Notice.

HOW WE MAY USE OR SHARE MEDICAL INFORMATION ABOUT YOU

The following categories describe different ways that we use and disclose medical information. For each category of uses and disclosures we will explain what we mean and present some examples. Not every use or disclosure in a category will be listed. However, all of the ways that we are permitted to use and disclosure information will fall within one of the categories:

Treatment (as described in applicable regulations): We may use and disclose medical information about you to facilitate medical treatment or services by providers. We may disclose medical information about you to providers, including your doctors or hospitals to help them provide medical care to you. For example, if you are in the hospital, we may give them access to any medical records sent to us by your doctor.

Payment (as described in applicable regulations): We may use and disclose medical information about you to determine eligibility for certain benefits, to facilitate payment for the treatment and services you receive from providers, to determine benefit responsibility under your plan, or to coordinate coverage. For example, we may use the information to help pay your medical bills that have been submitted to us by doctors and hospitals for payment.

Health Care Operations (as described in applicable regulations): We may use and disclose medical information about you for regular health care operations. These uses and disclosures are necessary to run the plan. For example, we may use medical information to conduct quality assessment and improvement activities, to engage in care coordination or case management or to manage our business.

As Required by Law: We will disclose your medical information when required to do so by federal, state or local law. For example, we may disclose medical information to a health oversight agency for activities related to audits, investigations, inspections and licensure.

To Avert a Serious Threat to Public Health and Safety: We may use and disclose medical information about you when necessary to prevent a serious threat to your health and safety or the health or safety of the public or another person. Any disclosure, however, would only be to someone able to help prevent the threat. For example, we may report information to the Food and Drug Administration for investigating or tracking of prescription drug and medical device problems.

SPECIAL USE AND DISCLOSURE SITUATIONS

Health Plan Sponsor: We may disclose medical information about you and the medical information of others enrolled in your health plan to the employer or other organization that sponsors your health plan to permit the plan sponsor to perform plan administration functions or for facilitating claims payments under the plan.

Public Health Purposes: We may disclose medical information about you for public health activities. These activities generally include:

- To prevent or control disease, injury or disability;
- To report births and deaths;
- To report child abuse or neglect;
- To report reactions to medications or problems with products;
- To notify people of recalls of products they may be using;
- To notify a person who may have been exposed to a disease or may be at risk for contracting or spreading a disease or condition;
- To notify the appropriate government authority if we believe a patient has been the victim of abuse, neglect or domestic violence. We will only make this disclosure if you agree or when required or authorized by law.

Organ and Tissue Donation: If you are an organ donor, we may release medical information to organizations that handle organ procurement or organ, eye or tissue transplantation or to an organ donation bank, as necessary to facilitate organ or tissue donation and transplantation.

Workers' Compensation: We may release medical information about you for workers' compensation or similar programs. These programs provide benefits for work-related injuries or illness.

Health Oversight Activities: We may disclose medical information to a health oversight agency for activities authorized by law. These oversight activities include, for example, audits, investigations, inspections and licensure. These activities are necessary for the government to monitor the health care system, governmental programs, and compliance with civil rights laws.

Coroners, Medical Examiners and Funeral Directors: We may release medical information to a coroner, medical examiner or funeral director to identify a deceased person or determine the cause of death. We may also release medical information to allow a coroner, medical examiner or funeral director to carry out their duties consistent with applicable law.

Lawsuits and Disputes: If you are involved in a lawsuit or a dispute, we may disclose medical information about you in response to a court or administrative order. We may also disclose medical information about you in response to a subpoena, discovery request, or other lawful process by someone else involved in the dispute, but only if efforts have been made to tell you about the request or to obtain an order protecting the information requested.

Law Enforcement Purposes: We may release medical information if asked to do so by a law enforcement official:

- In response to a court order, warrant, or grand jury subpoena;
- To identify or locate a suspect, fugitive, material witness or missing person;
- About the victim of a crime if, under certain limited circumstances, we are unable to obtain the person's agreement;
- About a death we believe may be the result of criminal conduct;
- About criminal conduct at the hospital; and
- In emergency circumstances to report a crime; the location of the crime or victims; or the identity, description or location of the person who committed the crime.

Inmates: If you are an inmate of a correctional institution or under the custody of a law enforcement official, we may release medical information about you to the correctional institution or law enforcement official. This release would be necessary (1) for the institution to provide you with health care; (2) to protect your health and safety or the health and safety of others; or (3) for the safety and security of the correctional institution.

Military and National Security: If you are a member of the armed forces, we may release medical information about you as required by military command authorities. We may also release medical information about you to authorized federal official for intelligence, counterintelligence, and other national security activities authorized by law.

WHAT ARE YOUR RIGHTS REGARDING YOUR MEDICAL INFORMATION

You have the following rights regarding medical information we maintain about you:

Right to Request Confidential Communications: You have the right to request that we communicate with you about your medical matters in a certain way or at a certain location. For example, if you believe that you would be harmed if we send your information to your current mailing address, you can ask us to send the information by alternative means (for example by fax) or to an alternative address.

To request confidential communications, you must make your request in writing by contacting our Privacy Officer using the information listed at the beginning of this Notice. We will not ask you the reason for your request. We will accommodate all reasonable requests. Your request must specify how or where you wish to be contacted.

Right to Request Restrictions: You have a right to request a restriction or limitation on the medical information we use or disclose about you for treatment, payment or health care operations. You also have the right to request a limit on the medical information we disclose about you to someone who is involved in your care or the payment of your care, like a family member or friend.

Please note that while we will try to honor your request, we are not required to agree to these restrictions.

To request restrictions, we ask that you make your request in writing by contacting our Privacy Officer using the information listed at the beginning of this Notice. In your request, please include:

- what information you want to limit;
- whether you want to limit our use, disclosure or both; and
- To whom you want the limits to apply; for example disclosures to your spouse.

Right to Inspect and Copy: You have the right to inspect and copy medical information that may be used to make decisions about your care and benefits.

To inspect and copy medical information that may be used to make decisions about you, submit your written request by contacting our Privacy Officer using the information listed at the beginning of this Notice. If you request a copy of the information, we may charge a fee for the costs of copying, mailing or other supplies associated with your request.

We may deny your request to inspect and copy in certain very limited circumstances. If you are denied access to medical information, you may request that the denial be reviewed.

Right to Amendment: If you feel that medical information we have about you is incorrect or incomplete, you have the right to request an amendment for as long as the information is kept by for your plan.

To request an amendment, you must submit your request in writing by contacting our Privacy Officer using the information listed at the beginning of this Notice. In addition, you must provide a reason that supports your request.

We may deny your request for an amendment if it is not in writing or does not include a reason to support your request. In addition, we may deny your request if you ask us to amend information that:

- was not created by us, unless the person or entity that created the information is no longer available to make the amendment;

- is not part of the medical information kept by or for us;
- is not part of the information which you would be permitted to inspect and copy; or
- is accurate and complete.

Right to an Accounting of Disclosures: You have the right to receive an accounting of certain disclosures where such disclosure was made for any purposes other than for treatment, payment, or health care operations.

To request this list of disclosures, we ask that you submit your request in writing to our Privacy Officer using the information listed at the beginning of this Notice. Your request must state a time period, which may not be longer than six years and may not include dates prior to April 14, 2003. Your request should indicate in what form you want the list (for example; paper, electronically). The first list you request within a 12-month period will be free. For additional lists, we may charge you for the costs of providing the list. We will notify you of the cost involved and you may choose to withdraw or modify your request at that time before any costs are incurred.

CHANGES TO THIS NOTICE

We reserve the right to change this Notice. We reserve the right to make the revised or changed Notice effective for medical information we already have about you as well as any information we receive in the future. We will send our health plan subscribers a new Notice within 60 days of a material change to this Notice. The Notice will contain on the first page, in the top right hand corner, the effective date.

ELECTRONIC NOTICE

If you receive this Notice on our web site or by electronic mail (e-mail), you are entitled to receive this Notice in paper form. Please contact our Privacy Officer using the information listed at the beginning of this Notice to obtain a paper copy of this Notice.

COMPLAINTS

If you believe your privacy rights have been violated, you may file a complaint with us or with the Secretary of the Department of Health and Human Services. To file a complaint with us, contact our Privacy Officer using the information listed at the beginning of this Notice. You will not be penalized for filling a complaint.

OTHER USES OF MEDICAL INFORMATION

Other uses or disclosures of medical information not covered by this Notice or the laws that apply to us will be made only with your written permission. If you provide us permission to

use or disclose medical information about you, you may revoke that permission, in writing, at any time. If you revoke your permission, we will no longer use or disclose medical information about you for the reasons covered by your written authorization. You understand that we are unable to reverse any disclosures we have already made with your permission and that we are required to retain our records of your medical information.