SAFEWAY INC.

Deficit Reduction Act of 2005
False Claims Act Policies
(Effective January 1, 2007)

On February 8, 2006, President George W. Bush signed the Deficit Reduction Act of 2005 into law. The Deficit Reduction Act contains many provisions reforming Medicare and Medicaid that are designed to reduce program spending.

Safeway pharmacies are a participant in federal health care programs and receive reimbursement from Medicaid agencies for prescriptions dispensed to Medicaid beneficiaries. As an entity that receives payments from Medicaid which meet the requirements under section 6032 of the Deficit Reduction Act of 2005, Safeway is required to comply with certain provisions of the Deficit Reduction Act.

Under the Deficit Reduction Act, Safeway is required by law to establish certain policies and provide all employees with information regarding: (1) the federal False Claims Act and similar state laws, (2) an employee's right to be protected as a whistleblower, and (3) Safeway's policies and procedures for detecting and preventing fraud, waste, and abuse in state and federal health care programs. Further, contractors, subcontractors, agents, and other persons which or who, on behalf of Safeway, furnish or otherwise authorize the furnishing of Medicaid health care items or services, perform billing or coding functions, or are involved in monitoring of health care provided by Safeway are required to adopt these policies and procedures to continue to do business with Safeway.

This document sets forth our policies and contains information required by law under the Deficit Reduction Act.

FALSE CLAIMS ACTS

One of the primary purposes of false claims laws is to combat fraud and abuse in government health care programs. False claims laws do this by making it possible for the government to bring civil actions to recover damages and penalties when healthcare providers submit false claims. These laws often permit qui tam suits as well, which are lawsuits brought by lay people, typically employees or former employees of healthcare providers that submit false claims. There is a federal False Claims Act and many states also have a state version of the False Claims Act.

Federal False Claims Act

The federal False Claims Act (FCA) forbids knowing and willful false statements or representations made in connection with a claim submitted for reimbursement to a federal health care program, including Medicare or Medicaid. The FCA extends to those who have actual knowledge of the falsity of the information as well as those who act in deliberate ignorance or in reckless disregard.

Examples of a false claim include submitting a claim for a service that was not rendered or billing multiple payers for the same service. Penalties include fines from $5,500 to $11,000 per false claim, payment of treble damages, and exclusion from participation in federal healthcare programs.

The federal FCA includes a whistleblower provision, which allows someone with actual knowledge of alleged FCA violations to file suit on the federal government's behalf. After the whistleblower files suit, the case is kept confidential while the government conducts an investigation to determine whether it has merit. The government may decide to take over the case, but, if it declines to do so, the whistleblower still may pursue the suit. A whistleblower who prevails may qualify for 15 to 30 percent of the amount recovered on the government's behalf as well as attorney's fees and costs.

The FCA prohibits employers from retaliating against employees who file or participate in the prosecution of a whistleblower suit. An employee who suffers retaliation may, for example, qualify for back pay or reinstatement.

State False Claims Laws

Certain states have enacted laws similar to the federal False Claims Act designed to combat fraud and recover losses stemming from fraud. Some of these state laws contain broad provisions that apply to any fraudulent dealings with the state. Others are limited to claims made in connection with Medicaid or other state sponsored health care. Many contain "qui tam" provisions allowing private individuals with unique knowledge of wrongdoing to bring lawsuits on behalf of the state and share in any recovery. These state laws also typically prohibit retaliation against a person who files a "whistleblower" suit. Other state laws simply prohibit the submission of false claims to the government without "qui tam" or whistleblower provisions like those found in the federal False Claims Act.

Below are references to the state laws currently enacted. This list will be updated from time to time as new state laws are adopted. Please refer back to this list periodically.

Arkansas	Ark. Stat. §§ 20-77-901 et seq.
California	Cal. Gov't Code §§ 12650 et seq.
Colorado	Colo. Rev. Stat. §§ 25.5-4-304 & 305 (previously codified at Colo. Rev. Stat. §§ 26-4-1101 et seq.) S-06-219 65th Leg., 2d Spec. Sess. (Colo. 2006)
Delaware	Del. Code Ann. tit. 6, §§ 1201 et seq.
District of Columbia	D.C. Code Ann. §§ 2-308.13 et seq.
Florida	Fla. Stat. §§ 68.081 et seq. (2000) Fla. Stat. § 112.3187 Fla. Stat. § 409.920 Fla. Stat. § 409.9201 Fla. Stat. § 409.913 Fla. Stat. § 414.39 Fla. Stat. § 775.082 Fla. Stat. § 812.035 Fla. Stat. § 817.155 Fla. Stat. § 837.06 Fla. Admin. Code Ann. r. 59G-9.070
Hawaii	Haw. Rev. Stat. §§ 661-21 et seq.

Illinois	740 Ill. Comp. Stat. Ann. §§ 175/1 et seq.
Indiana	Ind. Code §§ 5-11-5.5 et seq.
Louisiana	La. Rev. Stat. Ann. §§ 46:439.1 et seq.
Massachusetts	Mass. Ann. Laws Ch. 12, §5(A)-(O)
Michigan	Mich. Comp. Laws Ann. §§ 400.601 et seq.
Montana	Mont. Code Ann. §§ 17-8-401 et seq.
Nevada	Nev. Rev. Stat. §§ 357.010 et seq.
New Hampshire	N.H. Rev. Stat §§ 167:58 et seq.
New Mexico	N.M Stat. Ann. §§ 27-14-1 et seq.
Tennessee	Tenn. Code. Ann. §§ 4-18-101 et seq. Tenn. Code. Ann. §§ 71-5-181 et seq.
Texas	Tex. Hum. Res. Code § 32.039 Tex. Hum. Res. Code. §§ 36-001 et seq.
Virginia	Va. Code Ann. §§ 8.01-216.1 et seq.

EMPLOYEE'S RIGHT TO BE PROTECTED AS A WHISTLEBLOWER

All employees, management, contractors, subcontractors, and agents of Safeway should be aware of the laws regarding fraud and abuse and false claims and to report any issues immediately in accordance with Safeway's Code of Business Conduct. The federal False Claims Act protects employees from retaliation if they, in good faith, report fraud. Employees are protected against retaliation such as being fired, demoted, threatened or harassed as a result of filing a False Claims Act lawsuit. An employee who suffers retaliation can sue, and may receive up to twice his or her back pay, plus interest, reinstatement at the seniority level he or she would have had if not for the retaliation, and compensation for his or her costs or damages. This does not insulate the reporter from disciplinary action if it turns out that he or she is involved in the reported wrongdoing.

SAFEWAY POLICIES AND PROCEDURES

Safeway is committed to fully comply with all laws and regulations. Safeway has various policies and procedures for detecting and preventing fraud, waste, and abuse. These policies and procedures include Safeway's Code of Business Conduct, Pharmacy Policies and Procedures, Corporate Policies and Procedures, and Complaint And Investigation Protocol For Accounting, Internal Accounting Controls, Fraud Or Auditing Matters. Copies of these documents may be found on Safeway's intranet or by leaving a voice mail message at (800) 283-5965 with your request and information.