

**U.S. PHYSICAL THERAPY, INC.**  
**CODE OF CONDUCT**  
**FOR EMPLOYEES AND OFFICERS**

**CODE OF CONDUCT**

This Code of Conduct (“Code”) applies to all officers and employees of U.S. Physical Therapy, Inc. and its subsidiaries and affiliated entities (collectively, the “Company”). The Company’s Chief Executive Officer, Chief Financial Officer and Chief Accounting Officer should refer to the Code of Conduct specifically applicable to those officers. Likewise, directors serving on the Company’s Board of Directors should look to the Code of Conduct applicable to the Board of Directors.

**The Code is subject to all applicable law.**

Nothing in this Code is intended to require any action contrary to law. If the Code conflicts with any law, you must comply with the law. Nothing in the Code is intended or will be considered (i) to amend the Certificate of Incorporation or Bylaws of the Company, (ii) to change the legal duties imposed upon officers under state, federal and other applicable statutes, rules and regulations, (iii) to expand the liabilities of officers beyond applicable law, or (iv) to affect any rights available to officers under state and other applicable law or the Company’s Certificate of Incorporation or Bylaws. Officers shall also be entitled to the benefits of indemnification to the fullest extent permitted by law and the Company’s Certificate of Incorporation and Bylaws, and to exculpation as provided by state law and the Company’s Certificate of Incorporation and Bylaws.

**The Code may be amended, modified or waived from time to time.**

This Code may be amended, modified or waived by the Company’s Board of Directors. Waivers may also be granted by a committee of the Board of Directors. Any amendments, modifications or waivers of the Code will be promptly disclosed in accordance with applicable securities laws and the applicable rules of the New York Stock Exchange.

**You should consult the appropriate persons if you have any questions about the Code.**

Any questions regarding the Code should be directed to the Chief Compliance Officer or the General Counsel. Employees are encouraged to talk to supervisors, managers or other appropriate personnel when in doubt about the best course of action in a particular situation. If a supervisor or manager does not provide a satisfactory response to any questions raised, you should seek guidance from individuals at the next supervisory level, up to and including the highest level of management and the Board of Directors.

**You must comply with the policies and procedures of the Company, but if a policy or procedure conflicts with the Code, you should follow the Code.**

This Code provides general guidelines. The Company has also adopted, and may from time to time adopt, policies and procedures, such as the employee manual, which are intended to supplement, but not replace, this Code. Therefore, if any policy or procedure of the Company conflicts with the Code, you must comply with the Code.

**The Code of Conduct has two subparts: (i) the Code of Conduct and Ethics, and (ii) the Health Care Program Code of Conduct.**

Both subparts of the Code -- the Code of Conduct and Ethics and the Health Care Program Code of Conduct -- are outlined below. Employees are encouraged to read and understand these important principles. Together, these subparts constitute our Code of Conduct.

## **CODE OF CONDUCT AND ETHICS**

### **1. Ethical Conduct and Conflicts of Interest**

Officers and employees are required to conduct themselves honestly and ethically, including in connection with the ethical handling of actual or apparent conflicts of interest between personal and professional relationships.

Conflicts of interest must be avoided unless prior approval has been obtained. A “conflict of interest” exists when an individual’s private interest interferes in any way – or even appears to interfere – with the interests of the Company. A conflict situation can arise when an individual has other duties, responsibilities or obligations that run counter to his or her duty to the Company or when an individual takes actions or has interests that may make it difficult to perform his or her company work objectively and effectively. Conflicts of interest also arise when an individual, or a member of his or her family, receives improper personal benefits as a result of the individual’s position in the Company, whether received from the Company or a third party.

Officers and employees must disclose any conflicts of interest, including any material transaction or relationship involving a potential conflict of interest. Any employee or officer who becomes aware of a conflict of interest or a potential conflict should bring it to the attention of a supervisor, manager, the Chief Compliance Officer, or the General Counsel.

No officer or employee may work, including as a consultant or a board member, simultaneously for the Company and any competitor, customer or supplier of the Company. Officers and employees are encouraged to avoid any direct or indirect business connections with the Company’s competitors, customers or suppliers, except on behalf of the Company.

Executive officers and their family members are prohibited from accepting any personal loans from the Company or allowing the Company to guarantee any of their personal obligations, except as may be permitted under federal law.

### **2. Confidentiality**

Employees and officers of the Company must maintain the confidentiality of information entrusted to them by the Company or its customers, except when disclosure is authorized by the Company or is legally mandated. Employees and officers should, whenever feasible, consult with the Chief Compliance Officer or the General Counsel if they believe they have a legal obligation to disclose confidential information. Confidential information includes all non-public information that might be of use to competitors, or harmful to the Company or its customers, if disclosed.

### **3. Full Disclosure**

As a public company, it is of critical importance that the Company’s public filings and disclosures be accurate and timely. Officers and employees are responsible for ensuring the full, fair, accurate, timely, and understandable disclosure in reports and documents that the Company files with, or submits to, the Securities and Exchange Commission and in other public communications made by the Company. The Company expects officers and employees to take this responsibility very seriously and to provide prompt accurate answers to inquiries related to the Company’s public disclosure requirements and other information necessary to assure that the Company’s public reports are accurate and complete.

It is each employee’s responsibility to bring promptly to the attention of the Company’s Controller, Chief Financial Officer or General Counsel any material information of which he or she may become aware that could affect the disclosures made by the Company in its public filings or otherwise to assist the Company’s management in fulfilling its responsibilities as specified in this Code. Each employee and officer shall bring promptly to the attention of the Company’s Controller, Chief Financial Officer or General Counsel any information he or she may have concerning (1) significant deficiencies in the design or operation of internal controls which could adversely affect the Company’s ability to record, process, summarize and report financial information and (2) any fraud, whether or not material, that involves management or other employees who have

a significant role in the Company's internal controls.

Officers and employees are prohibited from taking any action to improperly influence, coerce, manipulate or mislead the Company's internal or outside auditors or to prevent such persons from performing a diligent audit of the Company's financial statements.

#### 4. Compliance with Laws, Rules and Regulations (including insider trading laws)

All employees and officers are required to comply with all of the laws, rules and regulations of the U.S. and other countries, and the states, counties, cities and other jurisdictions, in which the Company conducts its business or the laws, rules and regulations of which are applicable to the Company, including, without limitation, all prohibitions on "insider trading" and on trading while in possession of material non-public information. Any illegal action will be dealt with swiftly and violators reported to the authorities, as appropriate. For more information, please see the Company's policy on securities trading, which is available from the Company's Chief Compliance Officer or General Counsel.

Various federal and state laws prohibit or limit the giving anything of value, directly or indirectly, to officials of governments or political candidates in order to obtain or retain business. It is strictly prohibited to make illegal payments to government officials. The promise, offer or delivery to an official or employee of the U.S. government of a gift, favor or other gratuity in violation of federal rules would not only violate Company policy but could also be a criminal offense. State and local governments, as well as foreign governments, may have similar rules. The Company's Chief Compliance Officer or General Counsel can provide guidance in this area.

The Company is firmly committed to providing equal opportunity in all aspects of employment and will not tolerate any illegal discrimination or harassment of any kind. Examples include derogatory comments based on racial or ethnic characteristics and unwelcome sexual advances.

This Code does not summarize all laws, rules and regulations applicable to the Company. Please consult the Company's Chief Compliance Officer or General Counsel and the various guidelines which the Company prepares from time to time on specific laws, rules and regulations.

#### 5. Reporting of Illegal or Unethical Behavior

Employees and officers who are concerned that violations of this Code or that other illegal or unethical conduct by employees, officers or directors of the Company have occurred or may occur should promptly contact their supervisor or superiors. If they do not believe it appropriate or are not comfortable approaching their supervisors or superiors about their concerns, then they may contact the Chief Compliance Officer, the General Counsel or the Company Board of Directors. If their concerns require confidentiality, including keeping their identity anonymous, the Company will make every effort to maintain such confidentiality, subject to applicable law, regulations or legal proceedings.

The Company will not allow retaliation for reports, made in good faith, of actual or suspected violations of this Code or other illegal or unethical conduct. Disciplinary action will be taken against anyone who retaliates directly or indirectly against any employee or officer who reports an actual or suspected violation of the Code.

In order to facilitate the reporting of employee complaints, the Company's Compliance Committee and Audit Committee have established the following procedures for (1) the receipt, retention and treatment of complaints regarding accounting, internal controls and auditing matters and (2) the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters. The Company's Chief Compliance Officer will administer the compliance system relating to such matters under the direction and oversight of the Compliance Committee.

Employees and officers have the affirmative obligation to report promptly any violations of this Code occurring anywhere in the Company as well as material accounting issues affecting information disclosed in the Company's financial reports directly to either their manager or supervisor, or to the Company's Controller or Chief Financial Officer as soon as they become aware of a violation or accounting issue. If, for whatever reason, an employee does not feel comfortable or does not believe it appropriate to report the violation in such manner, such report may be directed to the Company's Chief Compliance Officer, the General Counsel, any member of the Company's executive officer team or any member of the Company's Board of Directors.

Upon receipt of a complaint, the Chief Compliance Officer will determine whether the complaint pertains to accounting, internal accounting controls, or auditing matters. Complaints relating to such matters will be reviewed under Compliance Committee direction and oversight by the Chief Compliance Officer, the General Counsel or such other persons as the Compliance Committee determines to be appropriate. The Chief Compliance Officer will maintain a log of all such complaints, tracking their receipt, investigation and resolution and shall prepare a periodic summary report for the Company's Compliance Committee. Prompt and corrective action will be taken when and as warranted in the judgment of the Compliance Committee.

#### 6. Accountability for Adherence to the Code

The Board of Directors shall determine, or designate appropriate persons to determine, appropriate actions to be taken in the event of violations of this Code. Disciplinary action, including, but not limited to, written notices or warnings, reprimands by the Board, demotion or reassignment, suspension with or without pay or benefits, or termination, may result for those employees and officers who fail to comply with this Code. In determining what action is appropriate in a particular case, the Board of Directors or its designee may, but will not be required to, take into account all relevant information, including the nature and severity of the violation, whether the violation was a single occurrence or repeated occurrences, whether the individual in question had been advised prior to the violation as to the proper course of action and whether or not the individual in question had committed other violations in the past.

Any waiver of the code for any executive officer may be made only by the Board of Directors or a committee of the Board.

### **HEALTH CARE PROGRAM CODE OF CONDUCT**

The Health Care Program Code of Conduct (the "Health Care Code") applies to all officers, employees, contractors, subcontractors, agents, and other persons who provide patient care services or who perform billing or coding functions ("employees and contractors") on behalf of the Company.

This Health Care Code is intended as a guide when making decisions that conform to expected ethical and legal standards and ensures the Company's compliance with Medicare and other Federal health care program requirements. The Company has also developed and implemented a comprehensive Compliance Program and compliance policies and procedures that provide additional detailed expectations of employees and that expands on the concepts and expectations described in this Health Care Code. It is expected that all employees and contractors will comply fully with the Health Care Code, the Compliance Program requirements and compliance policies and procedures.

#### 1. Compliance Program

Employees and contractors are required to conduct themselves honestly and ethically and in compliance with applicable health care laws and regulations. The purpose of the Company Compliance Program is to promote compliance, foster ethical conduct, and provide education, training, and guidance to employees and contractors. Adherence to the program is designed to prevent accidental or intentional noncompliance with applicable health care laws and regulations; to detect such noncompliance, if it occurs; to discipline those involved in noncompliant behavior; and to prevent future noncompliance.

Employees and contractors are responsible to report promptly any known or suspected unethical, improper or illegal conduct or violations of any statutes, regulations, or written directives of Medicare, Medicaid, or any other Federal health care programs or our Compliance Program or policies to their supervisor or Clinic Director and the Chief Compliance Officer or General Counsel. Failure to report known or suspected noncompliance may also result in disciplinary action, up to and including termination.

#### 2. Non-Discrimination Policy

The Company is committed to providing a work environment free from discrimination and harassment. Discrimination against any individual on the basis of race, religion, gender, color, national origin, ethnicity, age, disability or any other protected characteristic is illegal and will not be tolerated. The Non-discrimination policy applies to employment practices and patient care services including patient admissions, assignments to therapists and referrals to and from our clinic.

### 3. Reporting Compliance Concerns

Employees and contractors are responsible to report promptly any known or suspected unethical, improper or illegal conduct or violations of all statutes, regulations, and written directives of Medicare, Medicaid, and all other Federal health care programs or our compliance program or policies to their supervisor or Clinic Director and the Chief Compliance Officer or General Counsel.

### 4. Compliance Hotline

The Company maintains a Compliance Hotline to allow reporting of any identified issues or questions associated with the Company's compliance policies, conduct, practices, or procedures with respect to a Federal health care program believed by the individual to be a potential violation of federal or state law or program requirements.

The Compliance Hotline number is 1-800-428-8778 and it is operated by an outside (non-Company) firm that specializes in compliance and utilizes compliance specialists trained to sensitive issues. The Compliance Hotline calls and other disclosures may be made anonymously. Employees are not required to provide their name and calls are not tape recorded. All reasonable efforts will be taken to protect the caller's identity during any investigation, to the extent possible. The Compliance Hotline is designed to be a secondary means of communicating compliance concerns or any known or suspected violations. Employees are encouraged to report to their supervisor directly compliance concerns or any known or suspected violations.

### 5. Nonretaliation Policy

The Company will not tolerate retaliation against individuals who report suspected violations in good faith. Any person who attempts to retaliate will be subject to discipline, up to and including termination. All reports are reviewed and investigated, if warranted. Corrective action will be taken if the investigation substantiates a violation. Preventive measures will be put in place to prohibit recurrence, as indicated.

### 6. Enforcement and Discipline

Employees and contractors that fail to comply with Federal health care program requirements, the Company Compliance Program, the Code or who negligently or deliberately fails to comply with known law or regulation not specifically addressed by our Compliance Program, will be subject to disciplinary action up to and including immediate termination. Employees that fail to report such noncompliance will also be subject to disciplinary action up to and including immediate termination. These enforcement policies supplement our disciplinary policy as described in our Employee Handbook.

Employees should be aware of the fact that many violations of internal Company policies also violate civil or criminal laws of the government and could lead to individual prosecution and, if convicted, fines and imprisonment. All suspected violations and compliance concerns will be investigated. Employees are expected to fully cooperate with any investigation. Full cooperation includes, but is not limited to, promptly making oneself available for questioning as directed by the Chief Compliance Officer, his or her designee and or legal counsel and fully answering all questions of those persons in connection with any investigation relating to allegations of non-compliance. Failure to provide full cooperation may be grounds for termination.

The disciplinary action may be influenced by whether the employee promptly reported his or her own violation, how completely and truthfully the disclosure was made, whether discovery was imminent prior to self-disclosure, and whether the employee cooperated fully in investigating and/or correcting the violation.

### 7. Government Investigations

The Company expects that employees and contractors are to cooperate fully with enforcement, investigations and activities within the bounds permitted by law. Employees and contractors should be forthright in dealing with reasonable requests, inquiries or investigations. Employees should be cooperative and courteous, but shall not discuss Company business or authorize access to documents at the clinic except in accordance with

the instructions provided by the Compliance or Legal Departments. Any employee or contractor who is contacted, orally or in writing, at home or at work, by a person stating that he or she is investigating on behalf of the government or an insurer, must notify their supervisor and then refer that investigator to the Chief Compliance Officer or the Legal Department. If the investigator is from the Federal Bureau of Investigation (FBI), the office of the Inspector General (OIG), the Department of Justice (DOJ) or the Attorney General's office, or there is any investigation concerning fraud or abuse, the Chief Compliance Officer and/or General Counsel should be notified immediately.

#### 8. Sanctioned Individuals

The Company has procedures in place to ensure that we do not contract with, employ or bill for services rendered by an individual or entity that is excluded, suspended, debarred, or ineligible to participate in Federal health care programs or in Federal procurement or nonprocurement programs. The Company will not knowingly employ or contract with individuals that have been convicted of a criminal offense related to the provision of health care items or services. Employees and contractors have a duty to inform the Company of any change in their eligibility to participate in Federal or State healthcare programs.

#### 9. Internal Compliance Audit and Monitoring

The Company has implemented a comprehensive internal compliance audit and monitoring program to identify and address noncompliance with applicable laws, regulations, and policies; to prevent accidental or intentional noncompliance; to promote compliance with all applicable legal requirements and the compliance policies and procedures. This program is utilized to assist in the reduction of identified risk areas identified during the Company's annual risk assessment or discovered through the ongoing auditing/monitoring process.

#### 10. Patient Care Services

Our patients have the right to be treated fairly and be treated with respect and dignity at all times. Employee and contractors should act in the best interest of the patient and provide compassionate care and service. Our clinical professionals should act in a trustworthy manner and shall treat patients using their professional judgment and skills consistent with the standards of practice, the policies and procedures of the Company and their State practice act and regulations.

Each employee and contractor is responsible for understanding and adhering to all Federal and State laws, regulations and requirements applicable to their position and responsibilities. These requirements include Medicare rules and regulations concerning providing and billing for physical and occupational therapy services. Licensed, certified or registered professionals are required to understand and comply with any supervision requirements for support personnel that apply to the services provided.

It is the personal responsibility of each employee and contractor to understand and practice within the scope of their State practice act and regulations for licensure, certification and/or registration. It is also the responsibility of the employee or contractor to maintain their licensure, certification and /or registration required perform their duties and to legally practice.

#### 11. Confidentiality of Patient Information

Patient information including the medical record is considered protected health information and, as such is confidential and protected by Federal law (The Health Insurance Portability and Accountability Act, referred to herein as "HIPAA"). Patient information should only be discussed with the patient, the patient's referring physician, other persons authorized by the patient to receive this information, and other clinical staff, as necessary to provide the highest level of care. General discussion involving patient information or access to the medical record in the clinic is not appropriate. Medical record access is appropriate for care givers, auditors, and our billing and collection staff to the extent reasonably necessary to perform their job duties. There are separate HIPAA policies and procedures in place that describe in detail the responsibilities to protect patient privacy that you should review and understand.

## 12. Documentation, Coding and Billing

Employees and contractors must prepare and submit accurate claims using correct documentation, coding and billing practices. Clinical documentation must be complete, accurate and adhere to Company policies and procedures, professional standards and Medicare program and other Federal health care requirements. Care should be taken to ensure that the codes billed accurately reflect the services provided. If you become aware of a billing error that has resulted in a significant overpayment, you must promptly contact your supervisor, a member of the Compliance Team or the Chief Compliance Officer or calling the Compliance Hotline at 1-800-428-8778.

## 13. Gifts

Generally, health care providers should be cautious when directing gifts to referral sources. Physical therapy and Occupational therapy providers should do everything possible to fit within the applicable regulatory parameters. First and foremost gifts must not be given to pay for or induce referrals. Second, the provider must ensure that the gifts he or she does offer are nominal in value. The total value of any entertainment or gifts to any single referral source must be no more than \$ 380 total during any 12-month period to satisfy applicable regulatory exceptions. Third, a provider should also ensure that any gifts, including gifts of nominal value, are not given to referral sources to pay for or induce referrals. Patient referrals are to be based solely on the patient's clinical needs and our ability to render the needed services.

Employees and contractors should not invite, accept, or offer monetary incentives or other gifts from or to patients. It may give the appearance of affecting the professional judgment of the provider or services received by the patient. Gifts that are nominal in value, such as a t-shirt or baked goods are permissible as long as they do not impact the care of the patient or the objectivity of the provider.

## 14. Complying with State and Federal Health Care Laws

Employees and contractors should be cognizant of compliance with health care laws and regulations including but not limited to the Anti-Kickback, the Stark Law, and other Fraud & Abuse laws. The Anti-kickback laws forbid the offer, payment or solicitation of anything of value in exchange for referring, furnishing or recommending business that may be paid by a Federal healthcare program. Thus, it is generally illegal to pay for patient referrals or to pay for a recommendation that someone lease or buy something (such as equipment or services) if a government healthcare program (such as Medicare, Medicaid or State workers' compensation) is paying for the patient services or item. In addition, we must comply with Federal Stark Laws and related State laws that govern patient referrals by a doctor to an entity with which the physician (or a member of the physician's immediate family) has a financial relationship in certain circumstances. It is important to understand that both parties, the physician and the provider, are subject to the prohibitions of the Stark law and the Anti-kickback law. These laws are complex, and you are not expected to understand them fully. Therefore, when issues arise or you have questions regarding these requirements, you should contact the Legal or Compliance department for guidance.

## 15. Summary

The Company has developed and implemented this Health Care Code of Conduct and related policies as a guide for employees when making decisions to conform to ensure the Company's compliance with the applicable laws and regulations. We have also developed a comprehensive and effective Compliance Program to ensure you have the information and resources necessary to understand and comply with Federal, state and local laws and regulations and standards of professional conduct. You are expected to read it and comply with all of its provisions.

May 17, 2016