

Effective Date:

Last Revised Date:

Last Reviewed Date:

**XYZ Health System Policy**

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**Purpose**

The purpose of the conflict of interest policy is to protect XYZ Health System's (XYZ) interest when it is contemplating entering into a transaction or arrangement that might benefit the private interest of board member, corporate director, corporate officer, executive, medical staff member, physician, department director or supervisor of the XYZ.

**Definitions**

- A. XYZ Health System (XYZ)-** is composed of the following corporate entities and includes all duly authorized board committees of each entity, for purposes of this policy the entities will be identified collectively and individually referred to as XYZ:
1. XYZ Health System (non-profit)
  2. XYZ Medical Center (non-profit)
  3. XYZ Family Health Center (d.b.a. XYZ Clinics) (non-profit)
  4. XYZ Development Corporation (non-profit)
  5. XYZ Physician Services (non-profit)
  6. XYZ Health Foundation (non-profit)
  7. XYZ Health Holding (for-profit)
  8. XYZ Enterprises, Inc. (for-profit)
- B. Nonprofit/Tax-exempt/Charitable Corporation-** An organization that has been designated, by the Internal Revenue Service, as exempt from federal income tax as defined in section § 501(c)(3) of the Internal Revenue Code. Organizations described in § 501(c)(3) are commonly referred to under the general heading of "charitable organizations" and are eligible to receive tax-deductible contributions.
- C. Interested Person-** any board member, corporate officer, executive, medical staff member, physician, department director, supervisor or other individual, that has a financial interest, as defined below and is duly authorized by the governing body to conduct business on behalf of XYZ or one of its related entities.
- D. Associate-** any individual that is employed by XYZ, or any entity solely controlled of XYZ.
- E. Financial Interest-** a person has a financial interest if the person has directly or indirectly through business, investment, or family:
1. an ownership or investment interest in any entity with which XYZ has a transaction or arrangement, or

2. a compensation arrangement with XYZ or with any entity or individual with which XYZ has a transaction or arrangement, or
3. a potential ownership or investment interest in, or compensation arrangement with, any entity or individual with which XYZ is negotiating a transaction or arrangement.

A financial interest is not necessarily a conflict of interest. See below under Procedures, Section B, a person who has a financial interest may have a conflict of interest only if the appropriate board committee decides that a conflict exists.

- F. *Compensation-*** includes but is not limited to direct and indirect remuneration as well as gifts or favors that are substantial in nature.

## **Procedures**

### **A. *Duty to Disclose***

Any “interested person” as defined above shall submit a Conflict of Interest Individual Statement annually. Board member, corporate officers, and the Chief Executive Officer shall submit their individual statements to the governing body Compliance Committee who will review all statements. Any medical staff member, physician, executive staff member, department director, supervisor or other individual shall submit their individual statements to the President/CEO of XYZ, who will review all statements and report the results of the review to the governing body Compliance Committee.

In connection with any transaction or arrangement, which may create an actual or possible conflict of interest, an interested person shall disclose in writing the existence and nature of his/her financial interest and all material facts. Board members, corporate officers, and the Chief Executive Officer shall make such disclosures directly to the Chairman of the Board, and to the members of the committee with board designated powers considering the proposed transaction or arrangement. Disclosure by any other “interested party” shall be made directly to the President/CEO of XYZ.

### **B. *Determining Whether a Conflict of Interest Exist***

Upon disclosure of the financial interest and all material facts, the Board member, the corporate officer, or the Chief Executive Officer making such disclosure shall leave the board or committee meeting while the financial interest is discussed and voted upon. The remaining board or committee members shall decide if a conflict of interest exists. In the case of disclosure by a medical staff member, physician, executive staff member, department director, supervisor or other individual the President/CEO of XYZ shall determine, based on the facts and circumstances disclosed, if a conflict of interest exist. The President/CEO of XYZ shall report the results of all determinations, with regard to conflict of interest, to the Chairman of the Board.

### **C. *Addressing the Conflict of Interest***

In matters related to a Board member, corporate officer or the Chief Executive Officer, ***the Chairman of the XYZ Board***, and in matters related to a medical staff member, physician, executive staff member, department director, supervisor or other individual, ***the President/CEO of XYZ*** shall:

1. if appropriate, appoint a disinterested person or committee to investigate alternatives to the proposed transaction or arrangement.

2. After exercising due diligence, the board or committee shall determine whether XYZ can obtain a more advantageous transaction or arrangement with reasonable efforts from a person or entity that would not give rise to a conflict of interest.
3. If a more advantageous transaction or arrangement is not reasonably attainable under circumstances that would not give rise to a conflict of interest, the board or committee or President/CEO of XYZ shall determine whether the transaction or arrangement is in XYZ's best interest, is for XYZ' own benefit, and is fair and reasonable to XYZ and shall make its decision as to whether to enter into the transaction or arrangement in conformity with such determination.

**D. *Violations of the Conflict of Interest Policy***

In matters related to Board members, corporate officers, and the Chief Executive Officer, ***should the Chairman of the XYZ Board***; and in matters related to a medical staff member, physician, executive staff member, department director, supervisor or other individual, ***should the President/CEO of XYZ***; discover:

1. Reasonable cause to believe that an individual has failed to disclose actual or possible conflicts of interest, they shall inform the individual of the basis for such belief and afford the individual an opportunity to explain the alleged failure to disclose.
2. If, after hearing the response of the individual and making such further investigation as may be warranted in the circumstances, a determination shall be made that the individual has in fact failed to disclose an actual or possible conflict of interest, appropriate disciplinary and corrective action shall be taken.

**Records of Proceedings**

The minutes and records of the matters relating to the Conflict of Interest Policy will include, but not be limited to:

- A. The names of the persons who disclosed or otherwise were found to have a financial interest which could result in an actual or possible conflict of interest, the nature of the financial interest, any action taken to determine whether a conflict was present, and the board's or committee's or the President/CEO of XYZ decision as to whether a conflict of interest in fact existed.
- B. The names of the persons who were present for the discussion and votes relating to the transaction or arrangement, the content of the discussion, including any alternatives to the proposed transaction or arrangement, and a record of any votes taken in connection therewith.

## **Compensation Committee-Limits on Participation**

Members and/or their participation on Compensation Committees are restricted as follows:

- A. A voting member of any committee whose board delegated responsibilities include compensation matters and who receives compensation, directly or indirectly, from XYZ for services is precluded from participating in discussions and voting on matters pertaining to that member's compensation.
- B. Physicians, who receive compensation, directly or indirectly, from XYZ, whether as Associates or independent contractors, are precluded from membership on any committee whose board delegated responsibilities include compensation matters.

## **Conflict of Interest Annual Statements**

Each board member, corporate officer, executive, department director, supervisor or other individual, duly authorized by the governing body to conduct business on behalf of XYZ shall annually sign a statement which affirms that such person:

- A. Has received a copy of the XYZ Conflict of Interest Policy;
- B. Has read and understands the policy;
- C. Has agreed to comply with the policy;
- D. Understands that XYZ is and includes charitable organizations and that in order to maintain its federal tax exemption it must engage primarily in activities which further one or more of its tax-exempt purposes.

## **Periodic Reviews**

To ensure that XYZ operates in a manner consistent with its charitable purposes and that it does not engage in activities that could jeopardize its status as an organization exempt from federal income tax, periodic reviews shall be conducted. The periodic reviews shall, at a minimum, include the following subjects:

- A. Whether XYZ Associate compensation arrangements and benefits packages are reasonable and are the results of an objective review.
- B. Whether the acquisition of physician practices and other provider services result in inurement or impermissible private benefit.
- C. Whether partnership and joint venture arrangements with management services organizations and physician hospital organizations conform to written policies, are properly recorded, reflect reasonable payments for goods and services, further XYZ's charitable purposes and do not result in inurement or impermissible private benefit.
- D. Whether agreements to provide health care and agreements with other health care providers, Associates and third party payors further XYZ's charitable purposes and do not result in inurement or impermissible private benefit.

## **Use of Outside Experts**

In conduct of the board responsibilities related to this policy the board may, but need not, use outside advisors (i.e. periodic reviews, compensation matters, etc.). If outside advisors are used their use shall not relieve the board of its responsibility for ensuring that all matters are conducted in a manner consistent with board policy and procedures and applicable state and/or federal laws and regulations governing conflict of interest as they apply to nonprofit and charitable corporations.

**Certificate of Secretary**

The foregoing Conflict of Interest Policy of the XYZ Health System was adopted in a duly called meeting of the Board on

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**XYZ Health System**  
***Conflict of Interest***  
***Individual Annual Statement***

I, \_\_\_\_\_ hereby acknowledge that I have been provided a copy of the XYZ Health System (XYZ) Conflict of Interest Policy and Procedures and I have read, understand, and will comply therewith. I understand that XYZ is a charitable organization, as defined in the Conflict of Interest Policy, and that in order to maintain its federal tax exemption, it must engage in activities which further one or more of its tax-exempt purposes, as defined by the Internal Revenue Code section §501 (c)(3). I affirm that, to the best of my knowledge and belief, I am involved in no activity and have no outside interest that conflicts or suggests a possible conflict with the XYZ and its charitable purpose(s) except as follows:

*Instructions: In the space below, please disclose the names of all organizations in the categories listed, including those affiliated with XYZ, in which you or members of your immediate family may have an interest through employment, stock ownership, other investment activity, contractual agreement, affiliation, membership, or interest of any other kind. In each case, specify the nature of the interest and the relationship to you of the individual, organization or entity having the interest.*

1) Hospitals:

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2) Other Health Care Facilities (including, but not limited to, extended care facilities, free-standing emergency, surgery, or other treatment centers, etc):

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3) Health Care or Other Organizations in which I serve as a Director, Officer, Board Member or other official capacity:

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4) Supplier of Goods and/or Services to XYZ:

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5) Banks or Financial Institutions:

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6) Insurance Broker (or other insurance company interests):

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7) Alternative Health Care Delivery Systems (including, but not limited to, PPO's, HMO's, IPA's, etc.):

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8) Other: (the back of this form may be used if necessary)

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9) I have reviewed this form and I wish to state that I am involved in no activity and have no outside interests, as listed above or otherwise, that conflicts or suggests a possible conflict of interest in the fulfillment of my responsibilities to XYZ Health System and its charitable purpose(s).  
\_\_\_\_\_ Please initial in the space provided if this applies.

**Please sign and date:**

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Date