

CONFLICTS OF INTEREST POLICY

PURPOSE

The purpose of the CONFLICTS OF INTEREST POLICY is to protect the interests of Your Hospital (Hospital) when it is contemplating entering into a transaction or arrangement which might benefit the private interest of an officer, senior manager or director of the Hospital. This policy is intended to supplement but not replace any applicable local or federal laws governing conflicts of interest applicable to nonprofit and charitable corporations.

DEFINITIONS

1. Interested Person

Any director, senior manager, officer or member of a committee with Board delegated powers who has a direct or indirect financial interest, as defined below, is an interested person. If a person is an interested person with respect to any entity in the health care system of which the Hospital is a part, he or she is an interested person with respect to all entities in the health care system.

2. Financial Interest

A person has a financial interest if the person has, directly or indirectly, through business, investment or family:

- A.** an ownership of investment interest in any entity with which the Hospital has a transaction or arrangement, or;
- B.** a compensation arrangement with the Hospital or with any entity or individual with which the Hospital has a transaction or arrangement, or;
- C.** a potential ownership or investment interest in, or compensation arrangement with, any entity or individual with which the Hospital is negotiating a transaction or arrangement.

Compensation includes direct and indirect remuneration and gifts or favors which are substantial in nature.

PROCEDURES

1. Duty to Disclose

In connection with actual or possible conflicts of interest, an interested person must disclose the existence of and nature of his or her financial interest to the Hospital President, directors and/or members of committees with board delegated powers considering the proposed transaction or arrangement. The members of all of the Hospital's board committees and senior managers

having an indirect or direct financial interest shall be deemed to be “interested persons” who shall be required to disclose actual or possible conflicts of interest as set forth in this Policy and shall be subject to other requirements for “interested persons” under this Policy. Interested persons also should be alert to disclose any situation that, by virtue of a transaction or arrangement under consideration, could be perceived by anyone as a conflict of interest.

2. Determining Whether a CONFLICT OF INTEREST Exists

After disclosure of the financial interest, the Hospital President or Chairperson of the board shall afford the interested person who makes the disclosure an opportunity to explain to the President, board or committee the facts and circumstances of the transaction or arrangement that led to such disclosure. The interested person 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.

3. Procedures for Addressing the CONFLICT OF INTEREST

- A.** The Hospital President, or chairperson of the board or committee shall, if appropriate, appoint a disinterested person (who may be the General Counsel of the hospital) or committee to investigate alternatives to the proposed transaction or arrangement.
- B.** After exercising due diligence, the President, board or committee shall determine whether the Hospital 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.
- C.** If a more advantageous transaction or arrangement is not reasonably obtainable under circumstances that would not give rise to a conflict of interest, the President, board or committee shall determine by a three-fourths (3/4) vote of the disinterested directors whether the transaction or arrangement is in the Hospital’s best interest and for its own benefit and whether the transaction is fair and reasonable to the Hospital and shall make its decision as to whether to enter into the transaction or arrangement in conformity with such determination.

4. Violations of the CONFLICT OF INTEREST

- A.** If the President, board or committee has reasonable cause to believe that a member or senior manager has failed to disclose actual or possible conflicts of interest, it shall inform the member / senior manager of the basis of such belief and afford the member / senior manager an opportunity to explain the alleged failure to disclose.
- B.** If after hearing the response of the member / senior manager and making such further investigation as may be warranted in those circumstances, the President / board determines that the member has in fact failed to disclose an actual or possible conflict of interest, it shall take appropriate action which action may include the acceptance of the senior manager’s / member’s abstention, requiring that his conflict of interest be terminated or recommending that appointment / employment be terminated in accordance with Hospital policy and procedure.

5. Annual Procedure

In addition to the duty to disclose as set forth in Section 1, any duality of interest or possible conflict of interest shall be disclosed by senior managers, directors and officers and members of

committees with Board delegated powers to the President / Board of Directors and made a matter of record through an annual disclosure procedure.

6. Compensation

A voting member of any committee whose jurisdiction includes compensation matters and who receives compensation directly or indirectly from the Hospital for services is precluded from voting on matters pertaining to that member's compensation.

7. Annual Statements

Each senior manager, director, officer and member of a committee with board delegated powers shall annually sign a statement which affirms that such person:

- A.** Has received a copy of the CONFLICTS OF INTEREST POLICY;
- B.** Has read and understands the policy;
- C.** Has agreed to comply with the policy;
- D.** Understands that the Hospital is a charitable organization and that in order to maintain its federal tax exemption it must engage primarily in activities which accomplish one or more of its tax exempt purposes.

8. Periodic Reviews

In order to ensure that the Hospital is operating in a manner consistent with accomplishing its charitable purposes and that it is not engaged in activities which 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 compensation arrangements are reasonable.
- B.** Whether acquisitions of physician's practices and other provider services result in inurement or impermissible private benefit.
- C.** Whether partnership and joint venture arrangements with management services conform to written policies, are properly recorded, reflect reasonable payments for goods and services, further the Hospital's charitable purposes and do not result in inurement of impermissible private benefit.
- D.** Whether agreements to provide health care and agreements with other health care providers, employees, and third party payors further the Hospital's charitable purposes and do not result in inurement or impermissible private benefit.