

**ARNOT HEALTH  
POLICY & PROCEDURE MANUAL**

**POLICY #: LE.815**  
**TITLE: CONFLICT OF INTEREST**

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**DATE OF ISSUE: 3/92**  
**DATE(s) OF REVISION: 4/92, 4/98, 5/00, 6/00, 4/02, 7/08, 11/19, 7/10, 1/12, 12/12, 7/13, 9/13, 10/16**  
**DATE(s) OF REVIEW:**

**APPROVAL: \_\_\_\_\_**

**FACILITIES COVERED:  AOMC     AMS     SJH     IDMH**

**OWNER(S): EXECUTIVE, CORPORATE COMPLIANCE**

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**PURPOSE:** The purpose of this policy is to protect Arnot Health's interest when it is contemplating entering into a transaction or arrangement that might benefit the private interest of an Interested Person, as defined below, or might result in an excess benefit transaction. The policy shall also define conflicts of interest as they pertain to business affiliations and financial transactions with, or gifts from organizations or individuals that do business with Arnot Health. Arnot Health, for the purpose of this policy, refers to Arnot Ogden Medical Center, St. Joseph's Hospital, Ira Davenport Memorial Hospital, Arnot Medical Services (AMS), Advantage Health Medical Services (AHMS), and any affiliated entities. This policy will provide guidance in reporting actual or perceived conflicts of interest in the above-mentioned areas.

**STATEMENT:** A conflict of interest is present when an actual, possible or perceived conflict exists between acting in the best interest of Arnot Health and its patients, and acting for personal gain or for the gain of a third party. Arnot Health has identified certain transactions, more fully detailed below, which are prohibited.

It is the duty of Interested Persons to fully and openly disclose any actual, possible or perceived conflict of interest at the time the conflict arises. It will be the responsibility of Arnot Health Board of Directors to determine whether a conflict exists, and if so to what extent such conflict should limit the Interested Person's participation in their position or function.

**DEFINITIONS:**

- (a) Interested Person. Any director, officer, or member of a committee with Board delegated powers, or key employee who has a direct or indirect business affiliation or 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 Arnot Health is a part, he or she is an interested person with respect to all entities in the health care system.
  - (1) Interested Persons shall also include all providers employed by AMS, AHMS, or on the Medical Staff of any of the three hospitals.

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- (b) Key Employee. President and Chief Executive Officer, Senior Vice President, Vice Presidents, Department Directors, and other persons designated by the President and Chief Executive Officer or his designee, who are in a position to influence substantive business decisions on behalf of Arnot Health.
- (c) Family. Spouse, domestic partner, parents, grandparents, great-grandparents, children, grandchildren, great-grandchildren, sibling, half-sibling, or the spouses of any of the above.
- (d) Financial Interest. A interested person has a financial interest if he or she personally has, directly or indirectly, through business, investment or family:
  - (1) An ownership or investment interest in any entity with which Arnot Health has a transaction or arrangement; or
  - (2) A compensation or remuneration arrangement with Arnot Health or with any entity or individual with which Arnot Health has a transaction or arrangement; or
  - (3) A potential ownership or investment interest in, or compensation arrangement with, any entity or individual with which Arnot Health is negotiating a transaction or arrangement.

Compensation includes direct and indirect remuneration as well as gifts or favors that are substantial in nature.

A financial interest is not necessarily a conflict of interest. A person who has a financial interest may have a conflict of interest if the Board or appropriate committee decides that a conflict of interest exists.

Ownership of less than 5% interest in a publicly traded company is excluded from disclosure.

- (e) Business Affiliation. A business affiliation shall include holding any position as an officer, director, partner, consultant, employee, or advisor.

**REQUIRED DISCLOSURES:**

- (a) Business Affiliations and Financial Interests: Interested Persons are required to disclose any actual or possible business affiliations and financial interests with any organization with which any Arnot Health facility does more than \$10,000 of business in a calendar year.

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- (b) Disclosure Statement: Each Interested Person shall sign a Conflict of Interest Statement which affirms that such person (i) has received a copy of the Conflict of Interest Policy, (ii) has read and understand the policy, (iii) agrees to comply with the policy, and (iv) understands that Arnot Health 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. Unless otherwise directed, all disclosures should be submitted on the Conflict of Interest Statement form, Appendix A, of this policy.

**PROCEDURE:**

- A. Duty to Disclose: In connection with any actual or possible conflict of interest, an Interested Person must disclose the existence of any financial interest or business affiliation and must be given the opportunity to disclose all material facts to the directors and members of committees with Board-delegated powers considering the proposed transaction or arrangement.
- B. Disclosure Schedule: Disclosure statements shall be submitted as per the schedule below. In addition, disclosures should also be made at the time a perceived conflict arises during the year.
- (1) Annual disclosure statements will be filed by all Interested Persons except providers who shall file statements as set forth below.
  - (2) All providers employed by AMS, AHMS, or on the Medical Staff of any of the three hospitals will file disclosure statements every two (2) years in conjunction with their credentialing cycle.
- C. Determining Whether a Conflict of Interest Exists: Disclosure statements identifying a conflict shall be reviewed by the Audit Committee of the Board of Directors. After disclosure of the financial interest and all material facts, and after any discussion with the Interested Person, he/she shall leave the Board or Committee meeting while the determination of whether or not a conflict of interest exists is discussed and voted upon. The remaining Board or Committee members shall decide if a conflict of interest exists.
- D. Procedures for Addressing the Conflict of Interest:
- (1) An Interested Person may make a presentation at the Board or Committee meeting, but after such presentation, he/she shall leave the meeting during the discussion of, and the vote on, the transaction or arrangement that results in the conflict of interest.

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- (2) The Chairperson of the Board or Committee shall, if appropriate, appoint a disinterested person or committee to investigate alternatives to the proposed transaction or arrangement.
- (3) After exercising due diligence, the Board or Committee shall determine whether Arnot Health 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.
- (4) 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 shall determine by a majority vote of the disinterested directors whether the transaction or arrangement is in Arnot Health best interest and for its own benefit and whether the transaction is fair and reasonable to Arnot Health and shall make its decision as to whether to enter into the transaction or arrangement in conformity with such determination.

**E. Failure to Disclose Conflict of Interest:**

- (1) If the Board or Committee has reasonable cause to believe that an Interested Person has failed to disclose actual or possible conflicts of interest, it shall inform the member of the basis for such belief and afford the member an opportunity to explain the alleged failure to disclose.
- (2) If, after hearing the response of the Interested Person and making such further investigation as may be warranted in the circumstances, the Board or Committee determines that the Interested Person has in fact failed to disclose an actual or possible conflict of interest, it shall take appropriate disciplinary and corrective action.

**F. Records of Proceedings: The minutes of the Board and all Committees with Board-delegated powers shall contain:**

- (1) The names of the Interested Person(s) who disclosed or otherwise were found to have a financial interest in connection with an actual or possible conflict of interest, the nature of the financial interest, any action taken to determine whether a conflict of interest was present, and the Board's or Committee's decision as to whether a conflict of interest in fact existed; and
- (2) The names of the persons who were present for discussions 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.

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**PERIODIC REVIEWS:** To ensure Arnot Health operates in a manner consistent with charitable purposes and does not engage in activities that could jeopardize its tax-exempt status, periodic reviews shall be conducted. The periodic reviews shall, at a minimum, include the following subjects:

- (1) Whether compensation arrangements and benefits are reasonable, based on competent survey information and the result of arm's length bargaining.
- (2) Whether any transactions undertaken by Arnot Health may result in inurement or impermissible private benefit.
- (3) Whether partnerships, joint ventures, and arrangements with management organizations conform to Arnot Health's written policies, are properly recorded, reflect reasonable investment or payments for goods and services, further charitable purposes and do not result in inurement, impermissible private benefit or in an excess benefit transaction.

**USE OF OUTSIDE EXPERTS:** When conducting the periodic reviews as provided for in Article VI, Arnot Health may, but need not, use outside advisors. If outside experts are used, their use shall not relieve the governing board of its responsibility for ensuring periodic reviews are conducted.

**PROHIBITED TRANSACTIONS:** Individuals and family members shall not directly solicit or receive entertainment, gratuities, or gifts as a result of a business affiliation as identified above when acting on behalf of Arnot Health.

**OTHER PERCEIVED AREAS OF CONFLICT:**

- A. Any purchase request for device, product, or addition to the formulary shall require disclosure of any and all financial interests (direct or indirect) with the manufacturing, selling or distributing entity per established policies and procedures.
- B. All Interested Persons shall be required to disclose and limit as appropriate interactions and consulting activities with Pharmaceutical, Biotech, Medical Device, Service and Hospital Equipment and Supply Vendors per all current and future vendor interaction policies established by Arnot Health.

**ATTACHMENT(S):**

**REFERENCE(S):**

**FORM(S):**