

Our Lady of Lourdes Health Care Services, Inc. and Affiliates  
Administrative & General Policy

**POLICY NUMBER:** AS0045ADM

**NURSING CODE:** \_\_\_\_\_

**PAGE NUMBER:** 1 of 10

**TITLE:** CONFLICT OF INTEREST

**ACCOUNTABILITY:**

President and Chief Executive Officer

**OBJECTIVES:**

**RELATION TO MISSION:**

Our Lady of Lourdes, a Catholic Health System – a member of Catholic Health East - dedicated to its Franciscan Tradition of serving all, will demonstrate the value of **Integrity** by setting forth a policy prohibiting conflict of interest and providing a mechanism for reporting potential conflict of interest situations.

**RELATION TO OPERATION:**

The purpose of the conflict of interest policy is to protect Our Lady of Lourdes Health Care Services, Inc. and Affiliates' (OLLHCS, Inc.'s) interest when it is contemplating entering into a transaction or arrangement that might benefit the private interest of a trustee, officer, director, supervisor or manager of OLLHCS, Inc. or might result in a possible excess benefit transaction. This policy is intended to supplement but not replace any applicable state and federal laws governing conflicts of interest applicable to nonprofit and charitable corporations.

**POLICY:**

1. Definitions.

a) Interested Person

Any Board of Trustees member, principal officer and administrative staff, (including director, manager, coordinator, supervisor, nurse manager and physician Department

*NOTE: ANY PRINTED COPY OF THIS POLICY IS ONLY AS CURRENT AS OF THE DATE IT WAS PRINTED; IT MAY NOT REFLECT SUBSEQUENT REVISIONS. REFER TO THE ON-LINE VERSION FOR THE MOST CURRENT POLICY. USE OF THIS DOCUMENT IS LIMITED TO LOURDES HEALTH SYSTEM STAFF ONLY. IT IS NOT TO BE COPIED OR DISTRIBUTED OUTSIDE THE INSTITUTION WITHOUT ADMINISTRATIVE PERMISSION.*

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Chief, 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 OLLHCS, Inc. is a part, he or she is an interested person with respect to all entities in the health care system.

b) Financial Interest

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

- i) An ownership or investment interest in any entity with which OLLHCS, Inc. has a transaction or arrangement,
- ii) A compensation arrangement with OLLHCS, Inc. or with any entity or individual with which OLLHCS, Inc. has a transaction or arrangement, or
- iii) A potential ownership or investment interest in, or compensation arrangement with, any entity or individual with which OLLHCS, Inc. is negotiating a transaction or arrangement.

Compensation includes direct and indirect remuneration as well as gifts or favors that are not insubstantial.

A financial interest is not necessarily a conflict of interest. Under Section 6 below, a person who has a financial interest may have a conflict of interest only if the Corporate Compliance Committee decides that a conflict of interest exists.

c) Family Member

Family member includes one's spouse, ancestors, children, grandchildren, great grandchildren, siblings (whether by whole or half blood), and the spouses of children, grandchildren, great grandchildren and siblings.

2. Duty to Disclose

In connection with any actual or possible conflicts of interest, an interested person must disclose the existence and nature of his or her financial interest to the members of the Corporate Compliance Committee who will consider the proposed transaction or arrangement.

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3. Disclosure of Potential Conflicts.

Any Interested Person who has an existing or potential interest, or whose family member or business associate or firm has an existing or potential interest, in a contract or other transaction presented to the Trustees, Directors or OLLHCS, Inc.'s administration for consideration or approval shall make a complete disclosure of the interest prior to a vote or other action on such contract or transaction. The Interested Person is required to disclose the nature and extent of their interest, or their family member's, business associate's or firm's interest, and any relevant or material facts which might reasonably be or appear to be construed to be adverse to or in conflict with OLLHCS, Inc.'s interest, mission or purpose.

4. Annual Statements

- a) Each Board of Trustees member, principal officer and administrative staff, including director, manager, coordinator, supervisor, nurse manager and physician Department Chief, shall annually sign a statement which affirms that such person:
  - i) Has received a copy of the conflict of interest policy,
  - ii) Has read and understands the policy,
  - iii) Has agreed to comply with the policy, and
  - iv) Understands that OLLHCS, Inc. 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.
- b) A copy of this policy, which includes the disclosure statement regarding conflict of interest (appendix A,) will be sent each year to each Board of Trustees member, principal officer and administrative staff, including director, manager, coordinator, supervisor, nurse manager and physician Department Chief. Each shall return a signed copy of appendix A to the Director of Compliance and Privacy Officer in a timely manner.
- c) Interim disclosure shall also be required as conflicts develop subsequent to the annual disclosures.
- d) All Officer and administrative staff position candidates that are hired at a level of O, P or Q are required to disclose as part of the hiring process any potential conflict of interest,

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the nature and extent of their interest, or their family member's, business associate's or firm's interest, and any relevant or material facts which might reasonably be or appear to be construed to be adverse to or in conflict with OLLHCS, Inc.'s interest, mission or purpose. All offers of employment are contingent upon the receipt of a completed disclosure statement regarding conflict of interest (appendix A.)

- i) These individuals will be provided a copy of this policy and asked to complete the disclosure statement regarding conflict of interest (appendix A.) as part of the pre-hire process.
  - ii) Should a conflict be disclosed, Human Resources shall notify the Hiring Manager and forward the form to the Director of Compliance and Privacy Officer. The Director of Compliance and Privacy Officer will review the conflict, and indicate approval to hire to Human Resources. Individuals may not start employment at OLLHCS, Inc. or any of its affiliates until this approval is obtained. Record of the approval will be maintained in the associates' file in Human Resources.
  - iii) Human Resources shall forward all signed statements, whether or not a conflict is disclosed, to the Corporate Compliance Department. The Compliance Department will report any disclosed conflicts at the next meeting of the Corporate Compliance Committee and the Committee's determination shall be noted in the minutes of the meeting.
- e) All potential Board of Trustee members are required to disclose as part of their appointment process any potential conflict of interest, the nature and extent of their interest, or their family member's, business associate's or firm's interest, and any relevant or material facts which might reasonably be or appear to be construed to be adverse to or in conflict with OLLHCS, Inc.'s interest, mission or purpose.
- i) These individuals are required to file with the Governance Coordinator a disclosure statement regarding conflict of interest (appendix A.) detailing all existing or potential conflicts of interest.
  - ii) Should a conflict be disclosed, the Governance Coordinator shall contact the Chief Executive Officer and obtain the CEO's approval prior to the appointment of the individual. The CEO's response should be appropriately documented.
  - iii) The Governance Coordinator shall forward all signed statements, whether or not a conflict is disclosed, to the Corporate Compliance Department. The Compliance Department will report any disclosed conflicts at the next meeting of the Corporate

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Compliance Committee and the Committee's determination shall be noted in the minutes of the meeting.

5. Inapplicability to Related Party Contracts and Transactions. This Policy Statement shall not apply to contracts and transactions entered into by OLLHCS, Inc. with any subsidiary corporation or other corporation or other organization affiliated with OLLHCS, Inc.
6. Not a Per Se Prohibition. The Trustees and the Board of Trustees of OLLHCS, Inc. recognize that on a rare occasion, it may be advantageous to OLLHCS, Inc. to transact business with Interested Persons or members of their respective family members, business associates or firms. However, as noted above, such Interested Persons or firms are prohibited from benefiting to the detriment of OLLHCS, Inc. Therefore, OLLHCS, Inc. shall not transact business with any Interested Person or their family members, business associate or firm unless said transaction is made on terms which are at least as favorable as those offered to the general public by the Interested Person or firm and more favorable than those offered by independent vendors.

However, nothing in this Policy Statement shall be interpreted or construed to prohibit OLLHCS, Inc.'s administration from entering into contracts or transactions which it would otherwise have the authority to enter or transact, so long as this Policy Statement is adhered to by those involved. In addition, nothing contained herein will be interpreted or construed to limit certain ongoing relationships with various Interested Persons or firms so long as they do not benefit to the detriment of OLLHCS, Inc., and so long as this Policy Statement is adhered to by those involved.

7. Procedures for Addressing the Conflict of Interest
  - a) 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 involving the possible conflict of interest.
  - b) 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.
  - c) After exercising due diligence, the Board or committee shall determine whether OLLHCS, Inc. 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.

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d) 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 OLLHCS, Inc.'s best interest and for its own benefit and whether the transaction is fair and reasonable to OLLHCS, Inc. and shall make its decision as to whether to enter into the transaction or arrangement in conformity with such determination.

8. Violations of the Conflict of Interest Policy

- a. If the Board of Trustees 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 Interested Person of the basis for such belief and afford the Interested Person an opportunity to explain the alleged failure to disclose.
- b. If, after hearing the response of the Interested Person and making such further investigation as may be warranted in the circumstances, the Board of Trustees 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.

9. Records of the Proceedings

The minutes of the Board of Trustees and all committees with board-delegated powers shall contain--

- a. the names of the persons 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 of Trustees' or committee's decision as to whether a conflict of interest in fact existed.
- b. 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 with the proceedings.

10. Compensation

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- a. A voting member of the Board of Trustees who receives compensation, directly or indirectly, from OLLHCS, Inc. for services is precluded from voting on matters pertaining to that member's compensation.
- b. A voting member of any committee whose jurisdiction includes compensation matters and who receives compensation, directly or indirectly, from OLLHCS, Inc. for services is precluded from voting on matters pertaining to that member's compensation.
- c. No voting member of the Board of Trustees or any committee whose jurisdiction includes compensation matters and who receives compensation, directly or indirectly, from OLLHCS, Inc., either individually or collectively, is prohibited from providing information to any committee regarding compensation.
- d. Physicians who receive compensation, directly or indirectly, from OLLHCS, Inc., whether as employees or independent contractors, are precluded from membership on any committee whose jurisdiction includes compensation matters. No physician, either individually or collectively, is prohibited from providing information to any committee regarding physician compensation.

11. Interpretation. Any questions seeking guidance on interpretation or implementation of the Policy Statement Regarding Conflict of Interest, shall be submitted to OLLHCS, Inc.'s Compliance Committee.

12. Examples of Potential Conflicts of Interests

Full and complete disclosure of any potential conflicts of interest shall be made when any one of the following conditions exists:

- a. When any position or financial interest is held by an officer or associate in any concern from which OLLHCS, Inc. purchases goods and/or services.
- b. When any position or financial interest is held in any concern which is, or may be, in competition with OLLHCS, Inc.
- c. In any situation in which there may be direct or indirect competition with OLLHCS, Inc. in purchase or sale of property or property rights, interest and/or services.
- d. When any governing body memberships or managerial or consultative relations are held with any outside concern that does business with or competes with OLLHCS, Inc.

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- e. When any gifts, excessive entertainment, or funds are received from any outside concern that either provides goods or services to OLLHCS, Inc. or is in competition with OLLHCS, Inc.
- f. When any disclosures or use of information relating to OLLHCS, Inc. could be used for the personal profit of the individual or to the advantage of any business entity in which the officer or associate holds a position or has financial interest.
- g. When any other matter in which the officer's or associate's ability to act in the interest of OLLHCS, Inc. may be compromised by a competing interest outside OLLHCS, Inc.

13. Periodic Reviews

To ensure that OLLHCS, Inc. operates in a manner consistent with its charitable purposes and that it does not engage in activities that could jeopardize its tax-exempt status, periodic reviews, shall be conducted by the Director of Compliance & Privacy Officer at the request of the Compliance Committee. The periodic reviews shall, at a minimum, include the following subjects:

Whether compensation arrangements and benefits are reasonable, based on competent survey information, and the result of arm's-length bargaining.

Whether acquisitions of physician practices and other provider services result in inurement or impermissible private benefit.

Whether partnership and joint venture arrangements and arrangements with management service organizations and physician hospital organizations conform to written policies, are properly recorded, reflect reasonable payments for goods and services, further OLLHCS, Inc.'s charitable purposes and do not result in inurement or impermissible private benefit.

Whether agreements to provide health care and agreements with other health care providers, employees and third party payors further OLLHCS, Inc.'s charitable purposes and do not result in inurement or impermissible private benefit.

14. Use of Outside Experts

- a) When conducting the periodic reviews as provided for in Section 13 above, OLLHCS, Inc. may, but need not, use outside advisors. If outside experts are used, their use shall not

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relieve the Board of Trustees of its responsibility for ensuring periodic reviews are conducted.

**APPROVED BY:** \_\_\_\_\_

Alexander J. Hatala, President and Chief Executive Officer

**ORIGINAL & REVISION DATE(s):** 09/09/87, 03/05/99, 06/30/99,  
12/13/01, 02/03/03, 02/22/06

**NEW EFFECTIVE DATE:** 12/20/06

**REQUIRES REAUTHORIZATION IN:** 12/01/09

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**APPENDIX A  
CERTIFICATION: CONFLICT OF INTEREST**

**DISCLOSURE STATEMENT  
REGARDING CONFLICT OF INTEREST**

I have received a copy of the OLLHCS, Inc.'s Policy entitled "Conflict of Interest" AS0045ADM. I have read and am familiar with the policies and disclosure requirements of OLLHCS, Inc. concerning conflicts of interest, as set forth in this policy.

I understand and agree that I occupy a position of fiduciary trust and stewardship with respect to OLLHCS, Inc. and in such capacity, agree to be bound by and act in accordance with OLLHCS, Inc.'s policy entitled "Conflict of Interest."

Except as fully disclosed below, I represent that to the best of my knowledge and belief, neither I, nor any member of my family, business associate or firm with which I am affiliated has an existing or potential interest in a contract or other transaction which might reasonably be or appear to be construed as adverse to or in violation with OLLHCS, Inc.'s policy entitled "Conflict of Interest."

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No Reportable Situations Exist \_\_\_\_\_

\_\_\_\_\_  
Date

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Print Name

\_\_\_\_\_  
Position