	
Policy Manual:	Compliance Policies and Procedures
Policy Number:	ADM.01.2.0001
Original Date:	January 2000
Review Date:	3/22/05, 8/20/06, 3/8/08, 6/09, 6/11
Reviewed By:	Compliance Officer and CCC
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SUBJECT: CONFLICT OF INTEREST POLICY

PURPOSE:

To provide guidelines for the handling of actual or potential conflicts of interest that may exist with the governing body members, committee members, officers, and key management of Baptist Hospitals of Southeast Texas (BHSET). This policy is intended to supplement, but not replace, any applicable state and federal laws governing conflicts of interest applicable to not-for-profit and charitable organizations in general and not-for-profit hospitals and health care systems in particular.

POLICY:

An interested person has a duty to disclose to the appropriate body or persons the existence of a financial interest and to disclose all material facts to senior management, the directors and, to the extent applicable, members of committees with governing board delegated powers considering the proposed transaction or arrangement. The interested person has the right to an opportunity to make such disclosures.


Employees and those acting on behalf of BHSET have a duty to disclose any actual or potential conflict of interest.

The Audit and Compliance Committee of BHSET organization will review the independence of any auditors engaged by BHSET and the scope of services provided by them on behalf of BHSET.

A voting member of the governing board or committee of BHSET that receives compensation, directly or indirectly, from BHSET for services is precluded from voting on matters pertaining to that member's compensation.

A physician, who receives a salary, fee or other compensation from a BHSET, whether directly or indirectly, as employees or independent contractors, is precluded from membership on any committee whose jurisdiction includes physician compensation matters. No physician, either individually or collectively, is prohibited from providing information to any committee regarding physician compensation.

DEFINITIONS:

	
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Person - Any director, officer, member of a committee with governing board delegated powers, or key management who has a direct or indirect financial interest, is an interested person. If a person is an interested person with respect to any entity in the BHSET Organization, he or she is an interested person with respect to all entities in the BHSET Organization. For purposes of clarification a officer includes, but is not limited to, the Chairman of the Board, the Chief Executive Officer, the President, the Chief Operating Officer, the Vice Presidents, the Chief Financial Officer, the Treasurer, the General Counsel and persons occupying similar positions and exercising similar authority as such officers. For purposes of clarification, key management includes all management of BHSET from the director level to the senior management of the BHSET Organization.

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

- a. An ownership or investment interest in any entity with which BHSET has a transaction or arrangement,
- b. A compensation arrangement with BHSET or with any entity or individual with which BHSET has a transaction or arrangement, or
- c. A potential ownership or investment interest in, or compensation arrangement with, any entity or individual with which BHSET 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. In general, the fact that a person serves on multiple boards, acts as a principal officer, or serves as a member of a committee with delegated powers, and receives compensation for such services (which compensation complies with these procedures) with respect to BHSET and one or more other entities in the health care system(s) of which BHSET is a part in itself does not, by itself, give rise to a conflict of interest. A person who has a financial interest may have a conflict of interest only if the appropriate governing board or committee decides that a conflict of interest exists.

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Family – An interested person’s family shall mean ancestors, spouse, brothers and sisters (whole or half blood), children (natural or adopted), grandchildren, great grand children and spouses of brothers, sisters, children, grandchildren, great grand children.

PROCEDURE:

1. Actual or potential conflicts of interest must be disclosed by the interested party to the appropriate governing body or a committee of BHSET being considered by the governing body or committee or if an interested person becomes aware of a potential conflict before the matter is under consideration by the governing body or the committee, then the interested person may disclose the potential conflict of interest to BHSET’s appropriate management personnel, compliance officer, general counsel or the Audit and Compliance Committee.
2. An interested person may make a presentation and answer questions posed at the governing body or committee meeting, but after the presentation, he/she shall leave the meeting during the discussion of, and the vote on, the transaction or arrangement involving the potential conflict of interest.
3. The chairperson of BHSET’s Audit and Compliance Committee shall, if he/she deems appropriate, appoint a disinterested person or committee to investigate the potential conflict of interest and alternatives to the applicable transaction or arrangement or other resolution of a potential conflict of interest.
4. After exercising due diligence, the governing body or committee shall determine whether BHSET can obtain with reasonable efforts a more advantageous transaction or arrangement from a person or entity that would not give rise to a conflict of interest.
5. If a more advantageous transaction or arrangement is not reasonably possible under circumstances not producing a conflict of interest, the governing board or committee shall determine by a majority vote of the disinterested directors whether the transaction or arrangement is in BHSET's best interest, for its own benefit, and whether it is reasonable. The governing board or committee shall make its decision as to whether to enter into or continue the transaction or arrangement.


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6. Employees and others engaged by BHSET must seek guidance and approval from appropriate management personnel prior to pursuing any business or personal activity that might constitute a conflict of interest.
7. BHSET's compliance officer working with the chief financial officer will be responsible to ensure those conducting auditing and monitoring reviews of internal controls are free from any conflicts of interest or other influences that would impair their ability to objectively carry out their work without bias.
8. If the governing board or committee of BHSET has reasonable cause to believe a board/committee member or employee has failed to disclose actual or possible conflicts of interest, the member or employee will be informed of the basis for such belief and afforded an opportunity to explain the alleged failure to disclose.
9. If after hearing a member's or employee's response and after making further investigation as warranted by the circumstances, it is determined that there was a failure to disclose, there will be appropriate disciplinary and corrective action, which could include, without limitation, termination of the person's membership, employment or contract.

RECORDS

Minutes of the governing board and all committees of BHSET with board delegated powers shall contain:

- a. The names of the persons who disclosed or otherwise were found to have an actual or possible conflict of interest, the nature of the interest, any action taken to determine whether a conflict of interest was or is present, and the governing board's or committee's decision as to whether a conflict of interest in fact existed or exists.
- 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.

	
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- c. Records of employee conflict of interest will be maintained according to the Compliance Program records management policy.


COMPENSATION

- a. A voting member of the board of directors who receives compensation. Directly or indirectly, from BHSET for services is precluded from voting on matters pertaining to that member's compensation.
- b. A health care practitioner who is a voting member of the board of directors and receives compensation, directly or indirectly, from BHSET for services is precluded from discussing and voting on matters pertaining to that member's and other health care practitioner's compensation. No practitioner or practitioner director, either individually or collectively, is prohibited from providing information to the board of directors regarding physician compensation.
- c. A voting member of any committee whose jurisdiction includes compensation matters and who receives compensation, directly or indirectly, from BHSET for services is precluded from voting on matters pertaining to that member's compensation.
- d. Practitioners who receive compensation, directly or indirectly, from BHSET, whether as employees or independent contractors, are precluded from membership on any committee whose jurisdiction includes compensation matters. No practitioner, either individually or collectively, is prohibited from providing information to any committee regarding practitioner compensation.

ANNUAL STATEMENTS

Annually the governing board and employees of BHSET will sign a statement (see attached) which affirms each 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, and

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- d. Understands the Organization is charitable 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.

The annual statements will be reviewed by the compliance committee of BHSET, the governing body of BHSET or delegated to a committee of the governing body.


PERIODIC REVIEWS

To ensure that BHSET 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. Periodic reviews will, at a minimum, include the following subjects:

- a. Whether compensation arrangements and benefits are reasonable, based on competent survey information and the result of arm's length bargaining.
- b. Whether acquisitions of physician practice and other provider services result in inurement or impermissible private benefit.
- c. Whether partnerships, joint ventures, and arrangements with management organizations conform to BHSET'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.
- d. Whether agreements to provide health care and agreements with other health care providers, employees, and third-party payors further BHSET's charitable purposes and do not result in inurement or impermissible private benefit.

USE OF OUTSIDE EXPERTS

BHSET may, but need not, use outside advisors. If outside advisors are used, their use will not relieve the governing board of its responsibility for ensuring periodic reviews.

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APPROVED: _____

TITLE: Compliance Officer

DATE: _____

APPROVED: _____

TITLE: Chief Executive Officer

DATE: _____

APPROVED: _____

TITLE: Chairman of the Board

DATE: _____