

 <p>ST. MARY'S Organizational Policy Manual</p>	Policy # AD-14	
	<u>Title:</u>	Conflict of Interest Policy
	<u>Replaces Policy:</u>	
	<u>Policy Originator:</u>	Corporate Responsibility Officer
Administrative Chapter	<u>Concurrence:</u>	Chief Executive Officer Corporate Responsibility Committee Administrative Executive Committee, Audit and Compliance Committee of the Board
	<u>Effective Date:</u>	06/22/2006
	<u>Revised Date:</u>	6/26/2014, 7/1/2017, 11/22/2019, 9/23/2024
	<u>Approval:</u>	<i>Lorelei Barrett, RHA, CHA, CHC</i>
	<u>Date:</u>	9/24/2024

ARTICLE I

POLICY

It is the policy of St. Mary's Healthcare ("SMH") to carry out its activities consistent with its Mission, Vision, and Values ("Mission"). SMH exists to serve the health care needs of surrounding communities by providing and fulfilling its mission of patient care and charitable services to care for the poor and vulnerable through truthful leadership.

Many activities undertaken in service of the Mission require that the public rely on the competence, professionalism, and diligence of SMH and its people to safeguard and promote the well-being of the community. SMH promises to uphold the community's trust. To deserve the community trust, all individual's acting on behalf of SMH must avoid situations or relationships that may, or may reasonably be perceived, to hinder or bias SMH's efforts due to the introduction of inappropriate or undisclosed personal benefit.

SMH encourages individuals to avoid Conflicts of Interest in appearance and in fact. SMH will maintain effective policies and procedures to comply with federal tax exemption guidelines. This Policy is intended to supplement, but not replace, any applicable federal or state laws governing Conflicts of Interest applicable to nonprofit and charitable corporations.

PRINCIPLES

1. **Conflicts of Interest.** The purpose of the Conflicts of Interest Policy is to protect the interests of SMH when it is contemplating entering into a transaction or arrangement that might benefit the private interest of an officer, director Interested Person, Key Independent Physician Leader, or Key Person (as defined herein). Members of the Board of Directors, Board committee members, officers, directors and associates of SMH, Interested Persons, Key Independent Physician Leaders, and Key Persons may not use their positions to profit personally or to assist others in profiting in any way at the expense of the organization. Such individuals shall conduct their activities so as to avoid

conflicts and dualities of interest and/or the appearance of conflict and to disclose any activities that could result in a possible conflict of interest to enable the Board, Board committees, officers, directors, and management can make decisions in an objective manner without undue influence.

This Policy is designed to assure that SMH fulfills its charitable purposes, properly oversees the activities of the above identified individuals and pays no more than reasonable compensation to physicians and other highly compensated individuals. In furtherance of the foregoing, the following principles shall apply:

- Under no circumstance should a gift or inducement in the form of cash or cash equivalents be accepted
- Patterns that may create the perception of a Conflict of Interest must be avoided.
- Attendance at events or acceptance of meals must conform with SMH's Vendor Meal Policy-AD-112 and SMH's Attendance at Vendor Events/Travel Policy-AD-113. Events attended should be consistent with, and supportive of, the Mission and cumulatively be less than \$1000 annually.

ARTICLE II

DEFINITIONS

“Affected Individuals” means and refers to the OMIG definition of all persons who are affected by the provider's risk areas, including employees, the chief executive and other senior administrators, manager, contractors, agents, subcontractors, independent contractors, and governing body and corporate officers.

“Affiliate” means an entity controlled by or in control of SMH.

“Board” means the Board of Directors of SMH.

“Business Transactions” include, but are not limited to contracts of sale, lease, license and performance of services, whether initiated during the Organization's tax year or ongoing from a prior year. Business Transactions also include joint ventures in which either the profits or capital interest of the Organization and of the Interested Person exceeds 10%. Participating in a Business Transaction is not necessarily a conflict of interest.

“Chair” means the Chairperson of the Board or Committee with Board-delegated powers.

“Committee” means a Committee with Board-delegated powers.

“Compensation” includes direct and indirect remuneration as well as gifts or favors that are substantial in nature (i.e., in excess of \$1,000 in any calendar year).

“Compensation Arrangement” means any arrangement, written or oral, pursuant to which a Interested Person or Family Member receives, directly or indirectly from an entity or other person,

remuneration, of any type (cash or in-kind), including, without limitation, entertainment, gifts, favors, loans, lines and extensions of credit and payments for services, other than a gift of an item of nominal or minor value (less than \$50) which is received as a token of respect or friendship.

“Conflict of Interest” exists when an Interested Person is in a position to make, influence or participate in SMH’s decision to enter into a transaction and the Interested Person (or a Family Member) can benefit (directly or indirectly) from the decision about such transaction due to a Financial Interest, as determined by the appropriate party in accordance with this Policy. For purposes of this policy, a Conflict of Interest is presumed to exist in all Related Party Transactions.

“Controlled” means the authority, directly or indirectly, to appoint, elect or approve at least a majority of the individual members, shareholders, partners or equity owners of an organization.

“Family Member” means a (i) spouse or domestic partner, (ii) sibling (whether by whole or half blood and to include adopted children), (iii) parent or step-parent, (iv) child (whether natural or adopted), grandchild, great grandchild, and (v) parent, step-parent or grandparent, and (v) spouses or domestic partners of children, grandchildren, great-grandchildren, parents, grandparents and siblings.

“Financial Interest” A person has a Financial Interest if the person has, directly or indirectly, through business, investment or a Family Member, the following:

- (a) An “Ownership or Investment Interest” with SMH or with any entity with which SMH has a transaction or arrangement;
- (b) A “Compensation Arrangement” with SMH or with any entity or individual with which SMH has a transaction or arrangement; or
- (c) A “Property Transaction” with SMH or with any entity with which SMH has a transaction or arrangement.
- (d) A Potential “Ownership or Investment Interest”, “Compensation Arrangement” or “Property Transaction” with SMH or with any entity or individual with which SMH is negotiating a transaction or arrangement.

A Financial Interest is not necessarily a Conflict of Interest, unless it results in a Related Party Transaction. Under Article III, Section 3.2, a person who has a Financial Interest may have a Conflict of Interest only if the Board or Committee decides that a Conflict of Interest exists.

“Interested Person(s)” means any Board member, officer, member of a Committee with Board delegated powers, or Key Person who has a direct or indirect Financial Interest, as defined above. If a person is an Interested Person with respect to any entity in the health care system of which SMH is a part, he or she is an Interested Person with respect to all entities in the health care system.

“Key Independent Physician Leader(s)” mean independent (non-employed) physicians who:

- serve as officers of the Medical Staff of the organization;
- hold Medical Director positions with compensation in excess of \$150,000/year;
- have significant decision-making authority for the organization;
- have the ability to influence the organization’s choice of consultants, contractors or vendors;
- have knowledge of confidential, strategic business information to the extent comparable to officers or trustees of the organization;

- have the authority to purchase or otherwise bind the organization; OR
- manage or direct a discrete activity or service of the organization that represents 5% or more of the activities, assets, income or expenses of the organization.

“Key Person(s)” means any person, other than a Director or officer, whether or not an employee of SMH, who (a) has responsibilities, or exercises powers or influence over SMH as a whole similar to the responsibilities, powers or influence of Directors and officers; (b) manages the Corporation, or a segment of SMH that represents a substantial portion of the activities, assets, income or expenses of SMH; (c) alone or with others controls or determinates a substantial portion of SMH’s capital expenditures or operating budget, or (d) shall encompass Affected Individuals as defined by Office of Medicaid Inspector General)OMIG and Relevant Individuals as defined by Office of Inspector General (OIG).

“Organization” is the particular entity or entities for which the disclosures of Business Transactions or potential conflicts of interest are made.

“Ownership or Investment Interest” shall mean any form of ownership or equity held in an organization, but does not include interests of less than 1% in entities whose securities are publicly listed and have \$75 million or more of stockholder equity.

“Property Transaction” means any contract, written or oral, relative to the sale or lease or property of any type.

“Related Party” means (a) any Director, officer, or Key Person of SMH or any Affiliate; (b) any Family Member of an individual described in (a) of this Section 2.13; or (c) any entity in which an individual described in (a) or (b) has a 20% or greater ownership or beneficial interests or, in the case of a partnership or professional corporation, a direct or indirect ownership interest in excess of 5%.

“Related Party Transaction” means any transaction, agreement or any other arrangement in which (a) a Related Party is involved, (b) the Related Party has a Financial Interest, and (c) SMH or an Affiliate is a participant in the transaction, agreement or arrangement, except that a transaction shall not be considered a Related Party Transaction if: (i) the transaction or the Related Party’s financial interest in the transaction is de minimis, (ii) the transaction would not customarily be reviewed by the Board or boards of similar organizations in the ordinary course of business and is available to others on the same or similar terms, or (iii) the transaction constitutes a benefit provided to a Related Party solely as a member of a class of the beneficiaries that SMH intends to benefit as part of the accomplishment of its Mission, which benefit is available to all similarly situated members of the same class on the same terms. For purposes of this policy, a Related Party Transaction is presumed to present a Conflict of Interest. All Related Party Transactions must be approved by the Board or an authorized Committee thereof.

“Relevant Individuals” means and refers to the OIG definition of a person whose responsibilities or activities are within the scope of the code, policy, or procedure. Relevant individuals may include employees, contractors, patients, customers, agency staff, medical staff, subcontractors, agents or people in other roles, or a subset of the above.

“SMH” refers to St. Mary's Healthcare as well as any Affiliates that adopt this policy.

ARTICLE III

PROCEDURES

Section 3.1 Duty to Disclose. In connection with any actual or possible Conflict of Interest, or any activity or transaction that might give rise to a conflict of interest, or even the appearance of a Conflict of Interest, an Interested Person, Key Independent Physician Leader or Key Person must disclose the existence of his or her Business Transaction or Financial Interest and all material facts to the Board, or to the members of a Committee considering the proposed transaction or arrangement, or those individuals delegated by the Board to receive and review potential conflicts of interest. Such disclosure shall be made either through the annual questionnaire required under Section 3.6 herein or when a conflict not disclosed on the questionnaire otherwise arises. While it is impossible to list all circumstances which could create conflict situations, the conflicts of interest arise most frequently when:

- (a) An Interested Person is or seeks to be a party to a Compensation Arrangement or Property Transaction with SMH.
- (b) An Interested Person competes or intends to compete with SMH.
- (c) An Interested Person has a Financial Interest with or in a person or entity that does or intends to compete with SMH; or
- (d) An Interested Person has a Financial Interest with a person or entity that intends to conduct business with SMH.

Section 3.2 Determining Whether a Conflict of Interest Exists. After disclosure of the Business Transactions or Financial Interest and all material facts, and after any discussion with the Interested Person, Key Independent Physician Leader, or Key Person to clarify or obtain additional information relevant to the Business Transaction or Financial Interest, if warranted, he or she shall leave the Board or Board Committee meeting while the determination of a Conflict of Interest is discussed and voted upon. The remaining Board or Committee members shall decide if a Conflict of Interest exists.

Section 3.3 Procedures for Addressing the Conflict of Interest. Once the disinterested members of the Board or Committee have determined that a Conflict of Interest may exist with respect to a particular transaction or arrangement:

- (a) The Board or Committee shall, if appropriate, appoint a disinterested person or committee to investigate alternatives to the proposed transaction or arrangement to the extent available.
- (b) After exercising due diligence, the disinterested members of the Board or Committee shall determine whether SMH 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 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 Board or Committee members present at the meeting whether (i) the transaction or arrangement is in SMH's best interest and for its own benefit, and (ii) the transaction is fair and reasonable to SMH. The Board or Committee shall make its decision as to whether to enter into the

transaction or arrangement in conformity with such determination.

- (d) The Interested Person, Key Independent Physician Leader, or Key Person shall not be present at, or participate in, the deliberations or voting related to the matter giving rise to the conflict and only disinterested Board or Committee members may vote to determine whether to approve the transaction or arrangement. The disinterested members of the Board or Committee may, in their discretion, request that the Interested Person, Key Independent Physician Leader, or Key Person present information concerning the transaction or arrangement at a Board or Committee meeting prior to the commencement of deliberations or voting relating thereto.
- (e) In accordance with the New York State Department of Health's regulations, Interested Persons, Key Independent Physician Leader, or Key Persons may not be counted in determining the presence of a quorum when the Board or Committee votes on the matter for which a Conflict of Interest has been disclosed. In accordance with the New York Not-for-Profit Corporation Law, Interested Persons, Key Independent Physician Leader, or Key Persons shall be considered present when determining what constitutes a majority for voting purposes.
- (f) An Interested Person, Key Independent Physician Leader, or Key Persons with an actual or potential Conflict of Interest is prohibited against any attempt to influence improperly the deliberation or voting on the matter giving rise to such conflict.

Examples of Potential Conflicts and Mitigation

Event	Mitigation
Receiving a box of chocolates or flowers from a grateful patient.	Share with unit or department.
A vendor offers to cover the cost of accommodations for a team of individuals to visit other sites using a product of consideration.	Follow SMH Vendor Policy and SMH Attendance at Vendor/Events Travel Policy
As thanks for a Department's patience in working through some vendor implementation problems, the supervisor is offered accommodations for a professional development weekend sponsored by the vendor.	Report to Compliance Officer and follow SMH Attendance at Vendor Events/Travel Policy. Depending upon all circumstances this will require review by Compliance Officer and AEC.
In return for expert advice, a provider receives the rights to share in future returns on an innovative medical device.	Report to Compliance Office. Depending upon circumstances this will require review by Compliance Officer, AEC and for the provider to recuse themselves from any recommendations for or vote to acquire at SMH.

Section 3.4 Procedures for Related Party Transactions. All Related Party Transactions are presumed to create of Conflicts of Interest and must be presented to the Board (or an authorized committee thereof) for its approval, including transactions typically approved by management. The Board shall follow the procedures set forth in Section 3.3 when reviewing and approving Related Party Transactions.

Section 3.5 Procedures for Excess Benefit Transactions: Scrutiny is required to ensure relationships and transactions involving Interested Parties having the potential to influence the actions of SMH do not result in excess benefit to those parties beyond what would have been received at fair market value. The Board shall follow the procedures set forth in Section 3.3 when reviewing and approving Excess Benefit Transactions.

- (a) For purposes of this analysis; compensation includes all forms of cash and non-cash payments or benefits provided in exchange for services or goods, direct and indirect remunerations, gifts or favors.
- (b) Examples include salary and wages, bonuses, severance payments, deferred payments, retirement benefits, fringe benefits, and other financial arrangements or transactions such as personal vehicles, meals, housing, personal and family educational benefits, below-market loans, payment of personal or family travel, entertainment, and personal use of the organization's property.

Section 3.6 Annual Conflict of Interest Statements. Annual Conflicts of Interest Disclosure Statements are required to be submitted by all members of the Board, Committees with delegated Board authority, all Board Members of The Foundation of SMH, all members of the SMH Administrative Executive Council (AEC), all members of the SMH Leadership Team, all Key Independent Physician Leaders and employed SMH Medical Staff Members and all associates of the following departments:

- Compliance
- Financial Services
- Information Services
- Case Management
- Risk Management
- Quality
- Health Information Management
- Legal
- Medical Staff Affairs
- Supply Chain

All associates serving on the following Committees:

- Corporate Responsibility Committee
- Value Analysis
- Pharmaceutical and Therapeutics
- Utilization Review Management
- Quality

Section 3.7 Report to the Board. On an annual basis, the Board of Directors, shall receive a Conflicts of Interest report from management detailing the results of the Conflicts of Interest process from the preceding year, including the number of Interested Persons, Key Independent

Physician Leaders and Key Persons submitting annual disclosure statements and the findings of any conflicts, including the disposition of such.

Section 3.8 Violations of the Conflicts of Interest Policy.

- (a) If the Board or Committee has reasonable cause to believe that an Interested Person, Key Independent Physician Leader or Key Person has failed to disclose actual or possible conflicts of interest, it shall inform such individual of the basis for such belief and afford the member an opportunity to explain the alleged failure to disclose.
- (b) If, after hearing the response of the Interested Person, Key Independent Physician Leader or Key Person and making such further investigation as may be warranted in the circumstances, the Board or Committee determines that the member has in fact failed to disclose an actual or possible Conflict of Interest, it shall take such action as it considers appropriate, including disciplinary and corrective action if warranted. All decisions concerning a possible violation of the Policy and appropriate disciplinary and/or corrective action concerning the violations are to be by a majority vote of the Board (excluding any Interested Person, Key Independent Physician Leaders and Key Persons involved in the conflict).

ARTICLE IV

COMPENSATION

Section 4.1 Voting Member of Board. A voting member of the Board who receives compensation, directly or indirectly, from SMH for services is precluded from being present at or participating in the deliberations and voting on matters pertaining to that member's compensation. Notwithstanding the foregoing, members of the Board may deliberate and vote on compensation for service on the Board that is to be made available or provided to all Board members on the same or substantially similar terms.

Section 4.2 Physician Member of the Board. A physician who is a voting member of the Board and receives compensation, directly or indirectly, from SMH for services is precluded from discussing and voting on matters pertaining to that member's and other physician's compensation. Notwithstanding the foregoing, a physician or physician director, either individually or collectively, may provide background information and answers question at a Board meeting regarding physician compensation prior to the commencement of deliberations or voting relating thereto.

Section 4.3 Voting Member of Committee. A voting member of any Committee whose jurisdiction includes compensation matters and who receives compensation, directly or indirectly, from SMH for services is precluded from being present at or participating in the deliberations deliberating and voting on matters pertaining to that member's compensation.

Section 4.4 Physician Participation on Committee. Physicians who receive compensation, directly or indirectly, from SMH, whether as employees or independent contractors, are precluded from membership on any committee whose jurisdiction includes compensation matters. Notwithstanding the foregoing, a physician or physician director, either individually or collectively, may provide background information and answers question at a Committee meeting

regarding physician compensation prior to the commencement of deliberations or voting relating thereto.

ARTICLE V

ANNUAL STATEMENTS

Section 5.1 Annual Statements. Each Board member, officer, member of a Committee, and Interested Persons, Key Independent Physician Leaders and Key Persons shall annually sign a statement which affirms that such person has complied with the following:

- (a) Received a copy of this Policy;
- (b) Read and understands this Policy;
- (c) Agreed to comply with this Policy;
- (d) Understands that SMH 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; and
- (e) Disclosed activities and Financial Interests which may result in a Conflict of Interest.

ARTICLE VI

CONFIDENTIALITY

Section 7.1 Confidentiality Agreement. Each Board member, officer, member of a Committee, and Interested Persons, Key Independent Physician Leaders and Key Persons acknowledges and agrees that the Board and Committee meetings of SMH are conducted in the strictest of confidence and matters are discussed which are sensitive in nature and, therefore, confidential and of a proprietary nature. Each Board member, officer, member of a Committee, and Interested Persons, Key Independent Physician Leaders and Key Persons acknowledge that a Conflict of Interest Disclosure Statement is required to be signed by him or her no less than annually and that such Disclosure Statement includes a confidentiality agreement by which such individual agrees to protect the confidentiality of Board deliberations by maintaining all information, whether or not specifically identified as confidential and proprietary, in the strictest of confidence, unless specifically authorized to release or disclose the information to third parties by the Board, the President/Chief Executive Officer of SMH, or as required by applicable law.

ARTICLE VII

TOPICS SUBJECT TO REVIEW AND ADDITIONAL ACTIVITIES SUBJECT TO ENHANCED SCRUTINY

Section 6.1 Topics Subject to Review. To ensure that SMH 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 of existing or contemplated arrangements. The periodic reviews shall, at a minimum, include:

- (a) Whether compensation arrangements and benefits are reasonable and the result of arm's-length bargaining;

- (b) Whether acquisitions of physician practices and other provider services result in inurement of 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 SMH's charitable purposes and do not result in inurement or impermissible private benefit; and
- (d) Whether agreements to provide health care and agreements with other health care providers, employees, and third-party payors further SMH's charitable purposes and do not result in inurement or impermissible private benefit.

Section 6.2 Activities Subject to Enhanced Scrutiny.

- (a) Procurement Activities: Individuals involved in the evaluation, recommendation or authorization of products or services, or of policies and procedures that create an institutional incentive to use particular products or services need to be aware of the potential for bias introduced by potential Conflicts of Interest. The commitment of SMH resources, directly or indirectly, requires all individuals involved to maintain an "arms-length" independence from vendors in both appearance and fact, and to utilize rigorous decision-making practices that ensure all decisions are made in the best interests of the SMH.
 - (1) Placement of Vendor Equipment at SMH: Individuals must act to ensure compliance with the following:
 - i. Vendors may offer to place a new device or piece of equipment on-campus on a trial basis. Such arrangements require notice to SMH Supply Department in advance of accepting the trial use and are required to be terminated if in the opinion of the Supply Chain Department the trial basis arrangement results in an unfair advantage in a procurement decision.
 - ii. The Vendor will be expected to deliver and retrieve the item within the designated time period not to exceed three months.
- (b) Conflict of Commitment: All individuals are potentially affected by a Conflict of Commitment. Conflicts of Commitment are a type of Conflict of Interest where the presence of another commitment impacts the individual's ability to conduct their duties and responsibilities in the best interests of SMH. They may arise with respect to the distribution of effort between an individual's obligations and responsibilities to SMH, and his/her commitment to outside professional activities.