



Catholic Healthcare Partners Policy and Procedure 106 Conflict of Interest

Approved by: CHP Board of Trustees

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Policy Statement:

Catholic Healthcare Partners ("CHP") is a Catholic, nonprofit, tax-exempt corporation. It is the policy of CHP that Board Trustees, Board Committee Members, management team, associates, and agents undertake their respective responsibilities on behalf of CHP and CHP Affiliates (as defined below) in accordance with their fiduciary duties of loyalty and good faith and fair dealing. This means that such individuals will administer the affairs of CHP and the CHP Affiliates (collectively, the "CHP System") honestly and economically, exercising their best care, skill, and judgment for the benefit of the CHP System. Such individuals have a responsibility to make full disclosure of any interests that might result in or have the appearance of a conflict in satisfying their fiduciary duties. In that regard, it is CHP's policy to enter into transactions that involve a potential conflict of interest only after all relevant and pertinent facts regarding the transaction and the potential conflict have been disclosed, considered, and addressed in accordance with this policy. This policy is intended to supplement (not replace) any applicable Federal or State laws addressing conflicts of interest applicable to nonprofit, tax-exempt corporations, and this policy shall be revised from time to time to ensure compliance with such laws. All entities controlled by or under common control with CHP ("CHP Affiliates") shall comply with this policy.

- A majority of the CHP Board of Trustees may not, at any time, have a Conflict (as defined herein).
- All members of the CHP Audit and Corporate Responsibility Committee and CHP Executive Compensation Committee will be independent of CHP, by being free of any Financial Interests (as defined herein) during their term.
- By January 1, 2006, all members of the Regional Audit and Corporate Responsibility Committee and the Regional committees responsible for executive compensation will be free of Financial Interests that conflict with their service. Exceptions may be granted at time of appointment and reappointment, upon showing of good cause, by the CHP Audit and Corporate Responsibility Committee.

Definitions

1. *Conflicts* - Financial Interests and other potential conflicts of interest shall be referred to collectively as "Conflicts" and Interested Persons shall include individuals with any type of Conflict. An individual may have or develop a conflict of interest that does not necessarily involve a Financial Interest. An example of a non-Financial Interest Conflict would be the situation where a Trustee or member of the senior management team learns of confidential information in the course of his or her service and uses such information or discloses it for his or her own benefit, the benefit of others, or to the disadvantage of the CHP System. To the extent a Board Trustee or Board Committee Member, senior manager, associate, agent, or affiliated physician has a potential conflict of interest (financial or otherwise), he or she should disclose it on the Disclosure Certificate and/or to the appropriate Board, Board Committee, or supervisor so that it may be addressed appropriately in accordance with the terms and intent of this policy.

- A. *Material Conflict* - A Conflict of such size, continuing duration or depth of personal involvement that it would reasonably be seen to prevent the Board or Committee member from rendering decisions on CHP matters impartially and with only the organization's best interests in mind. A Material Conflict can result in a determination that the member cannot serve in a CHP governance capacity. Disclosure of actual or potential Material Conflicts is also required.
2. *Committee* - "Committee" shall mean the Board Committee responsible for reviewing Disclosure Certificate summaries and addressing issues under this policy relating to Board Trustees, Board Committee Members, senior management, associates, agents and affiliated physicians. It shall mean one of the following:
 - A. For the CHP Board, Board Committees, management, associates, agents and affiliated physicians: it shall be the CHP Board Audit and Corporate Responsibility Committee.
 - B. For the Regional Board, Board Committees, management, associates, agents and affiliated physicians: it shall be the Regional Board Audit and Corporate Responsibility Committee.
 - C. For potential conflicts involving an Audit and Corporate Responsibility Committee member: that issue shall be reviewed and addressed by either the CHP Board Executive and Compensation Committee or the Regional committee responsible for executive compensation, for matters that would have been handled under "a" or "b", respectively, above.
3. *Family* - Family means an individual's spouse, parents, siblings, children, grandchildren, and other persons related to the individual (by blood, marriage, or adoption) and living with him/her.
4. *Fiduciary Duty* - Board Trustees and Board Committee Members, senior management, associates, agents, and affiliated physicians all have fiduciary duties of loyalty and good faith and fair dealing to the CHP System. These individuals must constantly strive to further the charitable mission of the CHP System and act in its best interests. They must refrain from engaging in any activity that might result in private gain or personal benefit to the detriment or possible detriment of the CHP System. Each individual who has fiduciary duties must comply with those fiduciary duties, hold all confidential information in confidence, and not commit any act or omission which has the potential to jeopardize the CHP System, its operations, and/or its reputation.
5. *Financial Interest* - A Financial Interest may be direct or indirect through a business, investment, family, or other relationship and includes:
 - A. An ownership or an investment interest in any entity involved or proposed to be involved in a contract, transaction, or arrangement with the CHP System;
 - B. A compensation arrangement (through employment, contractual relationship, consulting agreement, or otherwise) with any individual or entity involved or proposed to be involved in a contract, transaction, or arrangement with the CHP System;
 - C. A fiduciary position (member, officer, director, committee member, etc.) with an individual or entity involved or proposed to be involved in a contract, transaction, or arrangement with the CHP System; or

- D. A potential ownership or investment interest in, or compensation arrangement or fiduciary position with, an individual or entity involved or proposed to be involved in a contract, transaction, or arrangement with the CHP System.

Compensation includes direct or indirect remuneration as well as gifts, entertainment, or favors that are substantial in nature (in excess of \$150 per item or occasion or in excess of \$150 in the aggregate from any one individual or entity in a calendar year). Fixed payments under a retirement plan (including deferred compensation) for prior service with the CHP System or any organization receiving any payment from the CHP System are excepted from this definition.

An individual's ownership of securities in an entity doing business with or competing with the CHP System is not a Financial Interest if: (i) they are listed on a recognized stock exchange or traded regularly over the counter; (ii) the ownership is of less than \$1,000 or one percent of the outstanding securities; and (iii) the ownership is not a material portion of the individual's portfolio. An individual's ownership shall include ownership by that individual's Family members and associated business entities.

6. *Independence* - Board and Committee members will be considered to be independent of management and CHP only if they are free from any Financial Interest.
7. *Interested Person* - An Interested Person is any person or entity who has a direct or indirect Financial Interest (now or within the last five years) in a transaction or arrangement and is in a position to exercise substantial influence over the affairs of CHP and/or a CHP Affiliate. Individuals who have substantial influence include Board Trustees, Board Committee Members, and senior management. Individuals who may have substantial influence include associates, agents, and affiliated physicians.

Procedure:

- 106.1 Duty to Identify - Board members, Committee members, management and staff (both at the CHP and regional levels) who identify candidates for Boards and Board Committees should work to identify all potential Conflicts or Financial Interests as part of the membership development process in order to limit Conflicts or Financial Interests among appointed members and reduce the possibility of surprise recusals. Exceptions to the policy of requiring all members of the Audit and Corporate Responsibility Committees and the committees that oversee executive compensation to be free from any Financial Interests may be granted by the CHP Audit and Corporate Responsibility Committee for good cause at the time of a member's appointment or reappointment.
- 106.2 Duty to Disclose - An Interested Person has a continuing obligation to disclose the existence and nature of any actual, apparent, or potential Conflict he or she may have. Disclosure shall be made at the time of appointment or employment pursuant to CHP's Disclosure Certificate, annually thereafter pursuant to CHP's Disclosure Certificate, and at any time when a contract, transaction, or arrangement in which the Interested Person has a Conflict is being discussed or decided upon at a Board or Board Committee meeting. If an individual is in doubt as to whether or not a Conflict exists, he or she must disclose it so that an objective determination may be made.
- 106.3 Duty to Recuse - If a contract, transaction, or arrangement is being considered by a Board or Board Committee, and a member of that Board or Board Committee has a Conflict with the individual or entity engaging in the contract, transaction, or arrangement with CHP or any CHP Affiliate, that member must disclose the Conflict and excuse himself or herself from the discussion of and voting on the contract, transaction, or arrangement.

106.4 Review of Conflicts - The CHP Corporate Director, Governance, Administration and Development is responsible for maintaining all Disclosure Certificates for the CHP Board and Board Committees and for Regional Boards. The CHP Vice President, Corporate Responsibility shall review all Disclosure Certificates maintained by CHP and shall provide a summary of the material Conflicts to the CHP Committee, to the CHP and Regional Boards, and to all CHP Board Committee Chairs. The Vice President Corporate Responsibility shall also serve as a resource and advisor to the Committee, Boards, and Board Committee Chairs. The members of the Committee, Boards, and each Board Committee Chair shall review the summary at least annually to ensure that they are aware of their fellow Board or Board Committee members' Conflicts.

Regional Audit and Corporate Responsibility Committees shall serve in the role of the Committee for the Regions and should review Disclosure Certificates for all Regional Board and Board Committees, in conjunction with Regional Corporate Responsibility Officers and counsel to assist the Regional Board, committees and committee chairs in recognizing, avoiding and/or managing apparent or possible Conflicts arising among committee members, in accordance with this policy. The Regional Corporate Responsibility Officer shall prepare a summary of the material conflicts disclosed for the regional Committee and regional Board Committee chairs, and provide a copy of the summary to the CHP Vice President, Corporate Responsibility for inclusion in the CHP Summary.

106.5 Determination of Conflicts - The Committee shall determine whether or not a potential Conflict disclosed in a Disclosure Certificate is an actual Conflict and the manner in which it should be addressed.

If a potential Conflict is disclosed for the first time at a Board or Board Committee meeting, the disinterested members of the Board or Board Committee shall discuss and determine whether it is an actual Conflict (after receiving all pertinent information) without the Interested Person present. If it is unclear, the Board or Board Committee shall either assume the Conflict exists or defer the issue for determination by the Committee and postpone its analysis of the contract, transaction, or arrangement.

106.6 Committee Discretion - The Committee may, in its discretion, decide that an Interested Person has a Conflict (as determined in the Committee's reasonable discretion) that is so material that the Interested Person should not serve on a Board or Board Committee or become employed by or contract with the CHP System. The Committee shall also engage in such investigation and analysis of the issue as it deems appropriate to determine whether or not an Interested Person has failed to disclose a Conflict or otherwise failed to comply with this policy, and shall take such disciplinary action as it decides is necessary where a violation of this policy is established.

106.7 Approval of Arrangements Involving Conflicts. When a Board or Board Committee is asked to consider a contract, transaction or arrangement with an Interested Party, the following steps must be taken to ensure that a decision is made in the best interests of the CHP System and in compliance with pertinent regulations.

106.7.1 The Interested Person shall excuse himself or herself from all discussion of and voting on the contract, transaction, or arrangement with respect to which he or she has the Conflict.

106.7.2 The Board or Board Committee shall take into consideration in its deliberations and decision whether there are any equally or more

advantageous alternatives to the transaction or arrangement with an entity or person other than the Interested Person. The deliberations shall address whether the proposed contract, transaction, or arrangement is truly in the best interests of the CHP System and is fair and reasonable.

- 106.7.3 If the Board or Board Committee elects to approve the contract, transaction, or arrangement, it must ensure that there are appropriate safeguards in place to protect the charitable mission.
- 106.7.4 Minutes of Board and Board Committee meetings shall include the following:
- A. The names of Interested Persons who disclosed or were otherwise found to have a Conflict with respect to a contract, transaction, or arrangement considered at the meeting, the nature of the Conflict, the actions taken to determine if the Conflict existed, and the Board or Board Committee's determination as to the Conflict; and
 - B. The names of all Board or Board Committee members present at the meeting, the context of the discussion (including analysis of alternatives considered and benefits to the CHP System), the fact that the Interested Person left the meeting for purposes of discussion and voting with respect to the contract, transaction, or arrangement if it was determined that a Conflict existed, the votes taken by the disinterested members, and the Board or Board Committee's final determination with respect to the contract, transaction, or arrangement.
- 106.7.5 If Committee review and determination of a potential Conflict involving an Interested Person does not occur prior to CHP or Regional Board or Board Committee action, the contract, transaction, or arrangement approved by the CHP or Regional Board or Board Committee shall be reported to the CHP VP for Corporate Responsibility using a standardized form to be disseminated to all regions for ease of critical information gathering, and a summary of the issues and actions taken shall be presented to the CHP Committee for its review and ratification.

Periodic Reviews:

To ensure that CHP operates in a manner consistent with its charitable purposes, and does not engage in activities that could jeopardize its status as a nonprofit, tax-exempt corporation, CHP shall conduct or cause to be conducted periodic reviews with respect to the following:

1. Whether executive and other associate compensation and benefits are reasonable;
2. Whether transactions and arrangements with physicians are at fair market terms and rates;
3. Whether joint ventures comply with their organizational and governing documents/contracts, are appropriately reported for financial purposes, provide for reasonable payments for goods and services, further the charitable mission, and do not result in inurement or private benefit; and
4. Whether other transactions or arrangements with associates, healthcare providers, and third parties further the charitable mission and do not result in inurement or private benefit.