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Policy Area HR Personnel
Employee Health-
Manuals

Applicability Butler Memorial
Hospital



Conflict of Interest, 100-7

SCOPE:

The following will apply to all Governing Body members, key management members, physicians, Medical Staff members having administrative responsibilities, and other employees of Butler Health System as designated.

POLICY:

It is the policy of Butler Health System (BHS) that Governing Body members and key management members will attempt to avoid conflicts of interest whenever possible. It shall be policy to require that each Board member and key management officer, prior to taking his/her position, and all present Board members and key management officers or employees disclose when a conflict of interest might or does exist. For purposes of this policy, BHS shall include Butler Health System, Butler Healthcare Providers d/ b/a Butler Memorial Hospital, Butler Health System Foundation, Butler Medical Providers, Nixsar and Primary Care Associates or any other BHS affiliate (defined as an organization associated with another BHS organization as a subordinate, subsidiary or member).

PURPOSE:

The purpose of this Conflict of Interest policy is to safeguard the integrity and reputation of the Butler Health System and its related entities by assuring that all decisions concerning the business conduct and governance are made solely with the intent to promote the best interests of BHS and that all decisions concerning the care, treatment, and services that BHS provide or recommend are made solely with the intent to meet the needs and promote the best interests of the patients and the communities

that are served by BHS. It is the policy of BHS to assure that all such decisions are made without any actual or potential conflicts of interest with regard to any favor, preference, or benefit that the decision might confer, directly or indirectly, upon any individual involved in the decision-making process. This policy is applicable to all BHS Trustees, Officers and members of BHS Board Committees with Board delegated powers.

Integral to this policy is the avoidance of any appearance that decisions are influenced by business courtesies that may be offered by, or personal relationships that may exist with, those persons or entities which have business relationships with BHS. Business decisions made by System staff should be made on the basis of quality, service, price, and similar competitive factors. Business decisions should not be based on the business courtesies or personal relationships offered by or in existence with those who are affected by the decisions of BHS nor should the acceptance of business courtesies create the appearance that those business decisions are being influenced.

This policy is intended to supplement but not replace any provisions contained in the Bylaws of the entities within BHS, and any applicable federal or state laws or regulations governing conflicts for nonprofit and charitable systems.

PATIENT AGE SPECIFIC CONSIDERATIONS:

Non-applicable

ELIGIBILITY:

The following shall serve as a guide to the types of activities which might cause conflicts and that should be fully reported:

Outside Interests:

- A.
 1. To hold, directly or indirectly, a position or financial interest in any business or organization which you have reason to believe has or plans to have business dealings with BHS, or that provides service competitive with BHS.
 2. To compete, directly or indirectly, with BHS in the purchase or sale of property or property rights, interests or services.

Outside Activities:

To provide directive, managerial or consultative services to any outside entity that does business with, or competes with the services of BHS or to provide services in competition with BHS.

Inside Information:

To disclose or use information relating to BHS' business for the personal profit of yourself, family members, or associates.

Gifts, Gratuities and Entertainment:

To accept gifts, entertainment or other favors from any outside entity that plans to do business with, or is a competitor of BHS. Accepting incidental gifts is not considered a conflict of interest.

DEFINITIONS:

The following terms shall have the following meanings when used in this policy:

- A. "Affiliate" shall mean any organization that controls, is controlled by, or is related by common control to BHS.
- B. "Board Committee" means any committee that has specific authority to take final action relative to the charitable, business or clinical aspects of this Corporation delegated to it by the Board or the Bylaws of this Corporation, as opposed to committees that are simply advisory.
- C. "Board Member" shall refer to all Directors and Trustees of this Corporation, and members of all Board Committees, whether appointed, elected, or ex officio, and including, but not limited to, physicians.
- D. **Compensation.** The term "compensation" includes, but is not limited to, direct and indirect remuneration of any kind as well as gifts, loans, favors, or any other items of value that are not nominal in number or nature.
- E. **Conflicting Interest.** A person has a Conflicting Interest if the person or a Family Member (as defined below), directly or indirectly:
 - 1. Has a Financial Interest (as defined below) or governance interest in any entity (including any governmental entity) that competes with the BHS; or
 - 2. Is or is likely to become involved in any litigation or adversarial proceeding with the BHS.
- F. **Family Member.** For purposes of this Conflicts of Interest Policy the following are defined as a Family Member: your spouse, domestic partner, mother-in-law and/or father in-law, brother or sister by whole or half blood or adoption, spouses of brother or sister by whole or half blood, parents, grandparents, children including legally adopted children, grandchildren, great grandchildren, or the spouses of your children, grandchildren, or great grandchildren.
- G. **Financial Interest.** A person has a Financial Interest or other interest if the person or a Family Member has, directly or indirectly:
 - 1. A present or potential ownership (you may exclude publicly traded entities if you own stock of 1% or less) or investment interest in any entity with which BHS has or may have a transaction or arrangement; or
 - 2. A compensation arrangement (including salary, sales commissions, revenue, or return on investment) with BHS or with any entity or individual with which BHS has a transaction or arrangement; or
 - 3. A potential ownership or investment interest in, or compensation arrangement with, any entity or individual with which BHS is negotiating a transaction or arrangement; or
 - 4. A legal or beneficial ownership of any patent, copyright, or other intellectual property right or a right to receipt or payment of royalties or any other sums in respect to any intellectual property which is licensed to or from and/or otherwise utilized in connection with the business and/or operations of BHS; or
 - 5. Any loan, loan guaranty, security interest, or other financial arrangement (other than

a loan from or security interest granted to an established banking or financial institution); or

6. A Board or volunteer leadership position with any entity with which BHS has a transaction or arrangement.
- H. **Interested Person.** Any Trustee, Officer, or member of a Committee of BHS with Board delegated powers, who has a direct or indirect Financial Interest, a Conflicting Interest, or other interest, as defined above or through a Family Member, is an Interested Person. If a person is an Interested Person with respect to any entity within BHS, he or she is an Interested Person with respect to all entities in BHS.
- I. "Person Covered by this Policy" shall mean every Board Member, every member of any Board Committee, all Officers of BHS, and all Key Management Personnel of BHS.

ESSENTIAL INFORMATION:

- A.
 1. **Disclosure of Conflict of Interest.** Every Trustee, Officer, or member of a Committee of BHS with Board delegated powers shall, as a condition of office, be required to fully disclose the existence of any Financial Interest or Conflicting Interest including those of a Family Member which may result in a conflict of interest. Before the Board makes a determination whether the Financial Interest, a Conflicting Interest, or other interest of an Interested Person rises to the level of a conflict of interest, the Interested Person must be given an opportunity to disclose all material facts relating to his/her Financial Interest, a Conflicting Interest, or other interest.
 2. **Procedures for Determining Whether a Conflict of Interest Exists.**
 - a. An Interested Person with a Financial Interest, a Conflicting Interest, or other interest in a transaction or arrangement is not precluded from making a presentation at the Board meeting or from answering questions regarding the transaction or arrangement. However, before the Board votes on the transaction or arrangement, the Interested Person must leave the meeting.

The Interested Person shall disclose the Conflict of Interest, shall abstain from making motions, voting, executing arrangements, or taking any other direct action that might reasonably be deemed a violation of this policy.
 - b. A Conflict of Interest arises when there is a divergence between an individual's private interests and his/her obligations to BHS such that an independent observer might reasonably question whether the individual's actions or decisions are determined by consideration of personal gain, financial, or otherwise. A Conflict of Interest exists in any situation in which personal considerations interfere or appear to interfere with an individual's ability to make decisions that are in the best interests of BHS. A conflict of interest depends on the situation and not on the character of the individual.
 - c. The Chairperson of the Board shall, if appropriate, appoint a disinterested person or an ad hoc committee to investigate alternatives to the proposed

transaction or arrangement.

- d. After exercising due diligence, the disinterested person or ad hoc committee shall report to the Board regarding the results of their investigation and then the Board shall determine whether BHS 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.
- e. 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 shall determine by a majority vote of the disinterested Trustees: (i) whether the transaction or arrangement is in BHS' best interest and for its own benefit, (ii) whether the transaction is fair and reasonable to BHS, and (iii) whether to enter into the transaction or arrangement in conformity with such determination.
- f. In making its determination, the Board may also consider whether the Interested Person's Conflict of Interest rises to the level of such Interested Person's being disabled from continuing to serve on the Board.

B. Violations of the Conflict of Interest Policy.

1. If the Board has reasonable cause to believe that an individual has failed to disclose a Financial Interest, a Conflicting Interest, or other interest in connection with an actual or possible conflict of interest as required by this policy, it shall inform the individual of the basis for such belief and afford that person an opportunity to explain the alleged failure to disclose.
2. After hearing the response of the individual and making such further investigation as may be warranted in the circumstances, if the Board determines that the individual has in fact failed to disclose an actual or possible conflict of interest, it shall take appropriate disciplinary and corrective action.

C. Records of Proceedings. The minutes of the Board and all committees with Board-delegated powers shall describe the conflict of interest; identify the Trustees who were present during the discussion of the conflict of interest; document that alternative transactions or arrangements were considered; document that the Trustee involved with the conflict of interest departed the meeting during the vote; and record the vote taken.

D. Compensation.

1. A voting member of the Board of Trustees or Committee who receives compensation directly or indirectly, from BHS for services is precluded from voting on matters pertaining to that member's compensation.
2. A physician who is a voting member of the Board and receives compensation, directly or indirectly, from BHS for services is precluded from discussing and voting on matters pertaining to that member's and other physicians' compensation. No physician or physician Trustee, either individually or collectively, is prohibited from providing information to the Board of Trustees regarding physician compensation.
3. A voting member of any committee whose jurisdiction includes compensation matters and who receives compensation, directly or indirectly, from BHS for services is precluded from voting on matters pertaining to that member's compensation.

4. Physicians who receive compensation, directly or indirectly, from BHS, whether as employees or independent contractors, are precluded from membership on any committee whose jurisdiction includes compensation matters.

E. Annual Disclosure Statements.

Each individual covered by the Scope of this policy shall annually sign a disclosure statement which affirms that such person:

1. has received a copy of the conflict of interest policy;
2. has read and understands the policy;
3. has agreed to comply with the policy; and
4. understands that BHS 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.

F. Changes During the Year.

All individuals covered by the Scope of this policy are obligated to monitor their outside activities with regard to entities that conduct business with BHS. At any time during the year, such persons may have a change in a financial arrangement or the elimination or addition of a new potential Conflict of Interest that may have an effect on business. It is the responsibility of the individual to promptly report this information to the Vice President and General Counsel BHS who will provide the appropriate documents to amend the Disclosure Form.

G. Periodic Reviews.

1. To ensure BHS 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.

For BHS, the annual statements summarizing all disclosed Financial Interests, a Conflicting Interest, or other interests shall be provided to, reviewed by, and maintained by the Vice President and General Counsel for Butler Health System. At the next meeting of the Audit & Compliance Committee of the Board of Trustees following the submission of the annual statements, the Vice President and General Counsel shall submit a written report setting forth the nature of all disclosed financial interests or other interests identified under the policy for consideration as to whether those constitute a conflict of interest, and the action, if any, taken with regard thereto.

H. Obligation to Report Conduct of Others.

Any individual covered by the Scope of this policy who knows or has a reasonable belief that any other individual covered by the Scope of this policy has failed to disclose a potential or actual Conflict of Interest, Financial Interest, Conflicting Interest, or otherwise has failed to comply with the terms of this Conflict of Interest Policy, shall promptly report the violation or suspected violation of these requirements to the Vice President and General Counsel of BHS, the Corporate Compliance Officer or make a report utilizing the Corporate Compliance Hotline.

I. Use of Outside Experts.

In conducting the periodic reviews provided for above, BHS may, but is not required to, use outside advisors.

J. Interpretation.

Questions as to the interpretation of this Conflict of Interest Policy will be referred to the BHS' Vice President and General Counsel.

K. Compensation Committees.

1. A voting member of any committee whose jurisdiction includes compensation matters and who receives compensation, directly or indirectly, from BHS for services is precluded from voting on matters pertaining to that member's compensation. All members of the BHS Board Compensation Committee must be independent as defined by BHS and consistent with Internal Revenue Code Section 4958 and the regulations promulgated thereunder, and the BHS Board composition policy.
2. Physicians who receive compensation, directly or indirectly, from BHS 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.

L. Periodic Reviews.

1. To ensure that BHS 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. The periodic reviews shall, at a minimum, include the following subjects:
 - a. Whether compensation arrangements and benefits are reasonable and the result of arm's length bargaining.
 - b. Whether acquisitions or other arrangements with providers result in inurement or impermissible private benefit.
 - c. Whether partnership and joint venture arrangements and arrangements with other organizations conform to written policies, are properly recorded, reflect reasonable payments for goods and services, further BHS' charitable purposes and do not result in inurement or impermissible private benefit.
 - d. Whether agreements to provide health care and agreements with other health care providers, employees, and third party payors further BHS' charitable purposes and do not result in inurement or impermissible private benefit.

M. Penalties for Non-Compliance.

Failure to comply with this Policy shall constitute grounds for removal from office and, in the case of Key Management Personnel, termination of employment.

Attachments

[Conflict of Interest Disclosure Form](#)

Approval Signatures

Step Description	Approver	Date
Board	Lisa Frishkorn	02/2023
	Hillary Harlan: Corporate Compliance Officer	02/2023
	Catherine Jamison: Director, Human Resources	02/2023

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