



**Title: Conflict of Interest**

**1.CE.3**

Effective Date: 11/03; Rev. 11/06

**POLICY:** All Iowa Health System (IHS) Officers, Directors, Key Employees and Reporting Physicians must disclose to the Board of Directors any potential Conflicts of Interest as they develop. Disclosure questionnaires must be completed on an annual basis, however, the duty to disclose potential conflicts is ongoing.

**SCOPE:** This policy is adopted on an IHS system-wide basis and is applicable to all corporate entities within IHS. Disclosure questionnaires shall be completed on an annual basis by all Officers, Directors, Key Employees and Reporting Physicians of IHS corporate entities (Covered Persons for purposes of this Policy) which are either tax-exempt and/or a Medicare/Medicaid provider.

**BACKGROUND:** The IHS Board of Directors has adopted this system-wide policy for the purpose of setting forth organizational beliefs and policy with respect to Conflicts of Interest; identifying those corporate entities and individuals subject to certain requirements under the policy; and explaining the requirements and activities associated with identifying and ethically resolving Conflicts of Interest on the part of individuals affiliated with the organization.

Identification and resolution of Conflicts of Interest which may exist on the part of Directors, Officers, Key Employees and certain members of the medical staffs is required by standards promulgated by the Joint Commission on Accreditation of Health Care Organizations, the Internal Revenue Code and Treasury Regulations governing tax-exempt organizations and by requirements placed upon providers by Medicare and Medicaid program regulations. The Board of Directors has adopted this policy not only to meet the above-stated requirements, but also as a matter of ethics, corporate responsibility, sound management practice, and to afford protection, where available, in cases in which some duality of interest exists. In such situations, full and timely disclosure of the individual's interests in connection with transactions which are otherwise proper and fair to the organization provides protection against individual liability.

The system-wide approach to identification and resolution of Conflicts of Interest includes the following elements: Resolution of the Iowa Health System Board of Directors in regard to Conflicts of Interest; Article V, Section 6, Paragraph b of the Iowa Health System Corporate Bylaws assigning Conflicts of Interest responsibilities to the Board Development Committee; this policy, and disclosure questionnaires completed annually by individuals subject to disclosure requirements under this policy, the Internal Revenue Code, or Medicare/Medicaid program regulations.

1. Definitions.

**Chair** means the highest ranking Officer of a Company, whether denominated Chair, President, or some other title.

**Company** means the organization(s) within the IHS system-wide group of companies which you are affiliated as an Officer, Director, Key Employee or Reporting Physician.

**Conflict of Interest** means circumstances described below in Section 1 of this policy.

**Covered Persons** means all Officers, Directors, Key Employees and Reporting Physicians of IHS corporate entities.

**Directors** mean all members of the Board of Directors or Board of Trustees, including members of the medical staff serving as Directors.

**Individual's Household Member / Household Member** includes a Covered Person's spouse, persons with whom the Covered Person maintains a personal relationship approximating a family relationship, the Covered Person's ancestors, children, grandchildren, great grandchildren, the spouses of children, grandchildren and great grandchildren, as well as brothers and sisters of the Covered Person and their spouses.

**Key Employee** means any person having responsibilities or powers similar to those of Officers or Directors. The Company will periodically determine who is a Key Employee.

**Material Financial Interest** means an interest involving either the direct ownership or holding of indebtedness or the ownership of capital stock, obligations, or a combination of both having an aggregate value in excess of five percent (5%) of the total assets of the Company in which the interest is held.

**Officers** mean the Board Chair, Chief Executive Officer, Secretary, Treasurer, President, Chief Operating Officer(s), Vice Presidents, and Chief Financial Officer of the Company.

**Outside Business Activity** means services as a Director, trustee, Officer, committee member, employee, independent contractor, consultant, advisor, agent or similar position with another organization (regardless of whether the organization is charitable or for-profit in nature).

**Reporting Physician** means a member of the medical staff of an IHS hospital not employed by the Company, with department head responsibilities or powers similar to those of Officers and Directors. The Company will periodically determine who is a Reporting Physician.

**APPLICATION OF POLICY:**

1. Types of Conflicts of Interest. Conflicts of Interest are those circumstances in which the personal interests of a Covered Person may potentially or actually conflict with the interests of IHS or may be perceived as potentially conflicting with the interests of IHS. Personal interests include not only the Covered Person's own interests but also include those of the Individual's Household Members. A Conflict of Interest only exists when the appropriate board or committee decides that a Conflict of Interest exists.

For purposes of this Policy, the following circumstances shall be deemed to create potential Conflicts of Interest:

- 1.1 Relationships that May Cause a Conflict of Interest. A Covered Person may have a Conflict of Interest in a contract or transaction if the individual or the Individual's Household Member is contracting, dealing or negotiating on behalf of an entity that seeks to do business or does business with the Company or an IHS entity, or if the individual or Household Member is a potential Director, Officer, or general partner in, or has an actual or potential ownership interest, Material Financial Interest, or compensation arrangement with, the entity contracting, dealing or negotiating with the Company or an IHS entity. In responding to the Conflict of Interest Questionnaire, Covered Persons may respond to the questionnaire based on their current, general knowledge. Specific inquiries to family members are not necessary. Further, a Conflict of Interest may exist if a Covered Person performs work or renders services outside the normal course of his or her role at the Company for any competitor of the Company or an IHS entity unless the individual has obtained the approval of an executive officer or the Board Chair of the Company. A Covered Person shall not be a Director, Officer, employee or consultant of any competing organizations, nor permit his or her name to be used in any fashion that would tend to indicate a business connection with such organization.
- 1.2 Gifts & Gratuities. A Covered Person may have a Conflict of Interest if the individual or the Individual's Household Member is provided with a gift, gratuity, or favor of a substantial nature from a person or entity that does business or seeks to do business with the Company. If the Covered Person were to accept personal gifts, substantial entertainment, or other substantial favors from any outside concern that does business with the Company, is a competitor of the Company, or is negotiating a transaction or arrangement with the Company, it could under certain circumstances give rise to a claim that such action was intended to influence or would possibly influence an individual in the performance of his or her duties. (This does not include the personal acceptance of items of nominal or minor value that are clearly tokens of respect or friendship and are not related to any particular transaction or activity of the Company.) Further, a Covered Person may have a conflict if the individual is gratuitously provided use of the facilities, property, or services of the Company.
- 1.3 Inside Information. A Conflict of Interest may exist if a Covered Person or the Individual's Household Member discloses or uses confidential or inside

information of or about the Company, particularly for the Covered Person's profit or advantage of the Covered Person or a Household Member.

- 1.4 Financial Interests. A Conflict of Interest may exist when a Covered Person or the Individual's Household Member directly or indirectly benefits or financially profits as a result of a decision, policy or transaction made by the Company. For example, when a Covered Person or the Individual's Household Member has ownership in or is employed by any outside concern which does business with the Company, a Conflict of Interest may exist. This does not apply to stock or other investments held in a publicly held corporation, provided the value of the stock or other investments does not exceed 5% of the corporation's stock. IHS may, following a review of the relevant facts, permit ownership interests which exceed these amounts if the Company's Board of Directors or applicable compliance officer concludes such ownership interests will not adversely impact the Company's business interest or the judgment of the Covered Person. Another example of a potential Conflict of Interest would be where the Company contracts to purchase or lease goods, services, or properties from a Covered Person or the Individual's Household Member. Financial interests are not necessarily a Conflict of Interest. A financial Conflict of Interest exists only when the Board decides a Covered Person with a financial interest has a Conflict of Interest.
- 1.5 Non-Financial Interests. A Covered Person may have a Conflict of Interest where a Covered Person or the Individual's Household Member obtains a non-financial benefit or advantage that the individual or Household Member would not have obtained absent his or her relationship with the Company. Examples include:
  - 1.5.1 A Covered Person or the Individual's Household Member seeks to obtain preferential treatment by the Company or recognition for himself or herself or another Covered Person;
  - 1.5.2 Representation of the Company by a Covered Person in any transaction in which he or she or a Household Member has a substantial personal interest; and
  - 1.5.3 Competition with the Company by a Covered Person or the Individual's Household Member, directly or indirectly, in the purchase, sale or ownership of property or property rights or interests, or business investment opportunities.
- 1.6 Outside Business Activities. A Conflict of Interest may exist where a Covered Person or the Individual's Household Member engages in Outside Business Activities that conflict with the best interests of the Company, resulting in a financial or non-financial gain to the Covered Person or the Individual's Household Member engaging in such conduct.

1.7 Corporate Opportunity. A Conflict of Interest may exist when a Covered Person or the Individual's Household Member seeks to take advantage of a corporate opportunity or enables another interested person or other organization to take advantage of a Corporate Opportunity that he or she has reason to believe would be of interest to the Company. For purposes of this Policy, Corporate Opportunity means a business opportunity presented to an Officer, Director, Key Employee or Reporting Physician that the Company:

1.7.1 Is financially able to undertake;

1.7.2 Is in the Company's line of business and would be of practical value to the Company;

1.7.3 Has an interest in or reasonable expectation of the opportunity, and the Officer, Director, Key Employee or Reporting Physician, by taking the opportunity, will create a conflict with the Company; and

1.7.4 The opportunity, in fairness, should belong to the Company

Full disclosure of any such situation or any other circumstances in doubt should be made, to avoid any possible appearance of conflict and permit an impartial and objective review. A business opportunity that comes to a Covered Person or the Individual's Household Member in his or her individual capacity, is not essential to the Company, and is one the Company has no interest or expectancy in, is not a Corporate Opportunity for purposes of this Conflict of Interest Policy.

1.8 Personal Service to the Company. Each Covered Person serves the Company in strictly an individual capacity. He or she shall not serve in a representative capacity as the agent of, or as a spokesperson for, another agency or organization that may be interested in the Company, or any of its affiliates.

1.9 Additional Potential Conflicts of Interest. Many other circumstances which could not possibly be listed here could give rise to a potential Conflict of Interest. These would include any instances where the actions or activities of a Covered Person or the Individual's Household Member involve obtaining an improper gain or advantage, or have an adverse effect on the Company's interests.

2. Determining Whether a Conflict of Interest Exists. Every Conflict of Interest once recognized, must be evaluated. It may, in some instances, be so serious that it prevents the further participation by the individual in the organization's deliberations. On the other hand, it may be of little or no significance if it has been disclosed. If there is a question in the mind of the individual as to whether a particular duality of interest should be disclosed, it should be disclosed.

### 3. Disclosures.

3.1 Initial Disclosure. Upon election, appointment, or the beginning of the term of employment or other contract, individuals newly affiliated with the Company and other corporations subject to this Policy shall be oriented on and receive a disclosure questionnaire to be completed and promptly returned.

#### 3.2 Annual Disclosure.

3.2.1 A designated person within the Company and other corporations subject to this Policy shall send disclosure questionnaires to all Officers, Directors, Key Employees and Reporting Physicians. Persons required to report who have not returned questionnaires will be contacted and follow-up will continue on a regular basis in an effort to receive complete and accurate responses from all persons. The information disclosed will be used to identify potential Conflicts of Interest and to assist in completing IRS and Medicare questionnaires.

3.2.2 The annual questionnaires will include and will acknowledge that the Officer, Director, Key Employee or Reporting Physician:

3.2.2.1 has access to a copy of the Conflict of Interest Policy;

3.2.2.2 has read and understands the Policy;

3.2.2.3 agrees to comply with the Policy;

3.2.2.4 understands that the Policy applies to all committees and subcommittees having board-delegated powers; and

3.2.2.5 understands that the organization is a charitable organization and that in order to maintain its tax-exempt status, it must continuously engage primarily in activities which accomplish one or more of its tax-exempt purposes.

3.3 Ongoing Duty to Disclose. The duty to identify and disclose potential Conflicts of Interest is a duty that is ongoing. All Officers, Directors, Key Employees and Reporting Physicians shall immediately disclose such potential conflict or duality of interest as soon as the interest occurs. Disclosure should be made to the Covered Person's supervisor, the Chief Executive Officer of the Company, or the Board Chair of the Company, as applicable.

### 4. Compensation Decisions.

4.1 Practicing physicians who receive, directly or indirectly, compensation from the Company for services as employees or independent contractors, may not participate

in the determination of any physician compensation decisions by any board or committee of which they are a member.

- 4.2 No physician, either individually or collectively, is prohibited from providing information to any board or committee regarding physician compensation.
  - 4.3 A voting member of a board or committee with responsibilities for determining compensation shall not participate in the committee's determination of that member's compensation.
  - 4.4 Executive compensation decisions will be made by a committee composed entirely of independent members of the Board of Directors who do not have a Conflict of Interest with respect to the compensation arrangement or by a designee of the committee who does not have a Conflict of Interest with respect to the compensation arrangement.
5. Conflict Review Committee.
- 5.1 A single, system-wide committee consisting of the Internal Auditor and the General Counsel shall carry out the responsibilities described below for all corporations within the Iowa Health System.
  - 5.2 When the annual questionnaires or interim disclosures of either of the members of the Conflicts Review Committee are being reviewed, the member being reviewed shall be replaced by the President of Iowa Health System.
  - 5.3 A complete listing of all Company Officers, Directors, Key Employees and Reporting Physicians must be submitted by the applicable entity's CEO to the Conflict Review Committee for conflict analysis purposes.
    - 5.3.1 This listing must be promptly updated as changes are made and will be reviewed on an annual basis for accuracy.
    - 5.3.2 Each IHS entity Company will determine which Key Employees and Reporting Physicians will be required to complete their disclosure questionnaire by inclusion on this list.
  - 5.4 The Conflicts Review Committee will process and evaluate annual disclosure questionnaires and additional reporting.
  - 5.5 The specific duties of the Conflicts Review Committee shall include:
    - 5.5.1 review all annual disclosure questionnaires and interim supplemental disclosures from designated categories of persons within the Company who are subject to this Policy;

- 5.5.2 identify potential Conflicts of Interest disclosed in such annual disclosure questionnaires or interim disclosures;
- 5.5.3 investigate and evaluate, as necessary, potential Conflicts of Interest contained in annual disclosure questionnaires or interim disclosures;
- 5.5.4 report findings, conclusions, and recommendations to the Board of Directors of the Company for decision and action; and
- 5.5.5 assure the necessary information is reported to the Internal Revenue Service.

## 6. Board Action.

- 6.1 Any duality of interest or possible Conflict of Interest on the part of any organizational Officer, Director, Key Employee or Reporting Physician together with all material facts, should be disclosed to the Board of Directors and made a matter of record, either through an annual procedure or when the interest occurs or becomes a matter of Board action.
- 6.2 Any organizational Officer, Director, Key Employee or Reporting Physician having a Conflict of Interest in any matter should not be present during general discussion nor vote or use his or her personal influence on the matter, and he or she should not be counted in determining the existence of a quorum for purposes of the matter or item as to which a conflict exists. The Board should exclude the individual from any discussion or vote in which the Board decides whether or not a Conflict of Interest exists.
- 6.3 The foregoing requirements should not be construed as preventing the organizational Officer, Director, Key Employee or Reporting Physician from briefly stating his or her position on the matter, nor from answering pertinent questions of other Board members, since his or her knowledge may be of great assistance, but after doing so, he or she should leave the meeting.
- 6.4 In cases in which an Officer, Director, Key Employee, Reporting Physician or the Individual's Household Member has a Conflict of Interest in an arrangement or transaction, the following additional steps may be taken at the direction of the Board of Directors:
  - 6.4.1 After disclosure of the financial interest and all material facts, and after any discussion with the interested person, he or she shall leave the board or 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.
  - 6.4.2 A disinterested person or committee may be appointed to investigate alternatives to the proposed arrangement or transaction.

- 6.4.3 In order to approve the arrangement or transaction, the Board must first find, by majority vote of disinterested members, that the arrangement or transaction is in the Company's best interest, is fair and reasonable to the Company, and, after reasonable investigation, the disinterested members have determined that a more advantageous transaction or arrangement cannot be obtained with reasonable efforts under the circumstances.
- 6.5 The minutes of the Board and all committees with Board-delegated powers shall contain:
  - 6.5.1 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's or committee's decision as to whether a Conflict of Interest in fact existed.
  - 6.5.2 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 therewith.
- 6.6 In order to protect the Company's best interests, appropriate disciplinary action may be taken with respect to an Officer, Director, Key Employee or Reporting Physician who violates the Conflict of Interest Policy.
- 7. Related Policies/Reviews.
  - 7.1 Policy 1.CE.2, Code of Conduct.
  - 7.2 Policy 1.CE.6, Dishonest or Fraudulent Activities.
  - 7.3 Policy 1.CE.1, Corporate Compliance Program.
    - 7.3.1 Tax-Exempt Compliance Reviews. As part of the Company's operations, it shall periodically review the tax-exempt organizations to insure that they are operating in a manner consistent with their charitable purposes and that their operations do not result in private inurement or improper private benefit. Included in this review shall be the following aspects of tax-exempt organizations' operations: compensation and benefits programs; physician recruitment and physician practice acquisition activities; partnership and joint venture arrangements; management service organization and physician hospital organization arrangements; and agreements to provide healthcare. The purpose of the review shall be to assure that all such activities and agreements reflect reasonable compensation and payment; that the arrangements further the

organizations' charitable purposes; and that the activities and agreements do not result in private inurement or confer an improper or excess private benefit.

*/s/ Samuel T. Wallace*

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Samuel T. Wallace  
IHS President