



**POLICIES AND PROCEDURES MANUAL**

System       Department

**Supersedes:**

Section: LEADERSHIP (LD)

Subject: Conflict of Interest

Number: LD09

Attachments:

Date Effective: October 2012

Date Reviewed: December 2014

## CONFLICT OF INTEREST

### PURPOSE

- A. The purpose of this Conflict of Interest Policy is to protect The Nebraska Medical Center dba Nebraska Medicine ("Hospital") when it is contemplating entering into a transaction or arrangement that might benefit the private interest of members of the Board of Directors, officers, employees, members of committees, medical directors, contracted vendors and their employees, and consultants of the Hospital ("Covered Persons") or might result in a possible excess benefit transaction as defined by the Internal Revenue Service. This Policy is intended to supplement but not replace any applicable state and federal laws.

### DEFINITIONS

- A. Interested Person - Any Covered Person that has or who has a direct or indirect Financial Interest, as defined below, or may be in a position to make choices, influence choices or participate in decision making is an "Interested Person."
- B. Financial Interest - A person has a "Financial Interest" if the person has, directly or indirectly, through business, investment, or family:
1. An ownership or investment interest in any entity with which the Hospital has a transaction or arrangement;
  2. A compensation arrangement with the Hospital or with any entity or individual with which the Hospital has a transaction or arrangement; or
  3. A potential ownership or investment interest in, or compensation arrangement with, any entity or individual with which the Hospital is negotiating a transaction or arrangement.
- C. Conflicts of Interest - A "Conflict of Interest" exists when the interest of an Interested Person may affect the ability of the Interested Person to act in the best interest of, and with good faith and loyalty to, the Hospital. The following is a list of the type of activities that might present a potential or actual Conflict of Interest:
1. *Financial Interests*. It is a Conflict of Interest if the Interested Person has a Financial Interest in a transaction or arrangement or receives loans or other major financial accommodations from parties to the transaction. The remedy is disclosure of that financial interest.
  2. *Corporate Opportunity*. It may be a Conflict of Interest when an Interested Person fails to inform the Hospital of a corporate opportunity and instead diverts it to himself or herself or to another. A "Corporate Opportunity" is a business opportunity that the Hospital (a) could have a reasonable interest in or could be expected to take advantage of; and (b) is financially able to undertake.
  3. *Inside Information*. It is a Conflict of Interest to disclose nonpublic inside information relating to the Hospital's business and/or to use such information for the personal profit or advantage of any Interested Person or any other entity of which the Interested Person is an employee, officer, director or shareholder.

4. *Gifts, Gratuities and Entertainment.* It may be a Conflict of Interest for an Interested Person to accept gifts, excessive entertainment or other favors from any outside concern that does, or is seeking to do, business with or is a competitor of the Hospital. This does not include the acceptance of items of nominal or minor value that are tokens of respect or friendship and not related to any particular transaction or activity of the Hospital.
5. *Outside employment.* While the Hospital does not prohibit employment at other health care organizations, individuals must not steer or refer patients to these entities in the course of their employment at the Hospital and must disclose their employment relationship in any meetings related to the utilization of their services.
6. *Other Areas of Conflicting Interest.* Other circumstances may arise that could result in a Conflict of Interest between an Interested Person's personal interests and those of the Hospital. These Policy guidelines are not intended to describe all potential Conflicts of Interest. Any circumstance that may give rise to reasonable questions of possible favoritism, self-dealing or undue influence may be a Conflict of Interest.

## PROCEDURES

- A. Duty to Disclose - In connection with any actual or possible Conflict of Interest, an Interested Person must disclose the existence of a Conflict of Interest to the Board Chairman or the Chief Executive Officer who may escalate the matter to the Board or appropriate committee of the Board. Prior to a decision being made regarding whether a Conflict of Interest exists, the Interested Person shall be given the opportunity to disclose all material facts to the Board or members of committees with Board-delegated powers considering the proposed transaction or arrangement.
- B. Procedures for Addressing the Conflict of Interest - Agenda items requiring decisions which may trigger a conflict of interest by the Board or committee shall be noted in advance of the meeting. Nebraska Medicine agendas for committees where purchasing, product selection or approval of major expenditures is made should read:

"Conflict of Interest Declaration. The Nebraska Medical Center Conflict of Interest policy (LD.09) requires individuals who have a direct or indirect financial interest in an organization, transaction or arrangement under review by a committee to notify the committee chair in advance and disclose the interest to the committee. The individual must leave the meeting during the discussion of, and the vote on, the transaction or arrangement involving a potential conflict of interest."

The chairperson will call for disclosure prior to taking a vote on the matter. An Interested Person may make a presentation at the Board or committee meeting, but after the presentation, he or she shall leave the meeting during the discussion of, and the vote on, the transaction or arrangement involving the possible Conflict of Interest. The remaining Board or committee members shall decide, taking into account all material facts and guidelines set forth in this policy, if a Conflict of Interest exists, and, if so, whether the Conflict of Interest may be waived. If the Conflict is not waived:

1. The chairperson of the Board or committee shall, if appropriate, appoint a disinterested person or committee to investigate alternatives to the proposed transaction or arrangement.
2. The Board or committee may rely on the information presented by the Interested Person, but shall undertake its own evaluation of the appropriateness of the proposed transaction. The Board or committee should gather sufficient information to determine whether the proposed transaction is fair market value.
3. After exercising due diligence, the Board or committee shall determine whether the Hospital 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.
4. If a more advantageous transaction or arrangement is not reasonably possible under circumstances not

producing a Conflict of Interest, the Board or committee shall determine by a majority vote of the disinterested managers or members whether the transaction or arrangement is in the Hospital's best interest, for its own benefit, and whether it is fair and reasonable. In conformity with the above determination, it shall make its decision as to whether to enter into the transaction or arrangement.

5. Any Conflict of Interest may be waived by the Board or committee with Board-delegated powers.
6. If an Interested Person has a continuing or on-going Conflict of Interest which cannot be waived, the Board may request that such person resign from his or her office or position.
7. Full time members of the UNMC College of Medicine Medical Services Plan may not: (i) perform clinical work for any other person, firm, or corporation, either as an employee of such other entity or as an independent contractor, or (ii) engage or invest in any activity that competes directly or indirectly with the interests of Nebraska Medicine, except as provided in College of Medicine Medical Service Plan, as amended from time to time. There shall be an exception for clinical work at Offutt Air Force Base and at the Veterans Administration. Both exceptions would require approval of Department Chair and Dean. Providers who are not full-time members of the UNMC College of Medicine Medical Services plan shall be able permitted to perform clinical work outside of their employment with Nebraska Medicine.

C. Violations of the Conflicts of Interest Policy - If the Board or committee has reasonable cause to believe an Interested Person has failed to disclose actual or possible Conflicts of Interest it shall inform the Interested Person of the basis for such belief and afford the Interested Person an opportunity to explain the alleged failure to disclose.

1. If, after hearing the Interested Person's response and after making further investigation as warranted by the circumstances, the Board or committee determines the member has failed to disclose an actual or possible Conflict of Interest, it shall take appropriate disciplinary and corrective action, including, if appropriate, removal of the person from his or her office or position.

D. Records of Proceedings - The minutes of the Board and all committees with Board-delegated powers shall contain:

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.
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 with the proceedings.
3. If appropriate under the circumstances, the Board or committee shall obtain comparable data to determine whether the proposed transaction is at fair market value. The Board shall document any comparable data obtained and relied upon by the Board or committee. Documentation of the fair market value nature of the proposed transaction may include, but is not limited to, data identifying compensation levels paid by similarly situated organizations for functionally comparable positions or other compensation surveys; the availability and costs of similar services in the area; independent appraisals of the value of property that Hospital intend to purchase, sell, or lease; prevailing commercial rates and terms; comparability studies; fairness opinions; competitive bids or other sources of independent fair market value data.

E. Rules Regarding Compensation for Services - In addition to the above procedures addressing a Conflict of Interest,

the following shall be observed with respect to matters involving compensation:

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

F. Annual Statements - Each member of the Board of Directors, officer, director, medical director key committee chair persons (e.g. Medical Executive Committee) and others in critical decision making roles of the organization (e.g. Purchasing, Contract Management) based on a list developed jointly by the Corporate Compliance Officer and Senior Leadership shall annually sign a statement which affirms such person:

1. Has received a copy of the Conflicts of Interest Policy
2. Has read and understands the Policy; and
3. Has agreed to comply with the Policy; and
4. Discloses potential or actual conflicts for review and mitigation. These documents will be retained by the Compliance Officer and shared with the appropriate individual(s) having the next level of authority.

G. Periodic Reviews - To ensure the Hospital does not engage in activities that are adverse to the interest of the Hospital or that could jeopardize the tax-exempt status of its affiliates, periodic reviews shall be conducted. The periodic reviews shall, at a minimum, include the following subjects:

1. Whether compensation arrangements and benefits are reasonable, based on competent, independent survey information and the result of arm's length bargaining;
2. Whether partnerships, joint ventures, and arrangements with management Hospitals conform to the Hospital's written policies, are properly recorded and reflect reasonable investment or payments for goods and services; and
3. Whether agreements to provide health care and other services and agreements with health care providers, employees, third party payers and third party vendors do not violate the Internal Revenue Code and Regulations relating to tax-exempt entities.

H. Use of Outside Experts:

1. When conducting the periodic reviews as provided for in Paragraph G (above), the Hospital may, but need not, use outside advisors. If outside experts are used, their use shall not relieve the Board of its responsibility for ensuring periodic reviews are conducted.

**Staff Accountability:**

Compliance Officer (October 2014)

**Reviewed by:**

Corporate Compliance Committee (October 2014)

Senior Leadership (December 2014)

**Approved by:**

Board of Directors (February 2015)

**Department Approval**

Signed | s |:

Title:

Department:

**Administrative Approval**

Signed | s |: Levi Scheppers

Title: Chief Administrative Officer