

SUBJECT TITLE: *Conflict of Interest*

STANDARD/REF #: [Standard/Reference #]

APPROVED BY: *Compliance Operations*

EFFECTIVE DATE: *1/31/2010*

REQUIRED REVIEWERS:

REVIEWED DATE: *2/15/2017*

POLICY/PURPOSE:

All MSC & MSC Affiliate employees, physicians, and Board members have a duty to act in the best interest of MercyCare Service Corporation. This means avoiding situations where relationships with vendors, other business partners, and competitors' employees influence or could appear to influence decisions you make involving MercyCare Service Corporation. A conflict of interest exists whenever someone in a position of trust has competing professional or personal interests which can make it difficult to fulfill his or her duties impartially. Even if there is no evidence of improper actions, a conflict of interest can create an appearance of impropriety that can undermine confidence in the ability of that person to act properly in his/her position.

It is not unusual for conflicts of interest to exist in an organization. Mercy does not prohibit employment or board service due to conflicts of interest. However, Mercy does require complete and full disclosure of all conflicts in order to safeguard both the individual and Mercy. A disclosable conflict of interest DOES NOT include a staff-level employee holding a staff-level position at a competing health care organization.

The guidelines for adherence to this policy are established below.

This policy applies to all MSC Employees, Physicians, and MSC & MSC-Affiliate Board Members.

DEFINITIONS:

"Affiliate" shall mean any organization that controls, is controlled by, or is related by common control to MSC.

"Board Committee" means any committee that has specific authority to take final action relative to the charitable, business or clinical aspects of MSC or a MSC Affiliate, which action is delegated to it by the Board or the Bylaws of MSC or a MSC Affiliate, as opposed to committees that are simply advisory.

"Board Member" shall refer to all Directors and Trustees of MSC or a MSC Affiliate, and members of all Board Committees, whether appointed, elected or voluntary.

"Compensation" shall mean any payment, whether direct or indirect, including any gifts or favors that are substantial in nature.

"Concern" for the purposes of this policy, is any "competing concern" or "outside concern" defined as:

- **"Competing concern"** – any type of organization regardless of form, (e.g. a corporation, partnership, individual, trust, or joint venture), which competes with Mercy.
- **"Outside Concern"** – any type of organization, regardless of form, (e.g. a corporation, partnership, individual, trust, joint venture or governmental entity), with which Mercy does business either directly or indirectly (including suppliers, vendors, consultants, dealers, law & accounting firms, waste haulers, etc).

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“Conflict of Interest” or “Conflict” - a circumstance in which the interests, duties, obligations, or activities of an employee or an employee’s family member with respect to any concern are, or have the potential to be, in conflict with or incompatible with:

- The interests of Mercy, or
- The duties or obligations of the employee to Mercy in general, or with respect to any transaction.

“Family Member” For the purposes of this policy only, an employee’s family member includes the employee’s spouse, domestic partner, child, parent, step parent, step child, brother, sister, step sibling, grandparent, grandchild, aunt, uncle, niece, nephew, first cousin (blood related), father/mother-in-law, brother/sister-in-law, or son/daughter-in-law.

“Financial interest” includes income or other remuneration, as well as investments and ownership interests in excess of 5% of the total value. It does not include stocks, bonds, and other securities sold on a national exchange; mutual funds; or certificates of deposits and other depository accounts at financial institutions. “Financial Interest” shall mean any arrangement or transaction pursuant to which a MSC employee or Board member has, directly or indirectly, through business, investment or family, either:

- A present or potential ownership, investment interest or compensation arrangement in any entity with which MSC or any MSC Affiliate has or may have a transaction or arrangement; or
- A compensation arrangement with MSC or any MSC entity or individual with which MSC or any MSC Affiliate has a transaction or arrangement.

“Interested Person” shall mean any person who has direct or indirect Financial Interest or Conflicting Interest or could be perceived to have a conflicting or financial interest.

“Key Personnel” shall mean all MSC & MSC Affiliate management employees, supervisor and above, and any MSC or MSC Affiliate employee that has the ability to make or influence a purchase decision (i.e. Accounts Payable, Accounts Receivable, and Purchasing personnel).

“Board members” shall mean every Board Member, every member of any Board Committee, all officers of MSC or a MSC Affiliate.

“All Employees” shall mean any employee of MSC or a MSC affiliate.

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“Mercy” shall mean all of Mercycare Service Corporation including affiliates.

PROCEDURE:

1 Disclosure of Conflicting Interests

- 1.1 Mercy must have complete and accurate information regarding actual or potential conflicts of interests at all times. Accordingly, Mercy requires each employee to disclose any interest in, obligation or duty to, or activity for any concern in which an employee or their family member may be involved that:
 - 1.1.2 Might create an actual or potential conflict of interest or
 - 1.1.2 Might have the appearance of adversely affecting the employee’s judgment or actions in performing his/her duties towards Mercy.
- 1.2 All MSC Employees shall file an initial conflict of interest report upon hire and shall be required to file an updated report immediately if any changes occur which result in a conflict of interest or financial interest.
- 1.3 All Mercy Management employees (Supervisor & above), Physicians, and any Mercy employee in a position to influence a purchase decision (i.e. all Finance personnel, all Accounts Receivable personnel, all Information Services personnel, and all Supply Chain personnel) shall re-submit a Conflict of Interest Disclosure Statement, with any necessary changes, each year and immediately if any additional Conflicting or Financial Interests arise.
- 1.4 All MSC & MSC Affiliate Board members shall submit in writing a Conflict of Interest Disclosure Statement listing all Financial and Conflicting Interests to the MSC Corporate Compliance Officer. The Statement shall be resubmitted with any necessary changes each year and as any additional Conflicting or Financial Interests arise.
 - 1.4.1 The Chairman of the Board of MSC and of the applicable Affiliate shall become familiar with all such Disclosure Statements.
- 1.5 The MSC Corporate Compliance Officer shall review all reports. The MSC Compliance Department shall maintain a copy of the Conflict of Interest Disclosure Statement for all parties.

2. Examples of Conflicts of Interest

The following are examples of actual or potential conflicts of interest that require disclosure:

- 2.1 Conflict in Procurement transactions:

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An employee who participates in, has actual influence over, or who may be perceived as having influence over, a purchase of goods or services, in which the employee, or the employee's family member, has a financial interest in or conflict of interest with (i.e. purchase of goods and services from a company that is owned by a family member or a family member stands to benefit from the transaction.)

- 2.2 An investment or beneficial interest of an employee in any concern (i.e. ownership of an entity or part-ownership of an entity - excluding federal or state chartered credit unions, publicly owned insurance companies, and corporations whose stock is listed on a national stock exchange or otherwise generally held by the public, provided stock ownership or beneficial interest of such corporation by the employee is not more than five percent of the total stock outstanding).
 - 2.3 Participation by an employee, directly or indirectly, in any transaction involving any of Mercy's affiliates, other than in the normal capacity as an employee of Mercy (i.e. an employee selling products or services to Mercy).
 - 2.4 Acceptance by an employee or an employee's family member of any gratuity, gift of more than nominal value, entertainment (>\$100/per person), or favor from any concern beyond common business courtesy in connection with Mercy business activities (please refer to the MSC "Gifts" policy for amounts & further definitions).
 - 2.5 Service by an employee, member of the Board of Directors, or their family member, as an officer, director, partner, or employee of, consultant to, or witness for any concern in any capacity which could involve:
 - 2.5.1 a conflict of interest or
 - 2.5.2 the appearance of a conflict of interest or
 - 2.5.3 The inadvertent or intentional disclosure of confidential or proprietary information of Mercy to the concern by or through the employee or the employee's family member.
 - 2.6 Taking advantage of an opportunity personally that may be of potential benefit to Mercy.
 - 2.7 Using Mercy property, information or position for personal gain.
 - 2.8 Employment at a competing organization.
3. **Procedure to be followed at meetings involving Key Personnel** when actual or potential conflicts of interest have been disclosed by a member:

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- 3.1 Whenever a MSC or MSC Affiliate Board or Board Committee member or a member of MSC's Administration or its affiliate's Administrative or management personnel is considering a transaction or arrangement with an organization, entity or individual in which a member has a Financial or Conflicting Interest, the Interested Person must disclose the Financial or Conflicting Interest and all material facts in writing to the MSC Compliance Officer and the Corporate Compliance Committee and the following shall occur:
- 3.1.1 The MSC or MSC Affiliate Board Chair, the Board Committee or the Board may ask the Interested Person to leave the meeting during discussion of the matter that gives rise to the potential conflict. If asked, the Interested Person shall leave the meeting, but may make a statement or answer any questions on the matter before leaving;
- 3.1.2 The Interested Person is prohibited from voting on the matter that gives rise to the potential conflict; and
- 3.1.3 The MSC or MSC Affiliate Board or Corporate Compliance Committee must approve the transaction or arrangement by a majority vote of the Board Members present at a meeting that has a quorum, not including the Interested Person.
- 3.1.4 In addition, if an Interested Person has a Financial Interest in a transaction or arrangement that might involve personal financial gain or loss for the Interested Person, the following should be observed in addition to the provisions described above:
- 3.1.4.1 If appropriate, the MSC or MSC Affiliate Board or Corporate Compliance Committee may appoint a non-interested person or committee to investigate alternatives to the proposed transaction or arrangement;
- 3.1.4.2 In order to approve the transaction, the MSC Affiliate Board or Corporate Compliance Committee must first find, by a majority vote of the Board Members then in office, (the Interested Person cannot vote), that the proposed transaction or arrangement is fair and reasonable to MSC and/or MSC Affiliates and in the best interest of and for the benefit of, MSC and/or MSC Affiliates. Additionally, support must be provided showing that the proposed transaction is the most advantageous alternative available to MSC and/or the MSC Affiliate under the present circumstances. (Competing bids must be part of the proposal.)
- 3.1.4.3 The Interested Person will not be present for the discussion or vote regarding the transaction or arrangement at the Chairman's discretion; and
- 3.1.4.4 The transaction or arrangement must be approved by a majority vote of the MSC and MSC Affiliate Board Members, not including any Interested Persons.

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4. Minutes of Board & Board Committee Meetings

4.1 Minutes of all MSC and MSC Affiliate Board and Corporate Compliance Committee Meetings shall include the following:

4.1.1 The names of the persons who disclosed Conflicting and Financial Interests, the nature of the Conflicting or Financial Interests and whether the applicable Board Committee members determined there was a conflict of interest; and

The names of the persons who were present for discussions and votes relating to the transaction or arrangement; the content of these discussions, including any alternatives to the proposed transaction or arrangement; and a record of the vote.

5. Compensation Committees

5.1 A voting member of any committee whose jurisdiction includes compensation matters and who receives compensation, directly or indirectly, from MSC and/or MSC Affiliates for services, is precluded from voting on matters pertaining to that member's compensation, except for that compensation which is required in order to comply with Iowa Law, for compensation of members of the MSC or MSC affiliate boards. (i.e. any MSC Administrator)

5.2 Physicians who receive compensation, directly or indirectly, from MSC and/or a MSC Affiliate, whether as employees or independent contractors unless they are employed full-time as a member of the administrative staff of MSC or one of its affiliates, are precluded from membership on the Corporate Compliance Committee whose jurisdiction includes all physician compensation. No physician, either individually or collectively, is prohibited from providing information to any committee regarding physician compensation.

6. Responsibilities

6.1 All MSC Employees shall complete and file an initial conflict of interest report upon hire and submit to their supervisor. The report shall be updated & resubmitted immediately if any changes occur which result in a conflict of interest or financial interest.

6.2 Determination of a MSC or MSC Affiliate Employee Conflict of Interest

6.2.1 The employee's supervisor shall review the potential conflict for job related implications, provide any comments, sign & date the form, and submit it to the Corporate Compliance Officer.

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- 6.2.2 The Corporate Compliance Officer and/or Compliance Department Staff will review the submitted forms and determine any necessary action.
 - 6.2.3 An ad hoc conflict of interest committee (including legal counsel) may be used to determine the seriousness of potential conflicts and necessary actions.
 - 6.3 Determining Whether a Conflict of Interest Exists with a MSC Board or MSC Affiliate Board member or Administration.
 - 6.3.1 Upon disclosure of the financial interest and all material facts, the Board member, the corporate officer, or the CEO making such disclosure may be asked to leave the Board or committee meeting while the financial interest is discussed and voted upon.
 - 6.3.2 The remaining Board or committee members shall decide if a conflict of interest exists.
 - 6.3.3 In the case of disclosure by a medical staff member, physician, executive staff member, department director, supervisor, or other individual, the President/CEO of Entity shall determine, based on the facts and circumstances disclosed, if a conflict of interest exists.
 - 6.3.4 The President/CEO of Entity shall report the results of all determinations, with regard to conflict of interest, to the Chairman of the Board.
 - 6.4 All levels of staff and line management shall:
 - 6.4.1 Maintain a constant awareness of potential conflict of interest problems and potentially prohibited corporate opportunities;
 - 6.4.2 Encourage disclosures of possible conflicts of interest and potentially prohibited corporate opportunities to Mercy by subordinates or other Mercy employees, even in doubtful cases; and
 - 6.4.3 Initiate prompt remedial action in the event any actual conflict of interest or prohibited corporate opportunity arises.

7. Penalties for Non-Compliance

- 7.1 Failure to comply with this Policy shall constitute grounds for removal from office and, in the case of MSC Management Personnel, employees, or other affected parties, termination of employment.

8. Retention Period

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- 8.1 All certificates and Disclosure Summary documents of current or former employees (and related correspondence) will be incorporated as part of the employment record and retained in accordance with the Company's record retention policy for employee records.

A printed copy of this policy is only valid as of the day of printing – please check the portal to ensure it is the most current version.

RELATED DOCUMENTS:

REFERENCES: