SWEDISH MEDICAL CENTER

CONFLICT OF INTEREST AND FIDUCIARY DUTIES OF MANAGEMENT AND OTHER PERSONS WITH SIGNIFICANT ADMINISTRATIVE RESPONSIBILITY

Administrative Policy

Campus: All campuses	**Approved:** January 2009
Department: All departments	**Next Review:** January 2012

Purpose

The purpose of this policy is to protect Swedish Medical Center (SMC) interests when it is contemplating entering into a transaction or arrangement that might benefit the private interest of an officer, manager of SMC or member/voting stakeholder of certain SMC committees. This policy is intended to supplement but not replace any applicable state laws governing conflicts of interest applicable to nonprofit and charitable corporations. This policy also applies to the Swedish Physician Division.

Population Covered (Covered Persons)

The Chief Executive Officer (CEO), Management, Medical Directors, members of the Pharmacy and Therapeutics Committee, Value Analysis Teams including voting stakeholders, and the Institutional Review Board (IRB), all new employee applicants for the position of Medical Director (or similar position with significant administrative responsibilities), and all recruits for employed provider positions.

Responsible Persons

Human Resources provides each new employee who is a Covered Person with a copy of the Conflict of Interest and Fiduciary Duties of Management Policy with related forms, and notifies the Director of Corporate Compliance, Internal Audit and Privacy of the new Covered Person.

Director of Corporate Compliance, Internal Audit and Privacy supervises the annual disclosure process for all Covered Persons and coordinates review of all potential conflicts with the Conflict of Interest Committee.

Manager of the Institutional Review Board (IRB) coordinates disclosures for IRB members.

Supply Chain Management coordinates disclosures for members and voting stakeholders of Value Analysis Teams.

Secretary to the Pharmacy and Therapeutics Committee coordinates disclosures for members of the Pharmacy and Therapeutics Committee.

Covered Persons complete the conflict of interest form upon initial employment or appointment and annually or as necessary thereafter and otherwise comply with this policy.

The Swedish Physician Division Provider Service Representative will collect a completed survey from each new employee applicant for Medical Director (or similar position) and all recruits for employed provider positions during the pre-application process.

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Definitions

Financial Interest. A financial interest exists whenever:

1. Covered Person has, directly or indirectly, through business, investment or family

   a. an ownership or investment interest in any entity with which SMC has a transaction or arrangement, or
   b. a compensation arrangement (including direct and indirect remuneration) with any entity or individual with which SMC has a transaction or arrangement, or
   c. a potential ownership or investment interest in, or compensation arrangement with, any entity or individual with which SMC is negotiating a transaction or arrangement; or
   d. authority or influence with respect to such entity's transaction or arrangement.

   Notwithstanding the above, owning less than 10% of the securities (or of securities representing less than 10% of the net worth) of a publicly traded entity does not present a conflict of interest so long as the fair market value of the interest is less than: 1) 10% of the Covered Person's net worth at year end, or 2) the Covered Person's annual income; or

2. Covered Person, directly or indirectly, through business, investment or family, has an ownership interest in any competing entity having a value in excess of 10% of the net worth of such entity or the Covered Person has a position with any competing entity that confers decision-making authority or influence with respect to such entity; or

3. Covered Person has accepted any gift, entertainment, or other favor in violation of this policy.

Conflict of Interest. A financial interest is not necessarily a conflict of interest. See *Content, 7. Determining Whether a Conflict of Interest Exists.*

Committee. As used in this policy refers to the IRB, Pharmacy and Therapeutics Committee and Value Analysis Teams.

Content

DUTY OF CARE

1. Every Covered Person shall discharge his duties in good faith and with the degree of care that an ordinarily prudent person in a like position would exercise under similar circumstances.

DUTY OF LOYALTY

2. Every Covered Person must act with loyalty to SMC, meaning that no Covered Person may use his or her corporate position to make personal profit or gain other personal advantage. Covered Persons may not engage in transactions with SMC that confer unfair gains or secret profits. Covered Persons may not personally take advantage of a business opportunity that is offered to SMC, or to the Covered Person by virtue of his or her position with SMC, unless the appropriate manager or committee chair determines (after a disinterested and informed evaluation) not to pursue that opportunity.

CONFLICTS OF INTEREST

3. Covered Persons may not engage in transactions or undertake positions with other organizations that involve a financial interest (as defined above) without prior disclosure to SMC and approval by

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disinterested and informed manager or committee chair. The requirement for committee voting stakeholders without other Covered Person status is prior disclosure only.

LIMITED PROHIBITION ON GIFTS

4. No Covered Person or any other employee shall accept any gift, entertainment, or other favor where such acceptance might create the appearance of influence on the Covered Person or employee in the performance of his or her duties. For example, the acceptance of any gift, entertainment, or other favor from an entity involved in a Request for Proposal (RFP) process for selling goods or services to SMC presents the appearance of influencing a Covered Person or employee. However, acceptance of gifts having nominal value, which are clearly tokens of respect and friendship unrelated to any particular transaction, is not prohibited. Cash or a cash equivalent is never of nominal value. The requirement for committee voting stakeholders without other Covered Person status is prior disclosure only.

ONGOING DUTY TO DISCLOSE

5. In connection with any actual or possible conflicts of interest, a Covered Person has a continuing obligation to disclose the existence of his or her financial interest and all material facts to the appropriate manager or committee chair considering the proposed transaction or arrangement.
6. In addition, on an annual basis, each Covered Person will complete the **Actual, Apparent or Potential Conflicts of Interest Questionnaire**, in the form attached hereto.

DETERMINING WHETHER A CONFLICT OF INTEREST EXISTS

7. After disclosure of the financial interest and all material facts, and after any discussion with the Covered Person, and prior to the final hiring decision for all new employee applicants for Medical Director (or similar position) or employed provider, the Conflict of Interest Committee will review all disclosures and identify those that are actual or potential conflicts of interest. The Committee will recommend a plan to minimize or prevent a conflict of interest to each individual so identified and to their supervisor and/or committee chair.

PROCEDURES FOR ADDRESSING THE CONFLICT OF INTEREST

8. If a potential or actual conflict of interest is identified, a Covered Person may make a presentation at the committee meeting. The conflict is managed via the method recommended by the Conflicts of Interest Committee. Frequently for committees, the committee chair will ask the individual with the identified conflict to leave the meeting during at least a portion of the discussion and the vote on the transaction or arrangement that results in the conflict of interest. The chair could determine that the vote should be conducted in a confidential manner.
9. The manager or the committee chair shall, if appropriate, appoint a disinterested person or committee to investigate alternatives to the proposed transaction or arrangement.
10. After exercising due diligence, the manager or the committee chair shall determine whether SMC 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.
11. If a more advantageous transaction or arrangement is not reasonably attainable under circumstances that would not give rise to a conflict of interest, the manager or committee chair shall determine whether the transaction or arrangement is in SMC's best interest and for its own benefit and whether the transaction is fair and reasonable to SMC and shall make the decision as to whether to enter into the transaction or arrangement in conformity with such determination.

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RECORDS OF PROCEEDINGS

12. The minutes of all committee meetings shall contain:

    a. 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, and the action taken to manage the conflict.
    b. 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 the manner and count of any votes taken in connection therewith.

VIOLATIONS OF THE CONFLICTS OF INTEREST POLICY

13. If the manager or committee chair has reasonable cause to believe that a Covered Person has failed to disclose actual or possible conflicts of interest, he/she shall inform the Covered Person of the basis for such belief and afford the Covered Person an opportunity to explain the alleged failure to disclose.
14. If, after hearing the response of the Covered Person and making such further investigation as may be warranted in the circumstances, the manager or committee chair determines that the Covered Person has in fact failed to disclose an actual or possible conflict of interest, he/she shall take appropriate disciplinary and corrective action. The manager or committee chair will inform the Director of Corporate Compliance, Internal Audit and Privacy of every instance of failure to disclose an actual or possible conflict of interest.

PERIODIC REVIEWS

15. To ensure that SMC 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 are the result of arm's-length bargaining.
    b. Whether acquisitions of physician practices and other provider services result in inurement or impermissible private benefit.
    c. Whether partnership and joint venture arrangements and arrangements with management service organizations and physician hospital/organizations conform to written policies, are properly recorded, reflect reasonable payments for goods and services, further the SMC's 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 the SMC's charitable purposes and do not result in inurement or impermissible private benefit.

Expert Consultants

Corporate Compliance Officer
Legal Services
Administrative Director Supply Chain Division

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Author

Director of Corporate Compliance, Internal Audit and Privacy

Regulatory Requirement

Internal Revenue Code § 501(c)(3)

References

Code of Conduct
Administrative Governing Policies – Conflict of Interest

Manual

Administrative Standards Manual

Additional Computer Search Words/Terms

N/A

Addendum

Actual, Apparent or Potential Conflicts of Interest Questionnaire

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SWEDISH MEDICAL CENTER SWEDISH PHYSICIAN DIVISION

Actual, Apparent or Potential Conflicts of Interest Questionnaire

1. Do you or your immediate family[1] have ownership or investment[2] interest in any entity that does business with Swedish (SMC) or that competes with SMC? No____ Yes ____ (Identify the entity and your percent of ownership or your investment as a percent of total capitalization.) _____

_____

_____

2. Do you or your immediate family have any compensation/remuneration[3] arrangement with any entity that does business with SMC or that competes with SMC? Include payment for consulting, advisory or other services to pharmaceutical or medical device manufacturers No____ Yes ____ (If yes, identify the entity, your relationship and the amount of your annual compensation/ remuneration from this arrangement.) _____

_____

_____

3. Do you or your immediate family render board, managerial or consulting services to any outside business, governmental agency or business that does business with SMC or competes (include fundraising activities) with SMC? Include consulting, advisory or other services to pharmaceutical or medical device manufacturers not identified in #2. No___ Yes ___ (If yes, identify the entity and type of service provided.) _____

_____

_____

4. Do you or your immediate family have a potential ownership, investment or compensation arrangement or any authority or influence with respect to the business of any entity or individual with which SMC is negotiating a transaction or arrangement? No____ Yes ___ (If yes, identify the entity and your percent of ownership or investment as percent of total capitalization or describe your authority or influence.) _____

_____

_____

5. Are you or your immediate family engaged in any other activity that might be regarded as an actual, apparent or potential conflict of interest in connection with your position with SMC? Include any use of SMC resources for conduct of research not managed by the Swedish Research Center. Include any consulting relationships with the investment industry. No___ Yes ___ (If yes, identify your activity, the entity and your relationship to the entity.)

_____

_____

6. I HEREBY CERTIFY that: a) I have received, read and understand the Conflict of Interest and Fiduciary Duties of Management Policy; b) I agree to comply with the policy; c) I understand that SMC is a charitable organization and that in order to maintain its federal tax exemption it must engage primarily in activities that accomplish one or more of its tax-exempt purposes, d) I agree to promptly report to the Compliance Officer any changes to the matters previously disclosed in this Conflicts of Interest questionnaire and e) neither I nor any member of my immediate family have used information, or accepted employment, business, gratuities, gifts or entertainment, or other favors, in violation of this policy.

Dated this _____day of _____20__.

_____

Signature

_____ _____

Name (please print) Position at Swedish

[1] Immediate family includes spouse, domestic partner, parent, sibling or child.

[2] Investment excludes mutual funds or any investment amount that is less than 10% of the securities or net worth of the entity (see policy for complete description)?

[3] Remuneration includes any items or services of value, for example, gifts, travel, equipment, etc.

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