



<b>Subject: Conflicts of Interest</b>	<b>Policy Number: PROV-GOV-208</b>	
<b>Department: Enterprise Risk Management Services</b>	<b>New</b>	<b>Date: September 10, 2014</b>
	<b>X Revised</b>	
	<b>Reviewed</b>	
<b>Executive Sponsor: President/CEO</b>	<b>Policy Owner: SVP/Chief Risk Officer</b>	
<b>Approved by: Rod Hochman MD, President/CEO</b>	<b>Implementation Date: 6/15/1997</b>	

**Scope:** This policy applies to all affected and interested persons, as defined below, who are in positions that have influence over the affairs of Providence Health & Services, Swedish Health Services and Swedish Edmonds entities (collectively referred to as “Providence”) and who have a direct or indirect financial interest in Providence. This is a governance-level policy approved by the Board of Directors (Board) and signed by the President/CEO.

**Purpose:** To establish Providence standards addressing conflicts of interest or unethical or unlawful practices and to ensure that health care, education, investment and other activities are conducted free from undue influence or the perception of such influence arising from outside obligations.

**Definitions:**

1. “Affected person” refers to any employed or contracted: executive; health care administrator; department head (generally director or above); school administrator; medical directors and other physicians in a leadership position within Providence; purchasing agents/buyers; those on committees that recommend or approve formularies or the purchase of medical devices, supplies, and equipment; those who recommend or approve investments by Providence; and consultants acting on behalf of Providence in any of the aforementioned positions.
2. “Interested person” refers to any Providence Board member or member of a community board, foundation board, or committee with board-delegated powers (collectively referred to as the Board). If a person is an interested person with respect to any entity of which Providence is a part, he or she is an interested person with respect to all entities in Providence.
3. “Conflict of interest (COI)” refers to a situation in which the personal and/or professional interests of a person performing duties on behalf of Providence might appear to influence the objectivity of that person in carrying out her/his official duty to Providence.

4. “External compensation” refers to any direct or indirect remuneration in any form, including gifts, favors, loans or discounts when receipt is related to the performance of duties on behalf of Providence. Additional guidance on external compensation is available in [Providence policies](#).

5. “Immediate family member” – the following relationships constitute a family member:

Spouse, partner or similar relationship	Children ( and their spouses/partners)
Parents	Grandparents
Grandchildren	Siblings
Legal Guardians	Cousins
Nieces	Nephews
Aunts	Uncles
Step and in-law relatives of all of the preceding categories	

6. “Financial Interest” refers to a situation where an affected or interested person or his/her immediate family member has a financial relationship with Providence. In general a financial relationship is a direct or indirect ownership interest, investment interest or compensation arrangement with Providence and/or any entity that conducts transactions with Providence. Specifically for purposes of this policy, a financial interest includes:

- a. An ownership or investment interest in any entity or business in which Providence has a transaction or arrangement, including any entity, business, investment fund, convertible debt or equity investment in early stage companies, limited partnerships or joint ventures in which Providence invests (“Investment Vehicles”), *except* investments in publicly traded securities valued at less than \$10,000 or that are managed in a mutual fund; exchange traded fund; or other similar financial instrument; or
- b. A compensation arrangement with Providence or with any entity, business or individual with which Providence has a transaction or arrangement; or
- c. A potential ownership or investment interest in, or compensation arrangement with, any entity, business or individual in which Providence is negotiating a transaction or arrangement, including Investment Vehicles, except for investments in publicly traded securities valued at less than \$10,000 or that are managed in a mutual fund; exchange traded fund; or other similar financial instrument.

7. “Inurement” refers to an improper economic advantage that can accrue to an officer,

director, or other insider (i.e., a person who is in a position to exercise substantial influence over the entity's affairs) of a charitable organization. Charitable organizations are prohibited from providing private inurement and can lose tax-exempt status if they do so.

8. "Ministry or facility" is defined as all entities of which Providence is the sole or majority member or shareholder, including, but not limited to, hospitals, home health and hospice agencies, physician practices, long-term care facilities, health plans, housing facilities, schools and departments within those entities.
9. "Vendor" refers to any existing or potential manufacturer, distributor, supplier or service organization, and their salespersons, representatives, or other employees.

### **Policy:**

Affected and interested persons are required to maintain appropriate relationships with third parties, including patients and their families, health care practitioners, donors, suppliers, subcontractors and competitors so no third-party has an opportunity or appears to have an opportunity to inappropriately influence Providence decisions or activities. A COI occurs when an individual's personal interests diverge from his or her professional obligations to Providence. When this occurs, an independent observer may reasonably question whether an individual's professional actions or decisions are determined or affected by considerations of personal gain or benefit, whether financial or otherwise.

Affected and interested persons shall complete Providence's Confidentiality and Conflict of Interest Disclosure Form with 45 days of hire or engagement and annually thereafter. Failure to disclose an interest in accordance with this policy may result in removal from a Board or corrective actions for Providence employees, consultants or others as appropriate.

Providence maintains a Conflict of Interest in Research (COIR) policy applicable to the research environment. The COIR policy's requirements are in addition to the requirements of this policy, as applicable.

This policy incorporates all Internal Revenue Service requirements necessary to establish the reasonableness of Providence transactions with persons in a position to exercise substantial influence over the affairs of Providence, and who have a direct or indirect financial interest in Providence. This policy supplements applicable state laws governing conflicts of interest for nonprofit and charitable corporations.

### **Requirements**

1. **Required Disclosures:** Affected and interested persons are required to disclose potential conflict of interest situations on their annual disclosure form and on a situational basis for any situation occurring during the year. The following items are a non-exclusive list of items that must be reported:

*Ownership Relationships with Competitors:* A direct or indirect (e.g., through a family member) financial interest of \$10,000 or more (including ownership of stock, stock options, equity, debt, other securities, other form of ownership interest, salary or other remuneration for services as an employee, consultant, officer, or board member) in any

business or health care enterprise that produces services or products which compete with those of Providence.

*Work Relationships with Competitors:* A direct or indirect (e.g. through a family member) financial interest where salary or other remuneration is received as an employee, consultant, officer or board member) in any business or health care enterprise that produces services or products which compete with those of Providence.

*Relationships with Organizations Doing Business with Providence:* A situation in which they directly or indirectly (e.g., through a family member) have any financial interest of \$10,000 or more (including ownership of stock, stock options, equity, debt, other securities, other form of ownership interest, salary or other remuneration for services as a consultant, officer, or board member) in any business or health care enterprise that does business with Providence.

*Personal Business Transactions with Providence:* A situation in which they directly or indirectly own, trade, or deal in real estate, materials, supplies, equipment or other property with the intent of selling, renting or contracting to Providence. In addition, no affected person shall simultaneously work as a consultant for Providence or otherwise be compensated by Providence for personal services.

*Certain Outside Roles and Commitments:* A situation in which they serve as an officer, director, employee, committee member, advisor, agent, representative or consultant or in any other professional activity capacity for any company, firm or business other than Providence.

*Employment of Relatives and Partner Relationships in the Workplace:* Providence employees shall disclose any situation in which their relationship with a Family Member results in a potential, perceived or actual conflict of interest. A conflict of interest may be the result of a direct reporting relationship (e.g., a supervisory relationship) or an indirect reporting relationship (e.g., if one employee holds a position which may influence the status or compensation of a Family Member).

*Improper use of Providence resources for personal gain or the gain of another person.* Employees may not use their position at Providence as the impetus to start a manufacturing, service or consulting business that depends on Providence confidential information and/or specific operations knowledge obtained on the job at Providence or which utilizes Providence resources/facilities.

*Prohibition of Co-Investments.* Affected and interested persons are prohibited from knowingly co-investing alongside Providence in any Investment Vehicle in which Providence has a financial interest or in which Providence has entered into an agreement to pursue an investment. If an affected or interested person unknowingly invests in any Investment Vehicle in which Providence has a financial interest or in which Providence has entered into an agreement to pursue an investment, the affected or interested person is required to disclose the potential conflict on his or her disclosure form upon obtaining knowledge of Providence's investment. If Providence invests directly in an Investment Vehicle that an affected or interested person has already invested in, the affected or

interested person is required to disclose the potential conflict on his or her disclosure form upon obtaining knowledge of Providence's investment.

*Prohibition of Sharing Confidential Information regarding Investment Vehicles.*  
Whenever an affected or interested person is in a position at Providence to gain confidential information regarding Investment Vehicles, the affected or interested person must not share that information with anyone outside of Providence and those without a need to know. Further, if the affected or interested person has an investment interest in the Investment Vehicle, he/she must recuse her/himself from any deliberation or decision making relating to Providence's investment in or purchase of items or services from the Investment Vehicle.

## **A Duty to Disclose – Affected Persons**

1. *Disclosures Required upon Hire/Promotion or Engagement:* All affected persons are required to complete the Conflict of Interest Disclosure Form within 45 days of engagement or hire/promotion in a role covered by this policy. Human Resources will notify Enterprise Risk Management Services (ERMS) Integrity and Compliance of new employees and promoted employees required to complete a disclosure form within forty-five (45) days of hire or promotion. Applicable affected persons will receive notification with a link to this policy and the Conflict of Interest Disclosure Form to be completed and submitted electronically.
2. *Annual Disclosures:* All affected persons are required to complete the Conflict of Interest Disclosure Form on an annual basis for the duration of their service to Providence in a role covered by this policy.
  - a. ERMS Integrity and Compliance will administer the Providence Annual Conflict of Interest disclosure processes by sending out a copy of this policy to all affected persons and others designated in this policy with instructions and links to the Conflict of Interest Disclosure Form.
  - b. Disclosures will be reviewed by the by ERMS Integrity and Compliance. Disclosures requiring mitigation will be discussed with the employee's supervisor.
3. *Situational Disclosures:*
  - a. Any affected person, regardless of their position, with an actual, perceived or potential conflict of interest must disclose such interest to his/her immediate supervisor as soon as the situation arises.
  - b. In addition, management employees (supervisors and above) are required to obtain explicit prior review and approval from their supervisor, business unit chief executive and the ERMS Integrity and Compliance prior to engaging in any of the activities described in the "Requirements" section.
  - c. The interest must also be added by the individual to their conflict of interest disclosure form as soon as reasonably possible

4. *Conflicts evaluation and management:* After disclosure of an actual, perceived or potential conflict of interest, ERMS Integrity and Compliance, working in conjunction with the affected person's department and the appropriate executive will decide whether a conflict of interest exists.
  - a. ERMS Integrity and Compliance may appoint a disinterested person or committee to evaluate alternatives to an actual, perceived or potential conflict of interest, including the development of a conflict of interest management plan.
  - b. ERMS Integrity and Compliance shall determine whether the conflicting interest or an alternative arrangement is fair and reasonable and in the best interest of Providence.

## **B Violations of the Conflict of Interest Policy – Affected Persons**

1. If any person has reasonable cause to believe that an affected person failed to disclose an actual, perceived or potential conflict of interest, that person shall inform ERMS Integrity and Compliance of the basis for such belief. A person may also raise a concern through the Providence Integrity Line (1-888-294-8455) or [Integrity Online](#). ERMS Integrity and Compliance shall investigate and afford the affected person an opportunity to explain the alleged failure to disclose.
2. If, after hearing the response of the affected person and further investigating as may be warranted, ERMS Integrity and Compliance determines that the affected person has in fact failed to disclose an actual, perceived or potential conflict of interest, ERMS Integrity and Compliance shall request that the appropriate executive take corrective or disciplinary action.
  - a. An affected person will be terminated or suspended as an employee or will have their contractual arrangement terminated or suspended in accordance with contractual terms for intentionally failing or refusing to complete the required annual conflict of interest disclosure form or for violating Providence's confidentiality or conflict of interest requirements.
  - b. An affected person who receives a gift, favor, or other service or thing of value exceeding that allowed in Providence policy from any Vendor when in a position to influence the conduct of business of that person with Providence will be subject to corrective action by the appropriate executive with the concurrence of ERMS Integrity and Compliance.
  - c. Other corrective actions may be taken based on the severity of the conflict of interest.
3. ERMS Integrity and Compliance must document the name of the affected person, the nature of the interest or conflict, the process taken to determine whether a conflict was present, the final decision as to whether a conflict of interest in fact existed, and any corrective or disciplinary action that was taken.

## **C Duty to Disclose — Interested Persons**

In connection with any actual or possible conflicts of interest, an interested person must disclose the existence of his or her financial interest and must be given the opportunity to disclose all material facts to the chairs/directors and members of committees with board delegated powers considering the proposed transaction or arrangement. Regional Chief Executives are responsible for ensuring compliance with this requirement for community and foundation boards. The System Board Chair is responsible for ensuring compliance for the System Board.

1. *Disclosures Required upon appointment:* All interested persons are required to complete the Conflict of Interest Disclosure Form within 45 days of appointment. Applicable interested persons will receive notification with a link to this policy and the Conflict of Interest Disclosure Form to be completed. Disclosures are handled confidentially and will be reviewed by ERMS Integrity and Compliance. Disclosures requiring mitigation will be discussed with the applicable Regional Chief Executive.
2. *Annual Disclosures:* All interested persons are required to complete the Conflict of Interest Disclosure Form on an annual basis for the duration of their service.
  - a. ERMS Integrity and Compliance will administer the Providence Annual Conflict of Interest disclosure processes by sending out a copy of this policy to all interested persons and others designated in this policy with instructions and links to the Conflict of Interest Disclosure Form.
  - b. Disclosures will be reviewed by ERMS Integrity and Compliance. Disclosures requiring mitigation will be discussed with the applicable Regional Chief Executive.
3. *Situational Disclosures:* An interested person with any actual, perceived or potential conflict of interest must disclose such interest verbally to the directors and members of the appropriate Board that is considering a decision, transaction or arrangement that may be in conflict. The interest must also be disclosed in writing to the chair of the appropriate Board and added by the individual to their conflict of interest disclosure form as soon as reasonably possible.
  - a. If management identifies an actual, perceived or potential conflict of interest for an interested person, the conflict will be reported to ERMS Integrity and Compliance. ERMS Integrity and Compliance shall inform the appropriate Providence leader of the actual, perceived or potential conflict.
  - b. Actual, perceived or potential conflicts of interest may also be reported through the Integrity Line (1-888-294-8455) or [Integrity Online](#).
4. *Determining Whether a Conflict of Interest Exists:* After disclosure of the actual, perceived or potential conflict of interest, the interested person shall not participate in any Board meeting while the conflict is discussed except to provide factual information/respond to Board questions, and must leave the proceeding during the Board's general discussion and deliberation process. The remaining Board members shall decide if a conflict of interest exists. The outcome of any vote on a conflict of interest shall be recorded in the meeting minutes.

5. *Procedures for Addressing the Conflict of Interest:*

- a. An interested person may make a presentation at the Board or committee meeting, but after such presentation, he/she shall leave the meeting during the discussion of, and the vote on, the transaction or arrangement that result in the conflict of interest.
- b. The Board chairperson shall, if appropriate, appoint a disinterested person or committee to investigate alternatives to the proposed decision, transaction or arrangement affected by the interest.
- c. After exercising due diligence, the Board shall determine whether Providence 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.
- d. 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 that the proposed decision, transaction or arrangement is in Providence's best interests and for its own benefit and whether the transaction is fair and reasonable to Providence and shall make its decision as to whether to enter into the transaction or arrangement in conformity with such determination.

**D Violations of the Conflict of Interest Policy — Interested Persons**

1. If a Board has reasonable cause to believe that an interested person has failed to disclose an actual, perceived or potential conflict of interest, it shall inform such person of the basis for such belief and provide the member an opportunity to explain the alleged failure to disclose.
2. If, after hearing the response of the interested person and investigating further as may be warranted in the circumstances, the Board determines that the interested person has in fact failed to disclose an actual, perceived or potential conflict of interest; it shall take appropriate corrective action.
  - a. Interested persons will be removed from their Board positions for refusing to complete the required conflict of interest disclosure form or for failing to abide by confidentiality or conflict of interest requirements. Removal shall occur within thirty (30) days of such failure or refusal.
  - b. Other corrective actions may be taken based on the severity of the conflict of interest.

**E Records of Proceedings — Boards**

1. The minutes of all Board meetings must contain:
  - a. The name of the person who disclosed or otherwise was found to have had a financial interest in connection with an actual, perceived or potential conflict of interest;
  - b. The nature of the financial interest;
  - c. Any action taken to determine whether a conflict of interest was present;

- d. The Board's decision as to whether an actual, perceived or potential conflict of interest in fact existed; and
  - e. 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 proposed decision, transaction or arrangement.
2. Meeting minutes shall be retained in accordance with record retention requirements.

## **F Compensation**

1. A voting Board member who receives compensation, directly or indirectly, from Providence for services is precluded from voting on and exerting undue influence related to matters pertaining to that member's compensation.
2. An "excess benefit transaction" occurs when a disqualified person receives an economic benefit that exceeds the value of the goods or services that the disqualified person provides to a tax-exempt organization. A disqualified person is any individual or family member in a position to exercise substantial influence over the affairs of a tax-exempt organization. If a planned transaction by Providence involves a disqualified person and there is risk of an excess benefit transaction, the following three conditions must be complied with:
  - a. The compensation or other financial interest must be approved by a Board, composed entirely of individuals not related to or controlled by the disqualified person.
  - b. The Board must rely on appropriate comparable valuation or compensation studies and document the basis for its compensation valuation determination. Compensation studies or comparable valuation that may be used in such a determination include:
    - i. Compensation paid by comparable organizations for functionally comparable positions;
    - ii. Compensation patterns in the organization's immediate locale;
    - iii. Availability of similar medical specialists in the geographical area;
    - iv. Independent compensation surveys by nationally recognized firms; and
    - v. Written offers of employment from other firms.
3. Physicians who receive compensation, directly or indirectly, from Providence whether as employees or independent contractors, are precluded from membership on any Board committee whose jurisdiction includes compensation matters. No physician, either individually or collectively, is prohibited from providing information to any committee regarding physician compensation.

## **G Periodic Audit and Records Retention**

1. Periodic audits of the conflict of interest disclosure process will be conducted to confirm that Providence has a process that supports operating in a manner consistent with its charitable purposes and that it does not engage in activities that could jeopardize its tax-exempt status. The periodic audits 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 acquisition of physician practices and other provider services result in inurement or impermissible private benefit.
  - c. Whether partnerships and joint ventures, and arrangements with management service organizations and physician hospital organizations conform to written policies, are properly recorded, reflect reasonable investments or payments for goods and services, further charitable purposes, and do not result in inurement or impermissible private benefit.
  - d. Whether agreements to provide health care and other services with other health care providers, employees, and third party payers further charitable purposes and do not result in inurement or impermissible private benefit.
2. ERMS Integrity and Compliance will maintain or will have a conflict of interest system that maintains copies of conflict of interest disclosure forms for inspection and review in accordance with the record retention policy.

## **References**

Internal Revenue Service (IRS) Form 1023, Conflict of Interest Policy IRS Form 990

Joint Commission Leadership Standards

Providence Confidentiality and Conflict of Interest Disclosure Form Providence Code of Conduct

Swedish Code of Conduct

[Confidentiality and conflict of interest disclosure form](#)