

**BAYSTATE HEALTH, INC.**

**CONFLICT OF INTEREST POLICY**

**1. PURPOSE:**

This conflict of interest policy applies to board members, committee members, officers, management, and physician leaders (individually and collectively hereinafter referred to as a “member” or “members”) of Baystate Health, Inc. (“BH”) and its affiliates, as that term is defined in the BH corporate bylaws (“Affiliates” and, together with BH, “Baystate”).

The purpose of this policy is to provide a systematic and ongoing method of assisting members in disclosing and addressing a potential conflict of interest, thus assuring our community and the public at large of the good faith and integrity of all such persons in the operation of Baystate.

**2. POLICY:**

**2.1. General Principles:**

All members must exercise the utmost good faith in all transactions touching upon their duties to Baystate or its assets. In their dealings with and on behalf of Baystate, they shall be held to a strict standard of honesty and fair dealing. Members must scrupulously avoid any conflict between their individual interests and the interests of Baystate in any and all actions taken by them. They shall disclose any interests or activities in which they are involved or become involved that could conflict with the interests or activities of Baystate and shall obtain approval prior to commencing, continuing, or consummating any activity or transaction which raises a potential conflict of interest. Members must also disclose any potential conflict of interest arising from the interest and activities of their spouse, ancestors, siblings, children, grandchildren, great grandchildren, and any spouses of siblings, children, grandchildren, and great grandchildren (individually and collectively hereinafter referred to as a “family member” or “family members”).

Potential conflicts of interest are addressed further in Section 2.2 below.

**2.2. Potential Conflicts:**

A potential conflict of interest exists in any instance in which the actions of a member undertaken on behalf of Baystate may result in a personal gain or advantage to the member or a family member or any concomitant disadvantage to Baystate. Although it is impossible to list every circumstance giving rise to a potential conflict of interest, the following will serve as examples of the kinds of activities that might give rise to such a conflict and that must be reported in a detailed and timely fashion.

### **2.2.1. Financial Interests:**

To have, or to have a family member who has, directly or indirectly:

- (a) An ownership or investment interest in any entity with which Baystate has a transaction or arrangement; or
- (b) A compensation arrangement with Baystate or with any entity or individual with which Baystate has a transaction or arrangement; or
- (c) A potential ownership or investment interest in, or compensation arrangement with, any entity, or individual with which Baystate is negotiating a transaction or arrangement.

### **2.2.2. Business Affiliations:**

To serve, or have a family member who serves, as a director, trustee, officer, partner, employee, consultant, agent or advisor of any person, firm, or organization which is a supplier of goods or services to Baystate.

### **2.2.3. Governmental Affiliations:**

To hold , or have a family member who holds, any elected or appointive office or position in any branch of government or in any regulatory agency having authority or jurisdiction over Baystate.

### **2.2.4. Other Health Care Business Affiliations:**

To serve, or have a family member who serves, as a director, trustee, officer, partner, employee, consultant, agent, or advisor of any hospital, medical clinic, healthcare facility or health care business (e.g., a health maintenance organization) not affiliated with Baystate.

### **2.2.5. Other Outside Activities:**

To compete, or have a family member who competes, directly or indirectly, with Baystate in the purchase or sale of property or any property right, interest or service.

### **2.2.6. Gifts, Gratuities and Entertainment:**

To accept, or have a family member accept, a gift, gratuity, entertainment or other material benefit from any person or concern that does, or is seeking to do, business with, or is a competitor of, Baystate under circumstances from which it might be inferred that such a gift, entertainment or other material benefit was intended to influence or possibly would influence the member in the performance of his/her duties.

### **3. COMPENSATION:**

- 3.1.** A voting member of a board or of a committee whose jurisdiction includes compensation matters, who receives compensation, directly or indirectly, from Baystate for services is precluded from voting on matters pertaining to that member's compensation.
- 3.2.** A physician who is a voting member of a board or of a committee whose jurisdiction includes compensation matters, and receives compensation, directly or indirectly, from Baystate for services is precluded from discussing and voting on matters pertaining to that member's and other physicians' compensation. Notwithstanding the above, no physician board member or committee member is prohibited from providing information to the board or committee regarding physician compensation.

### **4. PROCEDURES:**

- 4.1.** As soon as any potential conflict of interest described above, or any situation as to which a member may be in doubt, comes to the attention of a member, full disclosure must be made so as to permit a determination of whether a real or potential conflict of interest exists; however, the member whose interest may present a conflict shall not participate in any decision with respect to whether a real or potential conflict of interest exists.
- 4.2.** After disclosure of the potential conflict of interest and all material facts, and after any discussion with the member whose interest may present a conflict, such member 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.
- 4.3.** If a conflict or potential conflict is deemed to exist, the member must remove himself or herself from the room during any discussion of the matter, refrain from participating in discussion and voting upon or other decision making in regard to the matter, avoid using his or her personal influence, avoid making an administrative decision on the matter, and, in the case of a trustee or committee member, must not be counted in determining the quorum for action on the matter, even where permitted by the bylaws of Baystate.
- 4.4.** The board or committee shall determine whether Baystate 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. The chair of the board or committee may appoint a disinterested person or committee to investigate alternatives to the proposed transaction or arrangement.
- 4.5.** 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 or committee shall determine by a majority vote of the disinterested board or

committee members whether the transaction or arrangement is in Baystate's best interest and for its own benefit and whether the transaction is fair and reasonable to Baystate and shall make its decision as to whether to enter into the transaction or arrangement in conformity with such determination.

**5. VIOLATIONS:**

- 5.1.** If a board or committee has reasonable cause to believe that a member has failed to disclose actual or potential conflicts of interest, it shall inform the member of the basis for such belief and afford the member an opportunity to explain the alleged failure to disclose.
- 5.2.** If, after hearing the response of the member and making such further investigation as may be warranted in the circumstances, the board or committee determines that the member has in fact failed to disclose an actual or potential conflict of interest, it shall take appropriate disciplinary and corrective action.

**6. RECORDS OF PROCEEDINGS:**

The minutes of a board and a committee shall contain:

- 6.1.** The names of the persons who disclosed or otherwise were found to have an actual or potential conflict of interest, the nature of the actual or potential conflict, 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.
- 6.2.** 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.

**7. ANNUAL STATEMENTS:**

- 7.1.** Each member shall annually sign a statement which affirms that such person: (a) has received a copy of the Conflict of Interest Policy; (b) has read and understands the Conflict of Interest Policy; and (c) has agreed to comply with the Conflict of Interest Policy.
- 7.2.** In addition to making ongoing disclosures of potential conflicts of interest, members must make all potential conflicts of interest a matter of record through an annual procedure as follows:
  - 7.2.1.** The BH President and Chief Executive Officer or his/her designee shall advise members of the conflict of interest policy in writing and request that each member complete and submit electronically to the President and Chief Executive Officer or his/her designee prior to the beginning of each calendar year, a conflict of interest questionnaire. For informational purposes, a hard copy of such conflict of interest questionnaire is attached

as Appendix 1 to this Policy; such conflict of interest questionnaire may be revised by the BH Chief Compliance Officer from time to time.

- 7.2.2.** Each new member shall be advised of the policy prior to selection as a member, and shall be required to file within thirty (30) days thereafter the conflict of interest questionnaire, substantially in the form of Appendix 1 to this Policy.
- 7.2.3.** The BH President and Chief Executive Officer, the Chair of the BH Board of Trustees, the Chair of the BH Audit and Compliance Committee, and the BH Chief Compliance Officer, or his/her respective designees, shall review all conflict of interest questionnaires submitted annually and consult with legal counsel. It is understood that these conflict of interest questionnaires will be used only to the extent necessary for the administration and verification of the Conflict of Interest Policy and will be kept confidential to the extent allowed by law.
- 7.2.4.** At least annually, the BH President and Chief Executive Officer or his/her designee shall disclose to the BH Board of Trustees the results of the conflict of interest questionnaires. These results (including the underlying conflict of interest questionnaires) shall also be available for inspection by any board member upon request.
- 7.3.** The BH President and Chief Executive Officer shall determine who is a manager and physician leader for the purpose of making an annual statement and completing a conflict of interest questionnaire.
- 7.4.** In order to assist Baystate in complying with the disclosure requirements of the Internal Revenue Service, all former members may be required to complete and return to the BH Chief Compliance Officer a conflict of interest questionnaire or similar document for a period of five years following the end of their service to Baystate.

## **8. PERIODIC REVIEWS:**

To ensure that Baystate 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. In conducting periodic reviews, Baystate may, but need not, use outside advisors. If outside experts are used, their use shall not relieve the board of its responsibility for ensuring that periodic reviews are conducted. The periodic reviews shall, at a minimum, include the following subjects:

- 8.1.** Whether compensation arrangements and benefits are reasonable and are the result of arm's-length bargaining;
- 8.2.** Whether acquisitions of physician practices and other provider services result in inurement or impermissible private benefit;

- 8.3.** 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 Baystate's charitable purposes, and do not result in inurement or impermissible private benefit; and
- 8.4.** Whether arrangements to provide health care and agreements with other health care providers, employees, and third party payors further Baystate's charitable purposes and do not result in inurement or impermissible private benefit.

Approved: \_\_\_\_\_

Effective: \_\_\_\_\_

Replaces: BH Policy No. GO.4 (6/13/06)

## Appendix 1

### **GOVERNMENTAL REPORTING AND CONFLICT OF INTEREST QUESTIONNAIRE FOR TRUSTEES/DIRECTORS/OTHERS**

*This Appendix 1 form is for informational purposes only. Consistent with Section 7.2.5 of the BH Conflict of Interest Policy, this form should be completed and submitted electronically.*

Pursuant to reporting requirements of the Internal Revenue Service (the “IRS”), the Centers for Medicare and Medicaid Services (“CMS”), and the Massachusetts Attorney General, and pursuant to the Conflict of Interest Policy of Baystate Health, Inc. (“BH”) and its Related Organizations<sup>1</sup> (hereinafter collectively referred to as “Baystate”), a copy of which has been furnished to me, all of which require disclosure of certain interests, and consistent with the purpose and intentions of the BH Conflict of Interest Policy, I hereby state that I or a Family Member<sup>2</sup> have the following affiliations or interests or have taken part in or are now taking part in the following transactions that, considered in conjunction with my position with or relation to Baystate, might possibly constitute a conflict of interest or otherwise be reportable for federal and state governmental purposes.

#### **1. General**

Do you or a Family Member have, or have you or a Family member had, either directly or indirectly, any of the following:

- a. An ownership or investment interest in, or an employment relationship, with any entity with which Baystate has a transaction or arrangement?  
 Yes       No
  
- b. An employment relationship with Baystate?  
 Yes       No
  
- c. An independent contractor relationship arising from a Business Transaction<sup>3</sup> with Baystate?  
Yes  No
  
- d. A potential ownership or investment interest in, or compensation arrangement with any entity or individual with which Baystate is negotiating a transaction or arrangement?  
 Yes       No

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1 Please see definition of “Related Organizations” below.

2 Please see definition of “Family Member” below.

3 Please see definition of “Business Transactions” below.

- e. A loan<sup>4</sup>, Grant, or Other Assistance<sup>5</sup> to or from Baystate?  
Yes  No
- f. A Business Relationship<sup>6</sup> with any Baystate officer, director, trustee, committee member, key employee, or one of its highest compensated independent contractors?  
 Yes  No
- g. An Excess Benefit Transaction<sup>7</sup> with Baystate?  
Yes  No
- h. Does a Family Member serve, or has a Family Member served, as a Baystate officer, director, committee member, or trustee?

If you answered yes to any of the above, please provide complete details.

**2. Business Relationships/Business Transactions<sup>8</sup>**

Do you or a Family Member have, or have you or a Family Member had, a Business Relationship (including as an owner, partner, director, trustee, officer, key employee, consultant, agent, or advisor) with any person, firm or organization that, to the best of your information and belief, has or had a Business Transaction with Baystate, either directly or indirectly?

- Yes  No

If you answered yes, please provide complete details.

**3. Governmental Affiliations**

Do you or a Family Member hold, or have you or a Family Member held, an elected or appointive office, a position in any branch of government or in regulatory agency having authority or jurisdiction over Baystate?

- Yes  No

If you answered yes, please provide complete details.

**4. Other Affiliations**

Do you or any Family Member serve, or have you or a Family Member served, as follows:

- a. As a director, trustee, officer, partner, employee, consultant, agent or advisor to a hospital, medical clinic, health care facility, or health care business that is not affiliated with Baystate?  
Yes  No

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4 Loans in the ordinary course of Baystate’s business, such as amounts owed for the provision of medical services, that are on the same terms as provided to the general public do not need to be reported.

5 Please see definition of “Grants or Other Assistance” below.

6 Please see definition of “Business Relationships” below.

7 Please see definition of “Excess Benefit Transaction” below.

8 Please see definition of “Business Relationships” and “Business Transactions” below.

- b. On the board of any entity other than Baystate?  
Yes  No

If you answered yes to any of the above, please provide complete details.

**5. Other Outside Activities**

Are you or any Family Member involved, or have you or a Family Member been involved, with Baystate, either directly or indirectly, in the purchase, sale, lease, or exchange of real property or rights to real property, including interest or services?  
Yes  No

If you answered yes, please provide complete details.

**6. Gifts, Gratuities and Entertainment**

Have you or any Family Member accepted any gift, gratuity, or entertainment from any person or concern that does, or is seeking to do business with or is a competitor of, Baystate from which it might be inferred that such a gift, entertainment or other material benefit was intended to influence or possibly would influence the performance of your duties?  
 Yes  No

If you answered yes, please provide complete details.

**7. Background**

Have you (under any current or former name or business identity) been convicted of: (a) any federal or state felony offense, or (b) any federal or state misdemeanor offense related to theft, fraud, embezzlement, breach of fiduciary duty, the delivery of a health care item or service, abuse or neglect of a patient, or the unlawful manufacture, distribution, prescription, or dispensing of a controlled substance? (This question is to comply with CMS requirements.)  
 Yes  No

If you answered yes, please provide complete details.

**8. Other**

Are you or a Family Member involved, or have you or a Family Member been involved, with any other activity that might be regarded as constituting a potential conflict with Baystate? (A potential conflict of interest exists in any instance in which a transaction or arrangement, or the actions or other duties of an individual or a Family Member, may prevent or reasonably could prevent the individual from acting in the best interests of Baystate, or, may result in any personal gain or advantage to the individual or Family Member or any concomitant loss or disadvantage to Baystate.)  
 Yes  No

If you answered yes, please provide complete details.

I hereby agree to report promptly to the BH President and Chief Executive Officer or his/her designee any situation or transaction that may arise during the forthcoming year that constitutes a potential conflict of interest. I also hereby agree to promptly report to the BH Corporate Compliance Officer any situation or transaction that may arise during the forthcoming year that would be reportable in this questionnaire were it completed at the end of such year. I further acknowledge that:

- a. I have received a copy of the Conflict of Interest Policy;
- b. I have read and understand the Conflict of Interest Policy;
- c. I hereby agree to comply with the Conflict of Interest Policy; and
- d. The information submitted by me is current and accurate to the best of my knowledge.  
 Yes       No

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Signature: \_\_\_\_\_

Date: \_\_\_\_\_

### Definitions

#### **Business Relationships**

Business Relationships are defined by the IRS as follows:

**Business relationship.** Business relationships between two persons include any of the following:

- 1) One person is employed by the other in a sole proprietorship or by an organization with which the other is associated as a **trustee, director, officer, key employee**, or greater-than-35% owner;
- 2) One person is transacting business with the other (other than in the ordinary course of either party's business on the same terms as are generally offered to the public), directly or indirectly, in one or more contracts of sale, lease, license, loan, performance of services, or other transaction involving transfers of cash or property valued in excess of \$10,000 in the aggregate during the organization's tax year (indirect transactions are transactions with an organization with which the one person is associated as a trustee, director, officer, key employee, or greater-than-35% owner); and

- 3) The two persons are each a director, trustee, officer, or greater than 10% owner in the same business or investment entity.

Ownership is measured by stock ownership (either voting power or value) of a corporation, profits or capital interest in a partnership or limited liability company, membership interest in a nonprofit organization, or beneficial interest in a trust. Ownership includes indirect ownership (e.g., ownership in an entity that has ownership in the entity in question); there may be ownership through multiple tiers of entities.

Note –

1. The following relationships do not need to be disclosed as a Business Relationship: attorney and client, medical professional (including psychologist) and patient, or priest/clergy and penitent/communicant relationships.
2. A person is a greater-than-35% owner of an entity, if more than 35% of the voting power, profits, or beneficial interest of that entity is owned, directly or indirectly, individually, or collectively, by a given person, including ownership by a Family Member, or by the current or former officers, directors, trustees or key employees of that person if the person is an entity. For further details see IRS Form 990 Schedule L Instructions, page 6, at <http://www.irs.gov/pub/irs-tege/schlinstructions.pdf> and IRS Form 990 Glossary page 1 at [http://www.irs.gov/pub/irs-tege/glossary\\_instructions.pdf](http://www.irs.gov/pub/irs-tege/glossary_instructions.pdf).

For further details see IRS Form 990 Core Form Instruction Part VI, Governance, Management and Disclosure, pages 3-4, at [http://www.irs.gov/pub/irs-tege/part\\_vi\\_instructions.pdf](http://www.irs.gov/pub/irs-tege/part_vi_instructions.pdf).

## **Business Transactions**

Business Transactions are defined by the IRS to include (but are not limited to) contracts of sale, lease, license, and performance of services, whether initiated during the organization's tax year or ongoing from a prior year. Business Transactions also include joint ventures, whether new or ongoing, in which either the profits or capital interest of the organization and of the interested person each exceeds 10%. For further details see IRS Form 990 Schedule L Instructions, page 6, at <http://www.irs.gov/pub/irs-tege/schlinstructions.pdf>.

## **Excess Benefit Transaction**

Excess Benefit Transactions are defined by the IRS as transactions in which a tax exempt organization, directly or indirectly, provides to or for the use of certain trustees, officers, and other key persons, an economic benefit, the value of which exceeds the consideration received by the tax exempt organization. For further details see IRS

Form 990 Appendix G at [http://www.irs.gov/pub/irs-tege/appendix\\_instructions.pdf](http://www.irs.gov/pub/irs-tege/appendix_instructions.pdf) and IRS Form 990 Glossary, page 7, at [http://www.irs.gov/pub/irs-tege/glossary\\_instructions.pdf](http://www.irs.gov/pub/irs-tege/glossary_instructions.pdf).

### **Family Member**

Family Member, as defined by the IRS, includes your spouse, ancestors, siblings, children, grandchildren, great grandchildren, and any spouses of siblings, children, grandchildren, and great grandchildren. For further details see IRS Form 990 Glossary, page 8, at [http://www.irs.gov/pub/irs-tege/glossary\\_instructions.pdf](http://www.irs.gov/pub/irs-tege/glossary_instructions.pdf).

### **Grants or Other Assistance**

Grants or Other Assistance include scholarships, fellowships, internships, prizes, and awards, and the gift portion of a part-sale, part-gift transaction. The IRS requires reporting of Grant or Other Assistance (including the provision of goods, services, or the use of facilities), regardless of amount, provided by the organization to any interested person at anytime during the tax year. For further details see IRS Form 990 Schedule L Instructions, page 3, at <http://www.irs.gov/pub/irs-tege/schlinstructions.pdf>.

### **Related Organizations**

Related Organizations are defined by the IRS to include any tax-exempt or taxable entities that are more than 50% owned or controlled, directly or indirectly. Examples of such entities, relative to Baystate Health, Inc. are: Baystate Medical Center, Inc., Baystate Mary Lane Hospital Corporation, Baystate Franklin Medical Center, Baystate Affiliated Practice Organization, Inc., Baystate Medical Education and Research Foundation, Inc., Baystate Vascular Services, Inc., Visiting Nurse Association and Hospice of Western New England, Inc., Baystate Total Home Care, Inc., Baystate Administrative Services, Inc., Baystate Health Foundation, Inc., Baystate Medical Center Auxiliary, Baystate Health System Ambulance, Inc., Ingraham Corporation, Health New England, Inc., Baystate Health Insurance Company, Ltd., Baystate Health Systems, Inc. Health and Welfare Benefits Trust. For further details on Related Organizations see IRS Form 990 Glossary, page 16, at [http://www.irs.gov/pub/irs-tege/glossary\\_instructions.pdf](http://www.irs.gov/pub/irs-tege/glossary_instructions.pdf) and IRS Form 990 Schedule R instructions at <http://www.irs.gov/pub/irs-tege/schlinstructions.pdf>.