

## **Portage Health Administrative Policy**

Subject: Conflict of Interest  
Number:  
Effective Date: 7/1/06  
Revised:  
Scope: Portage Health  
Author: Compliance Officer  
Reviewed by: Audit Committee 10/27/05  
Approved by: Board of Directors  
Approval Date: 10/27/05

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### **I. Statement of Purpose**

The purpose of the Conflict of Interest Policy is to protect Portage Health's interest when it is contemplating entering into a transaction or arrangement that might benefit the private interest of an Interested Person of Portage Health. This policy is intended to supplement but not replace any applicable state laws governing conflicts of interest applicable to nonprofit and charitable corporations.

### **II. Definitions**

- 2.1 Portage Health: Portage Health, Inc. Portage Health Foundation, Inc., Portage Health Home Services, Inc., Portage Health Resources, Inc., and Copper Country Apothecaries, Inc.
- 2.2 Interested Person: Board members, committee members, officers and administrative staff, including directors, managers, coordinators and supervisors of Portage Health.
- 2.3 Associates: Employees, medical staff, volunteers, directors, officers, suppliers, vendors, contractors, consultants and agents of Portage Health.

### **III. Statement of Policy**

Portage Health is committed to maintaining an organizational and accountability structure which assures compliance with governmental laws, rules and regulations, and supports Portage Health's ethical standards, Code of Conduct and zero tolerance for fraud, abuse and waste.

- 3.1 General Statement. Interested Persons engaged in the management and governance of Portage Health occupy positions of fiduciary trust and stewardship with respect to Portage Health. Accordingly, such Interested Persons, as well as members of their immediate families, business associates and firms, in which they

have an interest, shall refrain directly or indirectly from accepting duties, incurring obligations, accepting gifts or favors of monetary value, or engaging in private business or professional relationships where there is an existent or a potential conflict of interest or where there would appear to be such a conflict between the Interested Person's private or business interests and the interest of Portage Health. The use of information obtained as an Interested Person to enhance the competitive position of any business with which the Interested Person, their family or business associate is affiliated constitutes a breach of fiduciary duty and stewardship to Portage Health.

- 3.2 Disclosure of Potential Conflicts. Any Interested Person who has an existing or potential interest, or whose immediate family member or business associate or firm has an existing or potential interest, in a contract or other transaction presented to the Board members or Portage Health's administration for consideration or approval shall make a complete disclosure of the interest prior to a vote or other action on such contract or transaction. The Interested Person is required to disclose the nature and extent of their interest, or their immediate family member's, business associate's or firm's interest, and any relevant or material facts which might reasonably be or appear to be construed to be adverse to or in conflict with Portage Health's interest, mission or purpose. All Interested Persons of Portage Health shall be required to file with Portage Health's Audit Committee of the Board of Directors on an annual basis, a form prescribed by the Audit Committee detailing all existing or potential conflicts of interest. Interim disclosure shall also be required as conflicts develop subsequent to the annual disclosures.
- 3.3 Inapplicability to Related Party Contracts and Transactions. This Conflict of Interest Policy shall not apply to contracts and transactions entered into by Portage Health with any subsidiary corporation or other corporation or other organization affiliated with Portage Health.
- 3.4 Not a Per Se Prohibition. The Board of Directors of Portage Health recognize that on a rare occasion, it may be advantageous to Portage Health to transact business with its Interested Persons or members of their respective immediate families, business associates or firms. However, as noted above, such Interested Persons or firms are prohibited from benefiting to the detriment of Portage Health. Therefore, Portage Health shall not transact business with any Interested Person or their immediate family, business associate or firm unless said transaction is made on terms which are at least as favorable as those offered to the general public by the Interested Person or firm and more favorable than those offered by independent vendors.

However, nothing in this Conflict of Interest Policy shall be interpreted or construed to prohibit Portage Health's administration from entering into contracts or transactions which it would otherwise have the authority to enter or transact, so long as this Conflict of Interest Policy is adhered to by those involved. In

addition, nothing contained herein will be interpreted or construed to limit certain ongoing relationships with various Interested Persons or firms so long as they do not benefit to the detriment of Portage Health and so long as this Conflict of Interest Policy is adhered to by those involved.

3.5 Determinations by the Board of Directors. An Interested Person shall not vote, participate, influence or attempt to influence any proceedings reviewing a contract or transaction involving said Interested Person, immediate family member, business associate or firm of said Interested Person, although the Interested Person may respond to the questions posed by the Board of Directors regarding the contract or transaction. After disclosure of the contract or transaction, the Interested Person shall leave the Board or Committee meeting while the contract or transaction is discussed and voted upon. The remaining board or committee members shall decide if a conflict of interest exists. Any such contract or transaction must be authorized by a vote of at least two-thirds (2/3) of the Directors entitled to vote at a meeting at which a quorum was present. Any interested Directors may not be counted in determining the existence of a quorum. The minutes of the meeting shall reflect the Directors' disclosure, exclusion from voting and participation, the existence of a quorum and vote on the subject contract or transaction.

### 3.6 Procedures for Addressing the Conflict of Interest

3.6.1 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 results in the conflict of interest.

3.6.2 After exercising due diligence, the board or committee shall determine whether Portage Health 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.

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

### 3.7 Violations of the Conflict of Interest Policy

3.7.1 If the board or committee has reasonable cause to believe that 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.

3.7.2 If, after hearing the response of the Interested Person and making such further investigation as may be warranted in the circumstances, the board or committee determines that the Interested Person has in fact failed to disclose an actual or possible conflict of interest, it shall take appropriate disciplinary and corrective action.

3.8 Records of the Proceedings. The minutes of the board and all committee with board-delegated powers shall contain:

3.8.1 The names of the Interested Persons who disclosed or otherwise were found to have a actual or possible conflict of interest, the nature of the conflict of 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.

3.8.2 The names of the Interested 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.

3.9 Compensation

3.9.1 A voting member of the board of directors who receives compensation, directly or indirectly, from Portage Health for services is precluded from voting on matters pertaining to that member's compensation.

3.9.2 A physician who is a voting member of the board of directors and receives compensation, directly or indirectly, from Portage Health for services is precluded from discussing and voting on matters pertaining to that member's and other physicians' compensation.

3.9.3 A Board member is prohibited from serving on any committee whose jurisdiction includes compensation matters and who receives compensation, directly or indirectly, from Portage Health for services.

3.9.4 Physicians who receive compensation, directly or indirectly, from Portage Health are precluded from membership on any committee whose jurisdiction includes compensation matters.

3.10 Interpretation. Any questions seeking guidance on interpretation or implementation of the Conflict of Interest Policy shall be submitted to Portage Health's Audit Committee.

- 3.11. Examples of Potential Conflicts of Interests. Full and complete disclosure of any potential conflicts of interest shall be made when any one of the following conditions exist:
- 3.11.1 When any position or financial interest is held by an Interested Person or Associate in any concern from which Portage Health purchases goods and/or services.
  - 3.11.2 When any position or financial interest is held in any concern which is, or may be, in competition with Portage Health.
  - 3.11.3 In any situation in which there may be direct or indirect competition with Portage Health in purchase or sale of property or property rights, interest and/or services.
  - 3.11.4 When any governing body memberships or managerial or consultative relations are held with any outside concern that does business with or competes with Portage Health.
  - 3.11.5 When any disclosures or use of information relating to Portage Health could be used for the personal profit of the individual or to the advantage of any business entity in which the Interested Person or Associate holds a position or has financial interest.
  - 3.11.6 When any other matter in which the Interested Person's or Associate's ability to act in the interest of Portage Health may be compromised by a competing interest outside Portage Health.
- 3.12 Annual Statements Each Interested Person shall annually sign the Disclosure Statement Regarding Conflict of Interest (Appendix A) which affirms that such person:
- 3.12.1 Has received a copy of the conflict of interest policy,
  - 3.12.2 Has read and understands the policy,
  - 3.12.3 Has agreed to comply with the policy, and
  - 3.12.4 Understands that Portage Health is a charitable organization and that in order to maintain its federal tax exemption it must engage primarily in activities which accomplish one or more of its tax-exempt purposes.
- 3.13 Periodic Reviews. To ensure that Portage Health 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 by the Compliance Officer at the request of the Audit Committee. The periodic reviews shall, at a minimum, include the following subjects:

- 3.13.1 Whether compensation arrangements and benefits are reasonable and are the result of arm's-length bargaining.
- 3.13.2 Whether acquisitions of physician practices and other provider services result in inurement or impermissible private benefit.
- 3.13.3 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 Portage Health's charitable purposes and do not result in inurement or impermissible private benefit.
- 3.13.4 Whether agreements to provide health care and agreements with other health care providers, employees and third party payers further Portage Health's charitable purposes and do not result in inurement or impermissible private benefit.

#### **IV. Statement of Procedure**

Not applicable.

Appendix A

**DISCLOSURE STATEMENT  
REGARDING CONFLICT OF INTEREST**

I have read and am familiar with the policies and disclosure requirements of Portage Health concerning conflicts of interest, as set forth in the Portage Health's Conflict of Interest Policy.

I understand and agree that I occupy a position of fiduciary trust and stewardship with respect to Portage Health and in such capacity, agree to be bound by and act in accordance with Portage Health's Conflict of Interest Policy.

Except as fully disclosed below, I represent that to the best of my knowledge and belief, neither I, nor any member of my immediate family, business associate or firm with which I am affiliated has an existing or potential interest in a contract or other transaction which might reasonably be or appear to be construed as adverse to or in violation with Portage Health's Conflict of Interest Policy.

- No Reportable Situations Exist
- Existing or potential conflicts of interest listed here

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Date

\_\_\_\_\_  
Signature

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Position

\_\_\_\_\_  
Print Name