

 <b>Kaleida Health</b> <b>POLICY</b>	<b>Title: Conflicts of Interest and Related Party Transactions</b>	<b># IAC.4</b>
	<b>Owner: Internal Audit and Compliance</b>	<b>Issued:</b> 12/8/99
<b>Keywords:</b> conflicts, related party transactions		

**I. Statement of Purpose**

This Conflicts of Interest and Related Party Transactions policy provides standards by which certain “Covered Persons” (as that term is defined herein) of Kaleida Health will conduct themselves in order to protect and promote system-wide integrity and values to enhance Kaleida Health’s ability to achieve the organization’s mission and vision. Kaleida Health holds each Covered Person to the highest level of integrity and loyalty to the interests of Kaleida Health and its patients.

Kaleida Health requires that Covered Persons at all times act in Kaleida Health’s best interests and comply with all applicable legal requirements, including but not limited to, the requirements concerning Related Party Transactions (as that term is defined herein).

Covered Persons must, at all times, act fairly, reasonably and in Kaleida Health’s best interests, and must refrain from personal considerations of any kind that conflict with, or that appear to conflict with, the best interests of Kaleida Health and its patients.

It is expected that all Covered Persons will read, understand and comply with this policy. Failure to comply with this policy may constitute grounds for removal of a Covered Person or for other appropriate disciplinary action (subject to any applicable collective bargaining agreements). Covered Persons should also refer to the full text of the Kaleida Health Code of Conduct and Business Ethics (IAC.19) for further information.

For definitions of terms used throughout this policy please see Appendix A at the end of this document.

**II. Audience**

This policy applies to all “Covered Persons.” “Covered Persons” include Officers, and Key Persons (as those terms are defined in the Appendix), as well as Kaleida Health’s employed medical staff and practitioners and those medical staff/practitioners who perform administrative functions.

**III. Instructions – (Outline necessary steps for consistent completion of process/ procedure)**

**A. General Guidelines/Examples of Conflicts**

All Covered Persons are expected to regulate their activities to avoid actual impropriety and/or the appearance of impropriety, which might arise from the influence of those activities on business decisions of Kaleida Health, or from disclosure, or private use of business affairs or plans of Kaleida Health. The following will serve as a guideline to the types of activities that might cause a Disclosable Interest:

1. Ownership in (by a Covered Person or Relative) or employment by any outside concern which competes with or does business with Kaleida Health. This does not apply to stock or other investments held in a publicly held corporation, provided the value of the stock or other investments does not exceed 5% of the Covered Person’s net worth or 5% of the corporation’s stock. Kaleida Health may, following a review of the relevant facts, permit ownership interests which exceed these amounts if management concludes such ownership interests will not adversely impact Kaleida Health’s business interest or the judgment of the Covered Person.
2. Conduct of any business not on behalf of Kaleida Health, with any Vendor, supplier, contractor, or agency, or any of their officers or employees.

3. Representation of Kaleida Health by a Covered Person in any transaction in which the Covered Person or their Relative may personally benefit from or has a substantial personal interest.
4. Disclosure or use of confidential, special or inside information of or about Kaleida Health, particularly for personal profit or advantage of the Covered Person or a Relative.
5. Competition with Kaleida Health by a Covered Person, directly or indirectly, in the purchase, sale or ownership of property or property rights or interests, business investment opportunities or services.

**B. How and When to Disclose**

1. Disclosure by Officers and Key Persons
  - a. All Officers and Key Persons must disclose potential or actual Financial Interests, Adversarial Interests or other Disclosable Interests, at least annually, in the Conflict of Interest Disclosure Statement and file such Statement with the Chief Compliance and Privacy Officer.
  - b. Every Officer and Key Person has an affirmative obligation to update his or her annual written Conflict of Interest Disclosure Statement whenever there are new or changed facts or circumstances that create a Disclosable Interest. All such Statements will be filed with the Chief Compliance and Privacy Officer.
2. Disclosure by Medical/Practitioner Staff  
Each employed member of Kaleida Health's medical staff and those with administrative functions must disclose potential or actual conflicts, upon appointment and re-appointment, in the Conflict of Interest Disclosure Statement and file such Statement with the Chief Compliance and Privacy Officer. In addition, all such staff and practitioners have a continuing obligation to promptly disclose any potential conflict of interest or other Disclosable Interest when it is identified. Any identified Conflict of Interest will be reviewed in the same manner as set forth below.

**C. The Review Process**

1. Review by the Chief Compliance and Privacy Officer. All completed Conflict of Interest Disclosure Statements that raise an actual or potential conflict of interest, or that create the appearance of an actual or potential conflict of interest, will be reviewed by the Chief Compliance and Privacy Officer. If the Chief Compliance and Privacy Officer determines that an actual or potential conflict of interest exists, the matter will be brought to the attention of the CEO and General Counsel of Kaleida Health.
2. Kaleida Health's CEO, General Counsel and Chief Compliance Officer will conduct a full review of all matters that raise an actual or potential conflict of interest, or that create the appearance of an actual or potential conflict of interest. In so doing, Kaleida Health's CEO, General Counsel and Chief Compliance Officer will consider all relevant facts and circumstances involved in the matter, and in particular, what is fair, reasonable and in the best interests of Kaleida Health and its patients.

**D. Determination by Kaleida Health's CEO, General Counsel and Chief Compliance Officer /Referral to the Audit and Corporate Compliance Committee**

1. Kaleida Health's CEO, General Counsel and Chief Compliance Officer will make a preliminary determination as to whether a conflict of interest exists or may

exist, and what course Kaleida Health should take in connection with the matter before it.

2. The matter will be submitted to the Audit and Corporate Compliance Committee of the Board of Directors who will make a final and binding determination. In making its determination, the Committee shall:
  - a. Exclude the affected individual(s) from being present at or participating in the deliberations or voting on the matter;
  - b. Prohibit the affected individual(s) from any attempt to improperly influence the deliberations or voting on the matter;
  - c. Permit the affected individual(s), upon request of the Committee to present information concerning the matter at a meeting prior to commencement of deliberations or voting on the matter.
3. Additional Special Rules for Related Party Transactions. In addition to the general considerations outlined above, all Related Party Transactions are subject to the following additional special rules:
  - a. Kaleida Health may not enter into a Related Party Transaction unless the transaction is determined to be fair, reasonable and in Kaleida Health's best interest at the time of the determination;
  - b. In considering the Related Party Transaction, the Committee shall ensure that any Officer or Key Person who has an interest in the Related Party Transaction has disclosed in good faith all material facts concerning such interest; and
  - c. No Related Party may participate in the deliberations or voting relating to any Related Party Transaction. However, the Committee may request that a Related Party present information concerning a Related Party Transaction at a meeting prior to the commencement of deliberations or voting relating thereto.
4. With respect to any Related Party Transaction involving Kaleida Health and in which a Related Party has a substantial financial interest, the following shall also apply:
  - a. Prior to entering into the arrangement, the Committee shall consider alternative arrangements to the extent available;
  - b. The arrangement must be approved by not less than a majority vote of the members present at the meeting; and
  - c. The Committee will contemporaneously document in written minutes the basis for its approval or disapproval, including its consideration of any alternative arrangements.
5. The Committee will contemporaneously document in writing in appropriate minutes of any meeting at which the matter is deliberated or voted upon all deliberations and determinations relating thereto, including, at minimum, a summary of the matter, a summary of the deliberations, consideration of any alternatives, the vote and the basis for the determination, including, but not necessarily limited to, whether the matter is as fair and reasonable to Kaleida Health as would otherwise then be obtainable by Kaleida Health.

**E. Certain Compensation Decisions**

The fixing of salaries of Officers, if not done pursuant to the by-laws, requires the affirmative vote of a majority of the entire Board unless a higher proportion is set by the

certificate of incorporation or by-laws. All compensation must be in a reasonable amount for services rendered and must be in compliance with all other legal requirements. No person who may benefit from such compensation may be present at or otherwise participate in any deliberation or vote concerning his or her compensation. However, such person may be asked to present information as background or answer questions at a meeting prior to the commencement of deliberations or voting relating thereto.

**F. Enforcement of the Policy**

The adoption, implementation of and compliance with this Policy shall be overseen by the Audit and Corporate Compliance Committee of the Board of Directors (the "Committee"). The Committee may, in its discretion, authorize certain functions relating to the implementation of, and compliance with, this Policy to one or more Kaleida Health employees, but the Committee will, at all times, retain overall responsibility for all aspects of the oversight of this Policy. The Committee designates Kaleida Health's Chief Compliance and Privacy Officer to assist with certain functions, including, but not limited to, the initial collection and review of annual written conflict of interest disclosure statements.

The Chief Compliance and Privacy Officer, on behalf of the Committee, will ensure that all Covered Persons file Disclosure Statements, or follow-up to make sure they do, in accordance with this policy. If Covered Persons fail to comply with the policy's disclosure requirements, the Chief Compliance and Privacy Officer will report such failure to the Committee, which shall recommend appropriate corrective action. Failure to comply with this policy may subject the Covered Person to discipline and may be grounds for termination of employment, contract or affiliation.

**IV. Approved by - (Include date)**

Audit and Corporate Compliance Committee	8/19
Corporate Policy Approval Committee	9/13/19
Senior Vice President Human Resources	11/99, 8/17, N/A

**V. References (Include evidence based research, Kaleida Health policy, and regulation as applicable)**

New York Not-for-Profit Corporation Law §§ 715, 715-a  
 Conflict of Interest Disclosure Statement for Corporate Officers and other Key Persons  
 Conflict of Interest Disclosure Statement for Kaleida Health employed medical staff and practitioners and those medical staff/practitioners who perform administrative functions  
[IAC.19](#) – Code of Conduct and Business Ethics

**Version History:**

<b>Effective Date:</b>	<b>Reviewed/ Revised</b>
10/14/19	Revised
9/30/19	Revised
9/5/17	Reviewed no changes
10/14	Reviewed no changes
6/12	Reviewed no changes

Kaleida Health developed these Policies, Standards of Practice, and Process Maps in conjunction with administrative and clinical departments. These documents were designed to aid the qualified health care team, hospital administration and staff in making clinical and non-clinical decisions about our patients' care and the environment and services we provide for our patients. These documents should not be construed as dictating exclusive courses of treatment and/or procedures. No one should view these documents and their bibliographic references as a final authority on patient care. Variations of these documents in practice may be warranted based on individual patient characteristics and unique clinical and non-clinical circumstances. Upon printing, this document will be valid for 11/26/2019 only. Please contact Taylor Healthcare regarding any associated forms.

## APPENDIX A - DEFINITIONS

**Adversarial Interest** – A person is deemed to have an “Adversarial” interest if such person initiates, maintains, or voluntarily participates in any case, action or judicial, administrative, or regulatory proceeding on behalf of any entity or individual, including the person herself or himself, whose interest in the matter is actually or potentially adverse to Kaleida Health’s interest.

**Affiliate** – An “Affiliate” of Kaleida Health means any entity controlled by, or in control of, Kaleida Health.

**Covered Persons** – The term “Covered Persons” includes Officers and Key Persons, as well as Kaleida Health’s employed medical staff and practitioners and medical staff/practitioners with administrative functions.

**De Minimis Transaction** – A “De Minimis Transaction” for purposes of this policy is one that is immaterial or insignificant to Kaleida Health, taking into account all relevant factors, including but not limited to: (i) Kaleida Health’s overall business or financial operations; (ii) any impact the transaction might have on the quality of care, treatment or services provided to our residents, and/or (iii) the size and scope of the particular transaction.

**Director/Board of Directors** – “Director” means any member of the governing board of Kaleida Health, whether designated as director, trustee, manager, governor, or by any other title. “Director” includes members of the Board of Directors and members of any committee with Board-delegated powers of Kaleida Health or any Affiliate of Kaleida Health.

**Disclosable Interests** – A “Disclosable Interest” arises during any circumstance in which a financial, adversarial or other personal interest or relationship might affect a person’s objectivity or ability to fulfill his or her responsibilities to Kaleida Health. A Covered Person has a “Disclosable Interest” if he/she, or a Relative (as defined herein):

1. Has any Adversarial Interest or Financial Interest in a Vendor (as those terms are defined herein);
2. Is a member, owner, director, trustee or officer of a Vendor;
3. Has a contractual or employment relationship with a Vendor;
4. Serves as a member of the governing board or officer of another healthcare organization licensed, registered, or approved under Articles 28 (hospitals), 28A (nursing homes), 36 (home health agencies) or 44 (health maintenance organizations) of the New York Public Health Law, which does business with or is affiliated with Kaleida Health. Notwithstanding the foregoing, an interest shall not include the service on any such corporation when the Director is requested to engage in such service by the Board of Kaleida Health;
5. Accepts gifts, entertainment or other favors from a Vendor, competitor or entity with which Kaleida Health does business, intends to do business or competes;
6. Represents Kaleida Health in any matter in which the person has a personal interest (financial or otherwise);
7. Uses, or has the opportunity to use, knowledge about Kaleida Health for personal gain, profit or advantage;
8. Is a Director, Officer or Key Person and has any family or business relationship with another Director, Officer or Key Person (as defined herein). A business relationship between two such persons includes where: (i) 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, or greater-than-35% owner, even if that organization is tax-exempt; (ii) 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 Kaleida Health's tax year; and (iii) the two persons are each a director, trustee, officer, or greater than 10% owner in the same business or investment entity (but not in the same tax-exempt organization);
9. Has a financial or other interest, either directly or indirectly through a Relative (as defined herein), in an organization that provides grants to conduct research or other projects in association with Kaleida Health;
  10. Engages in, or intends to engage in, a Related Party Transaction (as defined herein).

Note, however, that De Minimis Transactions and Ordinary Course of Business Transactions (as defined herein) are not covered by this policy. Even in such cases, however, the affected party may not intervene or seek to influence the person tasked with making the decision or reviewing the transaction. Further, the person tasked with making the decision or reviewing the transaction should not consider or be influenced by the affected party's involvement in decisions or matters that may affect the decision-maker/reviewer.

**Financial Interest** – A person has a financial interest if the person has, directly or indirectly, through business, investment or family:

1. An ownership or investment interest in any entity with which Kaleida Health has a transaction or arrangement; or
2. A compensation arrangement with Kaleida Health or with any entity or individual with which Kaleida Health has a transaction or arrangement; or
3. A potential ownership or investment interest in, or compensation arrangement with, any entity or individual with which Kaleida Health is negotiating a transaction or arrangement; or
4. A compensation arrangement with a competitor of Kaleida Health.

Ownership or investment interest means membership in a firm, partnership or association or ownership or direct control of more than 5% of outstanding stock in a corporation. Compensation includes direct and indirect remuneration as well as gifts or favors that are substantial in nature.

A "Financial Interest" includes the receipt or expectation of anything of monetary value, including, but not limited to: salary; other payments for services or other items of value; consulting fees; honoraria; gift or gratuities in excess of \$100 in cash or in kind; equity or other ownership interests; and intellectual property rights (e.g. patents, copyrights and royalties from such rights). The term does not include salary, royalties or other remuneration paid directly to Covered Persons by Kaleida Health; income from writing or editing professional journals or textbooks; or a financial interest in a publicly held company if the value of such financial interest, when aggregated with the interests of the Covered Person's immediate family, does not exceed a 5% ownership interest in such publicly held company.

**Improperly Influence** – "Improperly Influence" means coercing, manipulating, misleading, or fraudulently influencing the decision-making when a Covered Person knew or should have known that their action, if successful, could result in the outcome which they could not deliberate or vote on directly.

**Indirect Financial Interest** – A person has an "Indirect Financial Interest" in an entity if a Relative (as defined herein) has an ownership interest in that entity or if the person has ownership in an entity that has ownership in a partnership or professional corporation.

**Kaleida Health** – "Kaleida Health" means Kaleida Health and each of its divisions, operating or business units, and each Affiliate of Kaleida Health.

**Key Person** – “Key Person” means any person, other than a Director or Officer, whether or not an employee of Kaleida Health, who (i) has responsibilities, or exercises powers or influence over Kaleida Health as a whole similar to the responsibilities, powers, or influence of Directors and Officers; (ii) manages Kaleida Health, or a segment of Kaleida Health that represents a substantial portion of the activities, assets, income or expenses of Kaleida Health; or (iii) alone or with others controls or determines a substantial portion of Kaleida Health’s capital expenditures or operating budget. Key Persons include, but are not limited to Senior Management and all Department Heads, Clinical Directors of Departments, and other employees (including physicians) who are in a position to exercise substantial influence over the affairs of Kaleida Health, as determined in accordance with current laws, rules and regulations.

**Ordinary Course Of Business Transaction** – An “Ordinary Course of Business Transaction” is one that is consistent either with Kaleida Health’s consistently applied past practices in similar transactions or with common practices in the industry in which Kaleida Health operates. Examples of Ordinary Course of Business Transactions include, but are not limited to: (i) a nonprofit entity that uses the local electric utility for its electrical service and supply, and a 35% shareholder of the local electric utility is a board member; (ii) where the general counsel of a health system has a written, established, and enforced policy for the selection, retention, evaluation and payment of outside counsel, and a board member is a partner of, and has a greater than 5% share in, one the firms retained by the general counsel; and (iii) a grandson of a board member has just graduated from a university nursing school. He applies for and is selected by the facility’s nursing department for a tuition repayment benefit and will receive a salary and overtime, consistent with the facility’s written policy regarding recruitment of new nursing graduates.

**Officer** – “Officer” means those individuals designated as officers in the by-laws of Kaleida Health and those who are otherwise appointed as officers of Kaleida Health in accordance with Kaleida Health’s by-laws.

**Related Party** – The following constitute “Related Parties”:

1. Any Director, Officer or any Key Person (as defined herein) of Kaleida Health; or
2. Any of their respective Relatives (as defined herein); or
3. Any entity in which any person described in (1) or (2) has a thirty-five percent (35%) or greater ownership or beneficial interest or, in the case of a partnership or professional corporation, a direct or indirect ownership interest in excess of five percent (5%).

**Related Party Transaction** – “Related Party Transaction” means any transaction, agreement or any other arrangement in which a Related Party has a Financial Interest and in which Kaleida Health or any Affiliate of Kaleida Health is a participant, except that a transaction shall not be a Related Party Transaction if: (i) the transaction or the Related Party’s Financial Interest in the transaction is de minimis, (ii) the transaction would not customarily be reviewed by the Board of Directors or boards of similar organizations in the Ordinary Course of Business and is available to others on the same or similar terms, or (iii) the transaction constitutes a benefit provided to a Related Party solely as a member of a class of the beneficiaries that Kaleida Health intends to benefit as part of the accomplishment of its mission which benefit is available to all similarly situated members of the same class on the same terms.

**Relative** – A “Relative” of a Covered Person means (i) his or her spouse or domestic partner, as defined under New York Public Health Law § 2994-a; (ii) his or her ancestors, brothers and sisters (whether whole or half-blood), children (whether natural or adopted), grandchildren, great-grandchildren; and (iii) the spouse or domestic partner of his or her brothers, sisters, children, grandchildren, and great-grand-children.

**Vendors** – The term “Vendors” includes all vendors, suppliers, consultants, and other third parties (including, but not limited to, pharmaceutical manufacturers) seeking to do, or currently engaged in, business with Kaleida Health.