

## Q&As on CONFLICT OF INTEREST AND REPORTABLE EVENT DISCLOSURES

### 1. Q: Why has Mercy Health revised its system-wide Conflict of Interest Policy 106 and disclosure form again?

A: Federal and state regulations are requiring greater transparency in decision-making and reporting of business relationships. The policy changes further support Mercy Health's Core Values-Standards of Responsible Conduct Principle #5 (Our Culture of Transparency to Avoid Conflict of Interest) and the Principles of Good Governance and ethical business practices. The Mercy Health Audit and Corporate Responsibility Committee (ACRC) and Board of Trustees approved the policy changes to help clarify definitions and management of any identified conflicts. The questions asked as part of the annual disclosure are based on the Internal Revenue Service (IRS) Form 990 requirements and Centers for Medicare and Medicaid Adverse Legal Event disclosure requirements. If you have any questions, please contact Mercy Health's Chief Corporate Responsibility Officer or Corporate Director Tax for assistance.

### 2. Q: Who is subject to the Conflict of Interest Policy 106 and disclosure requirement?

A: All individuals associated with Mercy Health have the responsibility for identifying and self-reporting potential or real conflicts that impact their job or position within the organization. Individuals subject to this policy include:

- Employees / Associates
- Affiliated Physicians ( e.g. employed, contracted, committee or collaborative member)
- Agents (e.g. involved in contracting and purchasing)
- Management team members (managers and above)
- Members of the Captive (Mercy Health Insurance LTD)
- Mercy Health and Mercy Health Affiliated Foundation Board Trustees and Board Committee Members
- Mercy Health and Mercy Health Affiliated Board Trustees and Board Committee Members

### 3. Q: What is a Conflict of Interest? (Also refer to Policy 106 Definitions #1 and #5)

A: A conflict of interest is either:

- (a) a financial interest (*i.e.*, one where you, your family or your business does business with, a Mercy Health entity, or with a key vendor or contractor of a Mercy Health entity), or
- (b) a non financial interest (*i.e.*, one where you or your family may be an employee or serve on a board of an entity that does business with, or competes with, a Mercy Health entity) where a reasonable person might question whether your business decisions for the Mercy Health entity are being influenced by these interests or relationships.

**Note: Your "family" includes your spouse, parents, siblings, children, or grandchildren. Also, if you have persons, other than the ones named above, who live with you and are related by blood, marriage, or adoption, then where they work or what business they might own would also have to be considered as a possible financial interest. Examples might be a cousin or step brother-in-law living with you.**

### 4. Q: Why are Gifts and Gratuities part of the Conflict of Interest Policy 106?

A: Although an individual may not think receipt of a gift or gratuity would influence their actions or decisions, the government and business ethicists indicate that some individuals can be inappropriately influenced by receipt of gifts or gratuities. Under Mercy Health's Standards of Responsible Conduct Principle #5, our associates work to further the Mercy Health Mission and our healing ministry. Associates are required to use their positions to benefit our organization and those we serve, rather than seek personal benefit or profit. In addition, Federal and State Anti-kickback laws prohibit receipt of or requesting of monetary or non-monetary items for referrals or potential referrals for business. (Refer to questions 12-14 for more information on Gift and Gratuities).

### 5. Q: When does a potential or real Conflict of Interest have to be disclosed?

A: An individual has the responsibility of identifying and disclosing a real or potential conflict of interest:

- At the time of hire;
- Prior to contract, negotiation or selection of vendors or health care providers for goods and services;
- Prior to initial placement and during service on the Captive, Boards, Foundations and/or related committees;
- As conflicts arise during the course of day-to-day services and business activities; or
- Prior to discussions and decision-making

## Q&As on CONFLICT OF INTEREST AND REPORTABLE EVENT DISCLOSURES

### 6. Q: Why is it important to identify potential or real Conflicts of Interest?

A: Tax-exempt organizations like Mercy Health are required to meet IRS regulations that require independent board oversight, as well as to prevent violations of the inurement, private benefit or Intermediate Sanctions rules in our business dealings. IRS penalties can be imposed on the organization, as well as on individual board members who improperly approve a transaction where a conflict of interest exists or on other individuals who improperly benefit. Federal and State regulations prohibit accepting gifts or gratuities for referrals (the Anti-Kickback laws) and prohibit referrals for certain medical services (Stark laws). These laws can carry significant financial and legal penalties for violations.

### 7. Q: Am I required to complete an annual Conflict of Interest Disclosure Certificate?

A: All individuals at initial hire, contract or placement on the Captive, Boards, Foundations and related committees will be asked to complete a Conflict of Interest Disclosure Certificate. Certain individuals under Policy 106 are also required to complete annually the Conflict of Interest and Reportable Events Disclosure Certificate. All individuals serving on the Mercy Health or Mercy Health Affiliated Captive, Board or Foundation and related committees must complete annual disclosures during their service term. All employed leaders, managers, affiliated physicians and agents must complete annual disclosures. Annual disclosures are also needed from individual associates involved in decision-making activities such as contracting, vendor selection, purchasing and interaction with outside vendors. Physician volunteers who serve on Mercy Health and Mercy Health Affiliated Committees (e.g., Pharmacy & Therapeutics or Investigational Review Boards) also complete annual disclosures. Mercy Health and some Mercy Health Affiliated entities may require all employed associates to complete an annual disclosure.

### 8. Q: Why is there more detailed information requested regarding relationships, percentages and dollar amounts on the Conflict of Interest disclosure form?

A: The redesigned IRS Form 990 requires more detailed information on interests and transaction valued over \$10K.

### 9. Q: What financial interests must I disclose? (Also refer to Policy 106 Definition #5)

A: You should disclose the following financial interests of you, your family or your employer/company:

1) Ownership, potential ownership or an investment interest in any company involved or proposed to be involved in any type of business with a Mercy Health entity. Examples might include your leasing of office space or property to, or from, a Mercy Health entity, or being an investor in a medical service company doing business in Mercy Health.

2) A compensation arrangement (through employment, independent contractor agreement, contractual arrangement, consulting agreement etc.) with any company or individual involved or proposed to be involved in any type of business with a Mercy Health entity. Examples might include a medical directorship agreement with a Mercy Health entity or a contract to provide legal or accounting services to a Mercy Health entity.

**Remember that you do not need to disclose stock investments if the stock ownership is in a widely-traded company that may do business with a Mercy Health entity and is less than \$1,000 or 1% of the stock value in the company (whichever is greater) and the ownership is less than 25% of the total portfolio's value.**

### 10. Q: What happens if I report a conflict or a potential Conflict of Interest?

A: Because we are a tax-exempt organization, we must ensure that our business decisions are made with only the organization's best interests in mind. This protects our board, associates and Mercy Health from potential penalties from the government. A reported conflict, or potential conflict, is reviewed by compliance and legal staff to determine how to manage the issue appropriately. Often, we can manage potential conflicts by ensuring that the involved person does not participate in official decisions that might benefit them, their family or their business. On rare occasions, proper management of a conflict could require a member to resign from a Board or Committee, or an associate's job responsibilities to change.

### 11. Q: What Adverse Legal Events must I disclose and why?

A: Federal regulations for participation in government programs like Medicare and Medicaid require Mercy Health to file with CMS (the Medicare agency) at least annually up-to-date information about all of our Board members, officials and senior staff leadership. Reportable Adverse Legal Events include:

- involvement in pending investigations or criminal proceedings;
- convictions of certain Federal or State felony offenses and misdemeanors;
- revocation or suspension of professional licensure or accreditation; and/or

## Q&As on CONFLICT OF INTEREST AND REPORTABLE EVENT DISCLOSURES

• suspension or exclusion from participation in any Federal or State government program (e.g. Medicare, Medicaid)  
Disclosure of any of the adverse events listed previously is required, even though some reportable adverse event may have occurred many years ago. If an individual has such an event in his or her past, we must disclose it to CMS (The Medicare agency) if the member or associate is to remain part of the organization. Because this disclosure could be potentially embarrassing, we advise you to discuss any potential disclosure of an Adverse Legal Event with the Corporate Responsibility Officer or Legal Counsel of Mercy Health or Mercy Health Affiliated entity prior to submitting your form.

### 12. Q: What Gifts and Gratuities must I disclose? (Also refer to Policy 106 Definition #6)

A: The receipt of items or services offered by a current or potential business partner valued at or above \$100 must be disclosed. You or your family may not receive Gifts or Gratuities or be invited to an exclusive event (e.g. Olympics, Super Bowl, NCAA Final Four, the Masters, etc) from a current or potential business partner worth more than \$300 per item or occasion or totaling more than \$300 in aggregate from any one individual or entity in a calendar year. Gifts and Gratuities totaling more than \$300 are considered compensation and become a “financial interest”. Examples include:

1) If a Mercy Health entity board member or associate or their immediate family member accepts an invitation to be the guest of a current or potential business partner of a Mercy Health entity (e.g., an invitation to dinner, a sporting or entertainment event, round of golf, a Holiday gift basket, gift certificate) where the value of that gift or entertainment is more than \$150.00: DISCLOSE it.

2) If a Mercy Health entity board member, associate or immediate family member accepts a gift of goods or services from a current or potential business partner of a Mercy Health entity (e.g., free or discounted tickets to a concert or sporting event, a free trip to a resort, gift certificate or donation to a charity of the Mercy Health board member or associate’s choosing) where the value of the goods or services received is more than \$300. DECLINE it.

**Note: Employed physicians (i.e. who receive a W-2) of Mercy Health or Mercy Health Affiliated entity are subject to the Gifts and Gratuities policy. However, contracted physicians (i.e. who receive a 1099) are subject to separate restrictions and reporting under Federal Stark Non-monetary and Incidental Benefits laws that further limit any gifts or gratuities. Contact the Corporate Responsibility Officer or General Counsel if you have questions.**

### 13. Q: What if I received a gift that is over the \$100.00 level?

A: Disclose it on the Conflict of Interest Disclosure Certificate. Also, remember that the Mercy Health Standards of Responsible Conduct Principle #5 require individuals to decline any gift or business courtesy, regardless of value that is offered to influence the decision of an individual.

### 14. Q: What if I don’t know the value of the gift or whether it should be reported?

A: You are asked to make your best guess as to the value of the gift. If you have a question about whether or not to report a possible “gift”, contact your supervisor, the Mercy Health or Mercy Health Affiliated Corporate Responsibility Officer or Legal Counsel. A Disclosure Change can be filed to identify any additional gifts received during the course of the year.

### 15. Q: If I do not have anything to report, do I still have to complete a disclosure certificate?

A: Yes. There is a line indicating that you have no Financial Interests, Other Potential Conflicts, Adverse Legal Events or Reportable Gifts/Gratuities. Check that block, submit the electronic form and print a copy of the disclosure for your records. We need a completed form from each designated employee-associate, affiliated physician, agent, management team member and member of the Mercy Health and Mercy Health Affiliated Captive, Board, and Foundation and associated committees, even if there are no conflicts or gifts to report, so that we can ensure we follow the law and IRS regulations.

### 16. Q: What steps has Mercy Health taken to protect Board members, the Mercy Health organization and associates from possible IRS penalties for violations of conflicts of interest rules?

A: First, our Mercy Health organization by-laws protect and indemnify Board members who are acting consistent with their legal duties of due care, loyalty and objective skepticism. Second, Mercy Health provides Directors and Officers Insurance to protect directors or officers from personal liability for official actions. Third, Mercy Health restricts membership on specified Board Committees to members with no financial conflicts. Fourth, most state non-profit corporation laws provide state immunity for volunteer directors in the good-faith performance of their duties. Fifth, Mercy

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Health is standardizing the form and review process for our most common transactions to enhance compliance. Finally, the Mercy Health has a process to educate board members and associates about conflicts, as well as the process to identify and manage potential conflicts appropriately to comply with IRS rules, which further reduces the risk of an actual or potential violation or penalty.