

TEXAS SCOTTISH RITE HOSPITAL FOR CHILDREN
CONFLICTS OF INTEREST POLICY
FOR THE STAFF
(Adopted January 22, 1999)

I. Introduction and Purpose.

In today's complex society, officers, medical staff members, administrators, department directors and others with decision-making or administrative responsibilities for the Hospital may have other interests which could affect the decisions they make on behalf of the Hospital. At times, such persons may find that their personal interests or activities on behalf of another organization may conflict with their duties to the Hospital. The purpose of this policy is to provide for disclosure of interests, relationships, and circumstances that may give rise to such conflicts of interest so that the Hospital and its Board of Trustees may make decisions in an objective manner. This policy is intended to supplement, but not replace, any applicable state or Federal laws governing conflicts of interest applicable to nonprofit charitable organizations.

II. Policy.

Key Staff Members should not participate in any undisclosed, or disclosed and unapproved, activities that actually do, would appear to, or potentially could conflict with their responsibilities at the Hospital. Key Staff Members and their Relatives should not receive any substantial special preferences, gifts, favors, or hospitality from a person or company with whom the Hospital has or is contemplating entering into a contract, transaction, or other business arrangement. Key Staff Members may not accept any gifts, favors, or hospitality, or series of gifts, favors, or hospitality, exceeding \$100 in value from persons or companies with whom the Hospital has or is contemplating entering into a contract, transaction, or other business arrangement without the prior approval of the Hospital officer to whom the Key Staff Member reports. Key Staff Members whose Relatives work for or consult with the Hospital's suppliers or other persons or companies with whom the Hospital does business must disclose that relationship to the Hospital. Each Key Staff Member should maintain Hospital information in confidence when such information is not generally available to the public. Key Staff Members shall not use their positions, or knowledge gained from their positions, to obtain personal advantage for themselves or another person or entity.

III. Disclosure of Potential Conflicts.

A Key Staff Member who has, or whose Relative has, a Financial Interest that may give rise to a Conflict of Interest has an affirmative duty to disclose the facts about the Financial Interest to the Hospital and to abstain from participating in the Hospital's decisions on contracts, transactions, or relationships involving an actual or potential Conflict of Interest. Key Staff Members must disclose the receipt of any gifts, favors, or hospitality, or series of gifts, favors, or hospitality, exceeding \$100 in value received from persons or companies with whom the Hospital has or is contemplating entering into a contract, transaction, or other business arrangement. Key Staff Members must report the receipt of income, gifts, honoraria or reimbursement of expenses related to seminars, lectures, writing or teaching engagements, provided that Key Staff Members need not report reimbursement of expenses by the Hospital.

Each year, each Key Staff Member shall complete and submit a Conflicts of Interest Disclosure Form to the General Counsel, disclosing any Financial Interests or other matters involving an actual or potential Conflict of Interest and any other matters required to be disclosed under this policy. During the year, each Key Staff Member shall disclose to the General Counsel any such Financial Interest in writing when he or she becomes aware that a related contract, transaction or other relevant decision is under consideration or that such a Financial Interest has not been disclosed. Annually, the General Counsel shall prepare and submit a summary of the matters disclosed by the Key Staff Members to the Audit Committee for review. At the time a Key Staff Member is first hired or promoted to a position with administrative or management responsibilities, the Hospital shall provide the Key Staff Member with a copy of this policy and he or she shall be required to complete a Conflicts of Interest Disclosure Form.

IV. Contracts and Transactions Involving Conflicts of Interest.

The Hospital is not prohibited from entering into a contract, transaction or arrangement involving a Conflict of Interest with a Key Staff Member; however, all material facts about the relationship or interest must be disclosed in accordance with this Policy and the contract, transaction or arrangement must be fair to the Hospital at the time it is authorized, approved or ratified.

V. Definitions.

For purposes of this policy, the following terms shall have the meanings stated:

A. A “Key Staff Member” includes officers, members of the administrative staff, department directors, members of the medical staff and any other staff members of Texas Scottish Rite Hospital for Children designated by the President as a Key Staff Member.

B. A “Relative” of a Key Staff Member includes an individual related to a Key Staff Member as a spouse, parent, child, sibling, grandparent, grandchild, or a spouse of any such person. Each such relationship shall include relationships by blood or adoption, and step relationships.

C. A “Financial Interest” is an existing or anticipated direct or indirect financial interest in or relationship with a company or person. Serving as a director or officer of a company shall be deemed to be a Financial Interest in that company whether or not the Key Staff Member receives compensation as a director or officer of such company. Financial relationships with a company or person that constitute a Financial Interest include but are not limited to:

- (1) employment, agency or other personal service arrangements with a company or person for which a Key Staff Member or Relative receives compensation, directly or indirectly;
- (2) proprietorship, partnership, shareholder, or other ownership interests or rights to ownership interests in a Company, such as stock, stock options, convertible debentures, or partnership interests; provided that an ownership interest in a single Company shall not be deemed to be a Financial Interest in the event that the ownership interest of the Key Staff Member and his or her Relatives, in the

aggregate, does not exceed \$5,000 in value as determined through reference to public prices or other reasonable measures of fair market value;

- (3) other business relationships; and
- (4) intellectual property rights (e.g., patents, copyrights and royalties from such rights).

D. “Company” includes corporations, general partnerships, limited partnerships, limited liability partnerships, professional corporations, professional associations, limited liability companies and any other form of entity.

E. A “Conflict of Interest” arises whenever the Hospital has or is contemplating entering into a contract, transaction or other business arrangement with a Key Staff Member, a Relative of a Key Staff Member, or a person or company in which a Key Staff Member has a Financial Interest.

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Common Questions Concerning Conflicts of Interest

Question

I own 100 shares of stock in a company that is under consideration as a vendor to provide electronic medical record software to the Hospital. I also serve on a task force that is evaluating prospective vendors for this software. What is my responsibility?

I serve as a consultant to a company that is interested in purchasing property owned by the Hospital. I am in a position to influence the Hospital's decision on this matter. What should I do?

As a department head, I have been working for a number of years with the Hospital's general contractors and subcontractors. One of those subcontractors recently offered to do some remodeling work on my house at a substantial discount. Can I take him up on this offer?

I have been asked to serve on the board of directors of the local council of the Boy Scouts. Will my acceptance constitute a conflict of interest?

A licensee of some of the Hospital's intellectual property has invited me to a conference on the East Coast to teach about the devices they manufacture and has offered to pay my expenses. May I attend this conference?

One of the Hospital's vendors has offered to give me tickets to a local golf tournament with a value in excess of \$100. I am in a position to influence the Hospital's decisions about whether to purchase services from this vendor. May I accept the tickets?

Answer

You should disclose this relationship to the Hospital and must disclose it if the value of the stock is \$5,000 or more. Additionally, you may not participate in the process of selecting the vendor from which the Hospital will purchase this software.

You must disclose this relationship to the Hospital and you must abstain from participating in the Hospital's decision on this matter.

No. The vendor would be granting you a special preference due to his relationship with the Hospital.

No. Service on the board of another organization will not create a conflict of interest unless your responsibilities to the other organization overlap with your responsibilities to the Hospital. You should disclose this relationship to the Hospital.

Yes, assuming that your supervisor approves your trip in advance. However, the licensee should reimburse any expenses to the Hospital directly, which will then reimburse you.

You may not accept the tickets without the prior approval of the President or a Vice President of the Hospital. If you are permitted to accept the gift, you must disclose it on your annual conflicts of interest disclosure.