

MAINE HOSPITAL ASSOCIATION

Purpose:

This policy defines conflict of interest, identifies the classes of individuals within the organization covered by the policy, facilitates disclosure of information that may help identify conflicts of interest, and specifies procedures to be followed in managing conflicts of interest.

The Maine Hospital Association (MHA) has developed this Conflict of Interest policy to ensure that any corporate action that might confer a private financial benefit on a Director is understood in advance by the relevant decision makers and that all decisions of the Board are made in the best interests of its member hospitals.

Definitions:

Business relationship: Business relationships between two persons include 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 director, officer, 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 director, officer, or greater than 35% owner.
- 3) The two persons are each a director, 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.

Compensation: Compensation includes all forms of cash and non-cash payments or benefits provided in exchange for services, including salary and wages, bonuses, severance payments, deferred payments, retirement benefits, fringe benefits, and other financial arrangements or transactions such as personal vehicles, meals, housing, personal and family educational benefits, below-market loans, payment of personal or family travel, entertainment, and personal use of the organization's property.

Conflict of interest: A conflict of interest potentially arises when a person in a position of authority over an organization, such as a Director, may benefit financially from a decision s/he could make in such capacity, including indirect benefits such as to family members or businesses with which the person is closely associated. For this purpose, a conflict of interest does not include questions involving a person's competing or respective duties to the organization and to another organization, such as by serving on the boards of both organizations, that do not involve a financial interest of, or benefit to, such person.

Director: Directors are those voting members of the organization's governing body, including the MHA CEO/president.

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Interested Director: "Interested Director" is any Director, and/or a family member of that Director, who has a financial interest, as defined herein, or who serves as a Director or officer of any entity with which MHA has a material transaction, contract, or other arrangement.

Family: The family of an individual includes only his or her spouse, brothers and sisters, children, grandchildren, great grandchildren, and spouses of brothers, sisters, children, grandchildren, and great grandchildren.

Financial Interest: A Director has a "financial interest" if the Director, or a member of his/her family, will directly or indirectly benefit in some way from an action taken by MHA as follows:

- a. The Director has an existing or potential ownership or investment interest in any entity with which MHA has a transaction, contract, or other arrangement;
- b. The Director has a compensation arrangement with any entity or individual with which MHA has a transaction, contract, or other arrangement;
- c. The Director has an existing or potential ownership or investment interest in, or compensation arrangement with, any entity or individual with which the MHA is negotiating a transaction, contract, or other arrangement;
- d. The Director has an existing or potential ownership or investment interest in, or compensation arrangement with, any entity whose business or operation has been or will be directly affected by a decision or action of the MHA;
- e. Another entity in which the Director has a material financial interest or in which the Director is a general partner is a party to the transaction; or
- f. Another entity in which the Director is a director, officer or trustee is a party to the transaction.

Material Financial Interest: A "financial interest" is a "material financial interest" if the effect on a person, his/her immediate family member or a company or firm in which s/he has a financial interest, is significant in light of his/her personal financial condition or the financial condition of the company, firm or immediate family member.

Procedure:

Any Director having an existing or potential financial interest in a contract, transaction or other activity (hereinafter "transaction") presented to the Board shall promptly and fully disclose such interest to all other Directors prior to its consideration of such transaction, and shall neither vote on the matter nor attempt to influence the decision of the Board. Further, any Director having an existing or potential conflict of interest shall not be present for the Board's deliberation of the transaction.

Where one or more Directors abstain from voting on a transaction due to an existing or potential conflict of interest, the transaction may be approved by the majority vote of the disinterested Directors if such approval is in MHA's best interests, even though the disinterested Directors may constitute less than a quorum.

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Where one or more Directors abstain from voting on a transaction due to an existing or potential conflict of interest, the minutes of the meeting shall reflect the Directors' disclosure of the existing or potential conflict of interest, the Directors' abstention from voting, and the number of affirmative and negative votes cast on the issue by the disinterested Directors.

Notwithstanding the foregoing, it is recognized that Directors, officers and employees have a relationship to the Maine Hospital Association and therefore no disclosure need be made in connection with such relationship, and the procedures outlined in this section need not be followed for that relationship.

Violations of Conflict of Interest Policy:

If the Board has reasonable cause to believe that a Director has failed to disclose an actual or possible conflict of interest, the Board chair shall inform the Director of the basis for such belief and afford the Director an opportunity to explain the alleged failure to disclose.

If, after hearing the response of the Director and making such further investigation as may be warranted in the circumstances, the Board determines that the Director has failed to disclose an actual or possible conflict of interest, the Board shall carry out appropriate corrective action.

Annual Statements:

Each director shall annually sign a statement to be reviewed by corporate leadership and legal counsel as appropriate which affirms that s/he has:

- A. Received a copy of this Conflict of Interest policy;
- B. Read and understands the policy; and
- C. Agreed to comply with the policy.

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AFFIRMATION

I affirm that I have received a copy of the MHA Conflict of Interest Policy, have read and understand the Policy, and agree to comply with the Policy while engaged in activities in connection with my responsibilities to MHA.

I do ___ do not ___ have a financial interest as defined herein.

If yes, please provide all material facts:

Since January 1, 2014, have you been compensated as an officer or employee of the Maine Hospital Association, Research and Education Trust or Associated Health Resources?

___ Yes ___ No

Since January 1, 2014, have you received payments exceeding \$10,000 as an independent contractor from the Maine Hospital Association, Research and Education Trust or Associated Health Resources? ___ Yes ___ No

Since January 1, 2014, have you or any of your family members been directly or indirectly involved in a business transaction or received a grant or loan valued at \$10,000 or more with the Maine Hospital Association, Research and Education Trust or Associated Health Resources?

___ Yes ___ No

Since January 1, 2014, have you or your family had a family relationship or a business relationship, as defined above, with any other Maine Hospital Association, Research and Education Trust or Associated Health Resources trustee? ___ Yes ___ No

If yes, please explain:

Date: _____

Signature: _____

Printed name: _____

Title: _____