



KANSAS HOSPITAL ASSOCIATION

CONFLICT OF INTEREST POLICY

PURPOSE:

The purpose of this Conflict of Interest Policy is to protect the Kansas Hospital Association's (the "Association") interest when it is contemplating entering into a transaction or arrangement that might benefit the private interests of a director, officer or employee affiliated with the Association. This policy is intended to supplement but not replace any applicable state laws governing conflicts of interest applicable to nonprofit and charitable corporations.

All portions of this Policy, unless otherwise stated, also apply to the directors, officers, employees and interests of organizations related to the Association, specifically the Kansas Hospital Education and Research Foundation (KHERF), Kansas Health Service Corporation (KHSC), Associated Purchasing Services (APS), KHA Workers' Compensation Fund, and Kansas Hospital Association Political Action Committee (KHA PAC).

Definitions. Terms used herein shall have the same meaning as set forth in the Conflict of Interest Disclosure Statement.

Committee: refers to the Association's Audit, Executive and Governance committees.

Compensation: includes direct and indirect remuneration. Association directors, officers and employees must refrain from accepting gifts, payments, services, supplies, equipment, or other favors which may appear to improperly influence the individual in the performance of their duties for the Association.

Director: refers to a member of the Association's Board of Directors.

Employee: refers to an employee of the Association or one of its related organizations.

Family: includes a spouse/significant other, child, step-child, parent, sibling, or in-law of a KHA director, officer or employee.

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

- a. an ownership or investment interest in any entity with which the Association has a transaction or arrangement,
- b. a compensation arrangement with the Association or with any entity or individual with which the Association has a transaction or arrangement, or
- c. a potential ownership or investment interest in, or compensation arrangement with, any entity or individual with which the Association is negotiating a transaction or arrangement.

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A financial interest is not necessarily a conflict of interest. A person who has a financial interest may have a conflict of interest only if the appropriate board or committee decides that a conflict exists as outlined below.

Officer: refers to an employee of the Association who has the title of president, executive vice president, senior vice president or vice president.

Related Organizations: refers to Kansas Hospital Education and Research Foundation, Kansas Health Service Corporation, Associated Purchasing Services, KHA Workers' Compensation Fund and the Kansas Hospital Association Political Action Committee.

PROCEDURE:

I. DUTY TO DISCLOSE

In connection with any actual or possible conflicts of interest, a director, officer or employee must disclose the existence of his or her financial interest and must be given the opportunity to disclose all material facts to the directors, officers or employees considering the proposed transaction or arrangement.

II. DETERMINING WHETHER A CONFLICT OF INTEREST EXISTS

After disclosure of the financial interest and all material facts and after any discussion with the interested person, the director, officer or employee shall leave the board or committee meeting while the determination of a conflict of interest is discussed and voted upon. The remaining board or committee members shall decide if a conflict of interest exists.

III. PROCEDURES FOR ADDRESSING THE CONFLICT OF INTEREST

- a. A director, officer or employee 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 result in the conflict of interest.
- b. The chairperson of the board or committee shall, if appropriate, appoint a disinterested person or committee to investigate alternatives to the proposed transaction or arrangement.
- c. After exercising due diligence, the board or committee shall determine whether the Association 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.
- d. If a more advantageous transaction or arrangement is not reasonably attainable under circumstances that would give rise to a conflict of interest, the board or committee shall determine by a majority vote of the disinterested directors whether the

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transaction or arrangement is in the Association's best interest and for its own benefit and whether the transaction is fair and reasonable to the Association. The board or committee shall make its decision as to whether to enter into the transaction or arrangement in conformity with such determination.

IV. VIOLATIONS OF THE CONFLICT OF INTEREST POLICY

- a. If the board or committee has reasonable cause to believe that a director, officer or employee has failed to disclose actual or possible conflicts of interest, it shall inform the director, officer or employee of the basis for such belief and afford the director, officer or employee the opportunity to explain the alleged failure to disclose.
- b. If, after hearing the response of the member and making such further investigation as may be warranted under the circumstances, the board or committee determines that the director, officer or employee has, in fact, failed to disclose an actual or possible conflict of interest, it shall take appropriate disciplinary and/or corrective action.

RECORDS OF PROCEEDINGS

The Minutes of the board and specified committees shall contain:

1. The names of the persons who disclosed or otherwise were found to have a financial interest in connection with an actual or possible conflict of interest, the nature of the financial 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; and
2. The names of the persons who were present for discussion 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.

ANNUAL STATEMENTS

Each director, officer and employee shall annually sign a statement which affirms that such person:

1. Has received a copy of the conflict of interest policy;
2. Has agreed to and understands the policy;
3. Has agreed to comply with the policy; and
4. Understands that the Association is a nonprofit organization and that in order to maintain its federal tax exempt status, it must engage primarily in activities which accomplish one or more of its tax exempt purposes.