

CONFLICT OF INTEREST POLICY

- ✓ Shore Memorial Hospital ✓ Shore Rehab ✓ Shore LifeCare ✓ Shore Health Care at Home ✓ MMC
- ✓ Lingle//Goldstein Surgical Assoc. ✓ Orthopedic Assoc.

Date Written: 6/97

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Adopted by Board: 6/97 Reviewed by Board: 6/27/01, 4/04, 3/05

President/CEO

Compliance Officer

Article I

PURPOSE:

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

Definition: A conflict of interest constitutes a situation when the organization as a whole or individual representative of the organization, has competing professional or personal obligations or personal or financial interest what would make it difficult for the organization or the individual(s) to fairly fulfill the mission, vision, and values of the institution. In general, conflict of interest relate to the potential for self-gain usually, but not always, of a fiscal nature.

Article II

DEFINITIONS:

1. Interested Person.

Any director, principal officer, key employee, or member of a committee with board delegated powers who has a direct or indirect financial interest, as defined below, is an interested person. If a person is an interested person with respect to any entity in the health care system of which the Corporation is a part, he or she is an interested person with respect to all entities in the health care system.

2. Financial Interest.

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

an ownership or investment interest in any entity with which the Corporation has a transaction or arrangement; or

a compensation arrangement with the Corporation or with an entity or individual with which the Corporation has a transaction or arrangement;

or

a potential ownership or investment interest in, or compensation arrangement with, any entity or individual with which the Corporation is negotiating a transaction or arrangement.

Compensation includes direct and indirect remuneration as well as gifts or favors that are substantial in nature.

A financial interest is not necessarily a conflict of interest. Under Article III, Section 2, a person who has a financial interest may have a conflict of interest only if the appropriate board or committee decides that a conflict of interest exists.

3. Key Employees.

Key employees shall include any Officer, Vice President, Department Manager, individual with purchasing or contracting authority, and others as may be designated by the Board from time to time, in its sole discretion.

Article III

PROCEDURES:

1. Duty to Disclose.

In connection with any actual or possible conflicts of interest, an interested person must disclose the existence of his or her financial interest and all material facts to the directors and members of committees with Board delegated powers considering the proposed transaction or arrangement.

2. Determining whether a Conflict of Interest Exists.

After disclosure of the financial interest and all material facts, and after any discussion with the interested persons, if requested by the Board Chairman or Committee Chairman, he or she 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.

3. Procedures for Addressing the Conflict of Interest.

(a) An interested person may make a presentation at the Board or committee meeting, but after such presentation, he or she shall leave the meeting during the discussion of, and the vote on, the transaction or arrangement that results in the conflict of interest. However, if approved by a majority of disinterested Directors, the interested Director may remain in attendance for the discussion, but shall abstain from any vote on the transaction or arrangement.

(b) The chairperson of the Board or committee shall, if appropriate, appoint a disinterested person or committee to investigate alternative to the proposed transaction or arrangement.

After exercising due diligence, the Board or committee shall determine whether the Corporation 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 not give rise to a conflict of interest, the Board or committee shall determine by majority vote of the disinterested directors whether the transaction or arrangement is the Corporation's best interest and for its own benefit and whether the transaction is fair and reasonable to the Corporation and shall make its decision as to whether to enter into the transaction or arrangement in conformity with such determination.

4. Violations of the Conflict of Interest Policy.

(a) If the Board or committee has reasonable cause to believe that a member has failed to disclose an actual or possible conflicts of interest, it shall inform the member of the basis for such belief and afford the member an 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 in the circumstances, the Board or committee determines that the member has, in fact, failed to disclose an actual or possible conflict of interest, it shall take appropriate disciplinary and corrective action. What constitutes appropriate disciplinary and corrective action shall be at the sole discretion of the Board or appropriate committee.

Article IV

RECORDS OF PROCEEDINGS:

The minutes of the Board and all committees with Board delegated powers 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.

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 the record of any votes taken in connection therewith.

Article V

COMPENSATION COMMITTEES:

1. A voting member of any committee whose jurisdiction includes compensation matters and who receives compensation, directly or indirectly, from the Corporations for services, is precluded from voting on matters pertaining to that member's compensation.
2. Physicians who receive compensation, directly or indirectly, from the Corporation, whether as employees or independent contractors, are precluded from membership on any committee whose jurisdiction includes compensation matters. No physician, either individually or collectively, is prohibited from providing information to any committee regarding physician compensation.

Article VI

ANNUAL STATEMENTS:

Each director, principal officer, key employee and member of a committee with Board delegated powers shall annually sign a Conflict of Interest Statement which affirms that such person:

1. Has received a copy of the Conflict of Interest Policy;
2. Has read and understands the Policy;
3. Has agreed to comply with the Policy; and
4. Understands that the Corporation is a charitable organization and that **in** order to maintain its federal tax exemption it must engage primarily in activities which accomplish one or more of its tax exempt purposes.

In order to comply with the Policy, each director, officer, key employee or member of a committee with Board delegated powers shall:

1. Complete a Conflict of Interest Disclosure upon commencement of membership or employment;
2. Update said disclosure in a timely fashion when necessary with the secretary of the Board, or, at the very least, update such disclosure annually on the date designated by the Board for such updating.

Article VII

PERIODIC REVIEWS:

To ensure that the Corporation operates in a manner consistent with its charitable purpose and that it does not engage in activities that could jeopardize its status as an organization exempt from federal income tax, periodic reviews shall be conducted. The periodic reviews shall, at a minimum, include the following subjects:

1. Whether compensation arrangements and benefits are reasonable and are the result of arm's-length bargaining.
2. Whether acquisitions of physician practices and other provider services result in inurement or impermissible private benefit.

3. Whether partnership and joint venture arrangements and arrangements with management service organizations and the physician-hospital organizations conform to written policies, are properly recorded, reflect reasonable payment for goods and services, further the Corporation's charitable purposes, and do not result in inurement or impermissible private benefit.

4. Whether agreements to provide health care and agreements with other health care providers, employees, and third party payors further the Corporation's charitable purposes and do not result in inurement or impermissible private benefit.

Article VIII

USE OF OUTSIDE EXPERTS:

In conducting the periodic reviews provided for in Article VII, the Corporation may, but need not, use outside advisors. If outside experts are used, their use shall not relieve the Board of its responsibility for insuring that periodic reviews are conducted.

CONFLICT OF INTEREST STATEMENT

Name:

Address:

Position:

I affirm that:

(1) I have received a copy of the Shore Health Services Conflict of Interest Policy (the "Policy");

I have read and understand the Policy;

I agree to comply with the Policy; and

(4) I understand that the Corporation is a charitable organization and that in order to maintain its federal tax exemption it must engage primarily in activities which accomplish one or more of its tax exempt purposes.

Executed: _____, 20_____.

_____ Signature

CONFLICT OF INTEREST DISCLOSURE

Name:

Address:

Name and Address of Firm or Business:

Title and Relationship in or to the Firm:

I have reviewed the Conflict of Interest Policy of the Hospital, in particular, the definition of a "financial interest" and disclosure requirements contained therein. Set forth below is a description of all facts which might constitute a conflict of interest (include the type and nature of any transaction between the Corporation and your firm and the monetary value of all business transactions with the Corporation or the consideration or price of goods or services rendered to (or from) the Corporations):

Executed: _____, 20_____.

Signature