

HAWAI`I PACIFIC HEALTH

CONFLICT OF INTEREST POLICY

ARTICLE I. PURPOSE

The purpose of this policy is to protect the Corporation¹ from conflicts of interest by its directors, officers and key employees whenever the Corporation considers contracts, business deals and arrangements with persons or companies that might result in personal financial benefit.²

ARTICLE II. PROCEDURES

- **You³ Must Disclose All Potential Conflicts:** Because any personal financial interest⁴ you may have might conflict with the interests of the Corporation, all possible conflicts must be disclosed in reasonable detail to the Board of Directors of the Corporation (“Board”).⁵
- **The Board Will Determine Whether a Conflict of Interest Exists:** After the above disclosure is made, and there is discussion with you (if appropriate), you shall be excused and the remaining Board will discuss the potential conflict and deliberate and vote upon whether a conflict of interest exists.
- **Procedures for Addressing the Conflict of Interest:**
 - **Presentation by You:** If a conflict is found, then you may address the Board and explain the transaction or arrangement causing the conflict. After the presentation, you shall be excused from the meeting and shall not participate with any discussion or vote on matters pertaining to the transaction or arrangement.
 - **Investigation of Alternatives:** The Board chair may appoint a disinterested person or committee to investigate alternatives to the proposed transaction or arrangement.

¹ “Corporation” means Hawai`i Pacific Health (“HPH”) or one of its subsidiary organizations. For example, Straub Clinic & Hospital is a subsidiary organization of HPH.

² This policy is intended to supplement and not replace any applicable state laws governing conflicts of interest applicable to nonprofit and charitable organizations.

³ “You” means 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 in footnote 4. If you have a financial interest as to one HPH corporation, you are considered to have a financial interest as to all HPH corporations.

⁴ You are considered to have a financial interest if, through business, investment, or family, you have:

- a) an ownership or investment interest in any entity the Corporation does business with; or
- b) a compensation arrangement with the Corporation or with any entity or individual with which the Corporation has an arrangement or has done a transaction; or
- c) a potential ownership or investment interest in, or compensation arrangement with any entity with which the Corporation is negotiating business.

“Compensation” includes gifts or favors that are substantial in nature.

“Family” means any blood relative and includes a person’s spouse, ancestors, brothers and sisters (whether whole- or half-blood), children, grandchildren, great grandchildren, and the spouses of brothers and sisters, children, grandchildren and great grandchildren. Adopted children, spouses, and spouses of blood relatives are considered family.

⁵ If there is a committee that has been delegated corporate authority to make decisions on a proposed transaction or arrangement for the Corporation, disclosure of the possible conflict must be made to that committee instead of the Board. For purposes of this policy, where reference is made to the Board when there has been such delegated corporate authority given to a committee, the term “Board” shall mean that committee. “Reasonable detail” means disclosing the existence and nature of the interest and all associated material facts.

- After reviewing the facts and circumstances, the Board shall determine whether the Corporation can avoid the conflict by reasonably entering into a more advantageous transaction or arrangement with another that does not pose a potential conflict.
- **Determination of Whether to Enter into Transaction or Arrangement:** If the Board cannot reasonably attain an alternative transaction or arrangement, the Board shall decide by majority vote of disinterested directors whether the proposed transaction or arrangement is: a) in the Corporation's best interest; b) for the Corporation's own benefit; and c) fair and reasonable to the Corporation. Based upon these determinations, the Board shall make its decision as to whether or not to enter into the transaction or arrangement.
- **Penalties for Violating the Conflicts Policy:**
 - **Process for Failure to Disclose:** If the Board has a reasonable belief that a person has failed to disclose, it shall inform the person of its basis for that belief, and give the person an opportunity to explain why he/she did not make a disclosure.
 - **Disciplinary or Corrective Action for Failure to Disclose:** After reviewing the facts and circumstances, if the Board finds that the person in fact failed to disclose, the Board shall take whatever disciplinary or corrective action it deems appropriate.

ARTICLE III. RECORDS OF PROCEEDINGS

In any meeting where matters pertaining to the application of this policy occur, the meeting minutes shall contain:

- The names of the persons involved in the potential or actual conflict, the nature of the financial interest, any action taken to assist in the determination of whether a conflict existed, and the Board's decisions regarding the conflict; and
- The names of person present for discussions 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 votes taken in connection therewith.

ARTICLE IV. COMPENSATION COMMITTEES

- Any voting Board member shall not vote on matters pertaining to his/her own compensation⁶ from the Corporation.
- Any compensated voting Board member who is a physician shall not participate in the discussions or vote on matters related to his/her compensation or the compensation of other physicians. However, a physician director may either individually or collectively, provide information to the Board regarding physician compensation.
- Any compensated voting member of any committee with responsibilities that include compensation matters, shall not vote on matters pertaining to his/her own compensation.
- Any compensated physician, whether as an employee or independent contractor, shall not become a member of any committee with responsibilities that include physician compensation matters. However, a physician may, either individually or collectively, provide information to any committee regarding physician compensation.

⁶ The terms "compensation" or "compensated" as used in this Article includes compensation that is paid directly or indirectly by the Corporation to the person for services, direct or indirect remuneration, or gifts or favors that are substantial in nature.

ARTICLE V. ANNUAL STATEMENTS

Each director, principal officer, key employee and member of a committee with Board delegated powers shall annually sign a statement, in the form attached hereto and incorporated herein as Attachment A, which affirms that such person:

- received a copy of this Policy;
- has read and understands this Policy;
- agrees to comply with this Policy; and
- understands that the Corporation is a charitable organization and that in order to maintain its federal tax exemption, Corporation must engage primarily in activities which accomplish one or more of its tax-exempt purposes.

ARTICLE VI. PERIODIC REVIEWS

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

- Whether compensation arrangements and benefits are reasonable and the result of arms length bargaining;
- Whether acquisitions of physician practices and other provider services result in inurement or impermissible private benefit;
- Whether partnership and joint venture arrangements and arrangements with management service organizations and physician hospital organizations conform to written policies, are properly recorded, reflect reasonable payments for goods and services, further the Corporation's charitable purposes and do not result in inurement or impermissible private benefit; and
- 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 VII. USE OF OUTSIDE EXPERTS

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