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Prior Reviews: June 11, 2007; March 31, 2006 & July 5, 2005

Approved: Robert Michalski

Subject: **Conflicts of Interest Policy**

I. POLICY

It is the policy of the West Penn Allegheny Health System, Inc. ("WPAHS") and its controlled affiliates (collectively, the "System") that certain individuals with the actual or perceived ability to influence a System entity will disclose personal and professional relationships, with entities that do or seek to do business with a System entity or that compete with a System entity. The Boards of Directors (except Emeritus), management, and other key personnel who interact with outside organizations or businesses on behalf of the System will complete a Conflicts of Interest Disclosure Statement on a regular basis.

II. PURPOSE

The purpose of the WPAHS Conflicts of Interest Policy (the "Policy") is to protect the interests of the System when contemplating entering into a transaction or arrangement that may potentially benefit the private interest of an officer, director or other person affiliated with or in a position to exercise substantial influence or control over the affairs of a WPAHS entity.

This Policy has been designed and implemented by WPAHS at the direction of the Board of Directors in furtherance of the purposes established by the WPAHS System Compliance Program in an attempt to comply with the letter and spirit of all applicable federal and state laws and regulations, including the laws, rules and regulations that govern the tax-exempt status of WPAHS or any affiliated member, its participation in the Medicare and Medicaid programs, and its accreditation by the Joint Commission. In addition, this Policy is intended to supplement but not replace, any applicable federal and state laws governing conflicts of interest applicable to nonprofit and charitable organizations.

III. SCOPE

This policy applies to System officers, board members, medical staff members and employees of the System including, but not limited to, Allegheny General Hospital, Allegheny General Hospital - Suburban Campus, Allegheny Medical Practice Network, Allegheny Singer Research Institute, Allegheny Specialty Practice Network, Alle-Kiski Medical Center, Alle-Kiski Medical Center Trust, Canonsburg General Hospital, Canonsburg Ambulance Service, Friendship Insurance Company, Inc., Forbes Health Foundation, Suburban Health Foundation, The Western Pennsylvania Hospital, The Western Pennsylvania Hospital - Forbes Regional Campus, West Penn Allegheny Foundation, West Penn Allegheny Oncology Network, , West Penn Physician Practice Network, , and The Western Pennsylvania Hospital Foundation.

IV. DEFINITIONS

A. Conflict of Interest

A "Conflict of Interest" is any circumstance under which an "Interested Person", by virtue of a "Financial or Non-Financial Interest", may be influenced or may appear to be influenced, either in whole or in part by a purpose, motive or other personal interest other than the success and well-being of the System and the achievement of its public charitable purposes. A Conflict of Interest may occur if a person's personal activities or interests appear to, could, or actually do influence the decisions required as part of the individual's position at and obligation to WPAHS or any affiliated member.

B. Interested Person

For purposes of this Policy, an "Interested Person" includes any of the following individuals who has a direct or indirect "Financial or Non-Financial Interest" (defined below): current and former board member (except Emeritus); current and former member of a committee with board-delegated powers; current and former officers; current and former key employees as designated by WPAHS; current 5 highest compensated employees; current management of System entities; current physicians serving in an elected or appointed leadership position within a System entity; current members of the Pharmaceutical & Therapeutic committees; a family member of a current or former officer, board member or key employee; an entity more than 35% owned, directly or indirectly, individually or collectively, by one or more current or former officers, board members or key employees; an entity of which a current or former officer, board member or key employee was serving at the time of a transaction as (1) an officer, (2) a director, (3) a key employee, (4) a partner or member with an ownership interest in excess of 5% if the entity is treated as a partnership, or (5) a shareholder with an ownership interest in excess of 5% if the entity is a professional corporation. Current Interested Persons are considered individuals serving in one of these roles at any time during the current fiscal year that Annual Statements are collected while Former Interested Persons served in one of these roles in a prior fiscal year.

If a person is an Interested Person with respect to any entity in the health care system of which the organization is a part, he or she is an Interested Person with respect to all entities in the health care system.

C. Key Employee

For purposes of this Policy, a "Key Employee" is defined as an individual annually designated by WPAHS and as reported in (2007 Form 990, Part V, Section A), or (2008 Revised Form 990, Part VII, Section A).

D. Financial or Non-Financial Interest

A person has a "Financial or Non-Financial Interest" if the person, a "Member of the Family" (defined below) or an entity in which the person holds a "Material Interest" (defined below) has:

1. Any "Material Interest" in, or employment or other financial arrangement with any business or entity that conducts or seeks to conduct business, directly or indirectly, with WPAHS or any affiliated member;

2. Any "Material Interest" in an entity that is more than 35% owned, directly or indirectly or collectively by current and former officers, board members and key employees.
3. Received any compensation or discount, whether it be salary, sales commission, profit, or return on investment, which was directly or indirectly derived as a result of business with WPAHS or any affiliated member (excluding regular employee compensation from WPAHS or any affiliated member). Compensation includes direct and indirect remuneration as well as gifts or favors that are not insubstantial;
4. Any "Material Interest" in, or employment or other financial arrangement with any business or entity that is in competition, directly or indirectly, with WPAHS or any affiliated member; or,
5. Currently serves as a director, trustee, officer, or in any other fiduciary, influential, medical staff leadership, or key employee capacity for a non-System corporation, partnership, or business entity or organization that conducts or seeks to conduct business, or that is or could be in competition, directly or indirectly, with a System entity.

E. Member of the Family

A "Member of the Family" for purposes of this Policy is defined as a spouse, ancestors, parents, siblings (whether whole or half blood), children (whether natural or adopted), grandchildren, great grandchildren, and spouses of siblings, children, grandchildren or great grandchildren or any of these in a step relationship.

F. Material Interest

A "Material Interest" means any interest, investment and / or an equity or ownership interest of more than five percent in any single entity (other than a tax-exempt organization under IRC Section 501(c)) held by the "Interested Person."

G. Director Independence

A director is independent if all three of the following circumstances are true at all times during the tax year:

1. The member was not compensated as an officer or other employee of a System entity.
2. The member did not receive, in aggregate, payments exceeding \$10,000 for the year from one or more System entities as an independent contractor other than reimbursement of expenses in his/her capacity as a director.
3. Neither the director nor any family member of the director was involved in a transaction with a System entity (directly or indirectly through another entity) that constitutes one of the following:
 - Excess benefit transaction
 - Loans to or from an Interested Person
 - Grants or Assistance benefiting an Interested Person
 - Business transactions involving an Interested Person if
 - Aggregate payments during the year exceeded \$100,000
 - Payments from a single transaction exceeded the greater of \$10,000 or 1% of filing entity's total revenue; or
 - System entity paid compensation greater than \$10,000 during the tax year to a family member of an Interested Person.

V. PROCEDURES**A. Duty to Disclose**

In connection with any actual or possible Conflicts of Interest, an Interested Person must disclose the existence and all material facts of any Financial or Non-Financial Interest through the submission of the WPAHS Conflicts of Interest Disclosure Statement in writing to both the WPAHS Compliance Officer and the Interested Person's immediate supervisor on an annual basis and as potential conflicts are identified. If the individual's position to which the conflict applies is membership of a Board or Committee, the disclosure shall also be made to the Board or Committee as a whole. At least annually, or as necessary based on disclosures, the WPAHS Compliance Officer will summarize and report all disclosures to the President and Chief Executive Officer and Chairperson of the Board of Directors (or his or her designee) of the relevant entity.

B. Determining Whether a Conflict of Interest Exists

After disclosure of Financial or Non-Financial Interests and all material facts by an Interested Person, the Chairperson of the Board of Directors or Committee of the relevant entity or his or her designee shall determine in conjunction with the Chief Executive Officer of the relevant entity whether a Conflict of Interest exists. The Board or Committee can continue to discuss the issue with the interested person to clarify or obtain additional information relevant to the financial interest. However, before the Board or Committee discusses and votes on whether the interested person's financial interest is a conflict of interest, the interested person must leave the meeting. In the event the Financial or Non-Financial Interest involves the Chairman or the Chief Executive Officer, the remaining officers shall appoint one or more disinterested directors to make the determination.

C. Procedures for Addressing a Conflict of Interest

If a Conflict of Interest is determined to exist under the procedures noted in the preceding paragraph with respect to any transaction or arrangement involving an Interested Person, the following general procedures shall, under the direction of the WPAHS or controlled affiliate's Board of Directors, be followed in addressing the Conflict of Interest:

1. The material facts as to the Material Interest shall be disclosed to the Board or Committee (unless already known by the Board or Committee);
2. An Interested Person may make a presentation at the Board or Committee meeting, but after the presentation, the Interested Person shall remove himself or herself from participating in the discussion and/or voting on the transaction or other arrangement from which the Conflict of Interest arises;
3. The Chairperson of the Board or Committee shall, if appropriate, appoint an independent person or committee to investigate alternatives to the proposed transaction or arrangement; and
4. The Board of Directors or Committee shall determine by a vote whether the transaction or arrangement is in the best interest of the organization and whether the transaction is fair and reasonable to the organization and shall make its decision as to whether to enter into the transaction or arrangement in conformity with such determination.

D. Violations of the Conflicts of Interest Policy

If the relevant Board of Directors, or other acting Committee has reasonable cause to believe that an Interested Person or another person with a duty to disclose has failed to disclose actual or possible conflicts of interest, it shall inform such person of the basis for such belief and afford such person an opportunity to explain the alleged failure to disclose. If, after hearing the response of such person and making further inquiry or investigation as warranted by the circumstances, the Board or Committee determines that such person has in fact failed to disclose an actual or possible conflict of interest, the appropriate disciplinary and corrective action shall be taken.

VI. RECORDS OF PROCEEDINGS

In the event there is determined to be a conflict of interest, the minutes of the WPAHS or affiliated member's Board of Directors or Committee, shall contain:

- A.** The names of the persons who disclosed or otherwise were found to have an actual or possible conflict of interest, the nature of the Financial or Non-Financial Interest, any action taken to determine whether a Conflict of Interest was present, and the Board or Committee's decision as to whether a Conflict of Interest in fact existed; and
- B.** The names of persons who were 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 any votes taken in connection with the proceedings.

VII. COMPENSATION ISSUES

- A.** A voting member of a Board or any Committee whose jurisdiction includes compensation matters and who receives compensation, directly or indirectly, from WPAHS or any affiliated member for services is precluded from voting on matters pertaining to his or her own compensation.
- B.** No voting member of a Board or any Committee whose jurisdiction includes compensation matters and who receives compensation, directly or indirectly, from WPAHS or any affiliated member, either individually or collectively, is prohibited from providing information to any Committee regarding compensation.
- C.** Physicians who receive compensation, directly or indirectly, from any System entity, whether as employees or independent contractors, are precluded from membership on any committee that determines and approves physician compensation matters. No physician, either individually or collectively, is prohibited from providing information to any Committee regarding physician compensation.

VIII. ANNUAL STATEMENTS

On an annual basis, each current Interested Person as defined in Section IV. paragraph B., who has a duty to disclose as described in Section V. paragraph A., shall complete in writing, the WPAHS Conflicts of Interest Disclosure Statement which affirms that such person has:

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- A. Received a copy of the WPAHS Conflicts of Interest Policy and the WPAHS Gifts & Gratuities, Entertainment, and Vendor Promotional Training Policies (collectively, the "Policies");
 - B. Read and understands the Policies;
 - C. Agreed to comply with the Policies; and
 - D. Understands that certain System entities are charitable organizations and that in order to maintain their federal tax exemption, such entities must engage primarily in activities which accomplish one or more of its tax-exempt purposes.

IX. PERIODIC REVIEWS

To ensure that WPAHS and its controlled affiliates operate in a manner consistent with their charitable purposes and that they do not engage in activities that could jeopardize their status as an organization exempt from federal taxation (if applicable), and in connection with its System Compliance Program, WPAHS management shall conduct periodic reviews of the potential conflicts of interest and other financial relationships identified under the WPAHS Conflicts of Interest policy.

When conducting the periodic reviews, WPAHS management may, but need not, use outside advisors. If outside experts are used, their use shall not relieve the Board of its responsibility for ensuring periodic reviews are conducted.