

## **MAIMONIDES MEDICAL CENTER**

**CODE:** AD-108 (Revised)

**DATE:** April 27, 2017

**ORIGINAL ISSUE DATE:** November 1, 1993

### **SUBJECT: CONFLICT OF INTEREST**

#### **I. POLICY**

##### **A. PURPOSE**

The purpose of this conflict of interest policy (the “Policy”) is to ensure that trustees, officers and employees of the Medical Center and members of the Medical Staff act in the Medical Center’s best interests, promote the goals of transparency and accountability in the Medical Center’s operations and comply with applicable legal requirements, including but not limited to state and federal laws governing conflicts of interest for not-for-profit and tax exempt corporations.

##### **B. STANDARD**

All trustees, officers and employees of the Medical Center and members of the Medical Staff shall exercise the utmost good faith in all matters relating to their duties and responsibilities to the Medical Center and shall at all times in discharging those duties and responsibilities act in the best interests of the Medical Center and its property. They shall not use their positions or knowledge gained therefrom, directly or indirectly, to obtain a personal advantage or pursue a business opportunity with a third party. They shall conduct their activities on behalf of the Medical Center so as to avoid any situation in which their judgment and independence may be impaired or appear to be impaired because of (1) any activity in which they (or any family member) may engage, or (2) any personal or financial interest or relationship they (or any family member) may have, including service on the board of, or a relationship with, another not-for-profit corporation.

##### **C. APPLICABILITY**

For the purpose of this Policy the term “Medical Center” shall include: (1) Maimonides Medical Center, and its subsidiaries and affiliates; (2) Maimonides Health Resources, Inc.; (3) Maimonides Research and Development Foundation; and (4) MMC Holding of Brooklyn, Inc. and its subsidiaries and affiliates. If an employee, officer, trustee or member of the Medical Staff has a conflict of interest with respect to any entity of the Medical Center, he or she is deemed to have a conflict of interest with respect to all entities of the Medical Center.

For purposes of this Policy: (1) “family member” means any spouse, domestic partner, ancestors, brothers and sisters (whether whole- or half-blood), children (whether natural or adopted), grandchildren, great grandchildren and spouses of brothers, sisters, children, grandchildren and great grandchildren; (2) “Medical Staff” includes only those individuals who are in a position to influence vendor selection, to approve a transaction with a third party or approve the expenditure of funds; and (3) “trustees” means the trustees or directors, as applicable, of the governing body of the Medical Center or any subsidiary or affiliate.

**D. DISCLOSURE**

All trustees, officers and employees of the Medical Center and members of the Medical Staff shall disclose in detail any activities or interests which may conflict or appear to conflict with the Medical Center’s best interest.

Full disclosure of the facts in a timely fashion to the Executive Vice President for Legal Affairs & General Counsel for officers, employees or members of the Medical Staff, or the Chair of the Audit and Legal Committee of the Board of Trustees (the “Board”) in the case of trustees, and obtaining of approval by the appropriate person or Board committee will generally meet an individual’s responsibilities under this Policy.

Each trustee, officer and employee of the Medical Center and member of the Medical Staff is responsible for recognizing the possibility of a conflict of interest and for disclosing it pursuant to the procedures set forth below.

**E. VIOLATIONS**

When the Medical Center has reasonable cause to believe an employee, officer or trustee of the Medical Center or member of the Medical Staff has failed to disclose actual or possible conflicts of interest, it shall inform the individual of the basis for such belief and afford the individual an opportunity to explain the alleged failure to disclose.

If, after hearing the individual’s response and after making further investigation as warranted by the circumstances, the Medical Center determines that the individual has failed to disclose an actual or possible conflict of interest, it shall take appropriate disciplinary and corrective action, which may include removing a trustee from the Board, terminating an employee from the Medical Staff or removing a member from the Medical Staff under the applicable provisions of the Medical Staff Bylaws.

**F. RELATIONSHIP TO OTHER LAWS AND POLICIES**

This Policy is intended to supplement and not replace any applicable state and federal laws governing conflicts of interest applicable to not-for-profit corporations as well as any existing or future policies covering subjects mentioned in this Policy. A list of related policies is included at the end of this Policy.

## II. PROCEDURES

### A. **DEFINITION**

For purposes of this Policy, a “conflict of interest” is defined as any activity that violates or could potentially violate the standard set forth in Section I.B. above. While it is not possible to describe or anticipate all the circumstances and situations that might involve or appear to involve a conflict of interest and without limiting the standard set forth in Section I.B., the following may create a conflict of interest:

### B. **GIFTS, MEALS, GRATUITIES AND ENTERTAINMENT**

Trustees, officers and employees of the Medical Center and members of the Medical Staff, or their family members, may not solicit, receive or make gifts, payments, fees, services, loans, valuable privileges, vacations or trips without a business purpose, or other favors of any kind from or to any individual or business entity which does or seeks to do business with or establish a beneficial relationship with the Medical Center. An especially strict standard is expected with respect to gifts, services or consideration of any kind from suppliers, contractors or vendors (hereafter vendors, contractors and suppliers shall be denominated by the term “vendors”).

It is never permitted to accept cash, cash equivalents (stocks or other forms of marketable securities) or gifts from vendors in exchange for entering into a contract to purchase or a promise to purchase goods or services from that vendor. No written requirements or “understandings” may be made with vendors that a contract to purchase or promise to purchase goods or services is contingent upon later payments or gifts from that vendor.

All offers of gifts, favors, or gratuities, even of nominal value, made to employees involved in or regarding patient care must be courteously declined, except as otherwise permitted by COMP 13 “GIFTS, GRATUITIES, AND BUSINESS COURTESIES.”

### C. **VENDOR DONATIONS OR CONTRIBUTIONS**

Independent donations or contributions to the Medical Center freely given by a vendor may be acceptable provided that these donations and contributions are

independent from contract negotiations and that the Office of the General Counsel has reviewed the proposed facts. Employees and other Medical Center personnel may only solicit donations or contributions (*e.g.*, for education and research funds) as permitted by COMP 13 “GIFTS GRATUITIES, AND BUSINESS COURTESIES.”

#### **D. PRICE REDUCTIONS**

1. Permissible price reductions include discounts, rebate checks, credits or coupons directly redeemable from the vendor, only to the extent that such reductions in price are attributable to the original good or service that was purchased or furnished. These price reductions must be earned based on purchases of the same good or service purchased within a single fiscal year of the Medical Center.
2. Any discounts or reductions in price obtained by the Medical Center for goods and services provided under the Medicare or Medicaid Programs are only permissible if the reduction in price is properly disclosed and appropriately reflected in the costs claimed or charges made by the Medical Center under those programs.
3. Price reductions for prompt payment for items purchased from vendors are acceptable.
4. Impermissible price reductions include:
  - a. cash payments or other remuneration in exchange for purchases;
  - b. furnishing one good or service without charge or at a reduced charge in exchange for any agreement to buy a different good or service;
  - c. a reduction in price applicable to one payor but not to the Medicare or Medicaid Programs;
  - d. a reduction in price offered to a beneficiary (*e.g.* reduction or waiver of coinsurance or deductible).

Such “price reductions” artificially lower the cost of goods or services being purchased and are illegal because they are tantamount to bribes.

#### **E. BRIBES AND OTHER IMPROPER PAYMENTS**

No bribe, kickback or other improper payment shall be solicited or made on behalf of the Medical Center. No agent's fees or commissions may be paid if the amount or method of payment makes it appear likely that a bribe is intended.

#### **F. IMPROPER ACCOUNTING PRACTICES**

1. No undisclosed or unrecorded fund or asset shall be established for any purpose. No withdrawal shall be made from any disbursement account except by check or other acceptable means of transfer customarily used by major banks, and then only by authorized personnel. No check shall be made payable to "cash" or other unidentifiable payee.
2. No false or artificial entries shall be made in Medical Center books or records, or in those of any subsidiary or affiliate, and no employee shall engage in any arrangement that results in such entry.
3. No payment shall be approved or made with the intention or understanding that the payment or any part of it will be used for any purpose other than that disclosed by supporting documents.
4. No member of the Audit and Legal Committee of the Board shall have any financial interest in the firm of independent public accountants that audits the Medical Center's financial statements or shall have participated in any interested party transaction with the Medical Center within the current or prior fiscal year.

#### **G. POLITICAL CONTRIBUTIONS AND GIFTS TO GOVERNMENT OFFICIALS**

Employees shall not use Medical Center funds or assets for contributions of any kind to any political party or candidate for or holder of any government office. Food, beverages, gifts and entertainment (even of nominal value) may not be offered to any governmental official. Such gifts could be misinterpreted as an attempt to improperly influence an official and must be avoided.

#### **H. OUTSIDE FINANCIAL INTERESTS AND ACTIVITIES**

##### **1. FINANCIAL INTERESTS.**

- a. An employee, officer, trustee or member of the Medical Staff has a "Financial Interest" any time he or she is connected directly (as owner, partner, officer, director, participant, licensee, shareholder, consultant or as the recipient of wages, salary, commission, bonus, fees, stock, stock options, royalties, patents, consulting fees, honoraria or other compensation of value) or indirectly (as a family

member, silent partner, etc.) with any entity, whether for profit or not-for-profit, which sells or provides goods and services, financing or facilities to the Medical Center or its patients (i.e., home care agency, dialysis center) or which has any other business or financial relationship with the Medical Center (including a research sponsorship relationship) or which is a competitor of the Medical Center or which regulates or licenses the Medical Center. Trustees with a Financial Interest are considered “Interested Persons” under this Policy.

- b. Having a Financial Interest is prohibited except: (i) in the case of employees and members of the Medical Staff, with the prior written approval of the Executive Vice President for Legal Affairs & General Counsel upon full disclosure of the facts; and (ii) in the case of trustees who are Interested Persons, upon disclosure to the Audit and Legal Committee of the Board in accordance with Section H.2 below.
- c. Members of the Medical Staff with a Financial Interest may not make clinical referrals except for procedures carried out in his/her own office to a business in which such Medical Staff member, or a member of his family, has a financial interest without prior disclosure and written permission of the Executive Vice President for Legal Affairs & General Counsel.
- d. A Financial Interest mentioned above does not include interests in entities listed on a national stock exchange or traded over the counter provided the individual and his/her family members do not own in the aggregate more than 5% of the entities’ outstanding shares. Financial Interests do not include securities in mutual funds or 401(k)/403(b) retirement funds outside of the control of the individual.
- e. If any employee or family member engages in or contemplates engaging in an outside activity or employment which might be a conflict of interest, the employee should discuss the matter with the Executive Vice President for Legal Affairs & General Counsel or the Corporate Compliance Officer.
- f. Any trustee proposing a transaction or relationship with the Medical Center (which is defined in Section I.C as including MMC Holding and its subsidiaries) which would make that trustee an “Interested Party” as defined in Section II.H.1.a, shall bring such proposed transaction or relationship to the Chair of the Board of Trustees and shall not contact staff members directly unless

authorized by the Chair”.

- g. Any trustee proposing a new vendor or consultant or other transaction which would **not** make that trustee an “Interested Party”, as described in subsection(f) shall bring the proposed vendor or consultant or transaction to the Chair of the Board of Trustees and shall not contact staff members directly unless authorized by the President.
- h. A Financial Interest is not necessarily a conflict of interest. An employee, officer, trustee or member of the Medical Staff (or his/her family member) who has, or is about to assume, a Financial Interest or other outside relationship that might result in a conflict of interest, must give all pertinent information to the Executive Vice President for Legal Affairs & General Counsel or to the Audit and Legal Committee of the Board, as applicable. Under Section H.2 an Interested Person who has a Financial Interest may have a conflict of interest only if the Audit and Legal Committee of the Board decides that a conflict of interest exists.

## 2. PROCEDURES FOR DISCLOSURE OF FINANCIAL INTERESTS.

- a. Each trustee who is deemed an Interested Person under this Policy has a duty to disclose promptly and in good faith to the Audit and Legal Committee of the Board the nature of such individual’s Financial Interest.
- b. After disclosure of the Financial Interest and all material facts, and after any discussion with the Interested Person, the Interested Person must leave any meetings of the Board or a Board committee at which the Financial Interest is discussed and voted upon. The remaining members of the Board or committee members will determine whether a conflict of interest exists. The Interested Person may not use any personal influence while the matter is discussed and voted upon.
- c. The Chair of the Audit and Legal Committee of the Board may, if appropriate, appoint a disinterested person or committee to investigate alternatives to any proposed transactions or arrangements that would create or further the Financial Interest disclosed by the Interested Person.
- d. Following any such disclosure, and after appropriate due diligence and development and consideration of other alternatives, if any, the Audit and Legal Committee of the Board may, in its direction,

authorize or approve the proposed Financial Interest and/or impose any safeguards necessary to protect the interests of the Medical Center. Such actions by the Audit and Legal Committee of the Board shall be by a vote sufficient for such purpose without counting the vote or votes of the Interested Person and the Interested Person may not participate in determining the quorum at the meeting at which the vote is taken.

- e. Depending on the nature and severity of the conflict of interest identified by the Audit and Legal Committee of the Board, the safeguards necessary to protect the Medical Center may include (in the sole determination of the Audit and Legal Committee of the Board):
- i. **Recusal at the Medical Center:** Recusing the Interested Person completely or partially from votes, meetings and discussions of the Board, or Committee of the Board, that pertain or relate to the Financial Interest, including the receipt of written materials that include a discussion of the Financial Interest;
  - ii. **Firewalls:** Requiring the Interested Person to provide assurances that he or she has implemented appropriate firewalls surrounding a Financial Interest involving outside activities such that the Financial Interest will not give rise to a Conflict of Interest (e.g., ethical or legal walls).
  - iii. **Certification:** Requiring the Interested Person to certify in writing that the Financial Interest shall not affect or otherwise interfere with his or her duties as a member of the Board; and/or
  - iv. **Monitoring and Reporting:** Requiring the Interested Person to report to the Chair of the Audit and Legal Committee of the Board using the Certificate (as defined herein) or another form developed by the Audit and Legal Committee of the Board, in consultation with the Executive Vice President for Legal Affairs & General Counsel, regarding the status of the Financial Interest to determine whether the existing safeguards are adequate to safeguard the interests of the Medical Center.
- f. Disclosure of the interest to the Audit and Legal Committee of the Board, the safeguards imposed (if any) and the fact that the Interested Person did not vote or participate in the deliberations shall be reflected



in the minutes of the Board or Board committee.

3. CONFIDENTIAL INFORMATION. Employees, officers, trustees and members of the Medical Staff are not permitted to disclose, directly or indirectly, non-public information acquired by virtue of the individual's relationship to the Medical Center ("Confidential Information") or to use such Confidential Information to further any Financial Interests or to the Medical Center's disadvantage. In the event that a trustee's access to Confidential Information of the Medical Center has the potential to further a Financial Interest of that trustee by virtue of his or her activities outside of the Medical Center, he or she shall disclose the situation and nature of such access to the Audit and Legal Committee of the Board as a potential conflict of interest. Consistent with the procedures in Section H.2, the Audit and Legal Committee of the Board shall determine whether the access to the Confidential Information will present a conflict of interest and whether appropriate safeguards are necessary to mitigate or prevent such conflict of interest.
4. CORPORATE OPPORTUNITY. Employees, officers and trustees owe a duty of loyalty to the Medical Center to advance its legitimate business interests when the opportunity to do so arises. Each employee, officer or trustee must disclose corporate opportunities to the Executive Vice President for Legal Affairs & General Counsel and the Audit and Legal Committee of the Board prior to sharing such opportunities with third parties. Examples of corporate opportunities include purchases of real property, leasehold, patent or other property or rights in which the Medical Center has, or the individual has reason to believe at the time of acquisition that the Medical Center is likely to have, an interest. Furthermore, each employee, officer or trustee is prohibited from taking for herself or himself or directing to a third party a business opportunity that is discovered through the use of Confidential Information.
5. OUTSIDE EMPLOYMENT. An employee is prohibited from engaging in outside business activities or employment that interferes with the employee's ability to fulfill the obligations of his or her employment with the Medical Center.
6. USE OF MEDICAL CENTER NAME. Employees, officers, trustees and members of the Medical Staff are prohibited from associating the Medical Center's name, logo or other identifying marks directly or by implication, in outside private business or employment or misrepresenting oneself as an agent of the Medical Center. Additionally, employees, officers, trustees and members of the Medical Staff are prohibited from using the Medical Center's name in the individual's sponsorship of a political party or cause or in a way which implies Medical Center endorsement of private services,

business, equipment or supplies.

7. USE OF MEDICAL CENTER POSITION. Employees, officers, trustees and members of the Medical Staff are prohibited from utilizing one's relationship or position with the Medical Center in such a way that Medical Center business is specifically directed toward a private business or service in the community to the exclusion of normal bidding practices.
8. WORK PRODUCT. Each employee's work product is the property of the Medical Center. Employees are prohibited from marketing their work product and should avoid outside activities that involve the use of their work product. Application may be made to the Board pursuant to the corporate bylaws for development and revenue sharing with respect to an invention or research product.
9. OUTSIDE ACTIVITIES GENERALLY. While employees and members of the Medical Staff are encouraged to take an active part in educational, cultural, charitable, civic and industry activities that do not interfere with their responsibilities, such individuals should obtain the approval of their supervisor before accepting any outside responsibility that is likely to involve the use of the individual's time during normal business hours or involve the use of his/her name or endorsement in a manner which would conflict with the Medical Center's interests or activities
10. EFFECT OF TRUSTEE OUTSIDE POSITIONS. The trustees of the Medical Center are individuals of diversified business interests and may be connected with other corporations and firms with which, from time to time, the Medical Center does business. A trustee's position with other corporations and firms with which the Medical Center does business shall be considered a Financial Interest, which shall be disclosed to the Executive Vice President for Legal Affairs & General Counsel and considered by the Audit and Legal Committee of the Board consistent with the procedures set forth in Section H.2.

### III. RECORD OF PROCEEDINGS

The minutes of the Board and the Audit and Legal Committee of the Board shall contain:

- A. The names of the trustees 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 the Audit and Legal Committee of the Board's decision as to whether a conflict of interest in fact existed.

- B. The names of the trustees 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.

#### IV. RESPONSIBILITIES

##### **A. AUDIT AND LEGAL COMMITTEE OF THE BOARD**

The Audit and Legal Committee of the Board shall advise the President and the Chairman of the Board concerning specific conflicts of interest referred to it by the Executive Vice President for Legal Affairs & General Counsel in accordance with this Policy, decide particular matters referred to the Committee for review, and assist in the overall administration and monitoring of the implementation of this Policy.

##### **B. COMPLIANCE AND COMPLETION OF CERTIFICATE**

It is the responsibility of all trustees, officers, employees and members of the Medical Staff to familiarize themselves with this Policy and to comply and ensure compliance of family members where applicable.

In addition to the disclosures required by this Policy, (1) trustees and officers of the Board, (2) non-trustee officers, chairmen and division chiefs and members of the purchasing department, (3) employees and members of the Medical Staff who are in a position to influence vendor selection, to approve a transaction with a third party or approve the expenditure of funds, and (4) such other employees or members to the Medical Staff as determined from time to time by the President or Chair of the Audit and Legal Committee of the Board are required to complete a Conflict of Interest Certificate, electronically or print the form and complete it and return it to the Compliance Officer, Human Resources or Organizational Performance and Risk Management. The Certificates for the trustees under subsection (1) of this Section IV.B shall be transmitted by the Executive Vice President for Legal Affairs & General Counsel to the Secretary of the Board, who will in turn provide copies of the Certificates to the Chair of the Audit and Legal Committee of the Board. The Secretary of the Board may authorize the Assistant Secretary of the Board to provide copies of the Certificates to the Chair of the Audit and Legal Committee of the Board on his or her behalf.

Except for members of the Medical Staff, the Certificates shall be completed annually. Specifically, all employees, officers and trustees under subsections (1),

(2) and (3) of this Section IV.B must complete Certificates prior to the date of their initial election, appointment or date of hire, as applicable, and annually thereafter. Members of the Medical Staff will complete the Certificates at the time of initial appointment and biannually at the time of staff reappointment. For the purposes of subsection (3) of this Section IV.B, all employed physicians shall be considered to be in a position to influence vendor selection.

### **C. ADMINISTRATION**

1. The Executive Vice President for Legal Affairs & General Counsel, who also currently serves as Assistant Secretary of the Board, is responsible for:
  - a. Recommending to the Audit and Legal Committee of the Board those individuals in addition to those listed in Section IV. B from whom Certificates should be obtained.
  - b. Ensuring in conjunction with the Senior Vice President for Human Resources and the Vice President, Organizational Performance and Risk Management that Certificates are completed by all individuals designated in this Policy. The Corporate Compliance Department will assist in ensuring compliance with completion of the Certificate by all relevant employees.
  - c. Making available completed Certificates by trustees and officers of the Board to the Secretary of the Board when requested.
  - d. Reviewing apparent conflicts of interest and other potentially improper activities as referred by the Corporate Compliance Officer, the Audit and Legal Committee of the Board or the Secretary of the Board.
  - e. Directing the investigation of potential conflicts of interest or other improper practices covered by this Policy as directed by the Corporate Compliance Officer, the Audit and Legal Committee of the Board or the President.
  - f. Referring potential conflicts of interest and other potentially improper activities covered by this Policy to the Audit and Legal Committee of the Board where necessary.
  - g. Advising the Audit and Legal Committee of the Board concerning this Policy.

- h. Reporting at least annually all conflicts of interest to the Audit and Legal Committee of the Board and the President.
- 2. The Senior Vice President for Human Resources is responsible for obtaining a Certificate from every newly hired salaried employee who fits the criteria set forth in Section IV.B.
- 3. The Vice President, Organizational Performance and Risk Management shall ensure completion of certificates by members of the Medical Staff at the time of Medical Staff initial appointment and reappointment.
- 4. The senior managers of all Medical Center subsidiaries and affiliates are responsible for implementing this Policy within their respective organizations.

**D. REPORT TO THE BOARD OF TRUSTEES**

A report of all conflicts of interest shall be made by the Chair of the Audit and Legal Committee of the Board at least annually to the Board.

**E. QUESTIONS**

Questions as to the applicability and interpretation of this Policy shall be directed to the Executive Vice President for Legal Affairs & General Counsel.

**V. CONTROLS**

The Corporate Compliance Department, Office of General Counsel and the Chairman of the Audit and Legal Committee of the Board shall ensure compliance with this Policy.

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Kenneth D. Gibbs  
President & CEO

REFERENCES: TJC Accreditation Manual RI.1.20  
New York Not-For-Profit Corporation Law §§ 715, 715-a.

INDEX: Conflict of Interest, Ethics, Gifts, Related Party Transaction

ORIGINATING DEPARTMENT: Legal Department

List of Related  
Policies:

AD-28 -Solicitation and/or Selling by Employees, Visitors and/or Patients  
AD-48 -Release of Confidential Information for Purpose of Solicitation  
FIN-2 - Petty Cash Fund-Maintenance and Reimbursement Thereof:  
Authorized Expenditures  
FIN-6 -Transportation, Reimbursement  
FIN-17 - Request and Reimbursement for Travel  
PURCH-4 -Visiting Procedures for Sales Representatives  
PURCH-5 -Value Analysis Process  
PURCH-6 -Bidding Process  
COMP-13 - Gifts, Gratuities, and Business Courtesies