

TITLE: CONFLICTS OF INTEREST

PURPOSE: To establish guidelines for addressing conflict of interest issues in order to maintain public trust in the activities of the University Health System (Health System) and to ensure compliance with state and federal laws and regulations. This policy supersedes policy dated 11/20/15. [Key words: conflict of interest, disclosure statement, disqualified person, excess benefit transactions, Public Official, family member, significant other, substantial interest]

POLICY STATEMENT:

Board members, officers and staff of the Health System are expected to exercise attention, good judgment, and prudence in their relationships, obligations and financial interests, so that personal gain or benefit does not conflict with the interests of the Health System. Board members, officers and staff are required to disclose any actual or potential conflicts of interest to the Integrity Officer. A potential conflict of interest will be judged by what a reasonable person would do under the same or similar circumstances.

POLICY ELABORATION:

I. GUIDING PRINCIPLE

Individuals associated with the Health System should scrupulously avoid personal or substantial financial interests in the transactions and contracts of the Health System as outlined in this policy. Even the appearance of a conflict of interest undermines the public's confidence in the governance and administration of the Health System's mission.

II. DEFINITIONS

- A. **Associate** – for the purposes of this policy, individuals who have a financial or business relation, including but not limited to, business partners or clients.
- B. **Business Entity** – a business, including but not limited to, a sole proprietorship, trust, or any other entity recognized by law.
- C. **Conflict of Interest** – a relationship which interferes, or appears to interfere, with one’s ability to do what is in the best interest of the Health System and results in a personal gain or benefit to the individual and/or the individual’s family member. These relationships could include, but are not limited to, personal or substantial financial interests.
- D. **Gifts** - an item of value given to Board members, officers and staff of the Health System, to their designee or to their family member for their benefit.
- E. **Family Member** – a parent or child within the first degree of consanguinity (blood) or affinity (marriage) pursuant to Health System Policy No. 4.01.01, Employment of Relatives.
- F. **Personal Interests** – family or other significant associations or obligations which conflict with the best interests of the Health System. Examples of personal interests would include, but are not limited to, gratuities and gifts (such as event tickets), sexual favors, power, status, influence, etc.
- G. **Personal Services** – yard work, catering, housekeeping, plumbing, etc.

- H. Professional Services** – occupations that require specialized training, education, skill, and competence.
- I. Public Official** – a member of the Board of Managers, or other Health System board, including persons appointed to the Pension Board or the board of a subsidiary non-profit entity, such as Community First Health Plans, University Medical Associates and the Foundation, and any persons the subsidiary board may appoint to other related boards or subcommittees; a Health System officer, including the President/CEO, administrators and Vice Presidents; and any University Health System staff who exercises responsibilities beyond those that are advisory in nature.
- J. Reportable Honoraria** – compensation or something of value received from anyone doing business or seeking to do business with the Health System.
- K. Significant Other** – a spouse, or individuals who share a dwelling/cohabitate, file joint tax returns, share a checking account or have other joint financial interests, share child-rearing responsibilities and/or demonstrate some similar evidence of influence over one another’s lives.
- L. Staff** – Health System employees, including contract employees; volunteers; members of the Medical-Dental staff including the house staff; any student accepted by the Health System for internship, practicum or other on-the-job training opportunity.
- M. Subordinate** – one who is subject to the authority or control of another person.

N. Substantial Financial Interest in a Business Entity - a person is considered to have a substantial financial interest in a business entity if any of the following conditions exist:

1. Ownership of 10 percent or more of the voting stock or shares of a business entity or ownership of \$15,000 or more of the fair market value of a business entity (excluding mutual funds).
2. Funds received by the person from a business entity exceeds 10 percent of the person's gross income (excluding mutual funds).
3. Equitable or legal ownership of real property with a fair market value of \$2500 or more. Real Property is land, and generally whatever is erected or growing upon or affixed to land.

Additionally, a public official of the Health System is considered to have a substantial financial interest if the public official is the parent or child within the first degree of consanguinity (blood) or affinity (by marriage) to a person who has a substantial financial interest as provided in 1 – 3 above as determined under Chapter 573 of the Texas Government Code, to a person that meets any of the above criteria.

III. EXAMPLES

A. Actions Constituting Conflict of Interest

1. Engaging in actions or decisions, either directly or indirectly (such as a supervisor instructing a subordinate to purchase from a company owned by the supervisor's family member), which result in a personal gain or

benefit to the individual or the individual's family member.

2. Engaging in actions or decisions, either directly or indirectly (such as instructing a subordinate to purchase from a particular business), with any business entity in which one's self, spouse/significant other, other family member or associate owns a substantial financial interest.
3. Accepting any gift, favor or service that could influence one's ability to conduct their designated duties, to include accepting loans and/or gratuities from subordinates, vendors, patients, or someone doing business or seeking to do business with the Health System, outside the guidelines provided in other policies, both at the system and departmental levels.
4. Using one's position to secure special privileges or exemptions for one's self or others.
5. Disclosing confidential information obtained through one's official capacity for personal gain or benefit to the individual or the individual's family member.
6. Accepting free or discounted personal or professional services from Health System subordinates, vendors, patients or anyone doing business – or seeking to do business – with the Health System.
7. Supervising a relative, as defined in Policy No. 4.01.01, Employment of Relatives.
8. Accepting outside employment which conflicts with one's primary obligations to the Health System.

9. Steering patients or clients to products and/or services outside the Health System, when the Health System offers the same or comparable products and/or services, for personal gain or benefit to the individual or the individual's family member.

B. Incompatible Functions

The Health System will not place individuals in job functions (i.e., hire, promote, transfer, etc.) where it is determined that a relationship exists that could compromise the Health System's internal control structure and put assets at potential risk of loss. It is the responsibility of board members, officers and staff to disclose such a relationship to management or the Integrity Officer so an evaluation of the job functions can be conducted. This evaluation will be conducted by the Integrity Officer with input from appropriate management and a recommendation will be presented to the President/CEO for approval. (For conflicts arising due to nepotism issues, see Policy No. 4.01.01, Employment of Relatives).

C. Actions NOT Considered Conflicts of Interest

1. Service on boards and committees of organizations, public or private, which does not distract from one's obligations to the Health System, will not be considered a conflict of interest.
2. A gift received at a business related conference where the winner of the gift is selected through a random drawing and there is not an expectation of future business from the donator of the gift.

3. A nominal appreciation gift received as the result of a non-vendor related speaking engagement will not be considered a conflict of interest.
4. Accepting an invitation paid for by a vendor for a University Health System Foundation sponsored fundraiser (e.g. golf tournaments, gala seats, etc.). However, the staff person may not accept any invitation when the staff member either directly or indirectly is involved in awarding a contract to the vendor or recommending the contract to the President/CEO or Board of Managers.

IV. STAFF AWARENESS

This policy, accompanied by a Conflict of Interest Questionnaire, will be sent annually to remind board members, officers, researchers, and specified staff of their obligation to avoid conflicts of interest. Additionally, the concept of conflict of interest and related expectations will be presented to all new hires through the Orientation process. Finally, conflict of interest issues will be discussed in the on-going Integrity Program training sessions.

V. CONFLICT OF INTEREST DISCLOSURES

All board members, officers and staff are required to disclose all actual or potential (including the appearance of) conflicts of interest and reportable honorariums to the Health System's Integrity Officer. When the Integrity Officer determines that a conflict of interest exists, individuals will prepare disclosure statements. In the event it is determined that Section 171.004 of the Local Government Code applies, individuals will prepare disclosures or affidavits as required. This documentation will be reviewed and maintained by the Integrity and Regulatory Services Department. Additionally, conflict of interest

questionnaires will be required of board members, officers and other specified staff as part of the Health System's Integrity Program. All conflicts of interest identified, along with a suggested solution, will be submitted to the President/CEO for approval. Examples of proposed solutions approved by the President/CEO include, but are not limited to the following:

- A.** Abstention or removal from any decision-making duties that involve the conflict and must comply with the requirements of Section 171.004 of the Local Government Code when applicable.
- B.** Removal of purchasing transactions between the staff and the particular vendor(s) identified in the conflict
- C.** Additional oversight applied to the transactions occurring between the conflicting parties
- D.** Contract with vendor prohibiting any royalty payments or other compensation to staff with influence over purchases of their product Procurement Services also will be notified, in writing, of any potential or actual conflicts involving vendors doing business with, or seeking to do business with, the Health System. Any changes during the year that present either an existing or potential conflict of interest not previously disclosed should be reported to the Integrity Officer immediately. The Integrity Services Department is available to provide guidance when conflict of interest questions arise.

Intentional misrepresentations of actual or potential conflicts of interest, failure to disclose actual or potential conflicts of interest, or failure to resolve an identified conflict of interest will be grounds for termination and/or legal action.

Policy No.: 2.12

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Effective Date: 5/22/2020

REFERENCES/BIBLIOGRAPHY:

TEX. LOCAL GOV'T CODE ANN. §§ 171.00 et seq., §§ 176.001 ET SEQ.
(Vernon 1999), § 573.001 ET SEQ. GOV'T CODE

Health System Policy No. 4.01.01, Employment of Relatives

OFFICE OF PRIMARY RESPONSIBILITY:

-Chief Compliance/HIPAA Officer, Integrity and Regulatory Services