



## ESSENT HEALTHCARE, INC.

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<b>Section:</b>	<b>Corporate Compliance</b>	<b>Effective Date:</b>	<b>11/01/05</b>
<b>Subject:</b>	<b>Employment of Physicians</b>	<b>Revision Date:</b>	<b>03/25/08</b>
<b>Policy #:</b>	<b>CC-23</b>	<b>Review Date:</b>	<b>11/19/09</b>
<b>Responsible Party:</b>	<b>VP Corporate Compliance</b>	<b>Revision #:</b>	<b>2</b>

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**Scope:**

This policy applies to all Essent facilities.

**Purpose:**

The purpose of this policy is to provide direction as to Essent's process for entering into employment relationships with Referral Sources.

**Policy:**

It is the policy of Essent Healthcare, Inc. to fully comply with all Federal, State and Local laws and regulations with regards to the employment of physicians or other referral sources. The procedures outlines below must be followed in all situations involving the employment of a physician or any other referral source (including immediate family members).

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**Written Agreements**

- All employment arrangements with Referral Sources must be in writing.
- All such written employment agreements must comply with this policy.

**Compliance with State and Federal Fraud & Abuse Laws**

- All physician employment arrangements must comply with all applicable federal and state laws, including but without limitation, Stark II and the Anti-Kickback statute, both as amended from time to time.
- All such employment arrangements must be undertaken without regard to the value or volume of referrals and must not include any intention to induce referrals.

**Compliance with the Standard of Fair Market Value and Commercial Reasonableness**

- The amounts paid to Referral Sources under an employment agreement shall be no greater than the fair market value for the services provided, shall not be based upon the value or volume of referrals or any referral relationship between the parties, and shall be commercially reasonable even if no referrals were made to the employer by the Referral Source.



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### Independent Evaluation of Fair Market Value

- To substantiate that the amount of compensation paid under an employment agreement with a Referral Source is consistent with fair market value, Essent requires procedural approvals to be satisfied (as set forth below) and, in some cases, may require an independent, third-party evaluation of fair market value compensation for any such agreements.
- In considering whether an employment agreement is set at fair market value for services rendered, the facility should compare it to one or more recognized independent standards, including benchmark surveys, as reported by respected industry sources such as MGMA.
- Each facility CEO must maintain documentation of their fair market value assessment for all employment agreements with Referral Sources. This documentation should be available for review and approval at the request of the Corporate Office.

### Benefits and Expenses

- Except as otherwise specifically stated or modified by the written employment agreement, the physician employee shall be entitled to the same benefits and the provision of the same items (*e.g.*, pager, cell phone, PDA) as other employees at his or her level within the organization in accordance with the employer's policies and procedures.
- Likewise, and except as specifically stated otherwise in the written employment agreement, the employer shall pay all reasonable expenses of the employee generated in the course of the employee performing his or her duties pursuant to the employment agreement in accordance with its policies and procedures.

### Review and Approval

- All employment agreements with referral sources must be reviewed and approved by the appropriate Corporate Officers including Regional VP for Operations, CFO, and CCO.
- Approval will be documented via the signatures on the attached "Corporate Office Contract Review Summary Sheet".
- Proof of fair market value by written third-party evaluation or reference to an acceptable standard, such as MGMA may be required for Corporate approval.



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### Compliance with Applicable Laws

- Essent intends to follow the guiding principles of the federal “safe harbors” and to fit within the Stark II exceptions with respect to all employment arrangements with referral sources.
- Standard contract templates shall be used whenever feasible.
- Standard contract templates must be reviewed and approved by regulatory counsel prior to being distributed to and/or utilized by any Essent facility.
  - The Compliance Department has standard contract templates available to cover most employment situations.
- Compliance checklists should be submitted with each contract and retained for the life of the contract plus five years.
  - A sample employment agreement compliance checklist is attached to this policy.

### References:

STARK II interim final rule 3/26/04 FR  
OIG Compliance Guidance

## CORPORATE OFFICE CONTRACT REVIEW SUMMARY SHEET

Facility Name:						
Referral Source:						
Effective Date:				Expiration Date:		
Termination Clause:						
Automatic Renewal:			Length:			
If not renewed, what is cancellation notice:						
Terms:						
Payment Terms: <i>(specify days of week, month, etc., how often?)</i>						
				<b>Yes</b>	<b>No</b>	<b>N/A</b>
Compliance Checklist Included?						
Proforma Required?						
Insurance Required?						AMOUNT:
Audit Required?						
Is certification evidencing coverage current?						
Does contract have " mutual save harmless" clause?						
Allow for recovery of reimbursement due to Medicare limitations?						
Does Contract contain open records provision?						
Is proof of Licensure or Accreditation Provided?						
Has background check been conducted (please attach)?						
Notification made to Corporate insurance risk management?*						
Is need for item or service clearly documented by the facility?						
Does the facility have documentation of Fair Market Value?						
Does contract contain HIPPA Language or BAA on File?						
Does facility have any other contracts with this referral source?						
Is party responsible to bill services defined?						

### Explanations/Business Purpose


	Signature	Date		Signature	Date
Hospital CEO			Hospital CFO		

### THIS SECTION FOR CORPORATE USE ONLY

	Signature	Date		Signature	Date
VP-Op's/Finance			CIO		
RVP-Operations			Corporate Controller		
VP- Clinical Operations			COO		
Compliance Officer			CFO		
CC to Regulatory Counsel			CEO		

**\* Note - Insurance risk management must be notified well in advance of start date - failure to do so could result in hiring delay. Notification should be made to Jennifer Hockersmith, Ashton Tiffany LLC, 4041 N. Central Avenue Suite 1200, Phoenix, AZ 85012. Include completed application, copy of CV, projected start date, and employment status (full time, part time...) - Info can be faxed to Jennifer at (602) 257-5117.**

## EMPLOYMENT AGREEMENT CHECKLIST

The following Employment Agreement Checklist is derived from, and intended to comply with, (1) the fair market value exception to the Limitations on Certain Physician Referrals law found in 42 C.F.R. §411.357(l), and to substantially comply with, where possible, (2) the federal fraud and abuse/anti-kickback statute found in 42 C.F.R. §1001.952(d) and (2). All Employment Agreements between Essent Healthcare and a physician, physician group, or other person in a position to refer patients to Essent Healthcare shall satisfy the following requirements:

	Yes	No
1. The agreement is set forth in a written agreement.		
2. The agreement is signed by both parties.		
3. The agreement specifies the services covered by arrangement.		
4. The aggregate services to be performed by the employee do not exceed those that are reasonable and necessary for the legitimate business purposes of the agreement.		
5. The arrangement is commercially reasonable without regard to referrals.		
6. The compensation to be paid over the term of the Agreement (or formula for computing compensation) is set in advance and specified in the agreement.		
7. The compensation to be paid over the term of the agreement is consistent with fair market value in an arms-length transaction.		
8. The compensation to be paid over the term of the agreement does not vary with the volume or value of any referrals or other business generated between the parties. If the compensation will vary with the volume or value of referrals or other business generated, legal counsel has approved the compensation structure.		
9. The agreement provides for full-time delivery of services.		