



ESSENT HEALTHCARE, INC.

Section:	Corporate Compliance	Effective Date:	11/01/05
Subject:	Professional Service Agreements	Revision Date:	03/25/08
Policy #:	CC-24	Review Date:	11/19/09
Responsible Party:	VP Corporate Compliance	Revision #:	2

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 agreements for professional services with physicians or other 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 contracting for professional services with physicians or other Referral Sources. The procedures outlines below must be followed when contracting for professional services with Referral Sources (including immediate family members of Referral Sources).

Written Agreements

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

Compliance with State and Federal Fraud & Abuse Laws

- All professional services 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 professional services 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 a professional services 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



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- Shall be commercially reasonable even if no referrals were made to the facility by the Referral Source.

Independent Evaluation of Fair Market Value

- To substantiate that the amount of compensation paid under a professional services agreement 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 a professional services agreement is 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 professional services agreements. This documentation should be available for review and approval at the request of the Corporate Office.

Actual Need for Services

- A facility should only contract for services that the facility actually needs.
- In selecting a professional to provide needed services, a facility must not consider referral history or potential, but must consider the actual qualifications and experience needed to provide the services in a quality and efficient manner.
- The agreement must specify what services will be provided, the schedule for such services, and the means for documenting or tracking that services are actually provided as required.

Contract Term

- The term of the agreement should be for at least one year.
- If the term is for less than one year or if the agreement is terminated with or without cause prior to the end of the first year of the agreement, then the parties must not enter into a similar contract until the one year term has passed.
- The agreement shall specify with particularity the services to be rendered, which may be an addendum prepared by the facility CEO.

Review and Approval



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- All professional services agreements involving 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 is required for corporate approval.

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 professional services agreements with Referral Sources.
- Standard contract templates shall be used whenever feasible.
- Standard contract templates must be reviewed and approved by legal counsel prior to being distributed to and/or utilized by any Essent facility.
 - The Compliance Department has standard contract templates available to cover most leasing situations.
- Compliance checklists should be submitted with each contract and retained for the life of the contract plus five years.
 - A sample professional services 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>			
	Yes	No	N/A
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.**

PROFESSIONAL SERVICES AGREEMENT CHECKLIST

The following Services 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 (p), and to substantially comply with, where possible, (2) the Personal Services and Management Contracts federal "safe-harbor" to the federal fraud and abuse/anti-kickback statute found in 42 C.F.R. §1001.952(d) and (2). All Professional Services Agreements between Essent Healthcare and any Referral Source shall satisfy the following requirements:

	Yes	No
1. The agreement is set forth in a written agreement.		
2. The agreement is signed by all parties.		
3. The agreement specifies the services covered by the arrangement.		
4. The aggregate services contracted for 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 term of the agreement is at least one (1) year. If the term is less than one year, the agreement specifies that all renewals within any twelve month period will be on the same terms and conditions.		
10. The agreement reflects that the parties will enter into only one arrangement for the same items or services during the course of a year.		
11. The agreement provides for full-time delivery of services.		
If no: The agreement specifies the exact schedule for service;		
The agreement specifies the precise length of service; and		
The agreement specifies the exact charge for the periodic service.		
12. The services to be furnished under the agreement do not involve the counseling or promotion or a business arrangement or other activity that violates any state or federal law.		