



ESSENT HEALTHCARE, INC.

Section:	Corporate Compliance	Effective Date:	11/01/05
Subject:	Leases with Referral Sources	Revision Date:	12/31/07
Policy #:	CC-25	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 leasing office space and/or equipment to 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 leasing office space or equipment to physicians or other referral sources. The procedures outlines below must be followed when entering into lease arrangements with referral sources (including immediate family members of referral sources).

All leases for office space and/or equipment between any Essent entity and a Referral Source must comply with the following:

1. The lease shall be in writing and signed by all parties;
2. The lease term shall be at least one year, with this requirement being satisfied even if the lease agreement is terminated during the term, with or without cause, as long as the parties do not enter into another lease during the first year of the original term of the agreement;
3. The rental payments shall be set in advance, consistent with a fair market value and not determined in a manner that reflects the volume or value of referrals or business otherwise generated between the parties;
4. If the arrangement is for part-time use of space/equipment, the lease shall state the period of use and payment for each time period;
5. The space/equipment rented or leased shall not exceed that which is reasonable and necessary for the commercially reasonable business purposes of the tenant/lessee;
6. The space/equipment shall be used exclusively by the tenant/lessee when being used by the tenant/lessee (except that space leases can provide for prorated payments for common areas);
7. The lease must cover all of the premises/equipment leased between the parties for the term of the lease;
8. The lease must be commercially reasonable even if no referrals were made between the parties;



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Review and Approval

- All lease 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”.
- Documentation of fair market value by written third-party evaluation or reference to an acceptable industry standard 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 all lease arrangements 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 lease agreement compliance checklist is attached to this policy.

References:

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

MEDICAL OFFICE SPACE AND EQUIPMENT LEASE CHECKLIST

The following Medical Office Space and Equipment Lease Checklist is derived from and intended to comply with (1) the Rental of Office Space/Equipment exception to the Limitations on Certain Physician Referrals law found in 42 U.S.C 1395nn(e)(1) and 42 C.F.R. §411.357(a)&(b), and to substantially comply with, where possible, (2) the Equipment Rental and Space Rental federal “safe-harbors” to the federal fraud and abuse/anti-kickback statute found in 42 C.F.R. § 1001.952 (b) and (c).

All Medical Office Space and Equipment Lease agreements between Essent and any person or entity in a position to refer patients to Essent shall satisfy the following requirements:

	Yes	No
1. The lease is set forth in a written agreement.		
2. The lease is signed by both parties.		
3. The lease specifies the premises/equipment covered.		
4. The premises/equipment covered is reasonable and necessary for the legitimate business purposes of the lease.		
4. The aggregate rental charge is set in advance.		
5. Rental charges are consistent with fair market value.		
6. No rental charge is determined in a manner that takes into account the volume or value of any referrals or other business between the Landlord and Tenant.		
7. If lease term is greater than one-year, then the arrangement contains an annual inflation factor to maintain fair market value of the rental amount.		
8. The term of the lease is at least one (1) year. The lease specifies that if it is terminated within the first year, the parties will not enter into another lease for the same space or equipment until after the expiration of the first year.		
9. The lease provides the Tenant with full time access to the property.		
If no: The lease specifies the exact intervals of access;		
The lease specifies the precise length of access; and		
The lease specifies the exact rent for the access period.		
10. The lease provides the Tenant with exclusive use of the property (except for common areas as provided in the lease).		
11. The lease would be commercially reasonable even if no referrals are made.		

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.**