



ESSENT HEALTHCARE, INC.

Section: Corporate Compliance	Effective Date: 08/01/05
Subject: Extending Business Courtesies to Referral Sources	Revision Date: 08/01/05
Policy #: CC-8-B	Review Date: 10/08/09
Responsible Party: Corporate Compliance Officer	Revision #: 2

Scope:

This policy applies to all employees of Essent Healthcare, Inc. and all employees of affiliates of Essent Healthcare, Inc. (collectively, “Essent” or “the Company”).

Purpose:

The purpose of this policy is to establish guidelines for extending business courtesies to referral sources (including potential referral sources) in a manner that complies with all legal standards and Company ethics.

Policy:

Essent conducts its business with the primary purpose of providing quality, needed healthcare in the communities it serves, and in no way conducts business based on the giving or receiving of gifts and/or bribes or inducements for referrals of patients or healthcare business. Business courtesies, when given, are for the purpose of fostering a collaborative business relationship and never to induce or solicit referrals of patients or healthcare business. The following provides guidance with regard to Essent policy on the extending of business courtesies to referral sources (including potential referral sources). Employees are to contact the Corporate Compliance Officer (CCO) if there are questions regarding business courtesies to referral sources that are not addressed in this policy. Extension of business courtesies to non-referral sources is covered in Policy CC-8-B, Extending Business Courtesies to Non-Referral Sources.

Definitions:

Business Courtesies are compensation or benefits provided by Essent, and include gifts, meals, entertainment, social events (including receptions hosted by Essent), and similar items of value extended to others without charge. Business Courtesies do not include certain medical staff benefits as described in Section 3(a) of this policy. Business Courtesies also do not include free or discounted health care items or services given in accordance with the Professional Courtesy Discount Policy. Finally, Business Courtesies do not include fair compensation paid to referral sources for items or services, as described more fully in Section 3(c) of this policy.

Immediate family member includes: husband or wife; natural or adoptive parent, child, or sibling;



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stepparent, stepchild, stepbrother, or stepsister; father-in-law, mother-in-law, son-in-law, daughter-in-law, brother-in-law, sister-in-law; grandparent or grandchild; and spouse of grandparent or grandchild.

Referral sources or potential referral sources (collectively “referral sources”) include: (1) physicians, dentists, podiatrists, optometrists, chiropractors, physician extenders (PAs), nurse practitioners, or any corporate organization or group of such individuals, practicing in the service area served by the applicable Essent facility; and (2) other persons or entities that are known or believed to be in a position to direct patients or healthcare business to Essent.

Procedure:

On behalf of the Company, employees may extend business courtesies to a referral source and/or his/her immediate family member only as described below. *Nothing in this policy permits any business courtesy or other benefit to be offered or provided as an inducement to refer patients or business or as a reward for such referrals, nor should a business courtesy be extended to a referral source who solicits it.*

- 1) An Essent employee, on behalf of the Company, may extend a business courtesy to a referral source and his or her immediate family members under the following conditions:
 - a. It is not solicited and is provided infrequently, which shall mean no more than quarterly;
 - b. It is not cash or a cash equivalent (*e.g.*, checks, or stock instruments);
 - c. It does not exceed \$300 in value or cause the total value of business courtesies extended by Essent to the same person (and to that person’s immediate family members) to exceed \$300 for the calendar year; and
 - d. It is not determined in any manner that takes into account the volume or value of referrals or other business generated by the potential referral source.

Any business courtesy provided under this Section shall be documented and the documentation shall be maintained in such a manner as to facilitate the calculation of the \$300 annual limit.

- 2) The following are examples of business courtesies that would be acceptable provided the requirements in Section 1 are met:



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- a) A special dinner at a restaurant or administrator's home to celebrate a milestone for the facility such as the end of a project or the launch of a new service;
 - b) Paying the greens or entry fees for golf (whether one-on-one or for a charity or facility golf tournament);
 - c) Providing tickets to sporting or theatrical (or similar) events;
 - d) Providing flowers or other gifts when someone is hospitalized or to recognize a birthday or other family occasion;
 - e) Providing or paying the costs of CME; or
 - f) Hosting holiday or other parties for medical staff members and their spouses or guests off facility premises.
- 3) Certain compensation or other benefits do not constitute business courtesies and thus need not be counted toward the \$300 annual business courtesy limit set forth in Section 1. These are:
- a) Incidental Medical Staff Benefits. Benefits extended by an Essent facility to members of its medical staff, if valued at **less than \$25 per occurrence** and able to meet the following conditions:
 - i) The benefits are offered only during periods when the medical staff member is making rounds or engaged in other services or activities that benefit the facility or its patients;
 - ii) All members of the medical staff practicing the same specialty are offered the same benefit;
 - iii) The benefit is reasonably related to the provision of, or designed to facilitate directly or indirectly the delivery of, medical services at the facility; and
 - iv) The benefit is not determined in any manner that takes into account the volume or value of referrals or other business generated by the medical staff member.

Examples of this exception include:

- Free parking in the facility's garage;
 - Modest meals in the physician lounge; or
 - Hosting a party at the facility to introduce the medical staff to the facility's new Chief Executive Officer.
- b) Fair Market Value Payments for Items, Services, or Space. Essent routinely enters into agreements with referral services to purchase or sell items or services for fair and reasonable



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compensation. In addition, Essent may receive services without direct compensation from referral services in the form of medical staff or Board leadership. In exchange for such service, referral sources may have their travel expenses or other related costs paid by Essent. Such compensation or payment of expenses are not considered business courtesies. For example:

- i) An Essent facility paying the expenses of its board members (including referral source board members) to participate in a board retreat, including travel, meals and lodging expenses;
- ii) **Pursuant to a personal services agreement**, an Essent facility paying for specified administrative expenses relating to medical directorship provided by a physician on behalf of the facility;
- iii) An Essent facility providing dinner at a restaurant for those who attend the facility's medical executive committee (or similar) meetings as required in the Medical Staff Bylaws or by the Board, or as provided in a letter of appointment.

- c) Professional Courtesy. Professional courtesy (*i.e.*, free or discounted health care services) extended to physicians and/or their immediate family members by an Essent facility, provided the professional courtesy complies with the Professional Courtesy Policy.
- d) Recruitment Expenses. Recruitment costs and related activities are addressed in a separate Essent policy.

4) The following are also **NOT** considered business courtesies:

- a) An administrator who has become friends with a potential referral source and/or immediate family member and who socializes with such individual(s) may personally pay for the cost of social events, **provided** the administrator not include this item as a business expense for tax purposes and not charge the facility or otherwise receive reimbursement from the facility to cover this expense.
- b) A potential referral source who is also the spouse of a facility administrator may attend facility social events in his or her capacity as the administrator's spouse and such events do not count toward the \$300 business courtesies limit and do not need to be tracked.



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References:

HCCA Compliance Manual

OIG Hospital Compliance Program Guidance

Anti-Kickback Statute, 42 U.S.C. § 1320a-7b and implementing regulations

Stark II Statute, 42 U.S.C. § 1395nn and implementing regulations