I. PURPOSE: HHSC may, from time to time, enter into financial arrangements (the “Financial Arrangements”) with persons or organizations other than physicians (collectively, “Non-Physician Referral Sources”) that may be in a position to make or influence referrals to, furnish items or services to, or otherwise stimulate business for HHSC facilities. These arrangements can take any one of a number of forms, all of which are subject to federal laws intended to prevent waste, fraud, and abuse against federal health care programs. The purpose of this policy is to ensure that all of these arrangements satisfy State and federal laws, satisfy the corporate mission of HHSC, and are in the best interests of HHSC and its patients.

II. GENERAL RULES:

A. All Financial Arrangements shall be in writing and shall be subject to the review and approval of the General Counsel of HHSC or her designee to the extent outlined in the procurement policies and procedures. No HHSC employee or contractor shall enter into a Financial Arrangement with a Non-Physician Referral Source unless he or she has first submitted the documentation for the Financial Arrangement for approval as required by this Section. Documentation of Financial Arrangements shall be maintained in accordance with the procurement policies and procedures.

B. HHSC shall train each of its personnel who participate in the negotiation and drafting of contracts which memorialize Financial Arrangements regarding these policies and procedures.

C. All Financial Arrangements with Non-Physician Referral Sources shall require that the Non-Physician Referral Source will supply patients with a Patient Election form substantially in the form of Attachment 1 to this policy.

D. All Financial Arrangements with Non-Physician Referral Sources should comply with State and federal laws as further described below.

E. All questions related to this policy should be directed to the Regional or Corporate Compliance Officer, who shall, as appropriate, further refer these inquiries to the General Counsel.
III. COMMON FINANCIAL ARRANGEMENTS WITH REFERRAL-SOURCES:

A. Personal Services Agreements:

1. HHSC frequently agrees to provide or obtain personal services agreements to Non-Physician Referral Sources, most often in the nature of management or billing services. Whatever their designation, these Financial Arrangements must comply with this policy.

2. The facility requesting execution of the contract shall determine that the compensation included in the agreement, whether paid by or from the facility, neither exceeds nor is substantially less than the fair market value of the personal services. Copies of this fair market value determination shall be kept with the procurement file.

3. In addition to meeting all State and federal legal requirements which might otherwise apply, the written agreement which memorializes the Personal Services Agreement shall require that the party which performs the personal services maintain detailed time records by which to assess whether such party performed its obligations under the Agreement.

4. Additionally, the written agreement which memorializes the Personal Services Agreement shall thoroughly and effectively describe the services to be rendered in sufficient detail as to enable a lay person to determine whether a party has rendered adequate performance under its terms.

B. Equipment and Space Rental Arrangements:

1. HHSC may elect to enter into lease agreements with Referral Sources whereby a party leases either office space or equipment from the other party.

2. The facility shall be responsible for submitting to HHSC all supporting documentation requesting execution of the contract shall determine that the rent included in the agreement, whether paid to or by the facility, neither exceeds nor is substantially less than the fair market value of the leased space or equipment. If no “comparable” leases are available by which to determine fair market value, the supporting documentation shall thoroughly describe both the reasons for this absence and the basis for concluding that the rent provided by the lease satisfies all applicable legal requirements. Copies of this information shall be kept with the procurement file.

3. In addition to meeting all State and federal legal requirements which might otherwise apply, the written agreement which memorializes the Equipment or Space Lease shall thoroughly and effectively describe the duration of the lease (including the applicable lease intervals if a part-time arrangement) in sufficient detail as to enable a lay person to determine whether a party has rendered adequate performance under its terms.

C. Joint Venture Arrangements:

1. HHSC facilities from time to time enter into joint venture arrangements with referral sources, usually involving the joint operation of a shared service, such as a
rehabilitation unit or a new diagnostic device. These arrangements require coordination from the outset between facility senior management and HHSC General Counsel or her designee.

2. All joint ventures should, without exception, be structured in accordance with federal anti-kickback laws.

3. Prior to the commencement of any joint venture activity, the parties must develop a formal business plan which explains both the rationale for the venture and its capital needs. The business plan should include a detailed financial pro forma. Outside financial consultants should be involved to the extent necessary to the proper preparation of these documents.

4. Each participant in the joint venture shall receive an ownership interest and allocations of profits and losses in the new entity which is commensurate with the value of its contribution of assets or funding without regard to anticipated referrals.

Attachment: 1. Patient Election Form
PATIENT ELECTION FORM

I, ________________________________, acknowledge and understand as follows:

1. It is the policy of ____________ Hospital (the “Hospital”) to facilitate referral of patients requiring certain types of medical supplies (e.g., durable medical equipment, respiratory therapy services) to the health care organization chosen by the patient. The Hospital shall provide patients, to the extent reasonably possible, with such information as the Hospital has at its disposal in order to allow the patient to make his or her own choice regarding referral.

2. The Hospital has a financial relationship with ________________ Company (the “Company”) which is engaged in the provision of ____________. It is the policy of the Hospital that referrals will be made to the Company on the same basis as referrals are made to other medical suppliers, i.e., on the basis of the patient’s choice. Accordingly, although it is perfectly acceptable for the Hospital to make referrals of its patients requiring such services to the Company, the Hospital shall make such referrals on the same basis as it makes referrals to other medical suppliers.

3. I have had opportunity to inquire of the Hospital concerning the availability of medical suppliers other than the Company. I have also had the opportunity to request that Hospital refer me to a medical supplier other than the Company. Despite these opportunities, and with full knowledge that the Hospital has a financial relationship with Company, I have requested that the Hospital refer me to the Company for the provision of ______________.

Executed this _____ day of ____________, 200____.

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