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| <b>DEPARTMENT:</b> Legal                                   | <b>POLICY DESCRIPTION:</b> Medical Practice Asset Divestitures                                    |
| <b>PAGE:</b> 1 of 4  | <b>REPLACES POLICY DATED:</b> 7/8/98, 9/29/98, 8/28/01, 6/1/02, 10/15/03, 8/31/05, 2/1/06, 5/1/07 |
| <b>EFFECTIVE DATE:</b> May 1, 2011                         | <b>REFERENCE NUMBER:</b> LL.017   |
| <b>APPROVED BY:</b> Ethics and Compliance Policy Committee |   |

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| <p><b>SCOPE:</b> All Company facilities including, but not limited to, hospitals, ambulatory surgery centers, outpatient imaging centers, home health agencies, physician practices, service centers, and all Corporate Departments, Groups, Divisions and Markets.</p>   |
| <p><b>PURPOSE:</b> The purpose of this policy is to ensure compliance with all applicable federal and state law, including, without limitation, Stark II and the Anti-Kickback Statute, and to promote sound business judgments in connection with medical practice divestitures.</p>   |
| <p><b>POLICY:</b></p> <ol style="list-style-type: none"> <li> <p><b><u>Compliance with Anti-Referral &amp; Anti-Kickback Laws</u></b><br/>           All transactions involving the divesting of a medical practice or medical practice assets must comply with all applicable federal and state laws, including, without limitation, Stark II and the Anti-Kickback statute, both as amended from time to time. A violation of the Anti-Kickback statute may occur if any one purpose of a transaction is to gain a Medicare or State health care program referral to a health care entity.</p> </li> <li> <p><b><u>Compliance with the Standard of Fair Market Value</u></b><br/>           The aggregate purchase price received by the Company from a physician or any other entity in order to divest medical practice assets shall be no less than the appraised fair market value. Such value shall in no way reflect, directly or indirectly, the value or volume of referrals to the Company and must not have any intention, directly or indirectly, to induce referrals. In anticipation of a divestiture, no Company employee (outside the approval process set forth herein) shall have the authority to “waive” any provision of an existing agreement with a physician, including, but not limited to, an existing non-compete, or take any action to affect whether or not the medical practice assets to be sold should be valued as a going concern.</p> </li> <li> <p><b><u>Independent Confirmation of Fair Market Value</u></b><br/>           The Company requires obtaining an independent, third-party written evaluation of the practice assets to be transferred, which evaluation shall establish fair market value of the assets as of closing using recognized valuation methodologies and reasonable economic and market assumptions.</p> </li> <li> <p><b><u>Standards for Divestiture Terms &amp; Conditions</u></b><br/>           The terms and conditions for divesting a medical practice or medical practice assets shall be commercially reasonable, even if the physician made no referrals, and consistent with the Company’s overall network development strategies.</p> </li> <li> <p><b><u>Guidelines and Procedures of HCA Physician Services</u></b><br/>           The Company requires all medical practice divestitures to comply with the Guidelines and Procedures established by HCA Physician Services (HCAPS).</p> </li> </ol> |

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**6. Installment Payments**

A sale of assets to a physician or physician group may be negotiated in exchange for installment payments as long as (1) the total aggregate payment is set before the first payment is made; (2) the arrangement does not take into account, directly or indirectly, the volume or value of referrals or other business generated by the referring physician; (3) a fair market value interest rate is charged to the purchaser and the terms of the promissory note and ancillary documents are commercially reasonable; and (4) the outstanding balance is either guaranteed by a third party, secured by an appropriate amount of collateral, or is subject to a similar mechanism to assure payment even in the event of default of the purchaser.

**DEFINITION:**

**Approving Authority:** For purposes of this policy, the approving authority is the Division President or the Market President, except where the Division or Market President is also the CEO of the facility, in which case approval should come from the next highest position.

**PROCEDURE:**

**1. Conceptual Approval of Divestiture**

All physician practice asset divestitures shall be conceptually approved by the appropriate Approving Authority and HCAPS Vice President prior to obtaining an independent, third-party appraisal of the practice. The conceptual approval process and documentation (e.g., Approval of Concept Form) shall include a summary of relevant information regarding the practice and physicians and justification for divesting the practice assets.

**2. Review of Independent, Third-Party Evaluations**

To ensure that an independent, third-party written evaluation is obtained for each physician practice divestiture, HCAPS shall maintain a list of qualified, reputable valuation consultants available for use in all transactions. These independent third-party evaluations also shall be reviewed as to form by the financial analysts of HCAPS. This review shall assess whether the appraisal is based on valid valuation methodologies and whether the assumptions used in such evaluations are reasonable, given the facts and circumstances.

**3. Review and Approval of Development Legal Counsel**

In-house development legal counsel, at its option, shall either perform the legal work directly or supervise and review the work of other legal counsel in the preparation of definitive agreements. Such legal work will require a written agreement, signed in advance of any transfer of assets by both (i) the facility or other Company representative with authority to so bind the Company and (ii) the physician(s) selling the medical practice, unless approved in advance by Operations Counsel. All physician practice asset divestitures must be approved by the Legal Department.

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**Divestiture Approval Process**

All physician practice asset divestitures with a total selling price of less than \$500,000 shall only require the approval of the appropriate Approving Authority and HCAPS Vice President prior to becoming effective consistent with the Guidelines and Procedures of HCAPS. All physician practice asset divestitures with a total selling price between \$500,000 and \$3,000,000 shall be approved by the appropriate Approving Authority, HCAPS Vice President, and Group President prior to becoming effective consistent with the Guidelines and Procedures of HCAPS. In addition to the approval of the Group President, Approving Authority, and HCAPS Vice President, the Senior Vice President and Chief Development Officer shall approve all physician practice asset divestitures in excess of \$3,000,000 prior to becoming effective consistent with the Guidelines and Procedures of HCAPS. The approval process and documentation (e.g., Executive Management Review (“EMR”)) shall include all relevant information regarding the practice and physicians, the justification for divesting the practice assets, the appraised fair market value of the practice, and the amount to be received for it.

**5. Certification**

The facility CEO, Approving Authority and HCAPS Vice President (and Group President if the total selling price is \$500,000 or more) each shall certify that:

- He or she has reviewed the written evaluation for the practice.
- He or she is familiar with the Company’s policies and guidelines related to physician practice asset divestitures.
- Except as included or disclosed in the approval documentation, there are no other financial arrangements, oral or written, with the practice or any of its physicians (or his or her family members).
- The aggregate amount received for its assets is consistent with and no less than fair market value for the practice assets to be sold as established by the independent, third-party evaluation, and was not determined in a manner that takes into account (directly or indirectly) the volume or value of any referrals by the practice or any of its physicians.
- No portion of the divestiture is being offered with the intention to directly or indirectly induce referrals to any Company facility or service.
- The divestiture agreement is commercially reasonable, even if no referrals were made to a Company facility or service.

This Certification shall be delivered to in-house development legal counsel prior to closing the transaction.

**6. Post Closing Adjustments**

Adjustments to the terms of the sale may be made after closing if the revised terms are (1) commercially reasonable; (2) do not take into account (directly or indirectly) the volume or value of referrals or other business generated by the referring physician; and (3) approved by the Legal Department.

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| <b>REFERENCES:</b><br><br>42 U.S.C. § 1320a-7b; 42 C.F.R. § 1001.952(a)-(v); 42 U.S.C. § 395nn(e)(6);<br>60 Fed. Reg. 41914 (Aug. 14, 1995); 63 Fed. Reg. 1659 (Jan. 9, 1998)<br>Rev. Ruling 59-60, 68-609 & 76-91<br>69 Fed. Reg. 16054 (March 26, 2004) |
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