

<b>DEPARTMENT:</b> Legal	<b>POLICY DESCRIPTION:</b> Prohibition on Purchasing Certain Products from Physician-Owned Businesses
<b>PAGE:</b> 1 of 5	<b>REPLACES POLICY DATED:</b> 7/1/14
<b>EFFECTIVE DATE:</b> July 1, 2014	<b>REFERENCE NUMBER:</b> LL.029
<b>APPROVED BY:</b> Ethics and Compliance Policy Committee	

**SCOPE:** This policy applies to HCA Holdings, Inc. and all of its Affiliated Entities and Facilities, including but not limited to hospitals, ambulatory surgery centers, imaging centers, home health agencies, physician practices, service centers, and all Corporate Departments, Groups and Divisions, and Parallon (collectively with HCA Holdings, Inc., the “Company”). Notwithstanding the foregoing, this policy does not apply to HealthTrust Purchasing Group (“HPG”) with respect to purchases made via HPG contracts by or on behalf of non-Company-affiliated entities and facilities. “Affiliated Entities and Facilities” include any person or entity controlling, controlled by, or under common Control with the Company.

Other capitalized terms used in this policy and not otherwise defined have the meaning given to them in the Definitions section below.

**PURPOSE:** On March 26, 2013, the Office of Inspector General (“OIG”) of the Department of Health and Human Services published “Special Fraud Alert: Physician-Owned Entities.” The Special Fraud Alert focuses on certain physician-owned entities that derive revenue from selling, or arranging for the sale of, implantable medical devices. The Special Fraud Alert states that facilities and entities that purchase from such physician-owned entities may be at risk for violating the Federal Anti-Kickback law.

This policy is intended to prohibit the Company from purchasing certain covered products from certain physician-owned businesses.

This policy supplements the Relationships with Physician-Connected Vendors Policy, LL.027.

**POLICY:** A Purchasing Entity shall not purchase Covered Products from a business that is a Physician-Owned Business (either directly or indirectly through an agent such as HPG), unless the Physician-Owned Business is an Exempt Physician-Owned Business and the purchase complies with Relationships with Physician-Connected Vendors Policy LL.027.

**DEFINITIONS:**

**Active Medical Staff** has the meaning given to it (or to a comparable term) in the governing documents (e.g., the medical staff bylaws) of the organized medical staff of the applicable Purchasing Entity. In the event the governing documents do not use the term “Active Medical Staff” or a comparable term, HCA Operations Counsel will determine the category of the Purchasing Entity’s medical staff to which this Policy applies. If the Purchasing Entity does not have an organized medical staff (e.g., an HCAPS physician practice), then “Active Medical Staff” means those Physicians employed by, or engaged to provide services for or on behalf of, the Purchasing Entity, either directly or through their practice.

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**Certification Form** means the applicable, then-current Vendor Physician Ownership and Compensation Certification Form referred to in Policy [LL.027](#).

“**Control**” means the direct or indirect power to govern the management and policies of an entity or facility; or the power or authority through a management agreement or otherwise to approve an entity’s or facility’s transactions.

**Covered Product** means all or any of the following: (i) implantable medical devices (including external fixation devices) and/or related instrumentation; (ii) pharmaceuticals; and (iii) biologics.

**Exempt Physician-Owned Business** means, with the determination being made on a Purchasing Entity-by-Purchasing Entity basis, a Physician-Owned Business that:

(i) is a Publicly Traded Company (Note: Publicly Traded Companies are exempt with respect to all Purchasing Entities); or

(ii) with respect to any particular Purchasing Entity, none of the following Physicians are on the Active Medical Staff of the Purchasing Entity:

- (a) Physicians holding an Ownership Interest in the Physician-Owned Business;
- (b) Physicians whose spouse holds an Ownership Interest in the Physician-Owned Business; or
- (c) Physicians who are members of any integrated group practice with any Physician described in (a) and/or (b).

Note: A Physician-Owned Business may be an Exempt Physician-Owned Business with respect to only certain Purchasing Entities. Purchasing Entities with respect to which the Physician-Owned Business is not an Exempt Physician-Owned Business shall not purchase Covered Products from the Physician-Owned Business.

**Ownership Interest** means any direct or indirect ownership or investment interest, whether through equity, debt or other means, including but not limited to stock, stock options, warrants, partnership shares, limited liability company memberships, as well as loans and bonds.

**Physician** means any person who is a doctor of medicine or osteopathy, a doctor of dental surgery or dental medicine, a doctor of podiatric medicine, a doctor of optometry, or chiropractor.

**Physician-Owned Business** means (i) a business in which a Physician or a spouse of a Physician has any Ownership Interest, whether that business is operated as a sole proprietorship, partnership, corporation, limited liability company, limited liability partnership, or in any other form; or (ii) any business or entity controlling, controlled by, or under common Control with a business or entity identified in clause (i) above.

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**Publicly Traded Company** means a company that is publicly held and both:

- (a) listed for trading on the New York Stock Exchange (“NYSE”) or any regional exchange in which quotations are published on a daily basis, or are foreign securities listed on a recognized foreign, national or regional exchange in which quotations are published on a daily basis, or traded on the National Association of Securities Dealers Automated Quotation System (“NASDAQ”); **AND**
- (b) had at least \$75 million in stockholder’s equity at the end of its most recent fiscal year or on average during the previous 3 fiscal years.

**Purchasing Entity** means the Company Affiliated Entity or Facility that directly or indirectly is seeking to purchase, is purchasing, or on whose behalf will be purchased a Covered Product from a Physician-Owned Business.

**PROCEDURE:**

**A. General**

1. **Inquiry.** In accordance with Policy LL.027, before entering into any new business relationship and before the renewal of any existing business arrangement, the Company will send the Certification Form to the business for completion and execution. The Certification Form should be updated by the business every year and within thirty (30) days of any change to the information included on such form, in accordance with LL.027.
2. **Response to Certification Form.**
  - a. When a business returns a Certification Form indicating that it is a Physician-Owned Business, the Company will input the information from the form into the Physician-Owned Business database described in Section A.5 below. The Company will also compare the information to the Active Medical Staff lists described in Section A.5 below.
  - b. If the information in the database and the lists indicates that the business is a Physician-Owned Business that is not an Exempt Physician-Owned Business with respect to the Purchasing Entity, the Purchasing Entity will not purchase Covered Products from the business, either directly or indirectly through an agent such as HPG.
  - c. Supply Chain will save a copy of the Certification Form in a database accessible by Division Contract Managers and facility management, such as “OnBase.”
3. **Failure to Respond.** Until a fully completed Certification Form is signed and returned, the Company will not purchase Covered Products from the business.

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4. **Conflicting Responses.** If a business provides more than one Certification Form indicating different or conflicting information, such as different physician ownership status, different Exempt Physician-Owned Business status, or different information regarding Covered Products, then the Company will suspend purchasing Covered Products from the business and all payments to the business for Covered Products until the Company obtains an appropriate and satisfactory clarifying response from the business.
5. **Physician-Owned Business Database and Active Medical Staff Lists.** The Company will maintain in a centralized database a record of each Physician-Owned Business that has submitted a Certification Form under Policy LL.027, regardless of whether the Physician-Owned Business has indicated a desire to sell Covered Products to the Company. The database will be based on the Certification Form(s) submitted by the Physician-Owned Business. With respect to each Physician-Owned Business, the database will include, without limitation, the name and Tax ID or National Provider Identifier (“NPI”) of all the following Physicians: (i) any Physicians that have Ownership Interests in the Physician-Owned Business; (ii) any Physicians whose spouse has an Ownership Interest in the Physician-Owned Business and (iii) any Physicians who are members of any integrated group practice with any Physician identified in clauses (i) and/or (ii) above. The Company will also maintain, in centralized databases, a list of each Physician that is on the Active Medical Staff of each Affiliated Entity and Facility. Before purchasing from or entering into a purchase agreement with a Physician-Owned Business, the Purchasing Entity will review the database and the lists. The Purchasing Entity will not purchase Covered Products from a Physician-Owned Business in the database until such time as the Purchasing Entity confirms that the Physician-Owned Business is an Exempt Physician-Owned Business with respect to such Purchasing Entity by obtaining an updated Certification Form.
- B. **Compliance Reporting.** The Company shall follow appropriate procedures, outlined in Policy EC.025, for reporting any potential compliance issues and occurrences.

**REFERENCES:**

1. OIG Special Fraud Alert: Physician-Owned Entities (March 26, 2013)
2. OIG Letter “Response to Request for Guidance Regarding Certain Physician Investments in the Medical Device Industries” (October 6, 2006).
3. 42 U.S.C. § 1320a-7b;
4. 42 U.S.C. § 1395nn;
5. Relationships with Physician-Connected Vendors Policy, [LL.027](#)
6. [Vendor Physician Ownership & Compensation Certification Form](#)
7. Reporting Compliance Issues and Occurrences to the Corporate Office Policy, [EC.025](#)
8. Company Code of Conduct