

<b>DEPARTMENT:</b> Legal	<b>POLICY DESCRIPTION:</b> Reimbursement of Expenses and Extended Tokens Related to Voluntary Leadership Service by Potential Referral Sources
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<b>EFFECTIVE DATE:</b> January 25, 2023	<b>REFERENCE NUMBER:</b> LL.022
<b>APPROVED BY:</b> Ethics and Compliance Policy Committee	

<p><b>SCOPE:</b> All Company-affiliated facilities including, but not limited to, hospitals, ambulatory surgery centers, outpatient imaging centers, physician practices, service centers and all Corporate Departments, Groups, Divisions and Markets.</p>
<p><b>PURPOSE:</b> To establish guidelines for reimbursing (or paying directly for) expenses incurred by potential referral sources when undertaking voluntary leadership efforts on behalf of the Company or a Company-affiliated facility. Examples of such efforts include attendance at meetings of hospital boards and medical executive committees, and conferences relevant to their hospital duties.</p> <p>To establish guidelines for extending tokens of appreciation in recognition of voluntary leadership efforts by potential referral sources on behalf of the Company or Company-affiliated facility.</p>
<p><b>POLICY:</b></p> <ol style="list-style-type: none"> <li>1. <u>Expenses.</u> Company-affiliated facilities may pay or reimburse in a manner consistent with the Company's Corporate Travel Policy the reasonable expenses of potential referral sources, who hold voluntary leadership positions, to participate in facility-sponsored events, such as retreats of their hospital board or Medical Executive Committee (MEC), or to attend conferences integral to the performance of their leadership responsibilities subject to completion of an appointment letter agreement pursuant to the facility's electronic physician contracting process. No payment or reimbursement will be made for the expenses of a guest or spouse of the individual in the voluntary leadership position, unless such payment is specifically permitted in this policy.</li> <li>2. <u>Tokens of Appreciation.</u> Tokens of appreciation may be given to potential referral sources in recognition of voluntary efforts on behalf of the Company subject to a facility determination in advance, before the furnishing of items or services for which the token is to be provided, as to the value of such tokens to be provided and completion of the relevant version of appointment letter agreements pursuant to the facility's electronic physician contracting process.             <ol style="list-style-type: none"> <li>a. Consistent with the language in the appointment letter agreement, the total value of tokens to be provided pursuant to the agreement must be set in advance, must not exceed \$1000 during any one year of the term of the agreement and must be based on an hourly rate as set forth below.                 <ol style="list-style-type: none"> <li>i. <u>Committees other than the MEC or Facility Board of Trustees or other voluntary leadership service.</u> The hourly rate is \$100 per hour of service provided by the</li> </ol> </li> </ol> </li> </ol>

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physician subject to the \$1000 annual aggregate limit (or lesser amount the facility may have determined and included in the appointment letter agreement)

ii. MEC or Facility Board of Trustees. The hourly rate is \$150 per hour of service provided by the physician subject to the \$1000 aggregate (or lesser amount the facility may have determined and included in the appointment letter agreement). Physician entertainment that is integral to the meeting and spouse or guest expenses and entertainment associated with a Board or MEC retreat may be provided to a potential referral source above and beyond the \$1000 annual aggregate (or lesser amount the facility may have determined and included in the appointment letter agreement), provided the physician has provided services, the value of which, equals or exceeds the value of the entertainment, expenses, and any tokens of appreciation. These items are not considered business courtesies.

b. Tokens listed in an appointment letter agreement must be provided to the potential referral source either (i) within each calendar year of the agreement, or (ii) over the term of the appointment letter agreement if the letter states that the term applies to the provision of any tokens of appreciation.

c. If, toward the end of the agreement term, a facility has not provided, and does not anticipate providing additional tokens that total \$1000 (or a lower limit the facility has set), the facility must provide the physician with a gift certificate in the value of the difference between the tokens provided and the \$1000 (or lower limit the facility has set) limit.

d. Tokens of appreciation are to be reasonable (i.e., not lavish) and like tokens should be provided for like service by different individuals (e.g., if one committee member receives a token for his/her committee service, then all committee members should receive like tokens of appreciation). However, if a physician indicates a preference not to accept a particular token (e.g., the individual is not interested in attending a sporting event that others are attending), the facility may provide a different token of like value or a gift certificate.

**PROCEDURE:**

1. Agreement. Facilities that intend to reimburse physicians for expenses associated with uncompensated service on MECs, Boards of Trustees or other committees or otherwise on behalf of the facility and/or which wish to extend tokens of appreciation for such service must enter into an agreement with each physician who will be serving in such capacity (using one of the appointment letter agreements pursuant to the facility's electronic physician contracting

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process) and must provide the tokens to the maximum extent permitted in the agreement. Each agreement must be signed by the physician and the facility CEO, or other approved delegate, before token may be provided and before any service hours may begin to accrue for the physician.

2. Board Retreats, MEC Retreats, Conferences and Similar Events.

- a. Company facilities may pay or reimburse in a manner consistent with the Company's Corporate Travel Policy the reasonable expenses of potential referral sources incident to the potential referral sources' attendance at and participation in facility-sponsored events, such as Board retreats, MEC retreats, or to attend conferences relevant to the performance of their leadership responsibilities, provided that:
  - i. the event is not held at a facility more than 500 miles from the Company facility and, for facilities within the continental United States, the event is held within the continental United States (unless approved by the SVP and Chief Ethics and Compliance Officer );
  - ii. the retreat or event is not or does not appear to be lavish or extravagant;
  - iii. the event will not occur on a mode of transportation (e.g., cruise ship) unless approved by the SVP and Chief Ethics and Compliance Officer;
  - iv. the substantive component of the event predominates over any entertainment or recreational activities; and
  - v. the potential referral source has signed an appointment letter agreement.
- b. Reasonable expenses incurred, allocated or reimbursed for **entertainment** of the potential referral source shall not exceed \$150 per hour of service previously performed by the potential referral source during the year and/or while on the retreat, provided such service has not already been "compensated" with other tokens.
- c. Facilities may pay or reimburse the expenses and entertainment of a spouse or guest of a potential referral source to attend a Board retreat, a MEC retreat or a combined Board and MEC retreat provided spouses or guests of all participants (e.g., non-referral source board members as well as referral source board members) are invited to attend. The amount reimbursed for spouses and guests shall not exceed \$150 per hour of service previously performed by the potential referral source during the year and/or while on the retreat, provided such service has not already been "compensated" with other tokens.
- d. Retreat Amenities. A potential referral source who receives a non-consumable retreat amenity (e.g., golf club, apparel, watch, towel, luggage) must either (i) provide volunteer

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service hours equivalent in value to the amenities and accept the amenity as a token of appreciation, pursuant to an appointment letter agreement that was signed at the inception of the physician's service period, or (ii) accept the amenity as a business courtesy, subject to the limitations set out in the Business Courtesies to Potential Referral Sources policy, EC.005.

3. Tokens of Appreciation  
 Tokens of appreciation may be given to potential referral sources in recognition of volunteer efforts on behalf of the Company only after obtaining a written agreement from the potential referral source (using an appointment letter agreement pursuant to the facility's electronic physician contracting process) that he or she may receive such tokens in exchange for his or her voluntary leadership service and only after the individual has provided services consistent with such agreement, the fair market value of which equals or exceeds the value of the token(s).

a. Value of tokens given to physicians who serve on committees other than the MEC or Facility Board of Trustees or other voluntary leadership service. The value of the token(s) that may be extended to a particular individual is to be calculated at a rate of \$100 per hour of service completed with an annual aggregate total not to exceed \$1000. **A facility should tailor the maximum to fit the intentions of the facility, although the \$100 and \$1000 figures may not be increased. For example, a facility that does not intend to give more than \$200 in tokens in a given year to a physician would use \$200 for its aggregate in the appointment letter agreement with the physician.**

b. Value of tokens given to physicians who serve the MEC or Facility Board of Trustees. The value of the token(s) that may be extended to a particular individual is to be calculated at a rate of \$150 per hour of service completed with an annual aggregate total not to exceed \$1000. **A facility should tailor the maximum to fit the intentions of the hospital, although the \$150 and \$1000 figures may not be increased. For example, a facility that does not intend to give more than \$200 in tokens in a given year to a physician would use \$200 for its aggregate in the appointment letter agreement with the physician.**

c. If a facility elects not to include entertainment – i.e., sporting or social events – in its appointment letter agreement, then any entertainment extended to potential referral sources would be subject to the \$489 limit in the Business Courtesies to Potential Referral Sources Policy, EC.005.

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- d. Tokens may be extended at any point in the year, provided the requisite number of hours of service have been completed prior to the token being extended. See Example b in Section 6 below.
  - e. Tokens of appreciation given to potential referral sources in recognition of volunteer efforts on behalf of the Company **pursuant to an appointment letter agreement** are not considered “business courtesies” subject to the \$489 annual limit established by the Business Courtesies to Potential Referral Sources Policy, EC.005 and, therefore, are not required to be tracked using the Business Courtesies Log described in EC.005. In other words, tokens of appreciation given pursuant to this policy are in addition to gifts and entertainment that may be given pursuant to EC.005.
4. Tracking
- a. Voluntary service performed pursuant to the appointment letter agreement must be documented. This may be accomplished by collecting and retaining meeting sign-in sheets or minutes, assuming such documents indicate the duration of the meeting; timesheets; or other writings that evidence the time the potential referral source has performed pursuant to the appointment letter agreement.
  - b. Tokens of appreciation, spouse or guest expense reimbursement, and entertainment extended pursuant to this policy must also be tracked. Facilities must demonstrate that in the period covered by the appointment letter agreement, the facility provided to the potential referral source the aggregate of 1) any tokens specified in the letter, 2) reimbursement for spouse or guest entertainment and expenses while on any retreat, and/or 3) reimbursement for the physician’s entertainment while on any retreat, up to the number of hours the physician provided voluntary service.
  - c. Use of the Tokens of Appreciation Log, which is available to Facility Ethics and Compliance Officers (ECOs) and their designees, is the preferred method of tracking tokens of appreciation to potential referral sources and their immediate family members. The Tokens of Appreciation Log is available at: <http://tokens.hca.corpad.net/default.aspx>. If a facility does not choose to use the Tokens of Appreciation Log, the facility must establish its own tracking mechanism that is approved in advance by the Ethics and Compliance Department.
5. Tax Consequences
- Federal tax laws require a facility to treat tokens of appreciation as taxable income. If the aggregate taxable income (i.e., tokens as well as any other compensation the facility might provide) provided by a facility to a particular physician in a calendar year totals \$600 or more,

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the facility must provide the physician with an IRS Form 1099. A physician who wishes not to receive taxable income may refuse to accept any tokens of appreciation. Such physician should not sign an appointment letter agreement. A physician who refuses to sign the agreement will not be entitled to receive tokens pursuant to this policy. In some (but not all) situations entertainment expenses of the physician may be considered working conditions fringe benefits which are not taxable income. If you question whether an item is a working condition fringe benefit or a taxable benefit, contact the Tax Department.

6. Examples

- a. A facility has set a limit of \$500 for tokens of appreciation to be given to members of the Credentialing Committee in exchange for their voluntary service and has collected signed appointment letter agreements from each member of the Committee. A member of the Committee has been unable to attend many of the meetings and has only provided four hours of service throughout the year. The facility must provide the physician with tokens of appreciation totaling \$400.
- b. A facility has adopted a limit of \$750 for tokens of appreciation to be given to members of its MEC. It is two months into the year, and the Committee member in question has provided 6 hours of service. The facility elects to extend a token of \$300 value to MEC members. The Committee member may receive the token. If the facility has not provided and does not anticipate that by the end of the year it will provide any further tokens to the physician pursuant to the appointment letter agreement, the facility must provide the physician with a gift certificate in the amount of \$450. The total \$750 provided to the physician must be included on that year's IRS Form 1099.
- c. A physician member of the facility's Board of Trustees has participated in several Board meetings and planning sessions (for a total of 15 hours of service) and attended the Board retreat, which included 8 hours of substantive work. The appointment letter agreement between the physician and facility specifies that the facility will provide tokens of a total value of \$600 for Board service, at a rate of \$150 per hour of physician service. The cost of the physician's entertainment and spouse expenses and entertainment at the retreat were \$2400. The facility must provide the \$600 of tokens to the physician, and may provide the entertainment and spouse expenses. The Facility must report the \$600 in tokens, the amount attributed to the physician's entertainment (unless it is a working condition fringe benefit) and spouse expenses and entertainment, as well as any other compensation provided on an IRS Form 1099 for the physician. The physician's total time expended on Board service is 23 hours, which equates to \$3450. The amount the facility

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will expend (\$3000) does not exceed the hourly rate for the service the physician has provided and, therefore, all expenditures are within the parameters of this policy.

d. Continuing with the facts in example c immediately above, the physician, like all board members, receives a gift basket upon arrival at the retreat. The gift basket includes a \$100 golf shirt, bottled water, and snacks. The bottled water and snacks are considered part of the facility's expenses associated with the retreat. Because the physician has served a sufficient number of hours, the physician may receive the golf shirt as a token of appreciation. Alternatively, should the facility desire for some reason to count the golf shirt as a business courtesy it may.

e. The facility has invited several physicians who recently completed their medical training to participate in the facility's "new physicians committee." The committee, which has been developed to better understand the needs and concerns of new physicians, is anticipated to meet about quarterly for approximately two hours each meeting. The meetings will be conducted pursuant to an agenda, and minutes will be taken. The facility wants to hold these meetings over dinner at a restaurant in the community. While a new committee, it is an appropriate committee for the use of the appointment letter agreement pursuant to the facility's electronic physician contracting process. Provided the physicians complete appointment letter agreements and provide the requisite hours of service as described in the letter, the facility may hold the meetings at a restaurant and pay up to \$200 for each physician's meal (2 hours x \$100/hour = \$200).

**DEFINITIONS:**

**Expenses** include, but are not limited to, the costs of food, lodging, and travel.

**Entertainment** includes any sporting event; concert; performance by any musician, comedian or other entertainer; spa treatments; greens fees; or other similar events or activities.

**Potential referral source** includes: a doctor of medicine or osteopathy, a doctor of dental surgery or dental medicine, a doctor of podiatric medicine, a doctor of optometry, a chiropractor or any family member of a potential referral source.

**Tokens of appreciation** include, but are not limited to, tangible items, such as a watch, briefcase, or vase; gift certificates; meals with a representative of the Company or facility administration; tickets to, or attendance with a representative of the Company or facility representative at, sporting or other entertainment events.

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**Voluntary leadership positions** include, but are not limited to, positions on facility boards and MECs for which the potential referral source is not compensated, as well as service as an unpaid medical director.

**REFERENCES:**

1. Business Courtesies to Potential Referral Sources Policy, [EC.005](#)
2. Approval of Tokens of Appreciation in Recognition of Volunteer Service Efforts from Non-Referral Sources Policy, [EC.008](#)
3. Expense Reimbursement Agreement