SCOPE: All Company affiliated facilities including, but not limited to, hospitals, ambulatory surgery centers, home health agencies, physician practices, outpatient imaging centers, service centers, and all Corporate Departments, Groups, Divisions and Markets.

PURPOSE: 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 forming Equity Management Services Organizations (“Equity MSOs”), typically through pro rata contributions of practice assets and cash.

POLICY:

1. **Transaction Must Comply With Applicable Law**
   All transactions involving the formation of an Equity MSO, in which a physician or medical practice contributes assets in exchange for an ownership interest therein, 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.

2. **Policy Requirements**
   The Policy with respect to management agreements with physicians and medical practices generally requires that:
   - There is a written agreement signed by the parties before any services are rendered and before any payments are made, unless approved in advance by Operations Counsel;
   - The agreement specifies the services to be provided;
   - The services to be provided do not exceed those that are commercially reasonable and necessary for the arrangement’s commercially reasonable business purposes;
   - The agreement has a period of at least one year;
   - Compensation over the term of the agreement is set in advance, does not exceed fair market value and is not determined in a manner that reflects referrals or business otherwise generated between the parties;
   - The terms and conditions of the agreement are commercially reasonable;
   - The services provided under the agreement do not involve counseling or promoting transactions that violate state or federal law;
   - If the agreement is intended to provide for the MSO services on a periodic, sporadic or part-time basis, rather than on a full-time basis for the term of the agreement, the agreement must specify the exact schedule of such intervals, their precise length, and the exact charge for each interval; and
   - The arrangement meets any other requirements included in federal and state regulations.

3. **Value Given Practice Contribution Must Be Fair Market**
   The value placed on the parties’ contributions to the MSO shall be no more than the appraised fair market value of each such contribution and shall in no way reflect the value or volume of referrals or other business generated between the parties or have any intention to induce, directly or indirectly, referrals between the parties.
4. **Independent, Third-Party Evaluations Required**
   The fair market value placed on the assets contributed by the medical practice to the MSO and the long-term management services agreement ("MSA") entered into by the medical practice with the MSO shall be confirmed as of closing by written independent, third-party evaluation using recognized valuation methodologies and reasonable economic and market assumptions.

5. **Standards for Acquisition Terms & Conditions**
   The terms and conditions for forming Equity MSOs with physicians shall be commercially reasonable and consistent with the Company's overall network development strategies.

6. **Guidelines and Procedures of HCA Physician Services**
   The Company requires all Equity MSO transactions to comply with the Guidelines and Procedures established by HCA Physician Services (HCAPS).

**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. **Scope of Compliance Controls**
   The compliance controls listed below are applicable to the formation of all Equity MSOs, *i.e.*, to the initial partnering transaction involving an equity contribution by the founding physician practice. For subsequent physician practice acquisition and equity contribution transactions, the compliance controls are applicable to the extent that members of the MSO board who represent the Company may vote on a particular transaction. That is, before a Company board member may vote in favor of a given transaction, the compliance controls below must followed.

2. **Review of Independent, Third-Party Appraisals**
   To ensure that an independent, third-party appraisal is obtained for each physician practice acquisition and equity contribution transaction, HCAPS shall maintain a list of qualified, reputable valuation consultants available for use in all transactions. These independent third-party appraisals also shall be reviewed as to form by HCAPS. This review shall assess whether the appraisal is based on valid and accepted valuation methodologies and whether the assumptions used in such evaluations are reasonable, given the facts and circumstances.

3. **Review by Legal Counsel**
   In-house legal counsel, at its option, shall either perform the legal work directly or supervise and review the work of outside law firms in the preparation of definitive agreements and documents for each transaction.
4. **Acquisition Approval Process**

   All Equity MSO transactions shall be approved by the appropriate Approving Authority and HCAPS Vice President prior to becoming effective. If the acquisition does not meet standard deal parameters established by HCAPS, the acquisition shall require the additional approval of the appropriate Group President 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 objectives for acquiring the practice assets, the major deal terms, the appraised fair market value of the practice, and the amount to be offered for it.

5. **Certification**

   In the approval process documentation, the facility CEO, Approving Authority, and HCAPS Vice President each shall certify that:

   - He or she has reviewed the evaluation for the practice.
   - He or she is familiar with the Company’s policies and guidelines related to physician practice acquisitions.
   - 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.
   - The amount offered is consistent with and does not exceed fair market value for the assets acquired as established by the independent, third-party evaluation.
   - No portion of the purchase price is being paid with the intention to induce referrals to any Company facility.
   - The arrangement and its terms and conditions are commercially reasonable and consistent with the Company’s overall network development strategies.

6. **Due Diligence**

   As a condition to closing an Equity MSO transaction, all necessary due diligence work shall be completed according to written Guidelines and Procedures established by HCAPS. Those individuals performing certain steps shall be required to sign off as to completion of the work. All documents accumulated during the due diligence process shall be delivered to legal counsel for filing with the final agreements and documents related to the acquisition. Legal counsel shall ensure that all necessary due diligence is finalized prior to closing. All relevant information and findings shall be disclosed to the independent, third-party appraiser for inclusion in its final opinion of fair market value.