

 <p><b>HAWAII HEALTH SYSTEMS</b> CORPORATION <i>"Touching Lives Everyday"</i></p> <p><b>Policies and Procedures</b></p>	<p><b>Quality Through Compliance</b></p>	<p>Policy No.:</p> <p><b>FIN 0003</b></p>
		<p>Revision No.:</p> <p>N/A</p>
<p>Subject:</p> <p><b>Corporate Policy on Vendor Relationships</b></p>	<p>Issued by:</p> <p>Corporate Compliance Committee</p>	<p>Effective Date:</p> <p>September 15, 2000</p>
	<p>Approved by:</p> <p>Thomas M. Driskill, Jr. President &amp; CEO</p>	<p>Supersedes Policy:</p> <p>N/A</p>
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I. **PURPOSE:** To establish procedures in addition to the HHSC procurement guidelines which encourage HHSC and its facilities to establish and maintain relationships with vendors which are beyond reproach from the standpoint of compliance with State and federal laws that govern such arrangements.

II. **POLICY:** HHSC and its facilities enter into innumerable contracts and other arrangements to provide and/or receive goods and/or services, either by sale, lease, or other means (collectively, the "Vendor Transactions"), frequently pursuant to arrangements which often include rebates, discounts, and other pricing information. In the current regulatory climate, these relationships often entail a high risk of potential legal liability, even where HHSC's conduct is seemingly blameless. Consistent with its policy of encouraging legal compliance in all phases of its operations, HHSC wishes to encourage its employees, vendors, and potential vendors to adopt business practices which are legal in all respects, and which correctly maintain HHSC's image of integrity. These policies are in furtherance of that goal.

III. **PROCEDURE:**

A. **General Policies:**

- Never enter into any Vendor Transaction which is not specifically permitted under this policy **and** under HHSC's Procurement Policies and Procedures.
- Never pay or provide HHSC funds to any vendor pursuant to any oral or written arrangement which has not been approved according to HHSC's Procurement Policies and Procedures.
- Always ensure that Vendor Transactions are in written form and have been formally approved under HHSC's Procurement Policies and Procedures before executing or arranging for execution of such agreements.
- Always inform your supervisor or the facility's Regional Compliance Officer if you learn of unauthorized Vendor Transactions at your facility or any other HHSC facility, or if you learn of any other violation of this policy.

## B. Discounts or Rebates in Vendor Transactions:

- All Vendor Transactions which include a rebate or discount<sup>1</sup> must comply with this policy.
- Never offer any of the following as a “discount” to purchasers of goods or services from HHSC:
  - ✓ Payments in cash;
  - ✓ A price reduction which the facility does not extend to the Medicare or Medicaid program;
  - ✓ In the case of enrollees in Medicare or any other government-funded health plan, routine waivers of coinsurance and deductible amounts;
  - ✓ Services furnished in accordance with a personal services or management arrangement provided at discounted or waived charge without documenting the discount or waived charge in the written agreement;
  - ✓ Product warranties; and
  - ✓ Personal remuneration, whether in cash or in kind, to any employee of the vendor.
- Never accept any of the following as a “discount” from sellers of goods or services to HHSC:
  - ✓ Payments in cash;
  - ✓ A price reduction which HHSC or your facility does not extend to the Medicare or Medicaid program;
  - ✓ Services furnished in accordance with a personal services or management arrangement provided at discounted or waived charge without documenting the discount or waived charge in the written agreement;
  - ✓ Product warranties; or
  - ✓ Personal remuneration, whether in cash or in kind, to any employee of the vendor.
- All Vendor Transactions, whether HHSC is Buyer or Seller, shall be:
  - ✓ Subject to approval by the General Counsel or her designee to the extent provided in the procurement policies and procedures;
  - ✓ Structured to comply with State and federal fraud and abuse laws; and
  - ✓ Executed only by authorized signators.
- All contracts which include discounts or rebates must appropriately reflect the discount or rebate in HHSC’s claimed costs or charges.
- All fully executed original copies of agreements in support of Vendor Transactions shall be kept by and maintained in accordance with HHSC’s Procurement Policies and Procedures.

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<sup>1</sup> By “rebate” or “discount”, we mean a reduction from a seller’s usual and customary charge for a good or service which results from a negotiation between the parties.