DISCUSSION DRAFT
DATE MAY 1 1 2006

KANSAS HEALTH POLICY AUTHORITY
Board Members
Conflict of Interest Policy

A. Purpose. The purpose of this conflict of interest policy is to protect the interest of the Kansas Health Policy Authority ("KHPA") when it is contemplating entering into a transaction or arrangement that might benefit the private interest of a member of the KHPA Board (the "Board"). This policy is intended to supplement but not replace any applicable laws governing conflicts of interest.

B. Definitions. The key terms used in this policy are defined as follows:

Board committee: Any committee that has specific authority to take final action relative to the operations, transactions, or business of KHPA delegated to it by the Board (as opposed to a committee that is simply advisory).

Board member: Any person serving on the KHPA Board pursuant to K.S.A. 75-7401 et seq. or any member of any Board committee appointed by the Board.

Compensation: Any direct or indirect remuneration, including any substantial gifts or favors.

Conflicting interest: Service as a member, shareholder, trustee, owner, partner, director, officer, or employee of any organization or governmental entity that either:

(1) contracts with KHPA, or
(2) is involved, or is likely to become involved, in any litigation or adversarial proceeding with KHPA.

Family member: a spouse, parent, child, grandparent or grandchild of the Board member.

Financial interest: Any arrangement or transaction in which an interested person has, directly or indirectly, through business, investment, or family a present or potential ownership, investment interest, or compensation arrangement with KHPA or with any entity or individual with which KHPA has, or may have, a transaction or arrangement.

A person has a financial interest if the person has, directly or indirectly through business, investment or family.

(1) an ownership or investment interest in any entity with which KHPA has a transaction or arrangement, or
(2) a compensation arrangement with KHPA or with any entity or individual with which KHPA has a transaction or arrangement, or

(3) a potential ownership or investment interest in, or compensation arrangement with, any entity or individual with which KHPA is negotiating a transaction or arrangement.

Compensation includes direct and indirect remuneration as well as gifts or favors that; are substantial in nature.

Interested person: Any KHPA officer, member of the Board, or member of a committee with Board delegated powers who has a direct or indirect "financial interest," as defined above, is an interested person.

Key management personnel: The Executive Director of KHPA, any managers who report directly to the Executive Director, and any other personnel so designated by the Executive Director or the Board.

Person covered by this policy: Any Board member, member of any Board committee, officer of KHPA, and key management personnel of KHPA.

C. Disclosure of conflicts of interests. Every person covered by this policy shall submit in writing to the Board a Conflict of Interest Disclosure Statement listing all financial or conflicting interests. Each statement shall be resubmitted with any necessary changes each year or as any additional conflicting or financial interests arise.

D. Procedure to be followed at meetings. Whenever the Board or a Board committee is considering a transaction or arrangement with an organization, entity, or individual in which a person covered by this policy has a financial or conflicting interest, the following must occur:

(1) The interested person must disclose the financial or conflicting interest to the Board or Board committee.
(2) The Board chair, the Board committee, or the Board may ask the interested person to leave the meeting during discussion of the matter regarding the potential conflict. If asked, the interested person must leave the meeting, but may make a statement or answer any questions on the matter before leaving.
(3) The interested person shall not vote on the matter regarding the potential conflict.
(4) The Board or Board committee must approve the transaction or arrangement by a majority vote of a quorum of the Board members present, not including the vote of the interested person.

If an interested person has a financial interest in a transaction or arrangement that might involve personal financial gain or loss, the following should be considered in addition to the provisions described above:

(1) If appropriate, the board or board committee may appoint a non-interested person or committee to investigate alternatives to the proposed transaction or arrangement.
(2) To approve the transaction, the Board or Board committee must first find, by a majority vote of the Board members, not including the vote of the interested person, that the proposed transaction or arrangement is in KHPA's best interest and is for its own benefit, that the proposed transaction is fair and reasonable to KHPA, and that

after reasonable investigation KHPA cannot obtain a more advantageous transaction or arrangement with reasonable efforts.

(3) The interested person shall not be present for the discussion or vote regarding the transaction or arrangement.

E. Policy Violations. If the Board has reasonable cause to believe that a member has failed to disclose actual or possible conflicts of interest, it shall inform the Board member of the basis for such belief and afford the Board member an opportunity to explain the alleged failure to disclose.

If, after receiving the response of the Board member and making any necessary investigations, the Board determines that the member has in fact failed to disclose an actual or possible conflict of interest, it shall take appropriate corrective action.

F. Minutes of meetings. The minutes of the Board and all committees with Board-delegated powers shall contain:

(1) the names of the persons who disclosed or otherwise were found to have a financial interest in connection with an actual or possible conflict of interest;
(2) the nature of the financial interest;
(3) any action taken to determine whether a conflict of interest was present; and
(4) the Board's or committee's decision as to whether a conflict of interest in fact existed.

G. Dissemination and acknowledgment of policy. This policy shall be distributed to all persons covered by this policy annually. Each person covered by this policy shall sign an annual statement that he or she; i) received a copy of the policy; ii) read and understands the policy; and iii) agrees to comply with the policy.

A137917; 5/11/06