DEPARTMENT: Legal	**POLICY DESCRIPTION:** Professional Services Agreements
PAGE: 1 of 4	**REPLACES POLICY DATED:** 2/11/98, 9/2/98, 1/1/01, 6/1/02, 9/30/03, 1/30/04, 4/30/2005, 01/01/06, 11/15/06, 5/1/07, 6/1/09, 8/1/09
EFFECTIVE DATE: February 1, 2012	**REFERENCE NUMBER:** LL.002
APPROVED BY: Ethics and Compliance Policy Committee	

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

PURPOSE: To provide direction as to execution of professional services agreements between affiliates of the Company and physicians and/or physician entities and their immediate family members.

POLICY: All Professional Services Agreements must be in writing, signed by the parties, and provide for fair market value payments that are set in advance for the services actually rendered. All Professional Services Agreements shall be entered into for a commercially reasonable purpose not related to a physician's referrals. Payments shall not be determined in a manner that takes into account the volume or value of any referrals or other business generated between the facility and the physician. The contracts will contain a "no requirement to refer" provision, and there must be no written or oral understanding that patient referrals are a part of the arrangement. (See the General Statement on Agreements with Referral Sources, Approval Process Policy, LL.001.) Any agreement with a physician or immediate family who is a Foreign Official must also comply with the Global Anti-Corruption Policy, LL.AC.001.

A Professional Services Agreement must be signed by both the professional and the facility CEO, or an approved delegate for the CEO, before any services are provided and before any payments are made. Services provided before both parties have signed the agreement will not be compensated, at the time of service or at any time in the future, unless approved by Operations Counsel.

The term of the agreement should be for at least one year. If the term is for less than one year or if the agreement is terminated with or without cause prior to the end of the first year of the agreement, then the parties must not enter into a similar contract until the one year term has passed.

Time-based or unit-of-service-based payments are appropriate, even if the physician receiving the payment generated the payment through a referral to the facility, so long as the payment per unit is at fair market value at the inception of the agreement and does not subsequently change during the agreement term in any manner that takes into account referrals or other business generated between the parties.

The agreement shall specify with particularity the services to be rendered, which may be an addendum prepared by the facility CEO. The facility shall contract only for services actually needed by the facility. The facility shall not contract for services that are not required for the operation of the facility, or that regularly accompany the professional services being rendered by the physician or other professional, or that are required pursuant to the facility's medical staff bylaws to be rendered by the physician without payment or that involve counseling or promoting activities that violate state or federal law. The CEO of the facility must document and justify the need for the services being

requested. In addition, the value to the facility of each professional services agreement should be periodically assessed.

The professional shall provide the facility with a written statement of the services which have been rendered prior to each payment. Such written statement (typically, a time sheet) should provide the level of detail of the services normally expected of an outside vendor of professional services (*e.g.*, a law firm). Such statement would typically include the date of the service, a description of the services rendered and, if appropriate, to whom the services were rendered. There should be an articulated expectation that all time should be recorded when worked and not reconstructed at weekend, month-end, or other interval. If the written documentation is not received, the payments will not be made. (This is a requirement for internal control. Please note that Medicare requires different record keeping procedures if such payments are qualified for reimbursement. HCFA Form 339-Schedule 3.) In addition, physicians should be encouraged to record and report all time worked pursuant to a professional services agreement, including any time that exceeds any applicable monthly cap.

Time sheets are to be carefully reviewed by an appropriate member of management in the facility to verify that the standards for completion of time sheets set forth herein are met. A pattern of time sheet submissions that routinely aggregate to the permitted maximum should be closely scrutinized for accuracy of timekeeping.

A sample completed time sheet is attached to this policy. The time sheet form is available on Atlas at:
http://atlas2.medcity.net/portal/content/legal/Forms/profservagr/Official%20Time%20Record%20Rev%204-2002.pdf.

All Professional Services Agreements must be fair market value, and all Professional Services Agreements must be reviewed and approved by Operations Counsel. Certain Professional Services Agreements will require additional review by the Legal Department. Professional Services Agreements that meet the following conditions will require this additional review:

i) Medical Directorships for more than 20 hours per month of administrative services;
ii) Medical Directorships that might be considered out of the ordinary for a community hospital (*e.g.*, Outreach, Teaching, Community Assistance);
iii) Elected Physician Leadership Positions for services over 40 hours per month;
iv) Inpatient Rehabilitation Medical Directorship services over 20 hours per week;
v) Agreements to oversee residency programs over 40 hours per month;
vi) On call compensation that exceeds the amount calculated by the internal call calculator found in the Physician Agreement Workflow System ("PAWS") with no supporting report from an approved, certified appraiser;
vii) Agreements for professional or administrative services where the payment rate exceeds the amount calculated by the internal calculator found in PAWS and is not supported by a report from an approved, certified appraiser;

viii) Other agreements, as determined by Operations Counsel.

A written fair market value appraisal by an approved, independent, third party is required for professional or administrative services agreements with physicians if the compensation amount exceeds the fair market rate determined by the applicable internal calculator found in PAWS. In addition, Operations Counsel may require the facility to obtain a report by an approved appraiser as to the fair market value of the proposed compensation in any agreement, including but not limited to those categories listed above as outside the ordinary course of business.

As stated above, the payment terms must reflect the fair market value of the services being rendered. The facility CEO must document how the payment terms reflect fair market value. Such FMV documentation must be by an independent third party appraisal if the arrangement meets the criteria listed above. Otherwise, such FMV documentation may be in any number of forms, including an independent third party appraisal or by another method consistent with the requirements of the Fair Market Valuation Policy, LL.025. The payment amounts will be stated in the agreement on an hourly basis subject to a monthly and annual aggregate limit. The CEO of the facility must be able to document that the payment amounts are reasonable in terms of the special services being rendered and the community norms. In no case will payment amounts increase or decrease depending on referral volume.

All separate arrangements between the facility and the physician and/or the physician's immediate family members must incorporate each other by reference or cross-reference a master list of contracts that is maintained and updated centrally and available for review by the Secretary of Health and Human Services upon request.

Whenever a facility renews or wishes to add a paid medical director such that there will be a second medical director position for a particular department or sub-department, the facility CEO or ECO must provide a written justification for the second position to the facility's Operations Counsel as to the necessity of the additional position and request approval in writing from the Approving Authority. If a facility wishes to add a paid medical director such that there will be three or more paid medical director positions for a particular department or sub-department, the facility CEO or ECO must provide a written justification for the additional position or positions to the facility's Operations Counsel as to the necessity of the additional position and request approval in writing from the Approving Authority and the Corporate Senior Vice President for Ethics, Compliance and Corporate Responsibility.

PROCEDURE: The CEO of the facility or the Corporate colleague entering into the agreement will be required to certify that:

(a) except as disclosed in the certification and/or cross reference addendum, there are no other arrangements, oral or written, with the professional;
(b) the payments pursuant to the agreement will represent the fair market value of the services to be rendered;

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(c) the CEO or the Corporate colleague, as applicable, will ensure that the required services are rendered prior to payment; and
(d) the services to be provided do not exceed those that are reasonable and necessary for the arrangement's commercially reasonable business purposes.

The Approving Authority or Corporate Vice President and/or Senior Vice President, as applicable, must certify that the payments pursuant to the agreement will represent the fair market value of the services to be rendered. A copy of this certificate is to be maintained with the agreement at the facility, with the original certificate to be forwarded to the Legal Department.

DEFINITIONS:

"Approving Authority," for purposes of this policy, 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.

"Medical Director" is defined as a physician engaged for a number of hours, or up to a number of hours, per month to provide administrative oversight or support for the facility relative to a particular department, sub-department or function within the facility.

Compensation is "set in advance" if the aggregate compensation, a time-based or per unit of service based (whether per-use or per-service) amount, or a specific formula for calculating the compensation is set in an agreement between the parties before the furnishing of the items or services for which the compensation is to be paid. The formula for determining the compensation must be set forth in sufficient detail so that it can be objectively verified, and the formula may not be changed or modified during the course of the agreement in any manner that reflects the volume or value of referrals or other business generated by the referring physician.

Company colleagues should consult the definition of "Foreign Official," provided in the Global Anti-Corruption Policy, LL.AC.001, and be aware that physicians and other employees of hospitals or other facilities owned or controlled by national, state or local governments of any Foreign Country may be considered Foreign Officials under the Global Anti-Corruption Policy and Foreign Corrupt Practices Act.

REFERENCES:
42 U.S.C. § 1320a-7b; 42 C.F.R. § 1001.952(a)-(v); 42 U.S.C. § 1395nn(e)(3);
60 Fed. Reg. 41914 (Aug. 14, 1995); 63 Fed. Reg. 1659 (Jan. 9, 1998);
66 Fed. Reg. 856 (Jan 4, 2001); 69 Fed. Reg. 16054 (March 26, 2004)
General Statement on Agreements with Referral Sources, Approval Process Policy, LL.001
Global Anti-Corruption Policy, LL.AC.001

PROFESSIONAL SERVICES AGREEMENT ADDENDUM
OFFICIAL TIME RECORD (Not for IRF Medical Director Agreements)

Document Purpose: This time record shall be used to account for time spent fulfilling duties specified in the Professional Services Agreement dated _____ (the "Agreement"), as required under section 1.6 of the Agreement.

Instructions: In the boxes shown below, for each instance of time spent fulfilling duties, show the date, function(s) performed using the codes in the legend, participants in any consultation, meeting, email, or telephone conversation, name of policy reviewed, number of charts reviewed, a detailed description of the work done, and the time incurred. Time incurred in providing services under the Agreement should be documented in ¼th hour (.25) increments (15 minutes). For example, an hour and a half meeting would be shown as 1.5 hours. If time falls between two increments, round to the nearest increment. If the nearest increment is zero, round up (*e.g.*, if the time spent in a meeting was six minutes, round up and list this time as 0.25 hour, not 0 hour).

Code (Column 2): *THIS FIELD WILL BE COMPLETED BY THE FACILITY ADMINISTRATION, AND NOT BY THE PHYSICIAN*. For Medicare cost report purposes, for each function performed on each date it was performed, the administrator will code the activity as one of the following:

Code A: Physician services to the facility
Code B: Direct patient care
Code C: Non-reimbursable activities on Medicare cost-reports

Function: (Column 3): Please reference the legend at the bottom right corner of the time sheet to record the function performed. If "O", "Other", is used, a full explanation must be included in the Detailed Description (Column 5). Please note that the facility no longer requires the physician to designate any code (A, B, C) for services performed.

Participant/Policy Name (Columns 4): In these spaces, please list the participant in any email, phone conversation, consultation or meeting. If there are several participants, list the primary participants. However, if the role the physician plays is one expected to require numerous calls and/or e-mails, it is more important to have an accurate description of the nature of the calls and e-mails than to have a list of every person called or e-mailed. If there are several participants, the primary participants should be named or if the types of participants could be categorized, that will suffice. For chart or policy review, please state the number of charts or the name of the policy reviewed. For all other functions, list participants, individually or as a group, if relevant. If the physician was the only participant, list the exact subject of the work. For example, if the function is research, list the specific matters researched.

Detailed Description of the Service Provided (Column 5): Each entry must contain sufficient detail to adequately describe the function that was performed, and provide the facility with a means of verifying the claim. Facility may provide additional guidance regarding the required level of specificity and acceptable and unacceptable time sheet formats, from time to time.

Total Time Spent on Function (Column 6): Time should be documented in ¼th hour (.25) increments for all functions. For example, a meeting requiring an hour and fifteen minutes would be recorded as 1.25 hours.

This record covers one (1) month of services. Upon completion of a month, please send this time record to the attention of
_____ **at**
_____**.**

Please maintain a copy for your records. Disbursement for services described both in the Agreement will be made after receipt of properly completed time records.

Attestation. (To be signed by the Contractor before the first time record submission)

I understand, and agree to comply with the above instructions in completing the attached time records throughout the term of this Agreement. All items submitted on each time record will be made in good faith for items described in the Agreement.

Contractor Signature: _____ _____/_____/_____

Print Contractor's Name: _____

Contractor Information

Name: _____ **Month:** _____ **Year:** _____

Services Rendered: (Physician Advisor, Medical Director, etc.): _____

Time Record: Complete All Fields using Legend Below

Date	Code (Admin. Only)	Function (Legend)	Participant/ Policy Name Or Number of Charts	Detailed Description of Service Provided	Total Time Spent on Function
Total From Page 4 >>>>>>>>>>>>>>>>					
Grand Total >>>>>>>>>>>>>>>>					

Attestation:

I, the above noted Contractor, attest that the hours shown above as "time spent on function" were actually worked by me. Also, the hours shown are for services consistent with those required of me in the Agreement.

Contractor's Signature:

_____
__/___/___

Administrative Use Only:

Time Record Total (include only hours for services described in the Contractor's Agreement): _____

Contract Hours Max per Month: _____

Contract Rate per Hour: $_____
x Month Hours _____ =

Amount Due Contractor: $_____

Department Director:

Legend

Function	Abbreviation
Meeting with	Mt/w
Phone call with	Pc/w
Email with	Em/w
Policy Review	Py/Rev
Chart Review	Ch/Rev
Presentation	Prt
Utilization Review	Utz/Rev
Supervision	Sup
Teaching	Tch
Quality Control	QC
Autopsies	Au
Research	Rsh
Other	O

PROFESSIONAL SERVICES AGREEMENT ADDENDUM
OFFICIAL TIME RECORD (Not for IRF Medical Director Agreements) …. [Continuation Sheet]

Contractor's _____
Initials

Time Record: Complete All Fields using Legend on First Page of Time Record

Date	Code (Admin. Only)	Function (Legend)	Participant/ Policy Name Or Number of Charts	Detailed Description of Service Provided	Total Time Spent on Function