

PROCEDURE # 10.23A	EFFECTIVE DATE	REVISED DATE
TITLE: BOARD MEMBER CONFLICT OF INTEREST	1/1/2014	6/1/2025
<u>ATTACHMENT TO</u>	REVIEW DATES	
POLICY #: 10.23		
POLICY TITLE: BOARD MEMBER CONFLICT OF INTEREST		
CHAPTER: BOARD GOVERNANCE		

I. PURPOSE

To provide an effective oversight process which protects the interests of the Lakeshore Regional Entity (LRE) when contemplating a transaction, arrangement, proceeding or other matter that might benefit the private interest of an individual or another entity.

II. PROCEDURES**A. Disclosure of Financial Interests:**

- i. Each Covered Person shall submit in writing to the Entity's Chief Executive Officer a Conflict of Interest and Financial Interest Disclosure (COI/FID) Statement (Attachment A) listing all Financial Interests and affirming compliance with the Conflict-of-Interest Policy.
- ii. Each Covered Person shall update their Annual COI/FID Statement on the date designated by LRE, or promptly when any new Financial Interests or potential Conflicts of Interest arise.
- iii. The Chief Executive Officer shall review and become familiar with all submitted COI/FID Statements, updates and waivers in order to guide their conduct regarding the disclosed information.
- iv. The Chairperson of the Board shall review and become familiar with the COI/FID Statement submitted by the Chief Executive Officer.
- v. The Vice Chairperson of the Board shall review and become familiar with the COI/FID Statement submitted by the Chairperson of the Board.
- vi. The Board of Directors may request that a Covered Person(s) appear before the Board or submit written information to supplement or answer questions regarding information disclosed on the COI/FID Statement.

B. Annual Conflict of Interest and Financial Interest Disclosure Statement

Annually, on a date to be determined by the Board, each Covered Person shall complete, sign and date a COI/FID Statement. The COI/FID Statement affirms that the signor:

- i. Has received a copy of the Board Member Conflict of Interest Policy;
- ii. Has read and understands the Policy;
- iii. Has agreed to comply with the Policy and the requirements of 42 CFR 455 Subpart B;

- iv. Has disclosed on the COI/FID Statement all Financial Interests which the signor currently may have in accordance with the information identified in 42 CFR 455 Subpart B;
- v. Agrees that they will update the information on the COI/FID Statement promptly should a new Financial Interest arise, by completing a new Financial Interest Disclosure Statement.
- vi. Understands that the LRE is required to notify the MDHHS BHDDA Division of Program Development, Consultation and Contracts when any disclosures are made with regard to criminal offense described under sections 1128(a) and 1128(b)(1)(2), or (3) of the Social Security Act.

Covered persons may submit a current copy of an equivalent disclosure statement previously completed for a member Community Mental Health Service Program (CMHSP), provided the disclosure statement complies with the requirements of 42 CFR 455 Subpart B and the information disclosed remains accurate at the time of receipt by the LRE.

C. Addressing Financial Interests and Conflicts of Interest:

If the Board determines, by majority vote of disinterested members, that it may, with reasonable efforts, obtain a more advantageous transaction, arrangement, proceeding or other matter from another person or entity not involving the Interested Person, the Chief Executive Officer on behalf of the Board shall notify the Interested Person and may pursue such other transactions, arrangements, proceedings, or other matters or restrict the Interested Person's participation in the matter, as the Board determines appropriate.

D. Granting a Conflict-of-Interest Waiver:

If it is determined that it is not possible, with reasonable efforts, to obtain a more advantageous transaction, arrangement, proceeding or other matter from another person or entity not involving the Interested Person, and that the financial interest is not so substantial as to be likely to affect the integrity of the services which the Entity may expect from the Interested Person, the Board may vote to waive the potential Conflict of Interest and proceed with the proposed transaction, arrangement, proceeding or other matter and the Interested Person's participation in the matter. A Conflict-of-Interest Waiver shall be made in writing and signed by the Chairperson of the Board and the Chief Executive Officer.

The Conflict-of-Interest waiver may restrict the Interested Person's participation in the matter to the extent deemed necessary by the Board. Further, the Conflict-of-Interest waiver may cover all matters the Interested Person may undertake as part of his/her official duties with the Entity, without specifically enumerating such duties. All Conflict-of-Interest Waivers shall be issued prior to the Interested Person's participation in any transaction, arrangement, proceeding or other matter on behalf of the Entity.

1. Factors for Consideration When Granting a Waiver:

In making a determination as to whether a Financial Interest is substantial enough to be likely to affect the integrity of the Interested Person's services to the Entity, the following shall be considered, as applicable.

The type of interest that is creating the disqualification (e.g. stock, bonds, real estate, cash payment, job offer or enhancement of a spouse's employment);

- i. The identity of the person whose Financial Interest is involved, and if the interest does not belong directly to the Interested Person, the Interested Person's relationship to that person;
- ii. The dollar value of the disqualifying Financial Interest, if known and quantifiable (e.g., amount of cash payment, salary of job to be gained or lost, change in value of securities);
- iii. The value of the financial instrument or holding from which the disqualifying Financial Interest arises and its value in relationship to the individual's assets;
- iv. The nature and importance of the Interested Person's role in the matter, including the level of discretion which the Interested Person may exercise in the matter;
- v. The sensitivity of the matter;
- vi. The need for the Interested Person's services; and
- vii. Adjustments which may be made in the Interested Person's duties that would eliminate the likelihood that the integrity of the Interested Person's services would be questioned by a reasonable person.

2. Compensation Committees

- i. A voting member of the Board or any Board committee whose scope of authority includes compensation matters and who receives compensation, directly or indirectly, from the LRE, is precluded from voting on matters pertaining to their own compensation from the LRE.
- ii. No voting member of the Board or any Board committee whose scope of authority includes compensation matters and who receives compensation, directly or indirectly, from the LRE, is prohibited, individually or as part of a group, from providing information to the Board or any committee regarding compensation.

3. Waivers Supported by Michigan Law:

Michigan law specifically provides support for granting a waiver of a Conflict of Interest arising under the following Conflict of Interest exception scenarios:

- i. A community mental health services program ("CMHSP") Board member may be a party to a contract with a CMHSP or administer or financially benefit from that contract, if the contract is between the CMHSP and the Entity;
- ii. A CMHSP Board member may also be a member of the Entity Board, even if the Entity has a contract with the CMHSP;

- iii. A CMHSP Board may approve a contract with the Entity, if a CMHSP Board member is also an employee or independent contractor of the Entity; and
- iv. CMHSP public officers (e.g., Board members, officers, executives and employees) may also be Board members, officers, executives and employees of the Entity, even if the Entity contracts with the CMHSP, subject to any prohibition imposed by the Michigan Department of Health and Human Services (MDHHS) in that regard.

E. Records of Proceeding

The minutes of the Board and all committees with Board-delegated powers shall contain:

1. The names of Covered Persons who disclosed or otherwise were found to have a Financial Interest, the nature of the Financial Interest, any due diligence investigation of the Financial Interest and potential Conflict of Interest, and the Board's decision with regard to the matter. If a written waiver of a Conflict of Interest is granted, a copy of the written waiver shall be attached to the minutes of the meeting at which it was granted.
2. The names of all persons who were present for discussion and votes related to the transaction or arrangement involved in the Financial Interest, a summary of the content of the discussion, including any alternatives proposed to the transaction or arrangement, and a record of any vote taken in connection with the matter.
3. If waiver of a Conflict of Interest is granted, the waiver shall be in writing and shall be signed by the Chairperson of the Board and the Chief Executive Officer. In the case of the Chairperson of the Board the Vice Chairperson and the Chief Executive Officer. and the Waiver shall describe the Financial Interest, the proceeding, transaction or matter to which the Financial Interest applies, the Interested Person's role in the proceeding, transaction or matter, and any restriction on the Interested Person's participation in the proceeding, transaction or matter.

F. Reporting to the State:

The LRE will promptly notify the Michigan Department of Health and Human Services (MDHHS) Division of Program Development, Consultation and Contracts, Behavioral Health and Developmental Disabilities Administration (BHDDA) if:

1. Any disclosures are made by providers with regard to the ownership or control by a person that has been convicted of a criminal offense described under sections 1128(a) and Medicaid Managed Specialty Supports and Services Concurrent 1915(b)/(c) Waiver Program 29 1128(b)(1), (2), or (3) of the Act, or that have had civil money penalties or assessments imposed under section 1128A of the Act. (See 42 CFR 1001.1001 (a)(1): or
2. Any staff member, director, or manager of the PIHP, individual with beneficial ownership of five percent or more, or an individual with an employment, consulting, or other arrangement with the PIHP has been convicted of a criminal offense described under sections 1128(a) and 1128(b)(1), (2), or (3) of the Act, or that have had civil money penalties or assessments imposed under section 1128A of the Act. (See 42 CFR 1001.1001(a)(1))

G. Policy Enforcement

1. if the Board has reasonable cause to believe that a Covered Person has failed to disclose actual or potential Financial Interests or Conflicts of Interest, the Board shall inform the involved Covered Person of the basis for such belief and afford the Covered Person an opportunity to explain the alleged failure to disclose.
2. If, after hearing the Covered Person's response and after making such further investigation as may be required, the Board determines that the Covered Person has in fact failed to disclose and actual or potential Financial Interest or Conflict of Interest, the Board shall take appropriate corrective action.

III. CHANGE LOG

Date of Change	Description of Change	Responsible Party
6/1/25	NEW Procedure	Chief Executive Officer

