



<b>Subject:</b> Purchases from Physician-Owned Intermediaries/Distributors	<b>Policy Number:</b> PROV-ICP-723	
<b>Department:</b> Supply Chain	<input checked="" type="checkbox"/> New <input type="checkbox"/> Revised <input type="checkbox"/> Reviewed	<b>Date:</b> 2/9/2012
<b>Executive Sponsor:</b> Vice President, General Counsel / Vice President, Chief Risk Officer	<b>Policy Owner:</b> VP, Supply Chain	
<b>Approved by:</b> John Koster, MD - President/CEO	<b>Implementation Date:</b> 2/9/2012	

**Scope:** This policy applies to all Providence Health & Services (“Providence”) owned and majority owned entities. This is a management-level policy recommended by the Leadership Council, approved, and signed by the President/CEO.

**Purpose:** The Office of Inspector General (“OIG”) has expressed concern that physician investments in medical device and distribution entities should be closely scrutinized under the fraud and abuse laws. This policy is intended to prevent Providence from entering into relationships with such businesses.

**Policy:** Providence generally prohibits the purchase of items and services, including but not limited to pharmaceuticals, implants, instruments and other medical devices from any Physician Owned Vendor (“POV”).

Providence is committed to acquiring the highest quality products and services at the lowest possible cost. In light of national scrutiny with respect to relationships between hospitals and physician-owned entities that supply items and services including implantable orthopedic and cardiac devices, among others, Providence will prohibit Providence entities from purchasing an item or service from a POV that is either owned or controlled by one or more physicians, or immediate family members of such physicians where such physician is a member of the medical staff of any Providence hospital or has a financial relationship with Providence.

Purchase under this policy does not include: professional service agreements (e.g., agreements with a physician or physician practice to provide services in emergency departments, radiology or as hospitalists or intensivists; leases entered into between Providence and POVs; or joint ventures or other legal entity between Providence and such POV or directly with a physician(s). Additionally, this policy is not intended to prevent the purchase of an item from a third party where a physician has sold rights to that third party and receives a royalty or other payment for those rights (e.g., where a physician has sold intellectual property rights to a manufacturer and that manufacturer in turn sells a product to Providence). Such arrangements discussed in this paragraph are covered under other policies and practices within Providence and the Department of Legal Affairs should be consulted with for any questions that arise.

Providence will not purchase pharmaceuticals, implants, instruments or other medical devices if any purpose of the purchase is to generate or maintain referrals from a physician who has, directly or indirectly, a financial interest in the utilization of the item purchased.

In rare circumstances an exception to this policy may be warranted. A request for an exception under this policy must be made through your ministry materiel management to the Office of Supply Chain Management and should include details surrounding the arrangement to be considered, the parties involved and information known about the ownership interest by the physician(s). Such exception to this policy must be approved by the VP/Supply Chain, VP/Chief Risk Officer and VP/General Counsel.

No Providence entity may enter into any agreement, contract or other commitment (“contract(s)”) for the purchase of items or services if it determines that the transaction is intended to influence the referral pattern from a physician who has, directly or indirectly, a financial interest in the utilization of the item or service to be purchased.

Where relationships with POVs are necessary, the relationship must be consistent with fair market value and satisfy all other applicable legal standards.

Contracts with POVs shall contain an ongoing obligation to disclose, during the term of the contract, any financial relationship (whether direct or indirect) involving physicians who are either employed by Providence or are a member of the medical staff of any Providence hospital or have a financial relationship with Providence and shall include provisions for the prompt termination of the business relationship in the event of a failure to disclose or the disclosure of a financial relationship which may be prohibited under this policy. The provisions of this section of the policy shall also apply to financial relationships with such physicians’ immediate family members.

**Definitions:**

**Immediate Family Member:** includes an individual's spouse, parents, grandparents, children, grandchildren, great grandchildren, siblings (whether step, whole or half blood), and the spouses of children, grandchildren, great grandchildren and siblings.

**Physician Owned Vendor:** is defined as any entity which is owned or controlled by physicians who are on the medical staff of a Providence hospital or with which Providence has a financial relationship or an immediate family member of such physician

**References:**

[PROV-GOV-208, Conflicts of Interest Policy](#)