I. SCOPE:

This policy applies to (1) Tenet Healthcare Corporation and its wholly-owned subsidiaries and affiliates (each, an “Affiliate”); (2) any other entity or organization in which Tenet Healthcare Corporation or an Affiliate owns a direct or indirect equity interest greater than 50%; and (3) any hospital or facility in which an Affiliate either manages or controls the day-to-day operations of the facility (each, a “Tenet Facility”) (collectively, “Tenet”).

II. PURPOSE:

The purpose of this policy is to establish processes to ensure compliance with laws specifically applicable to each Tenet Facility that is a Physician Owned Hospital. This policy does not apply to Tenet Facilities that do not have any physician ownership.

III. DEFINITIONS:

A. “Assistant General Counsel” or “AGC” means the Assistant General Counsel responsible for Legal Operations or the General Counsel or, for USPI, its General Counsel.

B. “Governing Documents” means any Partnership Agreement, Member Agreement, Operating Agreement or similar documents governing the ownership and operations of the Physician Owned Hospital.

C. “Immediate Family Member” shall mean husband or wife; birth or adoptive parent, child, or sibling; stepparent, stepchild, stepbrother, or stepsister; father-in-law, mother-in-law, son-in-law, daughter-in-law, brother-in-law, or sister-in-law; grandparent or grandchild; and spouse of a grandparent or grandchild.

D. “Investment” means any direct or indirect ownership interest in a Physician Owned Hospital Joint Venture, regardless of its character, e.g., stock, membership interest, partnership share, options, and the like.

E. “Operations Counsel” means, in the case of a Physician Owned Hospital, its assigned legal counsel responsible for hospital legal operations.

F. “Physician” means a duly licensed and authorized doctor of medicine or osteopathy, doctor of dental surgery or dental medicine, doctor of podiatric medicine, doctor of optometry, or chiropractor.

G. “Physician Owned Hospital” means any Tenet Facility in which a physician, or an immediate family member of a physician, has ownership or investment interest in such Tenet facility.

H. “Physician Owner” shall mean any physician, dentist or podiatrist who holds an ownership or investment interest in a Tenet Facility, whether it be through equity, debt or other approved means.
IV. POLICY:

All Tenet Facilities which are Physician Owned Hospitals shall comply with the standards set forth in this policy in order to facilitate compliance with the unique regulatory requirements for physician owned hospitals seeking to provide care to Medicare beneficiaries. All Tenet Physician Owned Hospitals shall comply with the standards set forth in this policy.

V. PROCEDURE

A. Medical Staff Bylaws

1. The medical staff bylaws or rules and regulations of a Physician Owned Hospital shall require that each Physician Owner attest, at the time such physician’s initial credentialing application is submitted and at the time of each renewal, that the Physician Owner will disclose his or her Investment interest in the Physician Owned Hospital and, if applicable, the ownership or investment interest of any treating physician, to all patients referred by the Physician Owner to the Physician Owned Hospital. The language of the medical staff bylaws or rules and regulations of the Physician Owned Hospital shall read substantially as follows: “All Medical Staff Members shall disclose, as applicable in writing to all patients prior to or at the time of their referral to the Hospital that the Medical Staff Member or immediate family member of the Medical Staff Member, has an ownership and/or investment interest in the Hospital in order to afford patients the opportunity to make an informed decision.”

2. A Physician Owner’s application for medical staff membership shall not be considered complete until the attestation of Physician disclosure is received by the Hospital.

3. The Physician Owner may satisfy this physician ownership disclosure requirement in any reasonable manner, including, for example, inclusion in the Physician Owner’s patient registration packet or posted in a prominent location in a Physician Owner’s medical office. A sample physician ownership disclosure form is attached to this policy as Attachment A.

B. Physician Owners.

1. In addition to the specific requirements of this policy, Physician Owners shall be selected in accordance with Law Department Policy L-8, Section V.A.2. Selection of Joint Venture Investors.

2. Each Physician Owner shall be a member of the medical staff of the Physician Owned Hospital and shall maintain privileges which authorize the Physician Owner to perform clinical services in the Physician Owned
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Hospital at all times during each Physician Owner’s period of ownership. Each Physician Owned Hospital’s medical staff office, or designee thereof, shall report to the CEO of the Physician Owned Hospital and Operations Counsel, the medical staff status and privileges status of each Physician Owner at least two (2) months prior to expiration of such status or privileges and within three (3) days following the suspension, termination or expiration of either medical staff membership or clinical privileges or any change to medical staff category so that Operations Counsel can advise the hospital on actions that may be required under the Governing Documents.

3. In the event that any Physician Owner in a Physician Owned Hospital under the Controlled or Managed by of a Tenet Entity does not meet the eligibility requirements for Physician Owners, as such may be outlined in any governing documents for the Physician Owned Hospital, if any, or is otherwise proposed to be removed as a Physician Owner, then the Tenet Entity must implement the following procedure:

   a. The CEO of the Tenet Entity (or its affiliated hospital) must furnish to the Operations Counsel the name(s) of the Physician Owner at issue and the reason(s) why it/he/she does not meet such requirement(s) or is proposed to be removed as a Physician Owner.

   b. The Operations Counsel shall provide such information to the responsible Assistant General Counsel, who shall determine (1) whether the Physician Owner may remain in the Physician Owned Hospital (and, if so, whether any additional conditions shall be imposed on the Physician Owner) because Physician Owner does not raise any material risks under the Referral Source Laws or other applicable law, or (2) whether the Physician Owner shall be required to divest its/his/her Investment interest. The Assistant General Counsel shall provide his/her determination to the Operations Counsel in writing.

   c. The transaction by which the Investment of the Physician Owner is removed shall be approved in eCATS.

   d. In the event that the Assistant General Counsel determines that the Physician Owner should be required to divest its/his/her Investment in the Physician Owned Hospital, but is unable to require such divestiture under the terms of the governing documents of the Physician Owned Hospital, then the Tenet Entity shall consider all appropriate remedies and safeguards to be put in place, including without limitation, the divestment of its Investment in the Physician Owned Hospital.
4. Attestation

Not later than January 31 of each calendar year, each Physician Owner shall be required to provide to each Physician Owned Hospital a completed attestation substantially in the form of Attachment B. The CEO of each Physician Owned Hospital shall review each attestation and provide all attestations to Operations Counsel by February 7th of that calendar year to assess the responses. Failure to return the completed attestation may result in action against the Physician Owner pursuant to the Governing Documents.

C. Written Patient Notice Provided by Hospital

1. Form of Written Notice of Physician Ownership

Each Physician Owned Hospital must provide a written notice to each patient at the beginning of a patient’s inpatient stay or outpatient visit (e.g., when information is provided to the patient regarding scheduled preadmission testing and when a patient registers for a planned hospital admission for inpatient or outpatient hospital care) with the following disclosures:

a. The hospital meets the Federal definition of a physician owned hospital.

b. A list of the hospital’s owners or investors who are physicians or immediate family members of physicians is available upon patient request and the list will be provided to the patient at the time the request for the list is made by the patient.

A sample hospital disclosure notice is attached to this policy as Attachment C.

2. Maintenance of Physician Ownership List

The CEO of each Physician Owned Hospital is responsible for reviewing and updating the list of the Physician Owners (i) on an annual basis; and (ii) any time the Physician Owned Hospital undergoes a change in Physician Investment Interest.

3. Emergency Situations

A Physician Owned Hospital will not be required to provide a written notice regarding the Physician Owners to patients who present in an emergency situation when written notice is unable to be provided.
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However, if the patient is admitted to the Physician Owned Hospital or as soon as is reasonably practical while the patient is at the Physician Owned Hospital, the patient or patient’s representative must then be provided a copy of the written notice.

D. Advertising

The Physician Owned Hospital must disclose on any public website for the hospital and in any other form of public advertising that the Physician Owned Hospital is owned or invested in by physicians. Public advertising includes, but is not limited to, all advertising on the internet, direct mail campaigns and other written communications, television or radio advertisements. All public advertising must be approved through Tenet’s MARS approval process, including approval by Operations Counsel prior to being publicly used. For purposes of this Policy, public advertising does not include social media web sites, electronic payment portals, electronic patient care portals and electronic health information exchanges.

E. Transfers of Shares or Other Ownership Interests

1. Every transfer of ownership for each Physician Owned Hospital which is a buyback by the Physician Owned Hospital or approval of a transfer of shares by a Physician Owner to another individual, shall occur in accordance with the strict terms of the Governing Documents of the Physician Owned Hospital, shall be at fair market value, shall not be conditioned on the value or volume of referrals or other business generated between the parties to the transfer and shall require eCATs approval prior to approval by the Tenet member.

2. Every sale of an ownership interest by a Physician Owned Hospital shall occur in accordance with the strict terms of the Governing Documents of the Physician Owned Hospital, shall be at fair market value, shall not be conditioned on the value or volume of referrals or other business generated between the parties to the transfer and shall require eCATs approval prior to approval by the Tenet member. The criteria for choosing to whom Investments are offered shall be objective. Acceptable objective criteria include (i) objective measurements of quality of care, (ii) the type of business of the potential Investor, which must be consistent with the anticipated scope of services to be offered through the Physician Owned Hospital, (iii) a demonstrated willingness to observe evidence-based protocols in furtherance of the delivery of high quality, cost-efficient health services, (iv) a demonstrated history of promoting an environment of service excellence, and (v) a demonstrated willingness to work within the frameworks established in connection with managed care contracts.
3. Ownership in the Physician Owned Hospital by anyone other than an individual physician shall require Operations Counsel and AGC approval, in addition to any requirements in the Governing Documents. All Governing Documents and documentation regarding the transfer of shares shall be approved in eCATS prior to each such transfer.

F. Financial Matters

1. The Physician Owned Hospital shall maintain all records required to document the Investment interests, any distributions and all other financial attributes of the Physician Owner’s Investments.

2. Any distribution to a Physician Owner shall occur in strict accordance with the Governing Documents.

3. Neither the Joint Venture, the Tenet Entity, nor any Investor (or other individual or entity acting on behalf of the Joint Venture or any Investor) shall loan funds to or guarantee a loan for a potential Investor if the potential Investor plans to use any part of such loan to purchase an Investment interest in the Joint Venture nor shall the Joint Venture, the Tenet Entity or any other Investor offer any Remuneration, directly or indirectly, to a potential Investor which is intended to assist the potential Investor in purchasing his/her/its Investment interest.

   a. If an Investor contributes land, building, equipment, an existing business operation or other tangible or intangible assets, an Independent Consultant shall be engaged, at the contributing Investor’s expense, to conduct a Fair Market Value appraisal of the asset being contributed to the Joint Venture entity; otherwise each Investor must pay for his/her/its Investment interest in a lump-sum cash payment.

   b. Any contribution of an existing business operation shall be valued based solely upon the business operations in existence at the time of the contribution, without regard to any incremental value which may be anticipated through the Joint Venture or the volume or value of any business which may be generated for the Joint Venture or any Investor through the existing business operation.

3. No Physician Owner may receive, directly or indirectly, any guaranteed receipt of or right to purchase other business interests in the Hospital, including the purchase or lease of any property under the control of other owners or investors in the Physician Owned Hospital.

Each Physician Owned Hospital shall ensure that the percentage of Physician Owners do not exceed the percentage as of March 23, 2010.
G. Number of Beds and Prohibition on Conversion from an Ambulatory Surgery Center

Each Physician Owned Hospital shall ensure, that unless approved by Operations Counsel pursuant to an exception granted by the Center for Medicare and Medicaid Services, the number of operating rooms, procedure rooms or beds shall not exceed the number that was in place on March 23, 2010. Additionally, each Physician Owned Hospital must not have been converted from an ambulatory surgical center to a hospital on or after March 23, 2010.

I. Patient Safety

Each Physician Owned Hospital shall ensure that one or more physicians will be on site at the Physician Owned Hospital and available to respond to medical emergencies at all times. In the event a Physician Owned Hospital does not have one or more physicians on site at the Physician Owned Hospital at all times, the Physician Owned Hospital shall disclose, and obtain a signed acknowledgement from, each patient if the Physician Owned Hospital does not have a physician available on the premises during all hours in which the Physician Owned Hospital is providing services to that patient. Each Physician Owned Hospital shall ensure that it has the capacity to provide assessment and initial treatment for all patients and the ability to refer and transfer patients to hospitals with the capability to treat the needs of the patient that the Physician Owned Hospital is unable to address.

H. Responsible Person

The Tenet Facility CEO is responsible for ensuring that all individuals adhere to the requirements of this policy. If the CEO is unable to create adherence to this policy, the CEO shall immediately report the non-adherence to this policy to the Tenet Facility’s Compliance Officer.

I. Enforcement

All medical staff members and employees of Physician Owned Hospitals whose responsibilities are affected by this policy are expected to be familiar with the basic procedures and responsibilities created by this policy. Failure to comply with this policy will be subject to appropriate performance management pursuant to all applicable policies and procedures, up to and including termination or discipline in accordance with the Physician Owned Hospital’s medical staff bylaws.

VI. REFERENCES:

- 42 U.S.C. 1395 (Social Security Act, Section 1877(i)(1))
- 42 C.F.R. § 411.356
- 42 C.F.R. § 498.20(u)
- Tenet Quality, Compliance and Ethics Program Charter
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**VII. ATTACHMENTS:**

- Attachment A: Sample Disclosure Language Physician Ownership Disclosure Form
- Attachment B: Sample Form of Eligibility Attestation for Practitioners
- Attachment C: Sample Hospital Disclosure Language