

Policy Name: Fair Market Value**Policy Number: CP – 110X**

- I. **Purpose:** The purpose of this Fair Market Value Policy (the “Policy”) is to help ensure PACS Group, Inc. and its consolidated licensee operating subsidiaries’ (“PACS” or the “Company”) determine whether a transaction with a Referral Source is made at fair market value in order to comply with the Physician Self-referral Law (“Stark Law”) and Anti-kickback Statute.
- II. **Scope:** This policy and procedure applies to the Company, including all skilled nursing, assisted living and other post-acute care facilities that PACS Group, Inc. directly or indirectly owns (each, a “Facility”).
- III. **Definitions:**
 - a. **“Fair Market Value” or ‘FMV”** means the value (or value range) of a good or service in an arm’s length transaction and consistent with the additional definition of the subject transaction as set out below.
 - i. For **compensation**, the value that would be paid at the time the parties enter into the service arrangement as the result of bona fide bargaining between well-informed parties that are not otherwise in apposition to generate business for each other.
 - ii. For **purchase or sale of assets**, the price that an asset would bring on the date of acquisition of the asset as the result of a bona fide bargaining between a well-informed buyer and seller that are not otherwise in a position to generate business for each other.
 - iii. For **rental of equipment**, the value in an arm’s-length transaction of rental equipment for general commercial purposes (not taking into account its intended use), consistent with the price the rental equipment would bring at the time the parties enter into the rental arrangement as the result of bona fide bargaining between a well-informed lessor and lessee that are not otherwise in a position to generate business for each other.
 - iv. For **rental of space**, the value in an arm's-length transaction of rental property for general commercial purposes (not taking into account its intended use), without adjustment to reflect the additional value the prospective lessee or lessor would attribute to the proximity or convenience to the lessor where the lessor is a potential source of patient referrals to the lessee, and consistent with the price the rental space would bring at the time the parties enter into the rental arrangement as the

result of bona fide bargaining between a well-informed lessor and lessee that are not otherwise in a position to generate business for each other.

- b. **“Financial Arrangement”** means an arrangement or transaction under which one person or entity receives from another person or entity something of value, directly or indirectly, in cash or in kind, in exchange for an item or service, including single transactions, transactions occurring over a period of time, and multiple transactions occurring simultaneously or over a period of time.
- c. **“Referral”** means the act of sending an individual (typically, a patient) from one party to another party for the provision of a healthcare item or service (such as a referral or order by a physician to another healthcare provider for the provision of a healthcare item or service to a patient) and includes for purposes of this policy the referring, arranging for or recommending the purchasing, leasing or ordering a healthcare item or service.
- d. **“Referral Source”** means a potential or actual referral source, including but not limited to, patients and their family members, physicians, hospitals, long-term acute care centers, nursing homes, clinics, case managers, therapists and other individuals and entities who are in a position to influence Referrals or otherwise generate business to the Company.
- e. **“Remuneration”** means anything of value transferred directly or indirectly, overtly or covertly, in cash or in kind (e.g., payments, gifts, rebates, discounts, free services, rewards).

IV. Policy:

- a. Any Financial Arrangement with an actual or potential Referral Source is to be within the applicable Fair Market Value range.
- b. Whenever the Company requires a fair market valuation in order to comply with Federal or state laws and regulations or with its own policies and procedures, no conflict of interest, such as the ability of one party to refer patients or other business to the other, may affect the terms of the transaction or the valuation.

V. Procedure: Prior to entering into any Financial Arrangement with a Referral Source, the Company or Facility must determine that any compensation given or received under the Financial Arrangement is within the applicable FMV range for the subject transaction.

- a. **General Considerations.** At a minimum, the following considerations must be included in any FMV analysis:
 - i. Remuneration paid to or received from any Referral Source shall not take into account (or be adjusted or renegotiated based on) the volume or value

of any actual or anticipated referrals, or other business generated, between or among the parties.

- ii. The Legal Department shall maintain a list of approved Independent Appraisers. The Company or any Facility must use an approved Independent Appraiser to conduct any FMV review.
 - 1. Appraisal reports, if required, must clearly indicate that the definition of fair market value used for such appraisals is the regulatory definition of fair market value provided by the Physician Self-Referral Law (Stark Law).
- iii. For purposes of ensuring Remuneration is consistent with FMV, neither the Company nor Facilities shall enter into any of the following arrangements:
 - 1. Payment structures that address “lost opportunity” or similarly designed payments that do not reflect *bona fide* lost income; or
 - 2. Payment structures that compensate Referral Sources when no identifiable services are described in the relevant agreement.

b. Implementation

- i. Common types of Transactions to which this Policy applies include, but are not limited to:
 - 1. Medical and assistant medical directorships
 - 2. Quality, compliance or utilization review arrangements
 - 3. Office space and equipment leases
 - 4. Personal or professional service arrangements
 - 5. Purchase of items or services by or from a Referral Source
 - 6. Bed reservation or hospital discharge arrangements
 - 7. Care coordinator arrangements
- ii. The Chief Legal Officer may provide Facilities with a range of pre-approved Remuneration amounts reflecting generally accepted FMV amounts that may be used to compensate Referral Sources for certain services (e.g. directorship positions).

- iii. The Facility will maintain any communication from the Chief Legal Officer, as applicable, in the applicable file for the Financial Arrangement as support for FMV.
- iv. Facility Administrators are responsible for ensuring that all Personnel adhere to Policy requirements, and all Personnel are responsible for reporting instances of suspected or actual noncompliance with this Policy. See Reporting Compliance Concerns Policy, CP-40X.

c. Valuation Guidelines

- i. Term Covered. A fair market valuation will have that useful life stated in it by the valuator. If a fair market valuation does not specify its useful life, the Company or Facility should request that the appraiser reissue the report specifying the period for which the valuation opinion is valid. In the event that no term is noted, it will be assumed that the valuation remains accurate for a term equal to the initial term of the subject Financial Arrangement, as well as for the first 12 months of any subsequent agreement entered within six months of the termination of the underlying contract, so long as there has been no material change to the relevant terms or conditions, or supporting facts and circumstances. If the term of a fair market valuation has passed on a current Financial Arrangement, a new valuation should be obtained.
- ii. Comprehensive. Any fair market valuation must specifically list what is included in the valuation. Items and services included in the valuation must match those provided for in the applicable Financial Arrangement and must also match those items and services actually under the arrangement.
- iii. Consideration of Facts and Circumstances. All valuations should provide a thorough analysis of the facts and circumstances of the underlying transaction in comparison to industry benchmark data; merely comparing payments against objective benchmark measure or industry practices does not guarantee that a payment meets the standard of fair market value.
- iv. Selection of Benchmark Data. Benchmark data includes information on transactions comparable in character, nature and value to the one in issue for which FMV is to be determined. Generally, only data from the location of the proposed transaction should be considered, unless the transaction is so unique as to necessitate a national or global search. Benchmark data generally should not include transactions between health care facilities and their referral sources. Under no circumstances may facilities use non-

public pricing information of other entities in a manner that would limit the choice or price of items or services provided to patients.

- VI. Exceptions.** Any exceptions or deviations from this Policy must be approved in advance and in writing by the Chief Legal Officer and Chief Compliance Officer, or their respective designees.
- VII. Recordkeeping:** All records generated as a result of, or as directed by, this Policy should be maintained in accordance with all applicable PACS record retention policy(ies).
- VIII. Accountability and Enforcement:** All PACS and associated Personnel whose responsibilities are impacted by this policy are expected to be familiar with and adhere to the requirements herein. Failure to comply with this policy will be subject to appropriate performance management pursuant to the Company’s applicable policies and procedures.

Effective Date	Previous Version(s)	Authors	Reviewers	Approvers
6/25/2025	N/A	L&W	K. Lauer, ECC	ECC