

Policy Name: Compliance – Referral Source Arrangements**Policy Number: CP – 60X**

- I. **Purpose:** The purpose of this Referral Source Arrangements Policy (the “Policy”) is to establish the process by which PACS Group, Inc. and its consolidated licensee operating subsidiaries’ (“PACS” or the “Company”) enter into financial arrangements with Physicians and other potential Referral Sources (as defined below) and to ensure compliance with applicable federal and state laws and regulations and industry guidance, through the implementation of reasonable and prudent controls.
- II. **Scope:** This Policy 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”** means the definition set forth in the Fair Market Value Policy, CP-110X.
 - b. **“Financial Relationship”** means any agreement, arrangement or contract between two parties for the provision of items or services for compensation, whether in cash or in kind, including but not limited to arrangements for medical director, assistant medical director, quality assurance, records review, professional services, employment, physician expense reimbursement, lease and any other agreements for the provision of items or services (whether medically related or not).
 - c. **“Immediate Family Members”** means a spouse; natural 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 the spouse of a grandparent or grandchild.
 - d. **“Physician”** means a doctor of medicine or osteopathy, a doctor of dental surgery or dental medicine, a doctor of podiatric medicine, a doctor of optometry, or a chiropractor.
 - e. **“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.

- f. **“Referral Source”** means a potential or actual source of referrals for a Facility, 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.

IV. Policy: Any Financial Relationship entered into by or among the Company or any of its Facilities and a Referral Source (including Physicians and Immediate Family Members of Physicians) shall comply with the requirements and procedures set forth herein.

Examples of Referral Source Arrangements subject to this Policy: *Professional Services Agreements, Medical Director Agreements, Assistant Medical Director Agreements, Employment Agreements, Utilization Review Committee or Quality Committee Agreements, Records Review Agreements, Physician Expense Reimbursement Agreements, Space or Equipment Leases, and any other Financial Relationship with a Physician or other Referral Sources, including Financial Relationships with entities owned by a Physician or an immediate family member of a Physician (known as physician-owned entities), are subject to this Policy.*

Note on Scope of Policy. *Informal documents, such as letters of intent, letter agreements, or memorandums of understanding are subject to this Policy, as are arrangements with physician-owned entities. Facilities may not enter into side agreements or arrangements (written or oral) with Referral Sources. The Policy also applies to all amendments and extensions/renewals of agreements with Referral Sources. If at any time it appears that there have been discussions or memoranda indicating an intent to obtain or reward Referrals by way of an agreement, such agreement will not be approved.*

V. Requirements: In general, in compliance with 42 U.S.C. § 1395nn (commonly known as the Stark Law) and the applicable safe harbors under 42 U.S.C. § 1320a-7b(b) (commonly known as the Anti-Kickback Statute), a Financial Relationship with a Physician or other Referral Source must:

- a. be in writing, signed by the parties and must specify the services or space covered;
- b. specify the timeframe for the arrangement;
- c. with respect to compensation:
 - i. specify the nature and amount of compensation (e.g., rent, purchase price, compensation);

- ii. set the compensation in advance of performance (with the exception of employment agreements);
 - iii. set compensation consistent with Fair Market Value (as determined by the Fair Market Value Policy (CP-110X) or a reputable, independent valuation firm as approved by the Chief Legal Officer or designee) for items or services actually provided, without taking into account the volume or value of Referrals or other business generated by the Referral Source for the Company or Facility.
- d. be for the purpose of obtaining or providing an item or service that is reasonable and necessary for a legitimate business purposes of the parties to the Financial Relationship.

VI. Procedure:

- a. **Legitimate Business Justification.** Each Financial Relationship with a Physician or other Referral Source entered into by the Company or any Facility must have a documented legitimate business purpose (“Business Justification”). The Company or Facility shall maintain documentation of the Business Justification in the Referral Source Contract Control Log (see Section VII).
- i. As general matter, a written Business Justification for a Financial Relationship with a Physician or other Referral Source should include:
 1. the context and circumstances that necessitate the contract (e.g., regulatory requirements, organizational needs, strategic goals),
 2. the goals and objectives of the contract,
 3. the specific services, deliverables or products that will be provided under the contract (including timelines, milestones, and any critical dependencies, as applicable),
 4. the benefits of entering into the contract (e.g., cost saving, increased efficiency, access to expertise),
 5. the direct and indirect costs of the contract (e.g., compensation to be paid or received, anticipated business courtesies, other forms of remuneration),
 6. the basis for selecting this Physician or other Referral Source and alternatives considered (e.g., explain why this party is the best or most appropriate party),

7. whether the Financial Relationship is on an approved contract template or form, and an explanation of any deviations or changes from the approved contract template or form,
 8. any relevant supporting documentation (e.g., fair market value analyses, relevant correspondence, required approvals), and
 9. a certification from the requesting individual that the proposed Financial Relationship complies with all applicable Company policies and procedures regarding Financial Relationships with Referral Sources.
- b. **Contract Templates and Forms.** The Legal Department shall maintain for use by the Company and Facilities template or form contracts addressing common or frequent arrangements between Facilities and Physicians and other Referral Sources.
- i. Requests for new template or form contracts should be submitted to the Legal Department.
 - ii. To the extent possible, the template and form contracts should be utilized without revision. Each provision of the template or form contract has its own purpose, so there should not be many deletions (other than "optional" provisions). **USE THE TEMPLATE OR FORM CONTRACT AS PROVIDED. DO NOT RETYPE THE TEMPLATE OR FORM CONTRACTS; SUBSTANTIAL DELAYS IN LEGAL DEPARTMENT REVIEW AND APPROVAL WILL RESULT.**
- c. **Documenting Financial Relationships with Referral Sources.** Each Financial Relationship with a Physician or other Referral Source entered into by a Facility following the effective date of this Policy should comply the requirements set forth in Section V and the requirements below:
- i. *Form.* Financial Relationships with Physicians and other Referral Sources should be documented in a template or form contract provided by the Legal Department.
 1. Deviation from, or modification of, an approved template or form contract must be approved in writing by the Chief Legal Officer or designee before the Company or Facility enters into the Financial Relationship with the Physician or other Referral Source.
 2. If an approved template or form contract does not exist for the subject Financial Relationship, or the Physician or other Referral Source

refuses to accept the Company's approved template or form contract, any proposed new or alternative contract or written agreement must be reviewed and approved in writing by the Chief Legal Officer or designee before the Company or Facility enters into the Financial Relationship with the Physician or other Referral Source.

- ii. *Time Sheets.* Generally, Financial Relationships relating to the provision of services by Physicians and other Referral Sources should include a requirement that the rendering party maintain and submit time sheets reflecting services performed and time spent rendering such services. Payment shall be contingent upon the timely receipt by the Company or Facility of completed and acceptable time sheets signed by the rendering party.
- d. **Approval of Financial Relationships with Referral Sources.** All Financial Relationships with Physicians and other Referral Sources must receive the written approval of Regional Vice President of Operations (RVPO) and the Legal Department prior to entering into the arrangement.
- i. To obtain approval for a Financial Relationship with a Physician or other Referral Source, the requesting Facility Administrator/Executive Director (or other authorized individual) must submit to the RVPO and Legal Department: (1) the Business Justification (see Section VI.a above) and (2) the proposed contract. In most cases, this approval is evidenced by a signed Contract Approval Form, which shall be maintained in the Referral Source Contract Control Log .
 - ii. The Legal Department shall review the proposed contract for compliance with all applicable laws and regulations, including the federal Anti-kickback Statute and Stark Law.
 - iii. The approvals must be obtained even if the agreement complies in all respects with the Policy.
 - iv. The approvals must also be obtained for amendments to existing agreements that revise the payment terms and/or the effective dates of an existing agreement.
 - v. It is not acceptable to obtain approvals after making payments in accordance with the agreement. Further, commitments should not be made to Physicians or other Referral Sources until approvals have been obtained from both the RVPO and the Legal Department.

- e. **Execution and Execution Timing.** Both the Referral Source and the Facility Administrator/Executive Director or other approved delegate must sign the contract before any services or items are provided, and before payment is made. Any services provided before both the Referral Source and the Facility Administrator/Executive Director or other approved delegate sign the agreement will not be compensated by the Company or Facility, at the time of service or at any time in the future, unless approved in advance by the Chief Legal Officer or designee.
- f. **Compliance with Contractual Terms and Conditions.** In all arrangements with Physicians and other Referral Sources, payments must be consistent with the terms of the agreement and performance of all of the terms of the agreements is required.
 - i. For example, time sheets must be submitted by a physician under a medical director agreement before payment is made in accordance with the terms of the agreement.
 - ii. Accurate and complete records of performance under the agreement and payments, as applicable, should be maintained by the Facility.
 - iii. The Legal Department should be contacted in the event of a default so that remedies may be pursued in a prompt and business-like fashion.
- g. **Additional Guidance on Financial Relationships with Referral Sources.**
 - i. As a general matter, Facilities should contract with only one (1) Medical Director. However, Facilities with a particularly complex resident populations or other unique circumstances may contract with additional Medical Directors or Assistant Medical Directors. A Facility may not contract with more than three (3) Medical Directors without prior written approval by the Chief Compliance Officer or designee. Requests for exceptions to the Medical Director limit shall be set submitted in a Business Justification for approval.

VII. Contract Management Database: A Contract Management Database documenting Financial Relationships with Referral Sources must be developed and maintained. The Contract Management Database should include all current agreements, leases or financial arrangements between each Facility and any Referral Source. Facilities shall not enter into or maintain Financial Relationships with Referral Sources that are not included on the Contract Management Database.

The individual responsible for custody and maintenance of the Contract Management Database must keep records current. This individual must ensure that a copy of each



fully executed agreement is maintained with copies of all supporting documents, including the Business Justification, fair market value analysis or verification, applicable approvals, and time records.

- VIII. Disbursements:** All requirements set forth in Section VI of this Policy must be met before a Facility may transfer or pay any funds to a Referral Source.
- IX. Exceptions.** Any exceptions or deviations from this Policy must be approved in advance and in writing by the Chief Legal Officer, Chief Compliance Officer or their respective designees.
- X. 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).
- XI. Accountability and Enforcement:** All Employees 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 with the Company’s applicable policies and procedures, including disciplinary actions as necessary, up to and including termination.

Effective Date	Previous Version(s)	Authors	Reviewers	Approvers
7/23/2025	N/A	L&W	K. Lauer, ECC	ECC