

# [Bias and conflict of interest assignment](https://assignbuster.com/bias-and-conflict-of-interest-assignment/)

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Situation In order reduce healthcare costs; a Fortune 500 company opted to implement a self insured health program. This program is basically a high deductible insurance ($50, 000 to $75, 000) program which the company would pay the deductible, before transferring responsibility to a 3rd party insurer. The company contracted with Aetna for this program. Subsequent to this contract, a Sr. Vice President of Aetna was appointed to the board of directors of the Fortune 500 company. He was also appointed to the Audit committee which is a subset of the board of directors.

Responsibilities of this financial auditing committee include review of the financial integrity of company’s accounting and review of its health insurance programs. SEC rules and regulations require each publicly traded company to have independent members on their board of directors and committees. SEC also requires publicly traded companies to have their audit committee’s filled with independent directors. Per the letter of the law, this clearly was not the case. The Board of directors of the Fortune 500 company felt that there was no conflict of interest with having Aetna’s Sr.

VP on their on the board of directors because the Fortune 500 company’s business only represented 2% of Aetna’s business. This company’s officers and directors was sued by a “ shareholder derivative action” for breach of fiduciary duty per SEC Regulations. During the process of suing the company, the Judge refuses to certify lawsuit because amount in controversy amounted to less than 5% of profits of the Fortune 500 company. He also had significant preference towards these types of suits and felt that they were frivolous.

This judge is an elected official. The single largest contributors to the judge’s election campaign were Aetna. Analysis: A conflict of interest is a situation in which someone in a position of trust, has competing professional or personal interests. Such competing interests can make it difficult for an individual to fulfill his or her duties impartially. This conflict of interest can exists even if no unethical or improper act results from it. It can create an appearance of impropriety that can undermine confidence in the person, or company.

This Fortune 500 company clearly has a conflict of interest associated with having the Sr. Vice President of Aetna on their board of directors and especially as a member of their Audit committee that oversees the audit of the “ Aetna” healthcare bills. His conflict of interest is both personal and external. He could gain personally if the audits of the healthcare bills go smoothly and few errors are found. On the other hand if the audits found multiple errors that required Aetna to payback money to the Fortune 500 company, he could stand to lose revenue for Aetna.

He would have a difficult time separating the conflict between working for Aetna as his primary employer and as a part-time member of the Board for the Fortune 500 company. Most often, the primary employer is your primary interest and if there is a conflict, you would choose to support them. When an audit of the healthcare bills occurs and the reviewer is the Sr VP of Aetna, it could be perceived that he could ignore errors that are in favor of Aetna because he would want the Fortune 500 company to remain a client of Aetna, even if the business is only a 2% to 5% of gross revenue. Proposal:

Option 1: The best way to handle conflicts of interest is to avoid them entirely. This Aetna Sr Vice President should resign from the company’s audit committee so there will not be a perception of impropriety. He should also resign from the Board of directors. This way he would not have undue influence over the selection of the Fortune 500’s Healthcare plans in the future. Option 2: He could also recuse himself from anything to do with the Healthcare audit part of his responsibility or the selection of a new healthcare program for the Fortune 500 firm. The Judge in this case definitely should have recused himself from hearing the case.

Judges are supposed to recuse themselves from cases when personal conflicts of interest may arise. Option 3: Another thing that the fortune 500 company could do would be to hire a 3rd party to perform the audit. This 3rd party should have nothing to do with Aetna of the fortune 500 company other than to receive payment for their work. Third-party evaluations can be used as proof that transactions were, in fact, fair. Option 4: The Fortune 500 company could also have a code of ethics which determines how to resolve these issues and would specifically state what to do when conflicts of interest or bias are seen.