

A GUIDE FOR PROSPECTIVE & CONTRACTED SUPPLIERS

Transforming healthcare together


PREMIER



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Contents

Group Purchasing Credo 5

Preface..... 5

General Ethics Policies 7

Conflict of Interest Provisions..... 7

 Employees of Premier Entities 7

 Directors and Officers 8

 Advisors on Premier GPO Member and Special Committees 9

 Corporate Equity Interests 10

 Vendor Equity Ownership in Premier GPOs 10

 Other Business Relationships with Vendors..... 11

 Parent Company of Premier GPOs..... 11

 Premier Subsidiaries 11

Member Relations, Product Evaluation and Vendor Grievances 12

Use of Contracting Tools 14

Compliance, Certification and Implementation..... 16

Reporting and Education 17

Disclosure of Vendor Payments..... 17

Safety, Cost-Reduction and Clinical Comparability 18

Diversity..... 19

Definitions..... 20

Group Purchasing Credo

In providing group purchasing services, Premier serves first the interests of member hospitals and health systems and, through them, the patients and communities they serve. Foremost among those interests shall be good clinical outcomes for patients and cost-effectiveness in care processes and utilization of resources such as supplies, pharmaceuticals, and equipment. In so serving, Premier acts ethically, accountably, and fairly with respect to all participants in the healthcare marketplace.

Preface

To help meet these obligations, Premier in 2002 undertook to identify the best ethical standards relating to group purchasing and operate in accordance with them. This booklet sets forth the standards we committed to – the guide for our intents, tactics, and behaviors as we engage with Members, Vendors, and others involved in group purchasing activities. Affirmatively acted upon by our Board of Directors, these standards are formal policies of Premier, Inc., Premier Purchasing Partners, L. P., and other related Premier companies. All Premier employees are required to comply with these standards as they are implemented, in addition to other personnel policies set forth elsewhere.

Work to develop the Ethical Standards began in March 2002. Upon the recommendation of Premier's Chairman and CEO and approval of the Premier Board of Directors, business ethicist Kirk O. Hanson was commissioned to conduct an ethical analysis of the group purchasing industry, identify best ethical standards for it, and provide recommendations to Premier with respect to its policies and practices.

Subsequently, Premier and other group purchasing organizations agreed to undertake the development of a voluntary code of conduct, under the auspices of the Health Industry Group Purchasing Association (HIGPA), as was suggested in a U. S. Senate Subcommittee hearing concerning the industry. The industry-wide Code of Conduct was completed in July, 2002. Shortly thereafter, Premier endorsed the Code and further provided the Subcommittee a set of its own Additional Commitments addressing matters not covered in the Code.

Professor Hanson's report was completed and released publicly in October, 2002. Since Premier had already committed that the industry-wide Code and Additional Commitments would be its policies and practices going forward, Professor Hanson considered and reflected these in his 50 recommended best ethical practices, in

some instances expanding and extending them. Additional standards were also recommended. In practical effect, compliance with the 50 standards recommended by Professor Hanson will also ensure compliance with the industry-wide Code of Conduct and Premier's Additional Commitments. (Exceptions are a few commitments in the industry-wide Code that relate to collective GPO work to be done through HIGPA.)

For reference, copies of the HIGPA Code of Conduct, Premier Additional Commitments, and Hanson report can be obtained by accessing Premier's website at: <http://www.premierinc.com/about/mission/ethics-compliance/publications.jsp>

Please note that this Code of Conduct is intended only to be a summary of the Hanson report, the Premier Additional Commitments and the HIGPA Code of Conduct. You are strongly encouraged to review closely the applicable source document if you have specific questions regarding interpretation or implementation.

Throughout this publication each topic preceded by a number that indicates its placement in the original version of this Code of Conduct (e.g., 10.a. = X.a.).

GENERAL ETHICS POLICIES

Commitment to its Members and to the Goals of Quality Medical Care and Cost Containment

Premier GPOs act first and foremost as a representative of their Member hospitals and health care providers, and pursue two primary goals—quality medical care and cost control.

(Hanson ref. 1), [1.a.]

Code of Ethics

Premier GPOs will maintain a comprehensive code of conduct covering the industry (HIGPA) code, Premier Additional Commitments, Professor Hanson's Best Ethical Standards for the Group Purchasing Industry, and other common ethical policies.¹

(Hanson ref. 2), [1.b.]

Premier GPOs Shall Comply with Applicable Laws

Premier GPOs shall stay abreast of changes and new developments in the law and provide compliance training, guidance and education regarding applicable laws for directors, officers and employees.

(HIGPA Code ref. A), [1.c.]

CONFLICT OF INTEREST PROVISIONS

EMPLOYEES OF PREMIER ENTITIES

No Gifts to Employees

No employee² of Premier or any Premier Entity should accept gifts, entertainment, favors, honoraria or personal services payments, other than of Nominal Value, from any Participating Vendor.

(Hanson ref. 3, Premier Letter ref. 11, HIGPA Code ref. B.1.a.), [2.a.]

¹ Other ethical policies common to all companies include adherence to all applicable laws, business relationships with companies other than Vendors, outside employment by employees, the protection of confidential and proprietary information, the protection of company assets, respect for copyright, accurate accounting and financial reporting, fair competition toward competitors, policies addressing industrial espionage and sexual harassment, and a commitment to diversity programs in hiring and promotion.

² Prohibitions such as 2(a) and (b) apply to immediate family members (spouse and dependents) of employees as well as the employees themselves. In some cases, exceptions may be granted if spouses of employees are employed by Participating Vendors and stock ownership is incidental to that employment. Any such exception must be approved by the employee's supervisor and the Ethics and Compliance Officer. If an exception is granted, the employee must disclose the spouse's equity interest and not participate in any negotiations or decisions relating to the company in which the spouse owns equity. After the adoption by the Premier Board of Directors of the Hanson recommendations, the Audit Committee of the Board of Directors approved the following additional exception to the prohibition described in 2(b) with respect to employees who are *not* in a position to influence the contracting process of Premier GPOs: The spouses and dependents of such employees may maintain equity holdings in Participating Vendors with a value of up to \$25,000 per Participating Vendor provided such holdings are fully disclosed to Premier by the employee. This exception applies to the equity holdings of spouses and dependents of employees of Group Purchasing Services in positions *below the Director level* and to spouses and dependents of employees within all other Premier business lines in positions *below the Leadership Team level*.

No Equity Ownership by Employees

No employee² of Premier or any Premier Entity should own equity in any Participating Vendor.^{3 4} *(Hanson ref. 4, Premier Letter ref. 11, HIGPA Code ref. B.1.b.), [2.b.]*

Insider Trading

Insider trading by employees of Premier or any Premier Entity based on any knowledge of Vendors or their prospects gained through their employment is prohibited. *(Hanson ref. 15), [2.c.]*

DIRECTORS AND OFFICERS

No Gifts to Directors and Officers Who Can Influence Contracting

No director or officer of Premier or any Premier Entity who is in a position to influence Premier GPO contracting decisions should accept any gift, entertainment, favor, honoraria or personal services payment (except of Nominal Value) from any Participating Vendor. *(Hanson ref. 6, HIGPA Code ref. B.2.a.), [3.a.]*

Directors and Officers to Recuse Themselves if They Have Received Gifts

Directors and officers of Premier or any Premier Entity who are in a position to influence Premier GPO contracting decisions should recuse themselves from any negotiations or decisions relating to a Vendor from whom they have received such items. *(Hanson ref. 7, HIGPA Code ref. B.2.a.), [3.b.]*

Disclosure by Directors and Officers of Equity Interests

Directors and officers of Premier or any Premier Entity who are in a position to influence Premier GPO contracting decisions are required to disclose any equity interests in any Participating Vendor. *(Hanson ref. 8, HIGPA Code ref. B.2.b.), [3.c.]*

Directors and Officers to Recuse Themselves if They Have Equity Interests

³ This provision excludes equities owned in mutual funds over which the individual exercises no investment control, and in completely blind trusts.

⁴ New employees who come to Premier or any Premier Entity with substantial deferred compensation in the form of equity in Participating Vendors which cannot be liquidated without a substantial loss of value may retain that interest, but must disclose it to the company and recuse themselves from any decisions involving the Participating Vendor in which they hold the interest.

Directors and officers of Premier or any Premier Entity who are in a position to influence Premier GPO contracting decisions and have such equity ownership are required to recuse themselves from any negotiations or decisions relating to that Vendor. *(Hanson ref. 9, HIGPA Code ref. B.2.b.), [3.d.]*

ADVISORS ON PREMIER GPO MEMBER AND SPECIAL COMMITTEES

No Gifts to Advisors Who Can Influence Contracting

No advisor of a Premier GPO who is in a position to influence Premier GPO contracting decisions should accept any gift, entertainment, favor, honoraria or personal services payment (except of Nominal Value) from any Participating Vendors in the area in which they advise.^{5 6} *(Hanson ref. 6, HIGPA Code ref. B.2.a.), [4.a.]*

Advisors to Recuse Themselves if They Have Received Gifts

Advisors who are in a position to influence Premier GPO contracting decisions should recuse themselves from any negotiations or decisions relating to a Vendor from whom they have received such items. *(Hanson ref. 7, HIGPA Code ref. B.2.a.), [4.b.]*

Disclosure by Advisors of Equity Interests

Advisors who are in a position to influence Premier GPO contracting decisions should be required to disclose any equity interests in any Participating Vendor. *(Hanson ref. 8, HIGPA Code ref. B.2.b.), [4.c.]*

Advisors to Recuse Themselves if They Have Equity Interests

Advisors who are in a position to influence Premier GPO contracting decisions and have such equity ownership should be required to recuse themselves from any negotiations or decisions relating to that Vendor. *(Hanson ref. 9, HIGPA Code ref. B.2.b.), [4.d.]*

No Advisors with Extensive Equity Interests

⁵ This provision and 4(e) apply to advisors who serve on standing committees providing advice to GPOs. GPOs occasionally use other Subject Matter Experts on a one-time or rotating basis in focus groups or other informal settings. These clinicians provide input to standing advisory committees that vote and advise the GPO. Provided that such a Subject Matter Expert discloses all gifts, entertainment, or compensation from a Participating Vendor and any equity held in such a Vendor, they may serve as an informal advisor. However, their conflicts of interest must be disclosed every time their advice is communicated to decision-making committees or individuals.

⁶ Prohibitions 4(a) through (e) apply to immediate family members (spouse and dependents) of committee members as well as the committee members themselves.

No advisor who is in a position to influence Premier GPO contracting decisions shall serve as advisor in an area in which they hold extensive equity interests.⁷

(Hanson ref. 10), [4.e.]

CORPORATE EQUITY INTERESTS

Limitation of Equity Investment by Premier GPO in Vendors

Premier GPOs should not hold a Corporate Equity Interest in any Participating Vendor, unless the acquisition of the equity interest demonstrably benefits a Premier GPO's Members by creating a source of a product or service where there is no other source, or very limited sources. Further, Board approval should be required for any such investment. *(Hanson ref. 11, Premier Letter ref. 13, HIGPA Code ref. B.3.a.), [5.a.]*

Disclosure of Equity Investments in Vendors

Any Corporate Equity Interest in any current or potential Participating Vendor should be fully disclosed to the Premier GPO's Members and publicly disclosed on the company website. Such disclosure should be made (a) at the time the Corporate Equity Interest is obtained if the Premier GPO already has a contract with the Vendor or (b) at the time the Premier GPO enters into a contract with the Vendor if the Premier GPO does not already have a contract with the Vendor, and in each case, at least annually thereafter. *(Hanson ref. 12, Premier Letter ref. 13, HIGPA Code ref. B.3.b.), [5.b.]*

No Commitments Permitted If Premier GPO Has Equity Investment

Premier GPOs should not impose an obligation, commitment or other requirement that in any way obligates a Member to purchase goods or services from such a Participating Vendor in which a Premier GPO has an equity investment. *(Hanson ref. 13, Premier Letter ref. 13, HIGPA Code ref. B.3.c.), [5.c.]*

VENDOR EQUITY OWNERSHIP IN PREMIER GPOS

No Vendor Equity in Premier GPOs

No Participating Vendor should be permitted to own equity in a Premier GPO.

(Hanson ref. 5, Premier Letter ref. 6), [6.a.]

OTHER BUSINESS RELATIONSHIPS WITH VENDORS

⁷ "Extensive" means investments in three (3) or more Participating Vendors in the general product area of the committee or investments in Participating Vendors in such product area that in the aggregate have a total value in excess of \$20,000.

Limitation on Other Business Relationships with Vendors

Premier GPOs should not have other business relationships with Participating Vendors unless those relationships are necessary to achieve core GPO goals. Such relationships shall be disclosed to Members, fees will be reasonably related to the value received, and Vendor participation shall have no bearing on GPO contracting decisions. *(Hanson ref. 14), [7.a.]*

Vendor participation in any additional services for which fees may be charged (such as trade shows, periodical advertising and data services) shall be entirely voluntary and a Vendor's participation shall have no bearing on GPO contracting decisions. *(Premier Letter ref. 1), [7.b.]*

PARENT COMPANY OF PREMIER GPOs⁸

Parent Company - Conflict of Interest

All management employees of Premier and any other employees in a position to influence the contracting process should follow the same conflict of interest rules which guide employees of the Premier GPOs themselves. Similarly, non-employee directors, officers and advisors of Premier should follow the same rules as they would if they directly served the Premier GPO. *(Hanson ref. 46), [8.a.]*

Parent Company – Limitation on Business Activities

Premier may not engage in any type of business activity that would be prohibited for a Premier GPO itself under these rules. *(Hanson ref. 47), [8.b.]*

PREMIER SUBSIDIARIES

Directors and Advisors to Non-GPO Subsidiaries of Premier

All employees and non-employee directors, officers and advisors of a non-GPO subsidiary controlled by Premier who are in a position to influence the contracting process should follow the same conflict of interest rules established separately for employees, directors and advisors of Premier GPOs. *(Hanson ref. 48), [9.a.]*

⁸ By current policy, ethics practices are applied consistently across all Premier Entities. No distinction is made between Premier and Premier GPOs. Premier may evolve its organization in the future into more discreet operations and provisions 8(a) and (b) are included to address that future possibility.

Non-GPO Subsidiaries of Parent Company – Limitation on Equity Investments

No non-GPO subsidiary should hold a Corporate Equity Interest in any Participating Vendor, unless the acquisition of the equity interest demonstrably benefits a Premier GPO's Members by creating a source of a product or service where there is no other source, or very limited sources. Further, Board approval should be required for any such investment. *(Hanson ref. 49), [9.b.]*

Non-GPO Subsidiaries of Parent Company – Limitation on Business Activities

A non-GPO subsidiary may have business relationships with Participating Vendors, but these relationships must be disclosed to Members and must not influence contracting decisions. It is impossible to anticipate the many types of business relationships which may be developed in the future. The corporate Ethics Officer and the Board must examine such relationships on an ongoing basis to insure that there is no influence on contracting decisions.⁹ *(Hanson ref. 50), [9.c.]*

MEMBER RELATIONS, PRODUCT EVALUATION AND VENDOR GRIEVANCES

Right to Communicate Directly with Vendors

Premier GPOs should permit Members to communicate directly with all Vendors and to assess products or services provided by all Vendors.

(Hanson ref 18, HIGPA Code ref. C.1.a.), [10.a.]

Right to Purchase Clinical Preference Items off Contract

Premier GPOs should permit Members to purchase clinical preference items directly from Vendors who do not contract with the GPOs.

(Hanson ref. 19, HIGPA Code ref. C.1.a.), [10.b.]

Notice of Pending Bidding Processes

Premier GPOs should implement a contracting process that informs potential Vendors of the process for seeking and obtaining contracts and provides interested

⁹ This provision permits other business relationships – with reservations. Some relationships, such as the sale of products or services to Participating Vendors by a non-GPO subsidiary for standard prices, should not present a problem. Others, where doing business with a non-GPO subsidiary gives a Participating Vendor an advantage in contracting decisions, would be unacceptable. The goal of this provision is to create a continuing scrutiny of such relationships to assure that they do not influence contracting decisions.

Vendors the opportunity to solicit contracts. Upcoming contracting processes should be listed on a publicly available website. (Updates which do not extend existing contracts need not be pre-noticed.) *(Hanson ref. 20, HIGPA Code ref. C.1.b.), [10.c.]*

Statement of Vendor Rights and Responsibilities

Premier GPOs should adopt and make available a statement of the rights and responsibilities of bidders and Vendors. *(Hanson ref. 17), [10.d.]*

Notice to Vendors of Ethical Standards

Premier GPOs should inform all Vendors and prospective Vendors of the ethical standards and practices of the Premier GPOs and seek the Vendors' adherence to the same standards. *(Hanson ref. 35), [10.e.]*

Fair Technology Evaluation Process

Premier GPOs should conduct technology assessments in a fair, timely, confidential and unbiased manner, with an opportunity for review of decisions by Vendors whose products or services are evaluated. The GPO should provide an opportunity for all Members to have input to the technology assessment process. *(Hanson ref. 21, Premier Letter ref. 8), [10.f.]*

Technology Breakthrough Procedures

Premier GPOs should operate a breakthrough technology evaluation process in a fair, timely, confidential and unbiased manner, with an opportunity for review of decisions by Vendors whose products or services are evaluated. All contracts should include a clause permitting cancellation or the addition of new contracts in a category if breakthroughs are verified. *(Hanson ref. 22, Premier Letter ref. 8, HIGPA Code ref. C.2.), [10.g.]*

Vendor Grievance Procedures

Premier GPOs should adopt policies and procedures which endeavor to address Vendor grievances related to access for innovative Clinical Products or Services. Premier GPOs will maintain a bidder and Vendor grievance procedure actively disclosed to prospective and Participating Vendors. *(Hanson ref 23, HIGPA Code ref. C.3.), [10.h.]*

USE OF CONTRACTING TOOLS

Goals of Contracting

Premier GPOs' policies and procedures should state and promote contracting arrangements that achieve both a high quality of medical care and competitive pricing. Premier GPOs should use contracting tools either alone or in combination only in contracting arrangements that achieve these goals. These goals are most important in relation to Clinical and Physician Preference Products or Services.

(Hanson ref. 16, HIGPA Code ref. D.), [11.a.]

Limitation on Sole-Source Contracts¹⁰

All Premier GPO contracts for Physician Preference Products and Services¹¹ should be multi-source.

(Hanson ref. 24, Premier Letter ref. 9.a.), [11.b.]

Limitation on Commitment Levels

All Premier GPO contracts for Physician Preference Products should be written without GPO-imposed commitment levels.

(Hanson ref. 25, Premier Letter ref. 9.b.), [11.c.]

No Bundling of Unrelated Products

No Premier GPO contracts should have bundling of Physician Preference Products with unrelated products.

(Hanson ref. 26, Premier Letter ref. 9.c.), [11.d.]

No Bundling of Unrelated Products Across Vendors

No Premier GPO contracts should have bundling of any unrelated products across different Vendors.

(Hanson ref. 27, Premier Letter ref. 7), [11.e.]

General Limitation of Contracts to 3 Years

Premier GPO contracts should be for 3 years or less, unless economic conditions require longer term agreements in the best interest of hospital Members.¹²

(Hanson ref. 28, Premier Letter ref. 10), [11.f.]

Cap on Administrative Fees

No Premier GPO contract should require administrative fees in excess of 3%.

(Hanson ref. 29, Premier Letter ref. 1), [11.g.]

¹⁰ Practices 11(b) through (k) are all "going forward" practices. Future contracts should be written consistent with these standards. If existing contracts are substantially amended, however, these standards should be incorporated.

¹¹ Products and services which fit this category (in practices 11(b) through (e)) are to be identified by the individual Premier Member Advisory Committees. The category includes those items in which the choice of particular products or services by individual physicians or other clinicians are determined by the Premier Member Advisory Committees to be strongly related to patient outcomes. This includes many, but not all, "Physician Preference Items" and some "Clinical Preference Items."

¹² It is anticipated that there will be few exceptions to the 3 year limitation and that exceptions will be approved by senior management and reported to the board of directors at the next board meeting.

Standardization of Administrative Fees

Administrative fees should be standardized for each bid process and product or service category, and stated in advance to all bidders in that category, unless economic conditions require a differing structure in the best interest of hospital members.^{13 14}

(Hanson ref. 30), [11.h.]

No Up-Front Administrative Fees

No Premier GPO contract should charge up-front administrative fees from Participating Vendors.

(Hanson ref. 31, Premier Letter ref. 2), [11.i.]

No Administrative Fees in the Form of Vendor Equity

No Premier GPO contract should permit administrative fees to be paid in the form of Vendor equity.

(Hanson ref. 32, Premier Letter ref. 4), [11.j.]

No Marketing or Other Fees from Vendors

Premier GPOs should not receive marketing fees from Participating Vendors.

(Hanson ref. 33, Premier Letter ref. 3), [11.k.]

No Private Label Programs

Premier GPOs should not conduct private label programs which produce additional fees from Participating Vendors.

(Hanson ref. 34, Premier Letter ref. 5), [11.l.]

COMPLIANCE, CERTIFICATION AND IMPLEMENTATION

Designated Ethics Officer

Premier GPOs should appoint or designate a member of the executive team to be lead ethics advocate, to raise policy and strategic issues of ethical significance with the management and the Board.

(Hanson ref. 42), [12.a.]

Designated Compliance Officer

¹³ In branded pharmaceuticals, Premier Purchasing Partners, L.P.'s strategy is to provide clinicians with maximum choice of branded pharmaceuticals by attempting to place all branded pharmaceuticals on contract. These contracts are written by manufacturer rather than by therapeutic class. In order to put all branded pharmaceuticals on contract, it has been necessary to negotiate individual administrative fee arrangements with each Vendor. This practice is reasonable for the present, as long as administrative fees are standardized for 1) all generic pharmaceuticals, for 2) branded pharmaceuticals which have generic equivalents, and for 3) all branded pharmaceuticals considered for the Rational Choice Plan, a plan whereby one of several competing branded pharmaceuticals is offered at preferential prices.

¹⁴ It is anticipated that there will be few exceptions to the standard administrative fee and that exceptions will be approved by senior management and reported to the board of directors at the next board meeting.

Premier GPOs should designate a compliance officer to oversee compliance with these Ethical Standards and other ethics commitments, and to do annual reporting, and to raise other policy issues of ethical significance with management and the Board.¹⁵

(Hanson ref. 43, Premier Letter ref. 12, HIGPA Code ref. E.1.), [12.b.]

Annual Report on Ethics Performance

Premier GPOs should make an annual report to the Audit Committee, Board, and Members regarding compliance with their own ethical policies. A summary of the report should be made available to the public.

(Hanson ref. 45, Premier Letter ref. 12, HIGPA Code ref. E.2.), [12.c.]

Review by Audit Committee

The Audit Committee of Premier should meet at least annually without management present to hear from the ethics and compliance officers and to discuss any issues brought forward by these officers.

(Hanson ref. 44), [12.d.]

Implementation, Transition and Updating

Premier GPOs shall adopt a transition plan supervised by their compliance officer in keeping with conflict of interest principles. Premier GPOs shall seek regular, periodic and timely disclosure of conflicts by directors, officers, employees and advisors.

(HIGPA Code ref. E.3.a.), [12.e.]

Respond to Changes in HIGPA Code

HIGPA shall assess and update the industry Code of Conduct principles consistent with newly identified best practices and as business practices change to ensure that the goals of avoiding conflicts of interest and promoting competition continue to be achieved. Premier GPOs will respond to changes and updates to the industry Code of Code as HIGPA seeks best practices.

(HIGPA Code ref. E.3.b.), [12.f.]

¹⁵ One of the most important tasks of the designated compliance officer is to create a vehicle by which employees, Members, and Vendors may communicate regarding violations of the GPO's ethical practices, or to request interpretations of those practices. Premier has selected Ethicspoint, an employer communications group, to establish a confidential hotline. Employees should report any known or suspected violations of ethical principles through this service at www.ethicspoint.com or 1-866-294-3701.

REPORTING AND EDUCATION

Cooperation with Cost Studies

Premier GPOs should support authoritative surveys and studies on the value of GPOs and to disclose these studies to the public. *(Hanson ref. 41, HIGPA Code ref. F.1.), [13.a.]*

Web-Based Vendor Directory

In order to foster innovation, HIGPA, with the support of its GPO Members, shall make available a web-based directory where Vendors can post product information, including information about products that the Vendors consider to be new and innovative. *(HIGPA Code ref. F.2.), [13.b.]*

Educational Programs

HIGPA shall coordinate the development and implementation of industry-wide educational programs focusing on new developments related to clinical innovations, contracting processes and programs, patient safety, public policy, statutory and regulatory requirements and best practices regarding compliance and Code of Conduct principles. As part of this process, the industry will draw upon representatives of GPOs and any Vendors to promote processes and programs to assure availability of new and innovative products to Members through the GPO contracting process. *(HIGPA Code ref. F3), [13.c.]*

DISCLOSURE OF VENDOR PAYMENTS

Written Agreement

Premier GPOs shall have a written agreement with each Member or Member's agent that authorizes the Premier GPOs to act as a purchasing agent to negotiate contracts with Vendors to furnish goods or services to each Member. *(HIGPA Code ref. G.1.), [14.a.]*

Disclosure of Acceptance of Payments

Premier GPOs shall disclose in writing to each Member or Member's agent that it receives Payments from Participating Vendors with respect to purchases made by or on behalf of such Member. *(HIGPA Code ref. G.2.), [14.b.]*

Disclosure of Payments Related to Purchases

Premier GPOs shall annually report, or cause to be reported, to each Member or Member's agent the amount of all Vendor Payments received with respect to purchases made by or on behalf of the Member. *(Hanson ref. 37, HIGPA Code ref. G.3.), [14.c.]*

Disclosure of Vendor Payments

Premier GPOs should make full disclosure to GPO Members of all Vendor Payments to the Premier GPO, whether allocable to a specific Member or not.

(Hanson ref. 40, HIGPA Code ref. G.4.), [14.d.]

Annual Financial Reporting

Premier GPOs should prepare and distribute to all shareholders, Members, and the public an annual financial report. Shareholder reporting should be more detailed.

(Hanson ref. 39), [14.e.]

Disclosure of Contracts to Members

Detailed data on existing contracts and on current contracting processes shall be readily available to Members, including administrative fees paid for each contract.

(Hanson ref. 37), [14.f.]

Disclosure of Contracts to the Public

General data on existing contracts, specifying Vendors and general categories of products on contract from those Vendors, will be made readily available to the public.

(Hanson ref. 38), [14.g.]

SAFETY, COST-REDUCTION AND CLINICAL COMPARABILITY

Safety, Cost-Reduction and Clinical Comparability

Premier shall support programs and processes, such as displaying Universal Product Number ("UPN") or machine-readable bar codes at the unit-of-use level, or other programs and processes, that provide for clinical comparability and improve and promote patient safety and supply-chain cost reduction. *(HIGPA Code ref. H)*

DIVERSITY

Premier GPOs should offer or participate in programs that promote diversity among Vendors to include women and minority-owned Vendors.

(Hanson ref. 36, HIGPA Code ref. I), [16.a.]

DEFINITIONS

“Clinical Preference Products or Services” shall mean those Clinical Products or Services which require substantial training to learn to use and which have a demonstrable effect on patient care outcomes. Accordingly, they are products or services for which a provider has a particular preference based on factors such as the provider’s training and experience, the performance or functionality of such products in a clinical setting and patient clinical outcomes.

“Clinical Products or Services” shall mean products or services used by providers directly in the provision of health care services to patients.

“Corporate Equity Interest” shall mean securities, options, warrants, debt instruments (including loans), or rights to acquire any of the foregoing.

“GPO” shall mean any entity that as all or part of its business activities is authorized to act as the agent of a provider of health care services to enter into contracts with Vendors (“vendor contracts”), pursuant to which Vendors agree to sell or furnish goods or services consistent with the terms set forth in the Vendor contracts. GPOs do not typically take title to products.

“Individual Equity Interest” shall mean securities, options, warrants, debt instruments (including loans), or rights to acquire any of foregoing, provided, however that the term shall not include: (a) interests in mutual funds or (b) interests held in a blind trust in which all investment decisions are independently managed by a third party and the existence and trust terms are fully disclosed to the appropriate governing body to ensure that the neutrality of the GPO contracting decisions are protected.

“Members” shall mean any provider of health care services to patients that has an agreement (directly or through an authorized agent) which authorizes the GPO to act as the provider’s purchasing agent to negotiate contracts with Vendors to furnish goods or services to the provider.

“Nominal Value” shall mean any item, service or other thing of value (not including cash or cash equivalents) that does not exceed \$50 per instance or \$100 in any given calendar year. Any item, service or other thing of value that costs \$10 or less shall not be counted toward the \$100 annual limit.

“Participating Vendor” shall mean, with respect to a particular GPO, a Vendor that has a contract or submits a formal bid or offer to contract with such GPO to provide goods or services to the GPO’s Members.

“Payments” shall mean all Payments by a Vendor of goods or services to a GPO as part of any agreement to furnish goods or services to Members.

“Physician Preference Products” Physician Preference Products cover those areas where physicians have a strong preference and a significant influence regarding the type of product used. Premier Member Advisory Committees will make the determination as to whether a particular product is a Physician Preference Product. Such committees are composed exclusively of clinicians and representatives of hospital Members.

“Premier” Premier, Inc.

“Premier Entity” any entity which is controlled by Premier, Inc. or a wholly owned subsidiary of Premier, Inc.

“Premier GPOs” the group purchasing organizations operated by Premier Purchasing Partners, L.P., Provider Select, Inc. and any other Premier Entity.

“Subject Matter Experts” Clinicians that Premier GPOs occasionally use on a one-time or rotating basis in focus groups or other informal settings. These clinicians provide input to standing advisory committees that vote and advise the GPO.

“Vendors” shall mean manufacturers, distributors, suppliers or other entities that sell goods or services to Members.

Working with Premier's People

An important part of your business with Premier will involve working with Premier's employees. We want to ensure that at the outset both you and Premier understand expectations of this relationship. In addition to the *Group Purchasing Code of Conduct*, Premier's *Business Conduct Guidelines* and *Conflict of Interest and Confidentiality Policy* also advise employees about appropriate conduct in various relationships, including those with suppliers. These standards of conduct address the following topics:

Conflicts of Interest

Employees working with suppliers should not have relationships with those suppliers or their competitors that could constitute a conflict of interest. Such relationship may include equity investments in the supplier, providing services for the supplier, having family members working for the supplier, or any other relationship or situation that is likely to be perceived as conflicting with the employee's duty to Premier and its members.

Travel and Accommodations

In keeping with Premier employees' need to remain objective and impartial in decision making, employees are not permitted to accept travel or rooming accommodations from suppliers, including any travel or accommodations for which the supplier does not incur a cost.

Attendance at Supplier Meetings

Premier employees are permitted to attend meetings that suppliers hold for their customers, provided that the supplier does not provide travel or rooming accommodations for the Premier employee.

Exchanging Gifts and Entertainment with Premier Employees

The guidelines on "gifts and entertainment" apply to anything given as a result of a business relationship for which the recipient does not pay fair market value. The guidelines apply at all times and do not change during traditional gift-giving seasons, nor during the planning of a company event. Gifts and entertainment can include such items as meals, beverages, travel and accommodations for business or vacation purposes, tickets to sporting or cultural events, discounts not available to the general public, cash, and any other merchandise or services. At Premier, we recognize that giving and receiving small gifts and entertainment is a courtesy

designed to build goodwill between us and our suppliers. We also recognize that these activities can create the potential for conflicts of interest. For this reason, we never accept gifts, favors, entertainment nor hospitality that is expressly intended to influence our decision-making, regardless of value.

Gifts

In order to protect our contracting processes and to avoid real and perceived conflicts, Premier employees decline gifts of more than nominal value. “Nominal value” is defined as any item, service, or other thing of value (Not including cash or cash equivalents) that does not exceed \$50 per instance or \$100 in any given calendar year. Inexpensive promotional items that contain company logos (such as pens, mugs, or calendars) and are worth less than \$10 are not a concern. Under no circumstances do Premier employees accept cash or cash equivalents.

Entertainment

Business entertainment is often used as a way to deepen our relationships with our suppliers. As long as the entertainment is reasonable, in good taste, and clearly intended to facilitate business goals, it may be acceptable for us to participate. As a general guideline, the entertainment should be modest and infrequent.

If you have questions about gifts, you can contact the Ethics and Compliance Office.

Providing Business Considerations to Sourcing Committee Advisors

Premier’s conflict of interest policies govern the conduct of those who serve on our sourcing committees. Committee members or their spouses or dependents should not accept gifts, entertainment, favors, honoraria or personal services payments (except of nominal value) from vendors in the general product area of the committee on which the committee member serves.

Examples of conflicts of interest might include situations where a vendor has made significant contributions or otherwise provided significant financial support to the committee member’s employer or situations where a committee member’s employer owns a significant equity interest in a vendor.

Confidential Information

Suppliers who provide information to Premier as part of a contract evaluation or their ongoing relationship with Premier should clearly designate what information the supplier wants to keep confidential.

Likewise, suppliers who receive Premier information marked or otherwise designated as being confidential have an ongoing duty to safeguard the confidentiality of that information.

Charitable Solicitations

Premier will not request that suppliers donate to charitable causes that Premier supports.

Hospital Policies

Please note that each of our member hospitals and facilities has its own standards of conduct which guide the conduct of that organization's employees. When working with member hospitals or facilities, please be aware of the standards that govern their employees' conduct. When in doubt, ask your principal contact at the location about what its standards of conduct do or do not permit.

Statement of Vendor Rights & Responsibilities

Vendors have the right to:

1. Receive an equitable and impartial bidding process.
2. Receive all information necessary to offer a competitive bid.
3. Have bids kept confidential throughout the bidding process.
4. Receive a timely and accurate evaluation of their bid.
5. Expect that no Premier employee will use his/her purchasing authority for personal gain.
6. Receive ample notice of a bidder's meeting, if that is part of the bidding process.
7. Receive an extension to the bidding date if an extension is offered to any other bidder.
8. Receive prompt notification of the solicitor's purchase or contract decision.
9. Be treated with honesty and good faith during the bidding process and during any subsequent contract negotiations to reach a mutually agreeable settlement.

Vendors have the responsibility to:

1. Provide accurate and fair bids based on job objectives and specifications.
2. Strive to provide the maximum value for each dollar of expenditure.
3. Honor Premier's *Group Purchasing Code of Conduct* and *Business Conduct Guidelines* in the conduct of business with Premier.
4. Conduct business honestly, in good faith and devoid of intentional misrepresentation.
5. Act honestly in sales representations whether offered verbally, in written statements, advertisements, sample products or descriptions of services to be provided.
6. Meet all deadlines for submission of bids and promptly provide additional information about the bid if requested by Premier.
7. Make every reasonable effort to negotiate an equitable and mutually agreeable settlement.
8. Have the financial and personnel resources to provide the products or services promised.

The Bid Process & Award Notification

Premier is dedicated to helping its provider members improve clinical and operational performance. One of the ways we achieve this is by facilitating the introduction of innovative medical technology, products, and services that are designed to help hospitals, healthcare providers, and other healthcare organizations improve quality and reduce costs.

Bid Process Steps

Suppliers who are interested in participating in Premier's bid process have opportunity to learn about upcoming bids in the following ways:

- ▼ Providing company information through Premier's Product Portal, available at: <http://www.premierinc.com/suppliers/>.
- ▼ Providing product information through Premier's Product Portal, available at: <http://www.premierinc.com/suppliers/>.
- ▼ Periodically reviewing a list of upcoming contract bid processes on Premier's online Contract Bid Calendar, available at: <http://www.premierinc.com/about/suppliers/bid-calendar/index.jsp>.

Notification of Contract Awards

All suppliers who participate in a contract bid process will be notified of the outcome of the contract award on a timely basis, usually by telephone.

HIPAA and Premier's Suppliers

As a service to our members, Premier includes Business Associate provisions in connection with the Health Insurance Portability and Accountability Act (HIPAA) as part of its group purchasing contracts with suppliers. Where applicable, these provisions address suppliers' treatment of the protected health information of Premier members.

Breakthrough Technologies

An essential element of advancing the core objectives and mission of Premier is to encourage the development of healthcare technology that noticeably improves the quality, process, and/or outcome of care across all Premier agreements. The Technology Breakthroughs Program was created in 1997 to improve Premier members' access to new technologies and provide a mechanism for suppliers to introduce Breakthrough products. Each Premier group purchasing agreement contains a Technology Breakthroughs clause that supports the review of breakthrough products and new agreements for products meeting Breakthrough requirements. Premier is committed to a Technology Breakthroughs Program that is fair, timely, confidential, and unbiased, with an opportunity for review of decisions.

Premier uses a four-stage, evidence-based approach to review and consider products for a group purchasing agreement under the Technology Breakthroughs Program. Premier's definition of a Breakthrough product is derived from the clause in its group purchasing agreements. Products that meet one or more of the following requirements may be considered for an agreement:

- ▼ Incorporate Breakthrough Technologies
- ▼ Offer significant advantages in terms of the level of safety to patients and healthcare workers, improved clinical outcomes, improved non-clinical operational efficiencies, or dramatic process of care cost-savings for hospital members not available with similar products offered through an existing agreement.
- ▼ Bridge a gap in care.

Visit our website to learn more about our Breakthrough Technologies program at: <http://www.premierinc.com/about/suppliers/techbreakthroughs/index.jsp>

Supplier Diversity

Premier's supplier diversity initiative integrates inclusive diversity practices into Group Purchasing Services contracting areas. This allows Premier members to support small, minority, and woman-owned businesses through Premier agreements.

Premier also provides members the tools and resources required to implement supplier diversity initiatives in their own institutions. The overall goal of Premier's supplier diversity initiative is to increase a supplier diversity portfolio for members to use in their own diversity initiatives and provide the necessary tools for implementation.

The supplier diversity initiative includes:

- ▼ Documented policies to encourage the use of diverse suppliers.
- ▼ A clearinghouse of certified diverse suppliers for referral use by members, contracting staff, and suppliers,
- ▼ Announcement of new diverse supplier contracts in eSourcing, Premier's online purchasing catalog, and
- ▼ Tracking of diverse supplier expenditures by Premier and its suppliers.

A supplier that contracts with Premier is expected to use commercially reasonable efforts to spend a minimum of three percent (3%) of its annual production and raw material costs with minority-owned businesses and a minimum of two percent (2%) of such costs with women-owned businesses.

Companies can determine whether they may qualify for Premier's Supplier Diversity program by visiting the following website:

<http://www.premierinc.com/about/suppliers/supplierdiversity/glossary/index.jsp>

To learn more about Premier's Supplier Diversity program, visit our website at:

<http://www.premierinc.com/about/suppliers/supplierdiversity/overview/index.jsp>

Supplier Quality Review

Supplier performance is critical to Premier member hospitals and the patients they serve. Quality controls in manufacturing, regulatory compliance, customer service, delivery, financial stability, e-commerce capabilities, and investment in product research and development are equally as important as the products offered to the Premier membership. Manufacturers of healthcare related products are expected to complete the Supplier Quality Review process, as it is important in establishing mutually satisfying and profitable supplier/customer relationships.

To learn more about Premier's Supplier Quality Review program, visit our website at: <http://www.premierinc.com/all/dobusiness/getting-started/sqr/index.jsp>

eSourcing and GHX

Premier's eSourcing system automates the business processes associated with activating and managing a contract – creating a user-friendly online environment in which members, manufacturers, and distributors agree on the pricing tier and total cost for each item on Premier's contract. With its advanced capabilities and standardized data, eSourcing provides managers with an up-to-date, "total price" view of contracted products and enables them to determine and forecast purchasing patterns.

Premier's new purchasing automation system enables members to manage contracts to their advantage through:

- ▼ Improved participating member designation form and roster process.
- ▼ Better understanding of contract drivers for improved contract penetration.
- ▼ Creates process savings by reducing discrepancies in all parties' data.

Premier's e-commerce exchange partner, GHX, is integrated with eSourcing and provides key transactional functionalities as part of Premier's overall purchasing automation program for members. As one of the components of Premier's eSourcing solution, Premier members who use the GHX exchange gain a significant purchasing advantage due to the integration of Premier and GHX systems – integration not seen in other exchange relationships.

In our effort to create greater supply chain efficiencies for our members by reducing the transaction costs associated with purchasing orders, Premier strongly encourages suppliers to utilize eSourcing and GHX.

To learn more about Premier's eSourcing program, visit our website at:
<http://www.premierinc.com/esourcing/index.jsp>.

Vendor Grievance Process

Premier's Vendor Grievance Process ensures a supplier's ability to access Premier's contracting staff and leadership to address concerns, grievances, or complaints relating to the contracting award process for innovative products or services, or in general.

1. A supplier who believes that a contract award decision was not determined appropriately relating to innovative products or services must file a written grievance using the Vendor Grievance form (Word file) stating facts and concerns. The completed form must be sent via e-mail to vendor_grievance@premierinc.com within sixty (60) days of the contract award effective date.

Upon receipt of the grievance, a receipt confirmation will be sent to the supplier explaining the grievance process and response timeframe. Grievances relating to the contracting award process for innovative products or services will be reviewed by the member committee responsible for the product category. The committee's recommendation will be considered final. Within ninety (90) days of receipt of the grievance, the supplier will receive a detailed response letter stating the outcome of the committee's review and final decision.

2. A supplier who has a general concern, grievance, or complaint must file a written grievance using the Vendor Grievance form (Word file) stating facts and concerns. The completed form must be sent via e-mail to vendor_grievance@premierinc.com.

Upon receipt of the concern, grievance, or complaint, a receipt confirmation will be sent to the supplier explaining the grievance process and response timeframe. General concerns, grievances, or complaints will be reviewed by the appropriate contracting staff. Their recommendation will be considered final. Within ten (10) business days of receipt of the concern, grievance, or complaint, the supplier will receive a detailed response letter stating the outcome of the review and final decision.

Suppliers can file a written grievance by following the procedures identified at the following web site:

<http://www.premierinc.com/about/suppliers/vendor-grievance-policy.jsp>

Contacts

The following contacts are available to assist you in working with Premier.

Solutions Center solutioncenter@premierinc.com	877.777.1552
Supplier Relations Bill Fallon, Eastern region bill_fallon@premierinc.com	704.733.2054
David Edwards, Midwestern region david_edwards@premierinc.com	704.733.5872
Kevin Gray, Western region kevin_gray@premierinc.com	858.509.6518
Group Purchasing Breakthrough Technologies http://www.premierinc.com/about/suppliers/techbreakthroughs/index.jsp	704.733.5701
Supplier Product Portal http://www.premierinc.com/suppliers/getting-started/start-here.jsp	704.733.5701
eSourcing & GHX http://www.premierinc.com/esourcing/index.jsp	877.777.1552
Supplier Diversity http://www.premierinc.com/about/suppliers/supplierdiversity/index.jsp	704.733.5042
Supplier Quality Review http://www.premierinc.com/suppliers/getting-started/start-here.jsp	704.733.5540
Contract Resource Center & Bid Office bid_office@premierinc.com	704.733.2020

Ethics & Compliance

Megan Barry, Ethics & Compliance
megan_barry@premierinc.com

704.733.5497

[Ethics & Compliance GuideLine](#)

866.294.3701

(For use in raising anonymous concerns)

The Premier Ethics and Compliance Office website is at:

<http://www.premierinc.com/about/mission/ethics-compliance/index.jsp>